

We are **WEIR**

# Delivering strong growth and strategic progress

**The Weir Group PLC**  
Annual Report and Financial Statements 2017



# We are WEIR

We have immense pride in our heritage and our history of innovative engineering. We work together, supporting and challenging each other, with a passion to build a stronger legacy for the next generation.

See our **Strategy at a Glance** for more information.

## People



Caring for our colleagues, our neighbours and the environment and inspiring them to flourish.

## Customers



Working in partnership to provide distinctive solutions that deliver compelling value for money.

## Technology



Driving the development of new technologies and capabilities that lead the market.

## Performance



Delivering excellence for all our stakeholders through strong leadership, accountability and a lean mindset.

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Keep up-to-date with all our news at [www.global.weir](http://www.global.weir)

## Highlights

Decisive short-term actions  
to capture opportunities

**Orders<sup>1</sup>**  
**£2,395m**  
+20%

**Profit before tax<sup>2,3</sup>**  
**£250m**  
+47%

**Reported earnings per share<sup>3</sup>**  
**73.5p**  
+266%

**Inventory turns**  
**2.7x**  
up from 2.2x

**Revenue<sup>2</sup>**  
**£2,356m**  
+28%

**Reported profit after tax**  
**£162m**  
+274%

**Cash flow from operations<sup>4</sup>**  
**£221m**  
-25%

**Safety: total incident rate (TIR)<sup>5</sup>**  
**0.53**  
+20% improvement

**Operating profit<sup>2,3</sup>**  
**£292m**  
+36%

**Earnings per share<sup>2,3</sup>**  
**86.7p**  
+42%

**Revenues from new products**  
**£168m**  
+53%

**Gender diversity**  
**30%**  
female Board  
membership +8%

### Financial highlights

- Minerals orders increased 11%
- Oil & Gas orders increased 67%
- Flow Control orders reduced by 6%
- ROCE increased 290 basis points



Read more on our strategic and operational highlights on pages 12-45.

### Strategic highlights

- Embedded behavioural safety programme
- Invested in additional engineers on customer sites
- Developed new technology and people strategies
- Initiated more than 80 Value Chain Excellence improvement projects



Read more about sustainability on pages 57-67.

#### Notes:

2017 refers to the year from 1 January to 31 December 2017. 2016 refers to the period 2 January to 31 December 2016.

1. 2016 restated at 2017 average exchange rates.

2. Adjusted to exclude exceptional items and intangibles amortisation. Reported operating profit and profit before tax from continuing operations were £223m (2016: £90m) and £181m (2016: £43m) respectively.

3. Continuing operations excludes American Hydro Corporation and Ynfiniti Engineering Services. Details of other non-GAAP measures are contained in note 2 of the financial statements.

4. Cash from operations includes continuing and discontinued operations.

5. Total incident rate is an industry standard safety indicator that measures lost time and recordable incidents per 200,000 hours worked.

## Our Business Model

# Maximising value

### Our vision

To be the most admired engineering business in our markets.

### Our mission

To enable our customers to sustainably and efficiently deliver the energy and resources needed by a growing world.

### How we generate revenue

The Group has an aftermarket-focused business model. It starts by building a large installed base of original equipment used in highly abrasive operating environments. This, in turn, drives demand for spares and services, providing earnings resilience in the diversified markets the Group serves. In 2017, 69% of revenues were generated from aftermarket activity, with 31% from original equipment. 39% were generated in emerging economies.



#### Mission-critical solutions

We focus on solutions that are essential to our customers' operations and where our engineering expertise enables them to achieve their business objectives safely, efficiently and sustainably.



#### Comprehensive global support

Our global service centre network is the most extensive in our main markets, delivering rapid support to customers in the need-it-now industries we serve.



#### Highly engineered equipment

We are the technology leaders in our main markets, supported by almost 150 years of innovative engineering with leading brands that are known for their reliability and performance.

### Our distinctive competencies

The Group is committed to building long-term value for all our stakeholders. We rely on a range of resources and relationships to be successful. Developing and enhancing these are at the heart of the Group's strategy, as expressed in our four distinctive competencies.



#### People

Caring for our colleagues, our neighbours and the environment and inspiring them to flourish.



#### Customers

Working in partnership to provide distinctive solutions that deliver compelling value for money.



#### Technology

Driving the development of new technologies and capabilities that lead the market.

### The value we create

#### Investors

Strong returns from growth ahead of our end markets enabled by a clearly defined and well-executed strategy.

#### Employees

A safe and engaged workplace that supports innovation, high performance and continuing personal development.

#### Customers and suppliers

A solutions mindset that is innovative, collaborative and fosters enduring strategic partnerships.

#### Communities

Supporting employment, education, training and playing an active role in the communities we operate in around the world.

**Dividends paid to shareholders:** £96.7m.

**Amount paid in wages and salaries:** £632m.

**Amount paid to suppliers of materials and services:** £1.35bn.

**Donations made to charitable causes:** £533,603.

 Read more in CEO's Review on page 8.

 Read more in our People section on page 14.

 Read more in our Sustainability section on page 57.

 Read more in our Communities section on page 64.

# We are **WEIR**



## Intensive aftermarket care

We provide solutions that are used in some of the world's most extreme operating environments. These harsh conditions generate continuing demand for aftermarket spares and services that in turn provide earnings resilience.



## Performance

Delivering excellence for all our stakeholders through strong leadership, accountability and a lean mindset.

## Governments and regulators

Engaging with key stakeholders openly and transparently and ensuring we always do business the right way, guided by our Code of Conduct.

**£60.5m paid in corporation tax.**

 Read more in Our Ethics section on page 62.

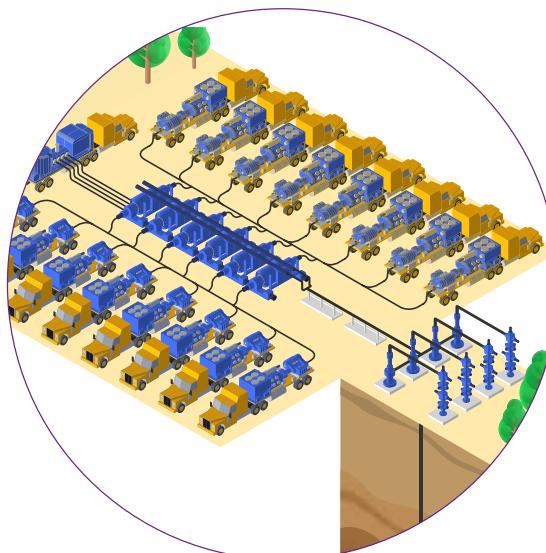


## Our three operating divisions

### Weir Minerals

Weir Minerals is a global leader in the provision of mill circuit technology and services as well as the market leader in slurry handling equipment and associated aftermarket support for abrasive high wear applications. Its differentiated technology is used in mining, oil and gas and general industrial markets around the world.

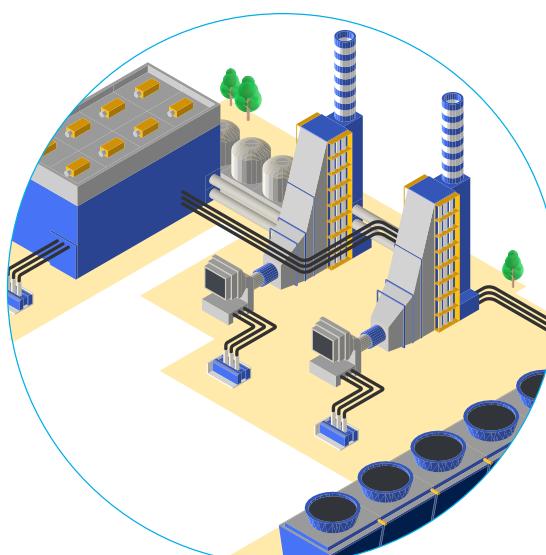
 See more in the Minerals Operational Review on page 28.



### Weir Oil & Gas

Weir Oil & Gas provides highly engineered and mission-critical solutions to upstream markets. Products include pressure pumping and pressure control equipment and aftermarket spares and services. Internationally, we provide equipment repairs, upgrades, certification and asset management, and field services.

 See more in the Oil & Gas Operational Review on page 34.



### Weir Flow Control

Weir Flow Control designs and manufactures valves and pumps. It also provides specialist support services to the global power generation, industrial, oil and gas and other aftermarket-oriented process industries.

 See more in the Flow Control Operational Review on page 40.

## Our Market Drivers

# Responding to a changing environment

The Group's diverse markets, including leadership positions in mining and shale energy, mean it is positioned to benefit from some of the major structural changes taking place in the global economy.



## Global population and migration trends

The world's population was estimated to be 7.4 billion people in 2017, with the latest analysis from the United Nations suggesting it could grow to 8.3 billion by 2030<sup>1</sup> – a growth rate of 83 million people annually.

While the pace of growth has slowed in recent years, the upward trend continues. As a result, and supported by increased urbanisation, demand for natural resources and energy, which drives the Group's primary markets, is expected to continue to rise.

### Our response

As the global population grows, and more people move from the countryside to cities, demand increases for the commodities produced by our mining, oil and gas and power customers.

As infrastructure investment increases, there will be additional demand for commodities processed by Weir's equipment. The Group has also expanded into adjacent markets, such as sand and aggregates, that have a more direct relationship to infrastructure-led demand.

As consumption increases in emerging economies, there will also be additional demand for commodities supported by the Group's equipment.

1. [https://esa.un.org/unpd/wpp/Publications/Files/WPP2017\\_KeyFindings.pdf](https://esa.un.org/unpd/wpp/Publications/Files/WPP2017_KeyFindings.pdf)



## Climate-driven change

Concerns over climate change has led a number of countries to set long-term targets to ban the sale of cars powered only by fossil fuels. The UK and France have said any ban would take place after 2040, while China has not set a specific date.

Moves to reduce emissions and increase the use of electric vehicles is likely to have a long-term impact on commodities such as oil, while also increasing demand on other sources of energy, from natural gas to wind and solar.

### Our response

The Group operates in a diverse range of markets that have the potential to be impacted in different ways by the growth in electric transportation and efforts to tackle climate change.

While there is uncertainty about when demand for oil may peak, it is likely to play a major role in the global energy mix for decades to come. Meanwhile, natural gas, which produces significantly lower emissions of carbon dioxide than coal, is becoming an increasingly popular source of energy in both advanced and emerging markets. Increased use of solar energy and electric vehicle adoption will also increase demand for metals such as copper, with solar energy and electric vehicles requiring significantly more copper, lithium and cobalt than traditional alternatives.



## Socio-economic environment

The global policy environment is evolving with increased political uncertainty in some regions as the benefits of globalisation are questioned and trade pacts are renegotiated.

Global economic growth continues to increase with emerging economies such as India and China experiencing the largest percentage increases. Meanwhile, many governments have made infrastructure investment, both domestically and internationally, a priority.

### Our response

The Group operates in more than 70 countries allowing it to pursue opportunities on a global scale. We have an established presence in many of the fastest-growing economies, such as China and India, and are actively engaged with key stakeholders in these countries to understand the opportunities ahead. The diversity of our operations also mitigates political risk more widely.

## Technology acceleration

The digitisation of industrial products and services is a major technology trend. It includes the so-called 'Internet of Things' (IoT) that combines sensors, cloud computing and big data analysis to offer opportunities to increase productivity and create new solutions.

At the same time, advanced manufacturing techniques, including 3D printing, continue to improve offering opportunities for factories and other industrial facilities to become more efficient in the future. Innovation in materials science also offers the potential to provide alternative production methods.

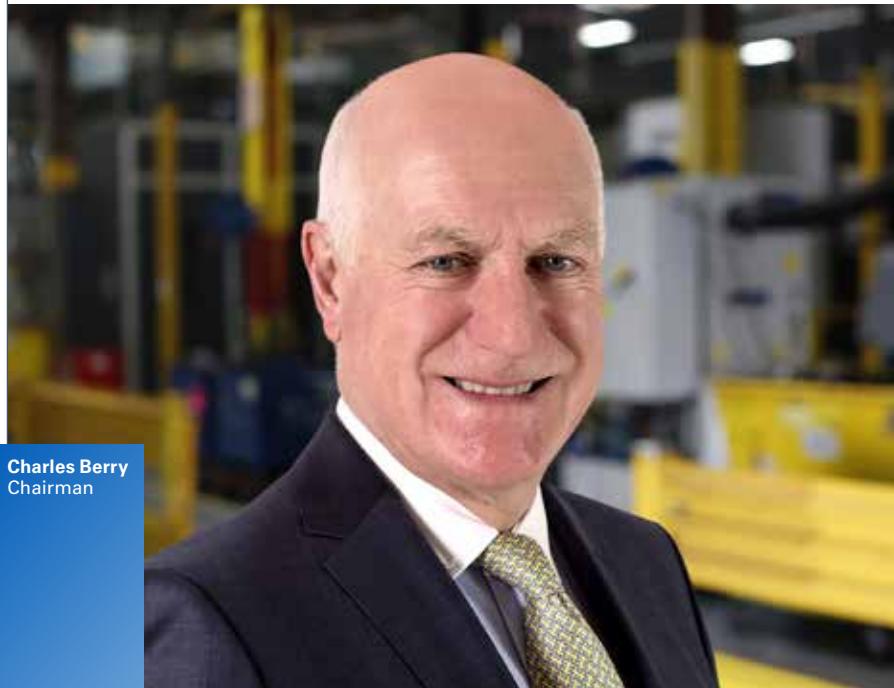
### Our response

The Group has developed a new technology strategy that incorporates how we will adapt and succeed using these emerging technologies. Working in partnership with fellow technology leaders Microsoft and Dell, we have developed our own IoT platform that utilises sensor technology, cloud computing and machine learning. Trials of Synertrex® are currently underway in a number of global markets.

We are also committed to extending our capabilities in advanced manufacturing, materials science and increasing the sustainability of our markets through improving energy and water efficiency. More details on our technology strategy can be found on page 18.

## Chairman's Statement

# Generating value for all our stakeholders



**Charles Berry**  
Chairman

## Dear Shareholder,

2017 saw the Group take full advantage of the improvement in our main markets by leveraging our business model and effectively delivering our strategy to produce increased value for our stakeholders.

### Corporate Governance

You can read more about how we comply with the UK Corporate Governance Code in the sections opposite:

<a href="#">Corporate Governance Report</a>	68
<a href="#">Our Board of Directors</a>	70
<a href="#">Our Group Executive</a>	72
<a href="#">Nomination Committee Report</a>	85
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<a href="#">Directors' Report</a>	116

While 2017's market trends provided a welcome tailwind, they were anticipated by the Group and Weir was well positioned to act quickly and take full advantage of the upturn in both North American oil and gas and global mining markets.

This led the Group to outperform these markets and in doing so reaffirmed the strength of its business model, the clarity of its strategy and quality of our near 15,000 people around the world. The Board experienced this directly on a visit to South Africa, where the benefits of Weir's culture and commitment to being an active partner in local communities was a real highlight.

You can read more about the Board's visit on page 81.

On behalf of the Board, I wish to record our gratitude to all Weir employees for their efforts throughout the year in delivering for our shareholders, customers and communities.

### Financial results

I am pleased to report a strong year of growth for your Company. Reported revenues increased to £2,356m, up 28%. On a constant currency basis, revenues were 19% higher year-on-year. Pre-tax profits from continuing operations, before exceptional items and intangibles amortisation, of £250m represent a 47% increase on the previous year. Reported profit after tax of £162m was up 274% from 2016.

You can read more in the Financial Review on page 24.

### Shareholder returns

We are proposing a final dividend payment of 29.0p per share, making 44.0p for the full year.

### Sustainable growth

By definition, Weir, with its heritage stretching back to 1871, has proven itself to be a sustainable business. This has been achieved, amongst other things, by aligning the interests of the Group with those of the communities in which we operate.

## Our culture and values

Everything we do as a company stems from our core values:



**Think 'safety first'**



**Delight our customers**



**Deliver quality**



**Do the right thing**



**Explore and innovate**

The Board recognises that the business will be more successful if it partners with stakeholders and makes a positive contribution to society. The Group does this in a variety of ways from supporting local employment and suppliers to working with governments and local communities to help educate the next generation of engineers.

In the UK, this includes the Primary Engineer programme that aims to encourage young pupils from all backgrounds to consider a career in science, technology, engineering or mathematics.

The Group is also promoting greater diversity and inclusion in a sector that has traditionally been male-dominated. The best ideas come from a variety of perspectives and, as a company that relies on the innovation and ingenuity of all our people, we need to be a workplace that allows everyone's talent to flourish.

The Board will reach its aim of ensuring that at least a third of its members are female following the 2018 Annual General Meeting (AGM), two years ahead of our original 2020 target.

While this is welcome progress, we must increase diversity throughout the organisation, from those starting out in their careers to senior leaders, and each business has plans in place to help them achieve this aim.

### Governance and Board changes

As previously announced, there were some significant changes to the composition of your Board in 2017.

On 30 September, Melanie Gee stood down as a Non-Executive Director and Chair of the Remuneration Committee, having served for six years. John Mogford and Alan Ferguson also announced during the year that they would not be seeking re-election at the 2018 AGM, having served ten and seven years respectively.

I would like to formally record the Group's thanks to Melanie, John and Alan for their exceptional service to Weir during their terms.

Clare Chapman and Barbara Jeremiah joined the Board as Non-Executive Directors in August of 2017. Clare is the former Group People Director of BT Group plc and succeeded Melanie Gee as the Chair of the Remuneration Committee. Barbara, who is a former Executive Vice-President of Alcoa, joined the Audit and Remuneration Committees. In January 2018, Stephen Young, former CEO of Meggitt plc, joined the Board and he will succeed Alan Ferguson as Audit Committee Chairman from 28 April 2018.

Looking ahead to the rest of 2018, the Board will focus on continuing to support CEO Jon Stanton as he executes our strategy and builds an even more sustainable business.

**Charles Berry**  
Chairman

28 February 2018

Members of the Board visited customers as part of its meeting in South Africa.

You can read more in Governance in Action on page 81.



## Chief Executive Officer's Review

# Delivering sustainable long-term performance



**Jon Stanton**  
Chief  
Executive  
Officer

2017 saw the Group deliver strong growth and strategic progress by being proactive and leveraging our leadership positions in increasingly attractive markets.

This time last year I set out our new 'We are Weir' strategic framework. It gave the Group a clear future direction and articulated the distinctive competencies – People, Customers, Technology, and Performance – that will help Weir achieve our vision of being the most admired engineering business in our markets.

As 2017 progressed, 'We are Weir' gained real traction across the business with teams from all over the world contributing to a vibrant debate about how best to execute our new strategy and deliver strong returns for all our stakeholders.

That passion and shared sense of purpose is extremely important and powerful. As we look to the future,

we have a good sense of where we want to go as a business and how we are going to get there. That includes agreeing new key performance indicators to be delivered over the medium term, starting in 2018. They are:

- Improved sustainable engagement and organisational effectiveness
- Increased market share
- Improved percentage of revenues from new solutions
- Sustainably higher margins through the cycle

These indicators will guide our short-to-medium-term progress and will require excellent execution of our strategy, building on the good progress delivered in 2017.

## Strategic progress

### People

Safety is our number one priority and I am pleased to report excellent progress in the past year. The Group's total incident rate (TIR), our primary measure of safety performance, reduced from 0.66 to 0.53, a 20% improvement. This has been achieved by a clear commitment from the top of the organisation through the Chief Executive's Safety Committee and other initiatives, but more importantly by the widespread adoption of a bottom-up behavioural safety culture that focuses on reducing harm and ensuring our people have a safe start, safe finish and safe journey home. There are parts of the Group that consistently achieve zero harm, but we won't be satisfied until that is consistent across all our businesses.

In addition to improving safety, we have also re-invested in our people development programmes. This was an area where the business cut back during the downturn and it was important to rebuild in order to maintain our strong record of execution. Having leaders who can mentor and develop the potential of their teams is vital. The quality and passion of our people is a real differentiator for Weir and ensuring we have a highly skilled and fully engaged workforce is critical to our future success.

Going forward, safety will continue to be our number one priority. We have also developed a new people strategy aimed at strengthening our culture and inspiring our people to reach their potential and build a personal legacy. It includes a new approach to strategic workforce planning and reviewing the employee experience to ensure it aligns with our culture and allows us to recruit and retain a diverse and vibrant workforce.

To help ensure our performance is fully aligned to the interests of our investors we'll introduce an all-employee share ownership plan in 2019. The success of the Group depends on the efforts of all our people and it is right that we give them a real stake in our future. You can read further details of our proposed plan in our Remuneration Committee report from page 95.



A CEO 'Town Hall' meeting in Jiading, China.

## Customers

Our customers are the reason we exist and thrive. Every Weir colleague should wake up each day thinking how we can do more to help our customers do better.

Traditionally, we have taken a product-led approach, but as part of the We are Weir strategic framework, we are moving to an integrated solutions mindset in which our people spend more time on site, listening to customers' operational challenges and then designing a package of solutions to help them achieve their goals.

This approach helps embed Weir even further into the operations of our customers and differentiates us more clearly from competitors. In Minerals, it helped increase orders ahead of global mining and sustaining capital spending. Oil & Gas also outperformed North American rig count growth, leveraging their key account management programme to build even closer relationships with leading oilfield services companies. Flow Control grew aftermarket orders in tough markets and reshaped its sales and marketing structure to increase its customer intimacy.

We will continue to build even closer customer relationships in the future, building on the competitive advantage provided by our comprehensive service network and seeking to continue to take early advantage of market trends. We will also work closely with customers to jointly develop new technologies that help them achieve their objectives and further embed Weir at the heart of their operations.

You can read more in our divisional operational reviews beginning on page 28.

## Technology

The Group delivered revenues of £168m from new solutions in 2017, a 53% increase, as we continued to benefit from our commitment to research and development (R&D) during the downturns that affected both mining and oil and gas markets. We also made progress towards our aim of investing 2% of revenues in R&D with 2017 expenditure of £40m

(2016: £27m) representing 1.7% of sales, up from 1.5% in 2016. Our next generation frac pump, the SPM® QEM 3000, is on trial with a number of the larger oilfield services companies, positioning the Group to benefit from any capital replacement cycle as frac fleets are upgraded in the future.

The Group's Internet of Things (IoT) technology, Synertrex®, was also successfully trialled in a number of regions, allowing customers to easily monitor the performance of their equipment and giving Weir valuable data to support future innovation.

Alongside our established process of product development, the Group has developed a new technology strategy that will ensure we continue to lead the change in our markets and build on our legacy of innovative engineering. It includes increasing the digitisation of our solutions and operations, integrating advanced manufacturing into our factories, reinforcing our materials science leadership and developing ways to reduce our customers' energy and water consumption; helping underpin the sustainability of our end markets.

## Performance

Operational excellence has been a traditional strength of the Group and in 2017 we took important steps to reinvigorate our Value Chain Excellence (VCE) initiatives across the business. Reviews were conducted to assess the potential of every business unit to make improvements.

More than 80 VCE projects were initiated, supported by extensive training programmes, and targeted at increasing on time delivery and reducing inventory turns. While overall working capital increased during the year as the business grew quickly, there was progress on increasing inventory turns.

In 2018, we expect that progress to accelerate as we see some of the benefits of our renewed focus on operational excellence come through. In the longer term, we aim to significantly improve working capital performance supporting the Group's ability to invest in further growth opportunities.

## Capital allocation

In July, the Group acquired leading South East Asian wellhead manufacturer KOP Surface Products for an equivalent enterprise value of US\$114m to support growth of our pressure control offering in the eastern hemisphere. KOP's technology complements Weir's existing Oil & Gas portfolio and will help accelerate progress in attractive Middle East and Asian markets.

## 2017 markets and business review

The Group's financial performance in 2017 reflects the proactive approach taken by the business to act early and invest in extending our competitive advantages. This, coupled with rapid improvement in market conditions in North American oil and gas and increased investment by miners on brownfield assets, contributed to a 20% increase in constant currency orders.

## Chief Executive Officer's Review continued

### Strong order growth

**£2,395m**

+20%

### Revenues from new products

**£168m**

+53%

The performance of the Oil & Gas division in particular was excellent. It moved from a £9m operating loss in 2016 to an operating profit of £92m in 2017. As the oil price and North American rig count recovered through the year, the division's main manufacturing facility in Fort Worth, Texas, flexed its operations and significantly increased capacity, moving from one shift to three. As a result of previous reductions in fixed costs, the facility delivered excellent operating leverage that contributed to its overall performance.

Minerals delivered double-digit order growth as it captured opportunities in global mining markets. Alongside its integrated solutions strategy that delivered £67m in revenues, the division invested in additional sales and project engineers to support future growth, as confidence and quotation activity in mining markets increased.

As orders grew there were some limited operational issues in the division as a result of plant and supply chain reconfigurations. While these were short-term, they, alongside the additional investment and some project delays, had an impact on the division's operating margin, but it remained within its normal long-term range.

Flow Control turned a corner in the second half of the year after its first half performance was impacted by tough market conditions in power and downstream oil and gas, while the division also recorded a one-off charge of £13m resulting from legacy contract challenges in its Gabbioneta business. This resulted in the division recording a small operating loss of £3m for the full year. As 2017 progressed, there were early signs of recovery in mid and downstream oil and gas markets while nuclear activity in China and South Korea continued to progress, with the division delivering good growth in its valves aftermarket business. After a restructuring of its sales and marketing capability, the division is now clearly focused on capturing future growth opportunities.

### Outlook for 2018

Customers in our main markets are expected to increase investment in 2018 with global mining expenditure expected to increase after a prolonged downturn. Investment by exploration and production companies in upstream North American markets is also expected to increase, supported by commodity prices and increased efficiencies in the industry. Power, mid and downstream oil and gas markets are showing initial indications of improvement.

To fully benefit from these trends, the Group will leverage the four distinctive competencies at the heart of our strategic framework; People, Customers, Technology and Performance.

Looking to 2018, assuming market conditions remain supportive, we expect to deliver strong constant currency revenue and profit growth and further balance sheet deleveraging.



**Jon Stanton**  
Chief Executive Officer  
28 February 2018

## My Team

### Team priorities

The Group Executive was strengthened in 2017 with the appointment of Geetha Dabir as Chief Technology Officer and Rosemary McGinness as Chief People Officer. Our medium-term key performance indicators are shown below:

#### People

Improved sustainable engagement score and increased organisational effectiveness

#### Customers

Increased market share

#### Technology

Improved percentage of revenues from new solutions

#### Performance

Sustainably higher margins through cycle



See biographies  
on page 70.



## Chief Executive Officer's Q&A

# Building a stronger legacy



**Jon Stanton**  
Chief Executive Officer

### Q What are your reflections on your first full year as Weir CEO?

The main highlight for me was the adoption of the We are Weir strategy. I've spoken to hundreds of our people in the past year and there has been great enthusiasm from across our global operations. This is a Group with a strong culture, great optimism and a clear view of the role we all have to play in building a stronger legacy for future generations.

Another highlight is the decisiveness we showed in responding to the rapid improvement in our core markets. We were aggressive during the downturn and we were determined to be equally proactive in the upturn. I think we've done that well, particularly in Oil & Gas, where the recovery was steepest. We did that while at the same time making good strategic progress that will deliver value over the long term.

In terms of improvements, I think we still have work to do to optimise our operations. 2017 was about identifying opportunities and the years ahead will be about seizing those opportunities to become more efficient and better serve our customers.

### Q How has the Group's strategy developed in the past year?

We've made good progress in defining our technology strategy during the year. The appointment of our new Chief Technology Officer, Geetha Dabir, whose career has been spent in Silicon Valley, has brought a new perspective and focus to the business, as we increasingly digitise our offering. We're also developing a new people strategy led by our new Chief People Officer,

Rosemary McGinness, to ensure we promote a high-performance culture and have the capabilities we will need to succeed in the years ahead. We'll do more work to refine that strategy throughout 2018. We are also further integrating sustainability throughout the business and we'll establish baselines in the next year in terms of our own performance, in addition to helping our customers operate more sustainably.

### Q The Group operates in cyclical markets, how sustainable are current conditions?

Industry expectations are also for a multi-year upturn in the mining capital cycle supported by anticipated demand for commodities like copper as the world invests more in infrastructure and the move towards electric vehicles.

In oil and gas we've clearly seen a structural change with shale oil and gas becoming very competitive and maturing into a dependable source of global energy supply. North America and the Middle East are the most attractive oil and gas markets in the world and they also happen to be where most of our activity in this industry takes place. So I think we are in the right places, with good market positions.

Finally, conditions in mid and downstream oil and gas and power – both served by Flow Control – are showing some green shoots of recovery after a prolonged downturn.

Overall, our markets are increasingly attractive and we are well positioned to take advantage of those improved conditions.

### Q What are the other main trends you see impacting the Group in the future?

As a truly global business that serves natural resources and energy customers, there are many issues we look at. Firstly, the health of the global economy, which improved in 2017 as growth picked up in advanced and emerging economies, driving demand for commodities.

Secondly, tackling climate change is clearly a priority and we are investigating how we can help customers reduce their energy and water usage as well as reducing our own environmental impact. And thirdly, technology is changing rapidly, with 'big data' and advanced manufacturing increasingly important in the markets we serve.

That is why we have a new technology strategy to take advantage of these changes. There are many more issues I could highlight, but uniting them all is the importance of being proactive and agile as a business so that we can respond to changes quickly and capture opportunities wherever they are.

### Q And how does this impact your view on allocating capital?

We have some really strong market positions and we are focused on using those as a platform to grow in what are increasingly attractive markets.

Take comminution (crushing, grinding and screening), where we increased capability with the acquisition of Trio Engineered Products in 2014. This allowed us to offer our mining customers a wider portfolio of products while also giving us access to sand and aggregates markets.

Since the acquisition, the Minerals division has applied its materials science knowledge to develop new crusher technologies and leveraged its comprehensive service network to globalise the Trio brand in both mining and sand, and aggregates, markets. To give a sense of the progress, in 2017, comminution revenues for original equipment increased by a third.

So where there are opportunities to accelerate our strategy through disciplined mergers and acquisition activity, we'll take them.



This is a Group with a strong culture, great optimism and a clear view of the role we all have to play in building a stronger legacy for future generations.



## Strategy at a Glance

### Our vision

To be the most admired engineering business in our markets.

### Our mission

To enable our customers to sustainably and efficiently deliver the energy and resources needed by a growing world.

### Strategy in action

To achieve the Group's vision and mission, we leverage our business model and focus on four distinctive competencies: **People, Customers, Technology and Performance.**



You can read more in Our Strategy in Action on page 14.



You can read more in Principal Risks and Uncertainties on page 50.



You can read more in KPIs on page 22.

## Our four distinctive competencies



**People**

### What we said we would do in 2017

- Implement a new safety charter and embed behavioural safety.
- Re-invest in leadership and development programmes.
- Improve diversity and conduct an employee engagement programme to support the We are Weir strategy.

### What we achieved in 2017

- 20% improvement in total incident rate to 0.53 – implemented a new Safety Charter and rolled out a Group-wide behavioural safety programme.
- Increased female representation at both Board and senior management levels with every business developing diversity and inclusion improvement plans to widen the Group's talent pool.
- Refreshed leadership training and undertook a global programme of increased employee engagement to embed We are Weir.

### Priorities for 2018

- We will develop best-in-class behavioural safety.
- We will build organisational capability.
- We will develop a culture of the future that inspires our people to build a personal legacy.

### Medium term key performance indicators

- Improved sustainable engagement score and increased organisational effectiveness.

### Associated principal risks

- Safety, Health and Environment.
- Staff recruitment, development and retention.
- Technology and innovation.
- Political and social risk.



## Customers



## Technology



## Performance

- Pursue more long-term relationships with customers.
- Shift from product focus to solutions mindset.
- Improve customer insights into new product developments.

- Expand customer digital offering.
- Broaden skills base to reflect digitisation of industrial products.
- Embed new innovation framework throughout the organisation.

- Improve operational performance including on time delivery and inventory turns.
- Reinvigorate lean disciplines and simplify value chain excellence process.
- Embed customer and Weir sustainability goals in value chain improvements.

- Minerals grew orders ahead of sustaining capital spending and increased its order book by spending more time on customers' sites and investing in additional sales, project and product management experts in addition to opening eight new service centres.
- Oil & Gas leveraged its key account system to further embed Weir among Tier-1 oilfield service customers in North America and fully capture its share of the North American market upturn.
- Flow Control restructured its sales and marketing capability to better leverage its divisional product portfolio across a greater number of international markets and EPC customers delivering good aftermarket order growth.

- Completed a new technology roadmap to be implemented from 2018 with a focus on digital solutions, advanced manufacturing, materials science and water and energy efficiency.
- Deployed Synerrex®, the Group's Internet of Things (IoT) platform, to initial customer sites within the Minerals division to enable better monitoring and maintenance of assets.
- Oil & Gas introduced the Simplified Frac Iron System that increases safety and reduced downtime on frac sites.

- Minerals reconfigured its manufacturing facilities and supply chain to increase capacity ahead of the anticipated upturn in the mining capital cycle.
- Oil & Gas delivered an excellent operational performance, ramping up its supply chain and workforce to enable its main manufacturing facility to double manufacturing volumes while also delivering significant operating leverage.
- Baseline Value Chain Excellence scores were established for each business with improvement plans and training in place to further improve inventory turns and shorten lead times.

- Increase revenues from service centre networks.
- Increase number of customer partnerships on technology development and trials.
- Develop improved Voice of Customer.

- Progress commercialisation of Weir digital agenda.
- Further develop additive manufacturing capability.
- Develop Weir innovation framework.

- Improve VCE score.
- Progress IT infrastructure and systems development.
- Begin to implement sustainability strategy.

- Increased market share.

- Increased percentage of revenues from new solutions.

- Sustainably higher margins through the cycle.

- Market volatility.
- Contract risk.
- Political and social risk.
- Technology and innovation.

- Technology and innovation.
- IT security and continuity.

- Ethics, governance and control.
- Value Chain Excellence.
- Market volatility.
- Contract risk.
- Safety, health and environment.
- Technology and innovation.
- IT security and continuity.
- Political and social risk.

**Strategy in Action:**

## People

The Group is committed to delivering a zero-harm workplace for all our people. Everyone has the right and responsibility to stop operations if they have any safety concerns.

### Keeping our people safe

#### Overview

The Group is committed to delivering a zero-harm workplace for all our people. This means ensuring they have a safe journey to work, care for each other and return to their families safe and healthy each day. A safe Weir is ultimately a more efficient and productive organisation generating value for all our stakeholders.

To achieve this we have a comprehensive strategy based around our Weir Zero Harm programme, which started in 2011 and since then has continually evolved, delivering year-on-year improvements in safety for all our people.

Progress achieved in 2017 was enhanced by a focus on behaviours. This saw a concerted Group-wide effort to encourage people at every level of the organisation to look for, demonstrate and promote the behaviours that keep them and their colleagues safe.

Overall, this emphasis on behavioural safety helped achieve a 20% improvement in total incident rate to 0.53.



Roberto Kuahara, Divisional Vice President of Operations and Value Chain Excellence at Weir Oil & Gas, led the team that delivered behavioural safety training to 90% of Weir Pressure Pumping.





#### Changing behaviours

In 2017, our new health and safety charter and programme was rolled out across all businesses. One of our units, Weir Pressure Pumping, based in Fort Worth, Texas, is our largest facility and over the course of the year they have delivered marked improvements across a number of areas.

This was achieved by moving to a more proactive approach when dealing with health and safety issues, with all employees empowered to call out safety concerns to colleagues and managers.

To achieve a change in behaviour and attitude within the business, it was essential that all employees were given the training and tools needed to improve their safety and the welfare of their colleagues.



It was seen as critical that every person in the business unit understood the Company's health and safety roadmap and what role they could play in improving their own working space and environment.



#### Sharing best practice

In early February 2017, Weir Pressure Pumping rolled out initial pilot training across a number of functional areas including Supply Chain and Operations, with the aim of embedding a new behavioural approach within the business towards health and safety and hazard perception.

It was seen as critical that every person in the business unit understood the Company's health and safety roadmap and what role they could play in improving their own working space and environment. Part of this training included teaching managers to seek mentoring opportunities that are designed to enable comfortable conversations between colleagues about reducing risk.

Around 90% of the workforce were trained in 2017, and by the end of the year, 694 mentoring opportunities had been recorded, each one providing a unique opportunity for management to speak with an employee and discuss potential improvements. The more of these discussions that take place, the less likelihood there is of an injury or accident occurring. The business is also ensuring that all observations are shared globally online to allow the wider Group visibility and the opportunity to learn from these procedures.

**Strategy in Action:****Customers**

The Group is moving from a traditional focus on selling individual products to a solutions mindset across our new and established markets. This means more deeply embedding Weir into the operations of our customers to better understand their challenges and help them meet their objectives.

**Increasing customer productivity****Overview**

Part of the Group's strategy has been to extend into adjacent markets where we can leverage our technology leadership and materials science expertise. Comminution (crushing, grinding and screening) is a process common to both mining and sand and aggregates markets. Since the acquisition of Trio Engineered Products in 2014, the Minerals division has developed new crusher products and globalised Trio's offering, leveraging its customer relationships in markets around the world.

This approach, combined with the division's integrated solutions strategy to focus on helping customers improve the productivity of their existing or brownfield assets, has increased Weir's installed base of original equipment in markets that generate significant aftermarket demand for spares and services.



CNC owner Carl Crouse at his plant in South Africa.

### The challenge

Weir Minerals customer CNC Crushers (Pty) Ltd operates a crushing and screening plant in the North West province of South Africa. The aggregates plant, which has been operating since 2006, used older model crushers and screens with outdated technology. This led to high wear on crusher liners, increased oil consumption and costly unplanned downtime, that all impacted productivity.

### Our solution

The Weir Minerals team proposed upgrading the secondary cone crusher from an old technology to a new Trio® TC51 standard hydraulic cone crusher.

The tertiary cone crusher was also changed to a Trio® TC36 standard hydraulic cone crusher. The new technology Trio® cone crushers feature a hydraulically adjusted closed side setting and relief, allowing for quick adjustment and providing added protection by preventing uncrushable material from entering the crusher and causing damage. In addition, three Trio® inclined screens were installed.

To support the future operations of the plant, a service agreement was signed between Weir Minerals and CNC Crushers. Regular inspections are now conducted by a Trio® product support specialist and all machines are well maintained. The service agreement ensures best practice is adhered to in operating and maintaining the equipment. This helps the plant achieve maximum availability and long operational life of its equipment.

### The results

Since the Weir team deployed an integrated solutions approach:

- Plant production has improved by 60% as a result of the maximum availability of equipment.
- Downtime for liner changes has reduced by 13%.
- Start-up procedures are quick and simple, while adjustment of the crusher takes only 5 minutes compared to 90 minutes with the old technology crushers.
- Socket liner life has extended from two months to over 12 months due to the lubrication power unit system used with the Trio® equipment.
- The payback period for the package of solutions was just 24 months.



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Crusher and screen performance are now predictable, maintenance is predictable and future planning is possible without running operations from day to day. Working with Weir was one of the best things I have ever done and I should have done this a long time ago.

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**CNC owner**  
Carl Crous

**Strategy in Action:**

## Technology

The Group's technology leadership in its main markets is a significant competitive advantage. As our markets evolve, we are committed to leading the technology change in our industries.



### Our new technology roadmap

#### Overview

In 2017, the Group developed a new technology roadmap aimed at ensuring we continue to maintain and enhance our market leadership positions to take full advantage of emerging technology trends.

These include improving customers' digital experience and the increasing digitisation of industrial products through the so-called Internet of Things (IoT). IoT deploys sensors on machines and extracts and transmits the data using cloud software. It also involves the use of machine learning to analyse the vast amount of 'big data' produced by industrial products.

The strategy includes opportunities to develop and deploy software platforms that enhance Weir's own operations enabling the Group to achieve future efficiencies. These include smart factories and advanced manufacturing, where we have already seen initial benefits from the 3D printing of some component parts.

And to enhance the sustainability of our main markets such as mining, we are examining how we can help our customers reduce their energy and water consumption using our engineering and materials science expertise.





The Group's new technology strategy builds on Weir's leadership positions in its main markets.



Synertex® is designed to provide better insight into our products to help reduce downtime, enhance performance and improve the safety of our customers' operations.



#### **Synertex®, Weir's IoT platform**

The Group's Synertex® IoT solution was deployed to customer sites in 2017 following a significant development stage of the technology that involved partnerships with Microsoft and Dell.

Synertex® is designed to provide better insight into our products to help reduce downtime, enhance performance and improve the safety of our customers' operations.

Synertex® uses expertly placed sensors to capture data to identify ways to ensure our equipment achieves its optimal performance. For example, by capturing vibration data on a mining screen, we can gain detailed insights into the equipment's behaviour. This data can be captured by computers placed in close proximity to our equipment and analysed to determine whether an alarm should be raised. This alarm will notify one of our local engineers who can go to the site and solve the issue at hand, in many cases preventing unplanned and expensive downtime.

#### **Helping optimise assets**

Synertex® will enhance our product and service offering, enabling our customers to better understand how our products operate in real-time. From the data collected, we can advise our customers on how they can make better use of our products.

Readings and critical extracts of the real-time data are sent to the cloud where it can be displayed on our customers' performance dashboard, sent as an alert to their mobile device or stored for further analysis using analytical tools. Integrating data directly into our customers' existing operational systems ensures ease of access anytime, anywhere for operators, maintenance teams and process engineers, to optimise operational performance and reliability.

**Strategy in Action:**

## Performance

Utilising Value Chain Excellence (VCE) to deliver improved efficiencies for our customers and drive change across the organisation.



## Continuous improvement

### Overview

VCE is a vital component in optimising our business performance and delivering improved efficiencies to our customers. VCE uses a structured framework and set of tools to drive change across the organisation to add value, eliminate waste and improve our bottom line. There are five themes in our VCE process: customer, procurement, engineering, planning and lean management. These look at ways to eliminate all types of waste or non-value added activities. By analysing and evaluating our performance in each of these areas against key performance indicators, we are able to drive improvements for customers.

In 2017, we took steps to re-focus our VCE strategy, attempting to improve our performance in three key areas: increasing on-time delivery, improving inventory turns and reducing the cost of poor quality.





Utilising a variety of Value Chain Excellence methods, Weir Malaysia has consistently managed to improve the on-time delivery rate of its rubber sheet products.

### Adopting VCE in operations

Weir Malaysia identified an opportunity to use VCE methods to increase efficiency and customer satisfaction.

The business, which delivers rubber sheets to customers' specific requirements, focused its efforts on improving machine performance to deliver higher output and reduce waste. By adopting lean manufacturing tools such as value stream mapping, 'kaizens' and a daily 'war room' for team meetings, they identified opportunities to increase productivity.

The opportunities were digitally simulated to test the results of this approach and analyse the potential to reduce machine downtime and increase throughput. The business constantly evaluated performance and focused on any deviation, putting corrective actions in place quickly.

In addition, the business trained staff to have the essential skills they need to work across a set of machines, all underpinned by appropriate safety and risk assessments.

### The value of VCE

By using VCE tools to identify and improve operations, the business has increased machine efficiency and productivity. This has translated into greater velocity and ultimately improved on-time-delivery, which has led to greater customer demand.

Weir Malaysia is now focusing on maintaining its new standards and achieving continual improvements. The VCE lessons of 2017 are now being shared across departments.

Key lessons include the value of engaging a wide variety of stakeholders to increase collaboration and deliver improved performance for the business and better outcomes for customers.

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VCE relies on our people, customers and technology working together to drive improved performance at the heart of our business.

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## Key Performance Indicators

# Measuring our progress

## 2017 Key Performance Indicators

2015	£2,080m
2016	£1,989m
2017	£2,395m

2015	£220m
2016	£170m

2015	£396m
2016	£293m

KPI

KPI

KPI

**Orders<sup>1</sup>****Profit before tax<sup>2,3</sup>****Cash flow**

## Description

The Group delivered strong order growth in both its Oil & Gas and Minerals divisions as demand for its solutions increased. Flow Control orders were impacted by tough market conditions in both power and downstream oil and gas markets.

## Description

Profit before tax increased significantly principally reflecting a return to growth by the Oil & Gas division. Profitability in Minerals was impacted by investment in growth initiatives, project phasing and plant reconfigurations. Flow Control was impacted by one-off charges in the first half.

## Description

Cash flow from operations reduced as a result of increased investment in working capital to support strong growth, particularly in the Minerals and Oil & Gas divisions. Flow Control's cash flow performance reflected its reduced profitability.

## Definition

Orders represent a confirmed request from a customer to buy or receive goods and services under specified terms and conditions. When accepted, an order becomes a legally binding contract. Order trends indicate market demand for the Group's solutions.

## Definition

Profit before tax is the profit made by the Group before the payment of corporation tax. It is a good indicator of performance, including the capital structure of the Group, without being influenced by the impact of different tax regimes around the world.

## Definition

Cash flow from operations included both continuing and discontinued operations. It is an indicator of the Group's ability to support its financing requirements, including payment of dividends to shareholders.

## Link to strategy

Order trends indicate the success of the Group's customer strategy in growing market share by providing distinctive solutions that deliver compelling value for money.

## Link to strategy

Profit before tax indicates the value generated by the Company in the year and as such is an important indicator of progress in executing the Group's strategy.

## Link to strategy

Positive cash flow indicates the ability of the Group to generate the cash to support investment in its strategy and ensure it has sufficient liquidity to meet its financial obligations.

## Remuneration linkage

Order performance is directly linked to the annual bonus awarded to Executive Directors. Further details can be found in the Remuneration report on page 95.

## Remuneration linkage

Profit before tax is directly linked to the annual bonus awarded to Executive Directors. Further details can be found in the Remuneration report on page 95.

## Remuneration linkage

Cash flow is directly linked to the annual bonus awarded to Executive Directors. Further details can be found in the Remuneration report on page 95.

## Target

– The target for 2017 ranged from entry level at £2,138m to a maximum award at £2,563m.

## Target

– The target for 2017 ranged from entry level at £194.9m to a maximum award at £263.7m.

## Target

– The target for 2017 ranged from entry level at £314.6m to a maximum award at £386.4m.

## 2018 Key Performance Indicators

KPI

**Profit before tax<sup>2,3</sup>**

## Description

Profit before tax.

## Definition

Profit before tax is the profit made by the Group before the payment of corporation tax. It is a good indicator of performance, including the capital structure of the Group, without being influenced by the impact of different tax regimes around the world.

## Link to strategy

Performance: delivering excellence for all our stakeholders through strong leadership, accountability and a lean mindset.

## Remuneration linkage

Profit before tax is directly linked to the annual bonus awarded to Executive Directors.

## Target

– Financial targets will be disclosed in the 2018 Annual Report.

1. 2016 restated at 2017 average exchange rates.

2. Adjusted to exclude exceptional items and intangibles amortisation. Reported operating profit and profit before tax from continuing operations were £223m (2016: £90m) and £181m (2016: £43m) respectively.

3. Continuing operations excludes American Hydro Corporation and Ynfiniti Engineering Services. Details of other non-GAAP measures are contained in note 2 of the financial statements.



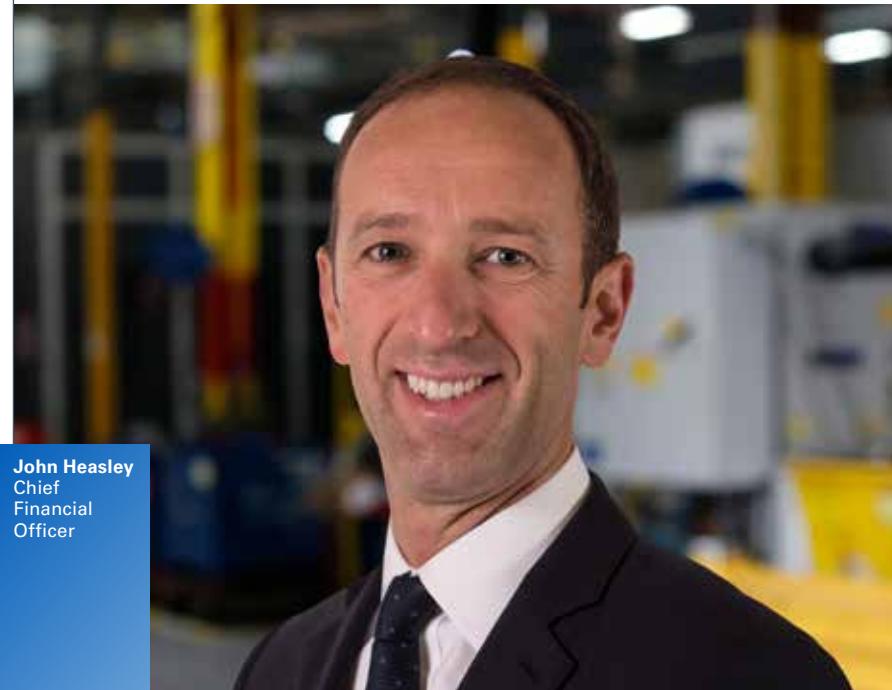
The six 2018 KPI targets are directly linked to Executive Director remuneration. See page 102 for more details.

We have updated our Key Performance Indicators for 2018 with a close alignment to the successful execution of our Weir strategy and they are directly linked to Executive Director remuneration.

Strategic objectives				
KPI	KPI	KPI	KPI	KPI
<b>Cash</b>	<b>Engagement and effectiveness</b>	<b>Market share</b>	<b>New solutions</b>	<b>Margins</b>
Description	Description	Description	Description	Description
Working capital as a percentage of sales.	Sustainable engagement and organisational effectiveness.	Increased market share.	Improved percentage of revenues from new solutions.	Sustainably higher margins through the cycle.
Definition	Definition	Definition	Definition	Definition
Working capital as a percentage of sales is a good indicator of operational efficiency in the business.	Blended metric that captures an evaluation of employee engagement and demonstrates increased organisational effectiveness.	The proportion of an addressable market's total sales that are captured by a product, service or company.	New solutions are defined as having been commercialised in the last three years.	Delivering sustainably higher operating margins through process improvements and elimination of waste.
Link to strategy	Link to strategy	Link to strategy	Link to strategy	Link to strategy
Performance: delivering excellence for all our stakeholders through strong leadership, accountability and a lean mindset.	People: caring for our colleagues, our neighbours and the environment and inspiring them to flourish.	Customers: working in partnership to provide distinctive solutions that deliver compelling value for money.	Technology: driving the development of new technologies and capabilities that lead the market is one of the Group's four distinctive competencies.	Performance: delivering excellence for all our stakeholders through strong leadership, accountability and a lean mindset.
Remuneration linkage	Remuneration linkage	Remuneration linkage	Remuneration linkage	Remuneration linkage
Working capital as a percentage of sales is directly linked to the annual bonus awarded to Executive Directors.	Employee engagement is directly linked to the annual bonus awarded to Executive Directors.	Increased market share is directly linked to the annual bonus awarded to Executive Directors.	Revenues from new solutions is directly linked to the annual bonus awarded to Executive Directors.	Sustainably increasing margins is directly linked to the annual bonus awarded to Executive Directors.
2018 Target	2018 Target	2018 Target	2018 Target	2018 Target
– Financial targets will be disclosed in the 2018 Annual Report.	– Drive a best in class behavioural safety culture. – Build organisational effectiveness through execution of the people strategy and diversity improvement. – Define suitable baseline measure of sustainable employee engagement and organisational effectiveness.	– Increase revenues from service centre networks. – Increase number of customer technology partnerships. – Progress Voice of Customer development.	– Progress commercialisation of Weir digital agenda. – Further develop advanced manufacturing technology. – Develop innovation framework.	– Improve VCE scores. – Progress IT infrastructure and systems development. – Begin implementation of sustainability strategy.

## Financial Review

# Delivering strong growth while investing to fully capture market opportunities



**John Heasley**  
Chief  
Financial  
Officer

### Overview

Having delivered strong revenue and profit growth in 2017, the positive outlook for our Minerals and Oil & Gas markets, together with our disciplined investment in strategic priorities and improving leverage ratios, mean that we look forward with confidence.

#### Revenue growth

**28%**

as reported

#### PBT growth

**47%**

as reported  
(excluding exceptionals  
and amortisation)



You can read more in the Financial Statements section on page 126.

2017 has been a year of significant turnaround driven by our Oil & Gas division which, against an improving market backdrop, demonstrated great execution to deliver a 67% increase in revenues and a £101m increase in operating profit without faltering on customer commitments. With Minerals markets at the beginning of a positive upcycle, after a tough few years, we took the opportunity to invest in people and facilities to ensure that our Minerals division is optimally placed to build upon its market leading position and maximise the opportunities for growth through the upcoming market cycle.

#### Financial highlights

Order input and revenue (on a constant currency basis) increased by 20% and 19% respectively, primarily as a result of the significant upturn in North American oil and gas markets together with a strong Minerals performance. Aftermarket input growth was 22% and original equipment orders grew by 16%. On a reported basis, revenues grew by 28%, supported by a £127m foreign exchange translation benefit.

Profit before tax, amortisation and exceptional items of £250m was up by 47%, primarily driven by our Oil & Gas division. Operating exceptional charges of £13m were incurred, mainly in right-sizing operations in later cycle markets. The reported profit before tax from continuing operations of £181m compares to £43m in 2016. A £119m investment in working capital to support current and future year growth resulted in a free cash outflow of £24m, leaving net debt £8m higher than 2016 at £843m with net debt to EBITDA improving to 2.5 times.

#### Excellent Oil & Gas performance

Oil & Gas showed great operational execution to respond to the improving market conditions in North America by delivering a 67% increase in constant currency revenues and a 36% flow through to profits, which resulted in operating margins of 13% compared to a small loss in 2016. This was achieved by leveraging a significantly reduced overhead base compared to the previous cycle which, along with other industry players, is contributing to the establishment of shale as a highly cost-competitive source of oil and gas for global markets.

## Results summary

Continuing operations <sup>1</sup> £m	2017	2016	As reported	Constant currency <sup>2</sup>
Orders <sup>2</sup>	<b>2,395</b>	1,989	n/a	20%
Revenue	<b>2,356</b>	1,845	28%	19%
Operating profit <sup>3</sup>	<b>292</b>	214	36%	25%
Operating margin <sup>3</sup>	<b>12.4%</b>	11.6%	+80bps	+60bps
Net finance costs <sup>3</sup>	(42)	(44)	5%	2%
Profit before tax <sup>3</sup>	<b>250</b>	170	47%	32%
Reported profit after tax	<b>162</b>	43	274%	n/a
Cash from operations <sup>4</sup>	<b>221</b>	293	-25%	n/a
Net debt	<b>843</b>	835	-£8m	n/a
Net debt / EBITDA <sup>5</sup>	<b>2.5</b>	2.8	11%	n/a
Effective tax rate	<b>23.9%</b>	22.5%	+140bps	n/a
Earnings per share <sup>3</sup>	<b>86.7p</b>	61.2p	42%	n/a
Dividend per share	<b>44.0p</b>	44.0p	-	n/a
ROCE <sup>6</sup>	<b>10.4%</b>	7.5%	+290bps	n/a

The Financial Review includes a mixture of GAAP measures and those which have been derived from our reported results in order to provide a useful basis for measuring our operational performance. Operating results are for continuing operations before exceptional items and intangibles amortisation as provided in the Consolidated Income Statement. Details of other non-GAAP measures are provided in note 2 of the financial statements.

- Continuing operations excludes American Hydro Corporation and Ynfiniti Engineering Services, which were disposed of during H1 2016 and are reported as discontinued operations.
- 2016 restated at 2017 average exchange rates.
- Adjusted to exclude exceptional items and intangibles amortisation. Reported operating profit and profit before tax from continuing operations were £223m (2016: £90m) and £181m (2016: £43m) respectively. Reported earnings per share from total operations were 73.5p (2016: 17.8p).

- Cash from operations includes both continuing and discontinued operations.
- Calculation is on covenant basis with net debt at average rates.
- Continuing operations EBIT before exceptional items (excluding KOP EBIT) divided by average net assets (excluding KOP net assets) excluding net debt and pension deficit (net of deferred tax asset).

## Order input

Order input at £2,395m increased 20% on a constant currency basis. Original equipment orders were £722m. Aftermarket orders were £1,673m.

Minerals order input increased by 11% to £1,347m (2016: £1,215m). Improved commodity prices continued to support the industry's drive to increase production and improve efficiency of current mining operations. Original equipment orders were up 14% year-on-year reflecting increased brownfield wins driven by our strong service and engineering network in close proximity to mine sites as well as a small number of initial greenfield and major expansion projects. Aftermarket orders, at 70% of total input (2016: 71%), increased by 9%. The division showed positive book-to-bill of 1.05 for the full year.

Oil & Gas input at £732m (2016: £438m) was 67% higher (64% on a like-for-like basis) reflecting the recovery in North American upstream activity as oil prices and technological advances supported increased activity. These factors resulted in an improving oil price throughout the year and saw a 74% increase in North American rig count, principally through

the first part of the year before stabilising. International markets were more subdued although showed some initial signs of increased quotation activity towards the end of the year, especially in the Middle East. A positive book-to-bill ratio for the division of 1.04 for the full year demonstrates the momentum that we carry into 2018.

Flow Control order input decreased by 6% to £316m (2016: £336m), principally driven by continued weakness in mid and downstream oil and gas markets, with input across the Power sector broadly stable and Industrial markets showing initial growth. Original equipment orders were down 16% driven by lower project activity while aftermarket input improved by 6% due to increased focus and the end of destocking activities by a number of customers.

## Group revenue

Revenue of £2,356m showed growth of 19% on a constant currency basis mainly reflecting the improvement in orders in the Oil & Gas division and continued strong input performance in Minerals. Aftermarket accounted for 69% of revenues, remaining consistent with prior year. Reported revenues increased

28%, supported by a foreign exchange translation benefit of £127m.

Minerals revenue was 7% higher on a constant currency basis at £1,287m (2016: £1,201m). Both original equipment and aftermarket revenues were 7% higher with strong growth across South America, Africa and Asia Pacific. Reported revenues increased by 16% (2016: £1,112m), supported by a foreign exchange translation benefit of £89m.

Oil & Gas revenue increased by 67% to £704m on a constant currency basis (2016: £421m) and 64% on a like-for-like basis, reflecting order input trends. Reported revenues increased by 75%, after a £20m foreign exchange translation benefit. North American revenues increased sequentially throughout the year, reflecting input trends while International revenues stabilised during the second half of the year.

Flow Control revenue increased by 4% on a constant currency basis to £365m (2016: £350m), with aftermarket revenues unchanged from the prior year and original equipment revenues up 7% driven by delivery of a large part of the legacy order book for downstream oil

## Financial Review continued

and gas projects. Reported revenues rose by 10% reflecting an £18m foreign exchange translation benefit.

### Operating profit

Operating profit from continuing operations (before exceptional items and intangibles amortisation) increased by £78m (36%) to £292m on a reported basis. Excluding an £18m foreign currency translation benefit, the constant currency increase was £60m.

Oil & Gas delivered an excellent operating performance, increasing operating profits by £101m through successfully leveraging workforce and supply chain requirements to meet increased North American demand. The Minerals constant currency operating profit reduction of £7m reflects strong underlying growth offset by a £25m investment in growth initiatives including one-off costs of £10m associated with reconfiguring operational capacity as volumes increase. Flow Control saw a £35m year-on-year constant currency reduction primarily due to £13m of one-off costs related to legacy contracts in downstream oil and gas and associated under-recoveries in that business. Second half operating margins in Flow Control returned to mid-single digits following the one-off charges incurred in the first half of the year.

Unallocated costs were unchanged from the prior year at £24m.

Operating profit (including exceptional items and intangibles amortisation) for the year of £223m was £133m higher than the prior year due to the £78m increase in underlying operating profit and a £55m reduction in exceptional items and intangibles amortisation.

### Net finance costs

Total net finance costs, including exceptional items, were £43m (2016: £48m). There were four components of this net charge, the most significant being the interest cost of £38m (2016: £41m) on the Group's borrowings (including amounts in relation to derivative financial instruments). The other elements were a charge of £4m (2016: £3m) in relation to the Group's defined benefit pension plans and an exceptional cost of £1m (2016: £4m) being the unwind of the discount on contingent consideration liabilities. The overall decrease of £3m compared to 2016 was principally due to the favourable impact of foreign exchange on US\$-denominated interest payments.

Net finance costs (excluding retirement benefit related amounts and exceptional items) were covered 7.7 times (2016: 5.3 times) by operating profit from continuing operations, before exceptional items and intangibles amortisation.

### Profit before tax

Profit before tax from continuing operations (before exceptional items and intangibles amortisation) increased by 47% to £250m (2016: £170m). The reported profit before tax from continuing operations of £181m compares to £43m in 2016.

### Exceptional items and intangibles amortisation

Exceptional items resulted in a reduced charge of £13m (2016: £74m) with intangibles amortisation at £55m (2016: £50m).

Restructuring and rationalisation charges of £13m in the current year predominantly represent the continuation of programmes to right-size operations and realign certain

activities, including the later cycle international markets in Oil & Gas and the downstream oil and gas pump business in Flow Control.

The remaining elements of the exceptional charge in the year are £2m of costs associated with the finalisation of historical legal claims, a £10m gain on sale of our 49% share in the Energy Products LLC joint venture and a fair value adjustment of £9m to contingent consideration, reflecting the final settlement for the acquisition of the remaining 40% of Weir International, our Korean valves business.

The exceptional tax credit of £41m includes £17m of tax on the exceptional operating items and amortisation described above. In addition it includes a one-off £24m credit in respect of the impact of US tax reform following the signing into law on 22 December 2017 of the Tax Cuts and Jobs Act. The one-off credit arises from revaluing US deferred tax assets and liabilities at the reduced US federal corporate income tax rate of 21% (previously 35%) and from the release of previously held tax provisions for US tax on unremitted overseas earnings which will no longer be required.

### Taxation

The tax charge for the year of £60m (2016: £38m) on profit before tax from continuing operations (before exceptional items and intangibles amortisation) of £250m (2016: £170m) represents an underlying effective tax rate (ETR) of 23.9% (2016: 22.5%). Our ETR is principally driven by the geographical mix of profits arising in our business and, to a lesser extent, by the impact of Group financing and transfer pricing arrangements.

## Operating profit to EBITDA

	2017 £m	2016 £m
<b>Continuing operations</b>		
Operating profit	<b>223.1</b>	90.3
Adjusted for:		
Exceptional items (Note 5)	<b>13.3</b>	73.5
<b>Earnings before interest and tax (EBIT)</b>	<b>236.4</b>	<b>163.8</b>
Intangibles amortisation (Note 5)	<b>55.4</b>	50.2
Depreciation of property, plant & equipment (Note 4)	<b>58.2</b>	55.9
<b>EBITDA</b>	<b>350.0</b>	<b>269.9</b>

The Group has a robust framework to mitigate tax risks, together with a prudent and consistent approach to tax provisioning. This is discussed further in note 2.

In terms of cash tax, the Group paid income tax of £61m in 2017 across all of its jurisdictions compared to £16m in 2016, the increase principally driven by the non-repeat of cash tax refunds received in the prior period in respect of tax losses in the US.

### **Capital expenditure**

We were able to increase investment in our strategic priorities with net capital expenditure increasing from £62m to £81m, reflecting a return to previous expenditure levels.

### **Cashflow and net debt**

Free cash flow from continuing operations was an outflow of £24m (2016: inflow £130m), before cash exceptional items of £29m. Cash from operating activities reduced by £72m from £293m in 2016 to £221m in the current year which mainly reflected the upturn in Oil & Gas operating profit, offset by a £119m investment in working capital in the year mainly across Oil & Gas and Minerals to support increased activity levels in current and future years.

The reduction in free cash flow is further explained by a £45m increase in cash tax as noted above and a £28m increase in cash dividends paid as a result of lower uptake for the scrip dividend compared to the prior year.

Our working capital efficiency was demonstrated by working capital as a percentage of sales reducing from 27.1% to 25.7% and inventory turns improving from 2.2 to 2.7.

Exceptional cash items include a restructuring and rationalisation cash outflow of £29m (2016: £58m outflow offset by £36m proceeds relating to the 2016 asset disposal programme). Cash proceeds of £32m from the disposal of our 49% share in Energy Products LLC, our non-core North American Oil & Gas distribution joint venture, were offset by our £37m purchase of the remaining 40% of Weir International, our Korean valves business. Our acquisition of KOP Surface Products was financed via the issue of share capital totalling £90m during the year.

The above movements resulted in closing net debt of £843m (2016: £835m), which includes a favourable foreign exchange

movement of £49m. On a lender covenant basis, the ratio of net debt to EBITDA was 2.5 times (2016: 2.8 times) compared to a covenant level of 3.5 times.

### **Pension**

The Group has four defined benefit pension plans, the largest of which are the two UK plans. During the course of the year, the Trustees of the UK Executive Scheme entered into a full buy-in transaction with Scottish Widows, with all of the benefit payments due from that scheme now covered by an insurance policy. As a result, insurance policy assets held now cover 43% (2016: 40%) of the Group's total funding obligation across all schemes, reducing the Group's exposure to actuarial movements.

The net deficit in the plans of £138m represents a minor increase from £137m in 2016. The increase in deficit is mainly due to actuarial losses of £35m (following a reduction in the UK discount rate to 2.4% from 2.6%), offset by actuarial gains of £17m due to updated life expectancy assumptions, gains of £15m on pension scheme assets and £4m of Group contributions. The remaining balance of £2m comes primarily from experience adjustments on liabilities.

### **Asbestos provision**

Certain of the Group's US-based subsidiaries are co-defendants in lawsuits pending in the United States in which plaintiffs are claiming damages arising from alleged exposure to products previously manufactured which contained asbestos. At the end of 2017, there were 1,657 asbestos-related claims outstanding in the US (2016: 1,477).

During the year, and with the assistance of external advisers, we completed our triennial review of estimated future indemnity and defence costs. As a result of this review a US asbestos provision of £53m (2016: £48m) has been recognised. The Group has comprehensive insurance cover for these cases and as a result recognises a corresponding insurance asset.

In the UK, there are 16 (2016: 18) outstanding asbestos-related claims which are not the subject of insurance cover. The expected settlement costs of these and anticipated future claims in the UK are fully provided for.

Full details of the US and UK provisions, plus related insurance receivable, are provided in note 22.

The key accounting and policy judgements are contained within note 2 to the Group financial statements on page 131.

### **Earnings per share**

Earnings per share from continuing operations (before exceptional items and intangibles amortisation) increased by 42% to 86.7p (2016: 61.2p). Reported earnings per share including exceptional items, intangibles amortisation and profit from discontinued operations was 73.5p (2016: 17.8p). The weighted average number of shares in issue increased to 219.9m (2016: 215.6m) following the issue of 6.2m shares during the year in respect of the KOP acquisition and scrip dividends.

### **Dividend**

The Board is recommending a final dividend of 29.0p resulting in a total dividend of 44.0p for the year, in line with 2016. Dividend cover (being the ratio of earnings per share from continuing operations before exceptional items and intangibles amortisation, to dividend per share) is 2 times. If approved at the Annual General Meeting, on 26 April 2018, the final dividend will be paid on 4 June 2018 to shareholders on the register as at 27 April 2018 with a scrip dividend alternative continuing to be offered.

**John Heasley**  
Chief Financial Officer  
28 February 2018

The Strategic Report, covering pages 1 to 67 of the Annual Report and Financial Statements 2017, has been approved by the Board of Directors in accordance with The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

On behalf of the Board of Directors

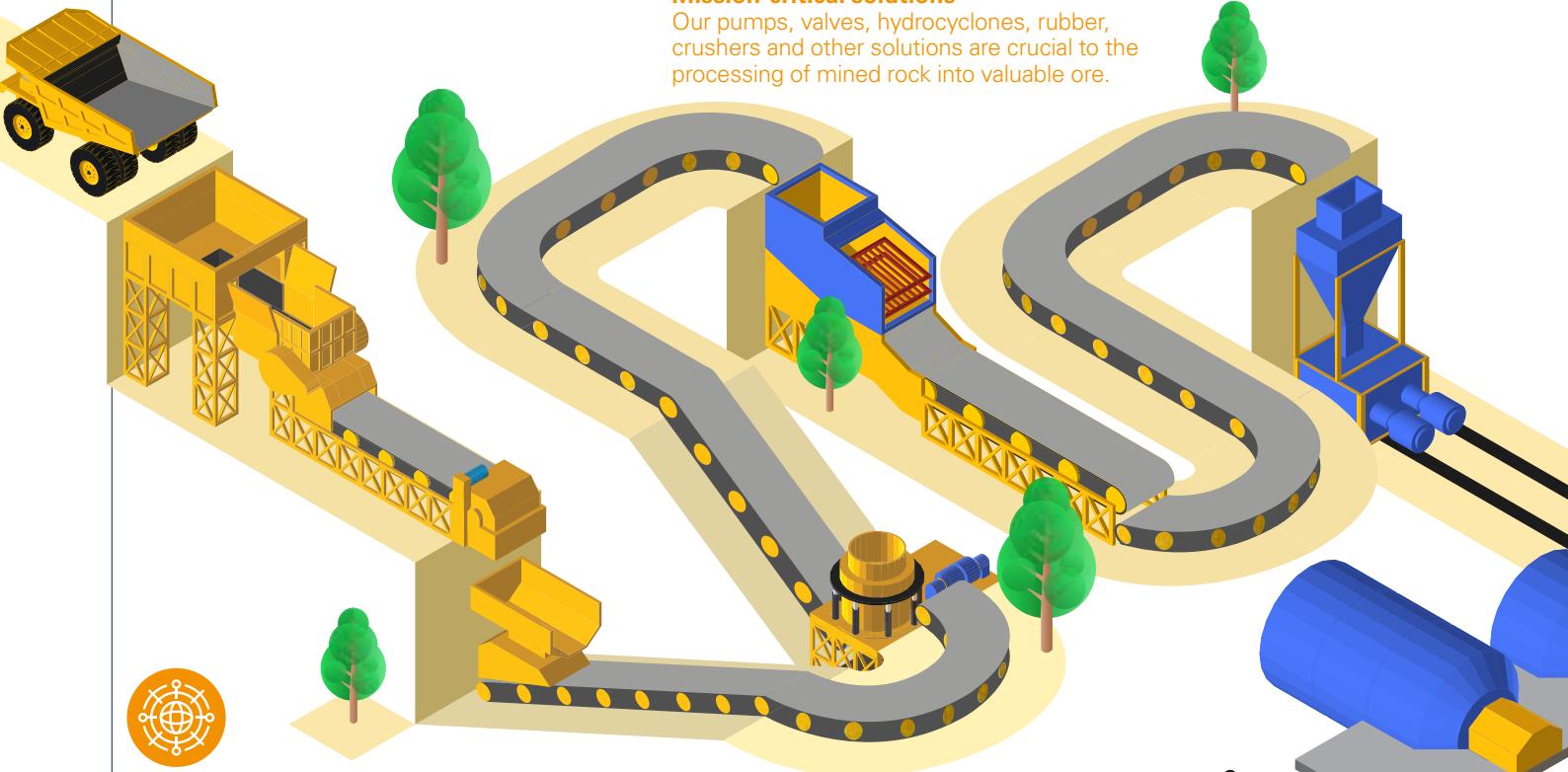
**Christopher Morgan**  
Company Secretary and  
General Counsel  
28 February 2018

**Operational Review****Weir Minerals**

Building on our leadership positions in improving markets

**What we do****Mission-critical solutions**

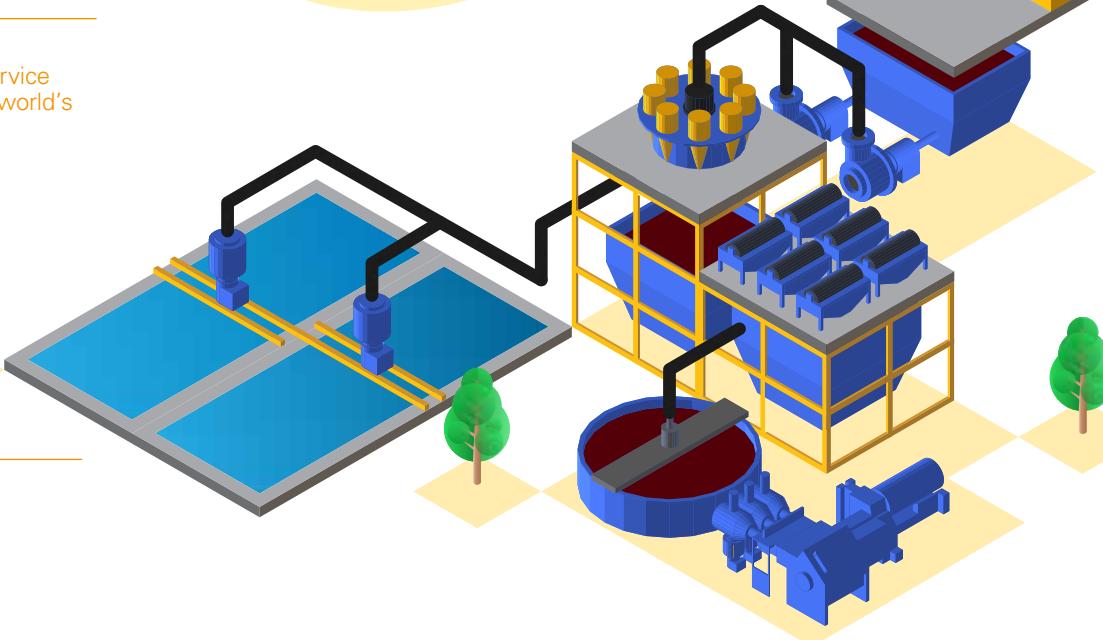
Our pumps, valves, hydrocyclones, rubber, crushers and other solutions are crucial to the processing of mined rock into valuable ore.

**Comprehensive global support**

The division has more than 140 service centres close to customers in the world's main mining regions.

**Intensive aftermarket care**

Operating in highly abrasive environments drives demand for spares and services.





**Ricardo Garib**  
Division President of Weir Minerals

The division invested early to take advantage of increased market confidence and leverage its technology leadership and extensive service network.

#### Market review

In mining, ore production increased slightly by 1% while average ore yields continued to fall, requiring greater levels of processing to maintain the same volume of refined commodity to support aftermarket demand growth. While overall mining capital spending was stable, sustaining expenditure increased by 5% as miners sought to optimise production from existing assets.

Regionally, Australasia saw increased activity driven by gold and lithium markets while coal remained challenging. Similarly, Africa benefited from increased activity in gold and copper, although there was some disruption from government actions in East Africa in the second half of the year. North America and Europe benefited from improved sentiment and activity in hard rock mining markets, although North American general industrial and coal markets were relatively subdued.

In Latin America, mining activity remained robust despite the impact of industrial relations' issues in the first half for some of our customers.

In non-mining markets, aggregates demand remained supportive in most regions, with the US, in particular, increasing its investment in infrastructure. While there was no significant new investment in oil sands projects, production increased overall, supporting demand for aftermarket spares and services.

#### Operational review

As part of its continued focus on developing a broader solutions mindset, more time was spent by all levels of the organisation on customer sites. This close customer intimacy gave the division improved insight, allowing it to anticipate additional demand, particularly for integrated solutions that optimise production of existing assets.

#### Highly engineered equipment

Through its technology leadership, the division has built up a significant installed base of original equipment.

## Operational Review: Weir Minerals continued

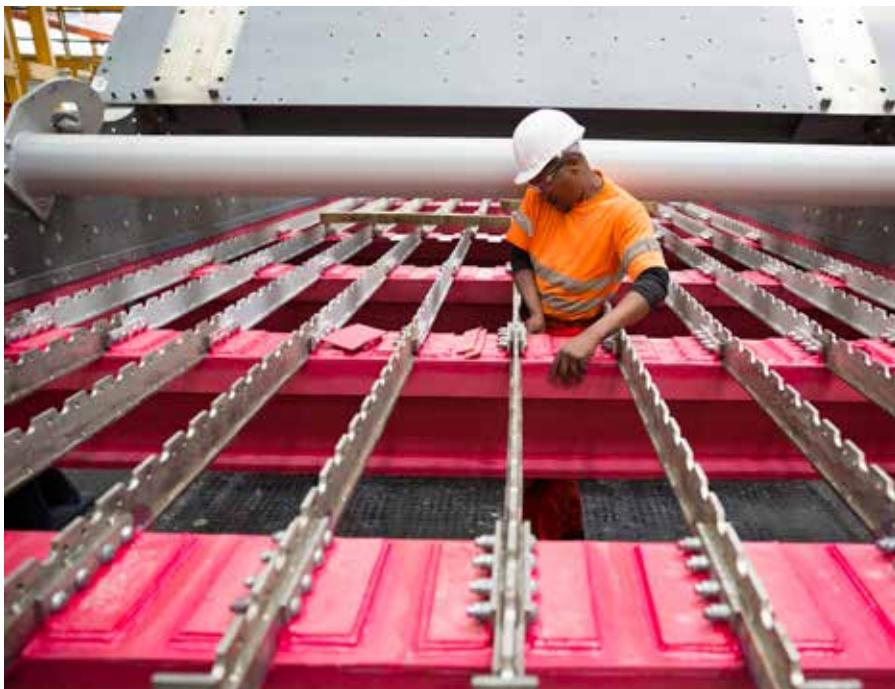
To take full advantage of these positive trends the division was proactive, investing in additional sales, engineering and project management capability. It also extended its global service centre network with new facilities in Canada, France, Poland, Sweden, the Dominican Republic and Russia, taking our total number of service centres to approximately 100. The division encountered some short-term operational challenges in North America and Europe as a result of plant and supply chain reconfigurations to meet demand growth, but these had been substantially remediated by the end of the year. Good progress was made globalising newer product lines such as the comminution offering and Delta Valves while new technology introductions included advanced spools for oil sands applications.

### Key priorities in 2018

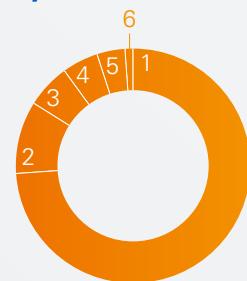
- Safety – continue our strong performance on safety and embed next phase of Weir Zero Harm programme.
- Strengthen our engineering presence at service centres and customer sites.
- Fully capture comminution, brownfield, tailings and spares opportunities.
- Execute operational excellence and internal efficiency projects.

### Outlook for 2018

Miners are expected to increase sustaining capital expenditure in 2018, supporting global ore production growth. Assuming supportive market conditions continue, it is anticipated the division will deliver moderately higher constant currency revenues and slightly higher full year operating margins, with performance supported by both the strong order book and investment in growth initiatives in 2017.



### Divisional orders by end market



1 Mining	<b>74%</b>
2 General Industrial	<b>10%</b>
3 Oil & Gas	<b>6%</b>
4 Sand & Aggregates	<b>5%</b>
5 Power	<b>4%</b>
6 Other	<b>1%</b>

### Divisional orders by geography



1 North America	<b>22%</b>
2 Latin America	<b>23%</b>
3 Europe	<b>10%</b>
4 Africa and Middle East	<b>15%</b>
5 Asia-Pacific	<b>30%</b>

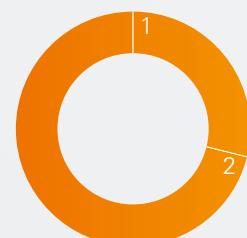
### Revenue<sup>1</sup> £m

2015	<b>1,140</b>
2016	<b>1,201</b>
2017	<b>1,287</b>

### Operating profit<sup>1,2</sup> £m

2015	<b>220</b>
2016	<b>234</b>
2017	<b>227</b>

### Revenue by original equipment/aftermarket



1 Original Equipment	<b>29%</b>
2 Aftermarket	<b>71%</b>

### Number of facilities



1 Africa and Middle East	<b>20</b>
2 Australia	<b>27</b>
3 Asia-Pacific	<b>32</b>
4 Europe	<b>40</b>
5 Latin America	<b>22</b>
6 North America	<b>24</b>

### Margin (%)

2015	<b>19.3</b>
2016	<b>19.5</b>
2017	<b>17.7</b>

### Total incident rate

2015	<b>0.61</b>
2016	<b>0.66</b>
2017	<b>0.58</b>

### Headcount

2015	<b>8,400</b>
2016	<b>8,000</b>
2017	<b>8,200</b>

1. 2015 and 2016 are restated at 2017 average exchange rates.

2. Adjusted to exclude exceptional items and intangibles amortisation.

**Operational Review: Weir Minerals  
continued**

## Integrated solutions: a win-win strategy

Weir Minerals has the most extensive service centre network in the minerals processing industry with facilities located in major mining regions around the world. This enables our engineers to spend more time on customer sites and gives the division early exposure to emerging market trends, such as the drive by miners to increase the productivity of their current 'brownfield' assets to take advantage of favourable commodity prices. In 2017, the division invested in an integrated solutions strategy that fully leverages its engineering expertise and extensive product portfolio to help the division outperform its markets.

**GEHO®**

GEHO® piston and piston diaphragm pumps are designed and manufactured for slurry, paste and tailings applications. These hardworking pumps can handle a range of applications including mine dewatering and backfill; tailings disposal; autoclave, gasifier, digester and reactor feed types; and long distance slurry pipelines of ores and minerals.

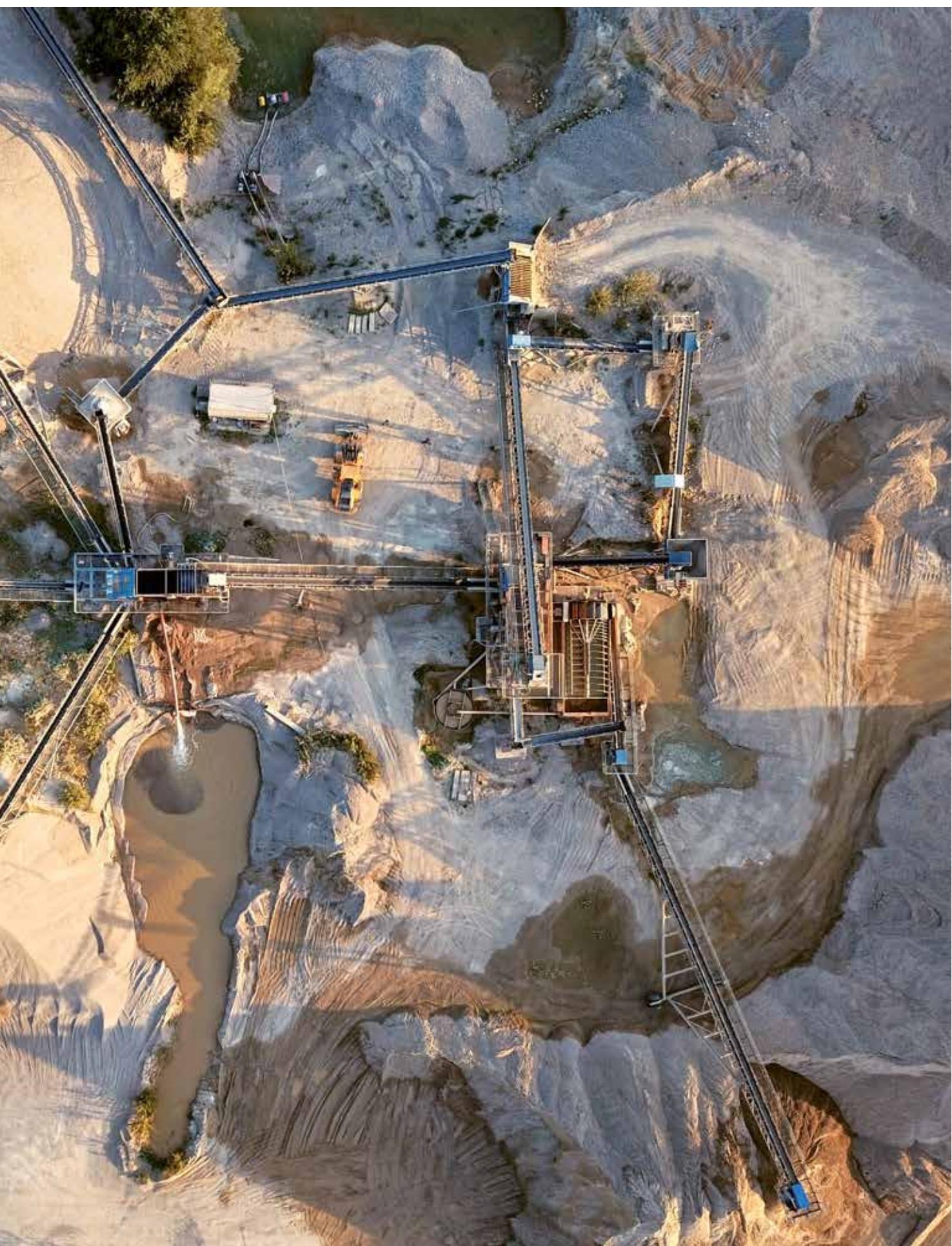
**Warman®**

Our Warman® range of pumps is a comprehensive collection of centrifugal slurry pumps for use in mining, chemical and industrial applications. The horizontal and vertical slurry pumps are designed for ultra-heavy-duty applications such as mill discharge, process plant and tailings, pipelines as well as special applications.

**Delta Industrial™ Knife Gate Valve**

Designed to withstand the most extreme, abrasive and corrosive applications, our Delta Industrial™ range of valves are manufactured using a range of superior materials suited for mining, oil sands, chemical, power and general industries.





## Operational Review

# Oil & Gas

Rapidly responding to fast-moving markets

### What we do



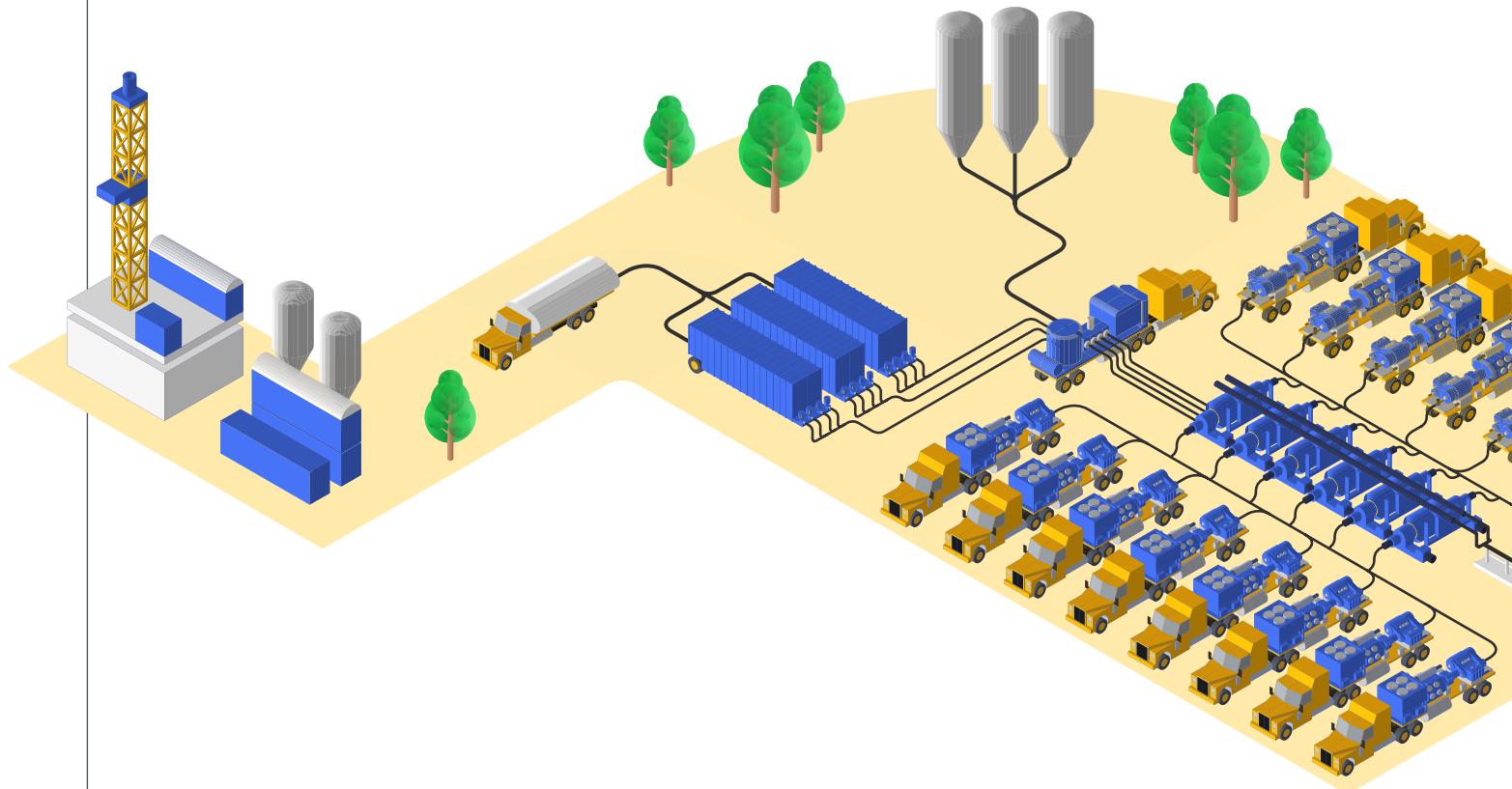
#### Mission-critical solutions

Our pressure pumping and pressure control solutions are essential to the successful extraction and processing of shale energy.



#### Highly engineered equipment

The division is a leader in the provision of pressure pumping solutions, delivering superior performance, increased safety and greater productivity.



#### Intensive aftermarket care

Wells can be fracked at pressures of around 15,000psi using a mixture of water, sand and chemicals. This intense operating environment drives demand for aftermarket spares and services.



#### Comprehensive global support

The division has extensive service facilities close to its customers in North America, Europe, the Middle East and South East Asia.



**Paul Coppinger**  
Division President of Weir Oil & Gas

The division delivered excellent financial and operational performance as demand for our solutions increased significantly.

#### Market review

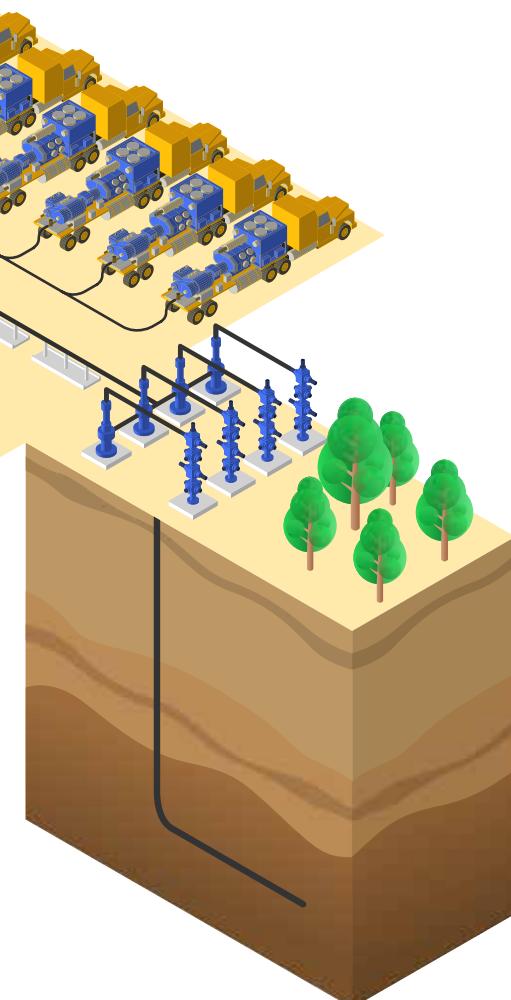
Activity in North American upstream markets was supported by increasing oil prices through the year. This led to increased industry investment, with the US land rig count averaging 852, a 74% increase on 2016. Oilfield service companies responded by refurbishing frac fleets with effective utilisation of the active US fleet running at approximately 80%. Production methods continued to intensify with the number of frac stages and volume of proppant used increasing and driving increased demand for aftermarket spares and services. As the market tightened during 2017 there was a modest improvement in pricing.

Later cycle international markets entered the downturn after North America and conditions remained challenging. While the international rig count increased 2%, new investment was subdued, with continued pricing pressure and project delays.

#### Operational review

The division delivered an excellent operating performance as demand for its solutions increased rapidly in North America. The divisional workforce grew by approximately 1,000 with its main manufacturing facility in Fort Worth, Texas, moving from one shift to three. Operating leverage benefited from previous cost reductions and good supply chain management. The division continued to innovate including introducing the simplified frac system, which reduces the amount of iron required on a frac site, improving safety and uptime.

Internationally, the division continued to develop its pressure control offering in challenging market conditions with the acquisition of KOP Surface Products extending its geographical reach into South East Asia and accelerating its Middle East wellhead penetration strategy.



## Operational Review: Weir Oil & Gas continued

### Key priorities for 2018

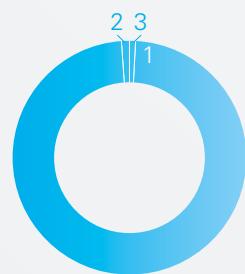
- Further embed improved safety culture and developing future leaders.
- Global expansion of capabilities to further strengthen customer partnerships.
- Develop technically advanced solutions and strategic technology roadmaps.
- Use VCE to enhance customer experience and key operational metrics.

### Outlook for 2018

Assuming market conditions remain supportive at or around current levels, exploration and production (E&P) and service companies are expected to increase capital spending in North American upstream markets. It is anticipated international markets will continue their modest recovery. In this context, the division is expecting a strong increase in constant currency revenues and profits, driven by higher North American completions activity levels.

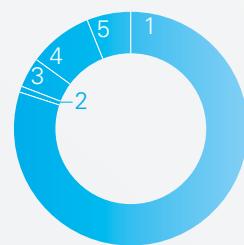


### Divisional orders by end market



1 General Industrial	<b>1%</b>
2 Oil & Gas	<b>98%</b>
3 Power	<b>1%</b>

### Divisional orders by geography



1 North America	<b>80%</b>
2 Latin America	<b>1%</b>
3 Europe & Russia	<b>4%</b>
4 Africa & Middle East	<b>9%</b>
5 Asia-Pacific	<b>6%</b>

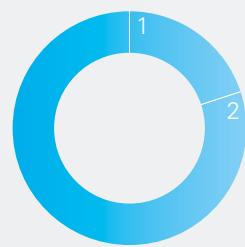
### Revenue<sup>1</sup> £m

2015	<b>596</b>
2016	<b>421</b>
2017	<b>704</b>

### Operating profit (loss)<sup>1,2</sup> £m

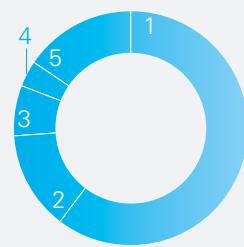
2015	<b>57</b>
(9)	<b>2016</b>
2017	<b>92</b>

### Revenue by original equipment/aftermarket



1 Original Equipment	<b>20%</b>
2 Aftermarket	<b>80%</b>

### Number of facilities



1 North America	<b>35</b>
2 Asia-Pacific	<b>8</b>
3 Europe	<b>4</b>
4 Latin America	<b>2</b>
5 Africa & Middle East	<b>9</b>

### Margin (%)

2015	<b>9.6</b>
(2.3)	<b>2016</b>
2017	<b>13.0</b>

### Total incident rate

2015	<b>0.85</b>
2016	<b>0.82</b>
2017	<b>0.62</b>

### Headcount

2015	<b>2,900</b>
2016	<b>2,400</b>
2017	<b>2,900</b>

1. 2015 and 2016 are restated at 2017 average exchange rates.

2. Adjusted to exclude exceptional items and intangibles amortisation.

## Operational Review: Weir Oil & Gas continued

### Reducing complexity to increase safety and productivity

Increased safety and productivity are key priorities for our customers and so, after extensive consultation, we designed the Simplified Frac System which significantly reduces the amount and complexity of iron on a frac site.

Our solution provides a more streamlined, fit-for-purpose system that can be tailored to any condition or basin. In addition to improving site safety, its linear flow-path design also prevents directional fluid changes that create accelerated wear, resulting in longer product life and extended productivity.

#### Seaboard™ One Straight Line (OSL) Frac Connection

Engineered for demanding frac applications, the Seaboard™ One Straight Line (OSL) Frac Connection significantly reduces the amount of iron and connections required on the wellsite. This means a corresponding reduction in non-productive time, rig-up time, labour costs, potential leak paths, and safety hazards.



#### SPM® Swivels

Weir SPM® robust swivels enable the safe and efficient flow of fluids on a frac site at pressures of up to 15,000 psi. All SPM® swivels feature uniform wall thickness for consistent fluid flow and extended life. SPM® ball bearing connections combine strength and consistent rotation in the most severe applications.



#### SPM® QEM 3000 Frac Pump

The SPM® QEM 3000 is Weir's next generation frac pump. This continuous-duty pump delivers a 17% reduction in total cost of ownership through reduced downtime as fewer backup pumps are required on site.



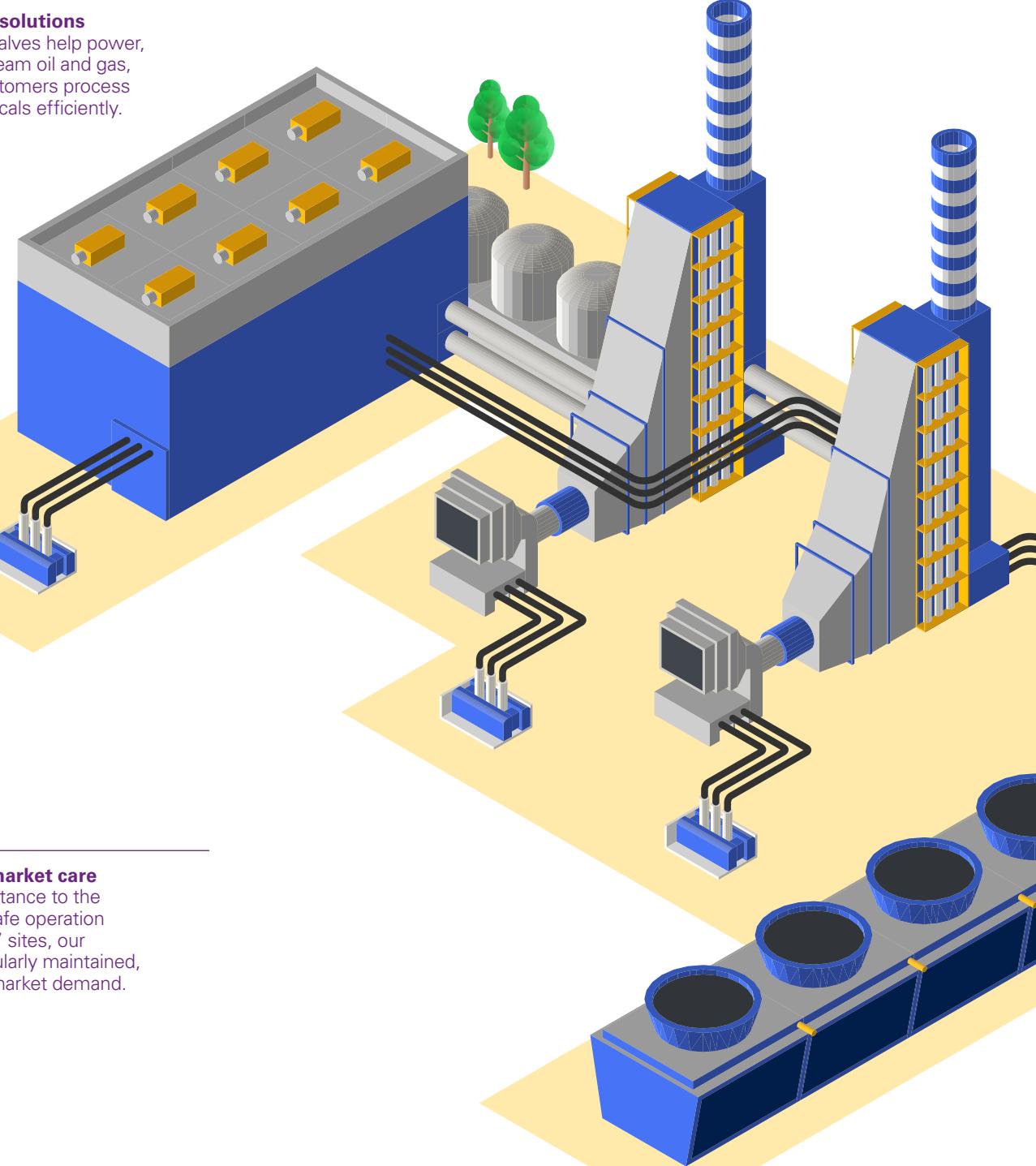


**Operational Review****Flow Control**

Preparing to capture future growth

**What we do****Mission-critical solutions**

Our pumps and valves help power, mid and downstream oil and gas, and industrial customers process liquids and chemicals efficiently.

**Intensive aftermarket care**

Given their importance to the successful and safe operation of our customers' sites, our solutions are regularly maintained, supporting aftermarket demand.



### Highly engineered equipment

We have a significant installed base of original equipment including safety valves used in more than half of the world's nuclear power plants, where reliability and performance are crucial.



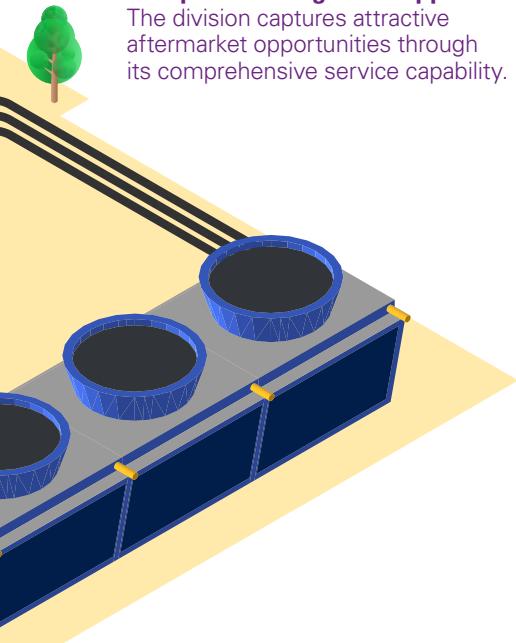
**David Paradis**  
Division President of Weir Flow Control



### Comprehensive global support

The division captures attractive aftermarket opportunities through its comprehensive service capability.

The division is moving towards a more global structure where we can better leverage our niche positions and build even closer relationships with customers around the world.



### Market review

Customers continued to be cautious in both power and downstream oil and gas markets. There was limited project activity with competitive market conditions and pricing pressure a common feature. Nuclear projects in China and South Korea continued to make progress, but sentiment in the United States and Europe was more subdued. Aftermarket demand was supported by ongoing maintenance schedules.

Downstream oil and gas markets, which were later to enter the downturn, remained challenging for original equipment and aftermarket demand, although there were signs of improvement towards the end of the year. Industrial markets were more positive, in line with global economic growth.

## Operational Review: Flow Control continued

### Operational review

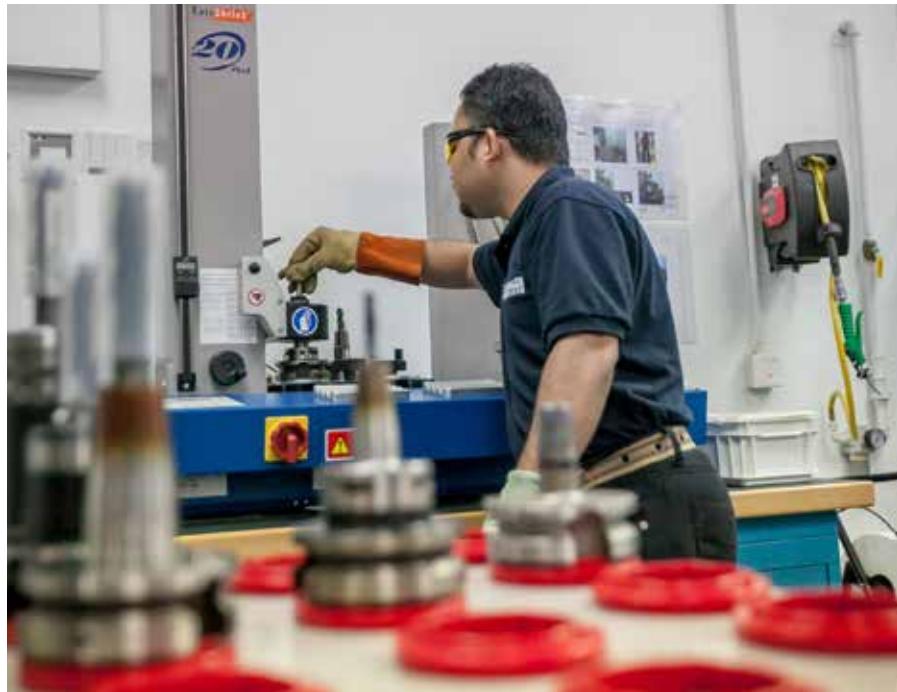
In challenging market conditions, the division successfully maximised aftermarket opportunities and expanded the geographic reach of its wider product portfolio. Sales and marketing operations were reconfigured to support new global and application-based initiatives while competitiveness was enhanced by Value Chain Excellence initiatives and best-cost sourcing. While one-off charges in the first half of £13m, relating to legacy contract challenges at Gabbioneta, impacted overall performance, the division delivered a better second half supported by higher volumes and good operating leverage. The division also made good strategic progress in the development of new technologies and the expansion of its e-commerce offering.

### Key priorities for 2018

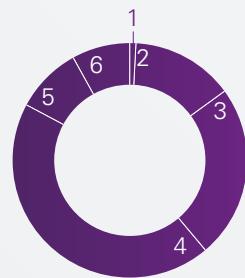
- Improve safety performance and embed safety culture.
- Globalise product portfolio.
- Expand aftermarket sales and capabilities.
- Continue to drive Value Chain Excellence.

### Outlook for 2018

The division's main power and downstream oil and gas markets have stabilised with some early signs of improvement. The division entered the year with a lower order book, but is expected to deliver broadly stable constant currency revenues for the full year as it benefits from its new sales and marketing structure. Operating profits and margins are expected to increase, with a return to mid single-digit operating margins for the full year.

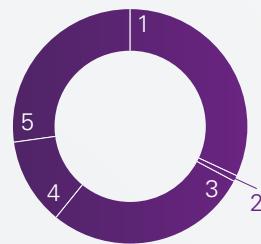


### Divisional orders by end market



1 Mining	<b>1%</b>
2 General Industrial	<b>14%</b>
3 Oil & Gas	<b>24%</b>
4 Power	<b>44%</b>
5 Other	<b>9%</b>
6 Water and wastewater	<b>8%</b>

### Divisional orders by geography



1 North America	<b>32%</b>
2 Latin America	<b>1%</b>
3 Europe & Russia	<b>28%</b>
4 Africa & Middle East	<b>12%</b>
5 Asia-Pacific	<b>27%</b>

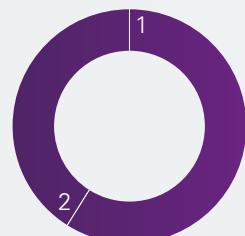
### Revenue<sup>1</sup> £m

2015	<b>379</b>
2016	<b>350</b>
2017	<b>365</b>

### Operating profit (loss)<sup>1,2</sup> £m

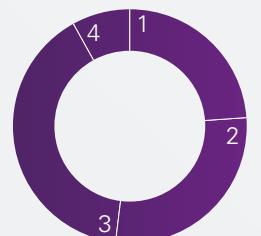
2015	<b>37</b>
2016	<b>32</b>
(3) 2017	<b>(3)</b>

### Revenue by original equipment/aftermarket



1 Original Equipment	<b>59%</b>
2 Aftermarket	<b>41%</b>

### Number of facilities



1 North America	<b>6</b>
2 Asia-Pacific	<b>7</b>
3 Europe	<b>10</b>
4 Africa & Middle East	<b>2</b>

### Margin (%)

2015	<b>9.9</b>
2016	<b>9.2</b>
(0.8) 2017	<b>(0.8)</b>

### Total incident rate

2015	<b>0.29</b>
2016	<b>0.57</b>
2017	<b>0.26</b>

### Headcount

2015	<b>2,900</b>
2016	<b>2,700</b>
2017	<b>2,500</b>

1. 2015 and 2016 are restated at 2017 average exchange rates.

2. Adjusted to exclude exceptional items and intangibles amortisation.

**Operational Review: Flow Control  
continued**

## Providing solutions for the most extreme conditions in record- breaking time

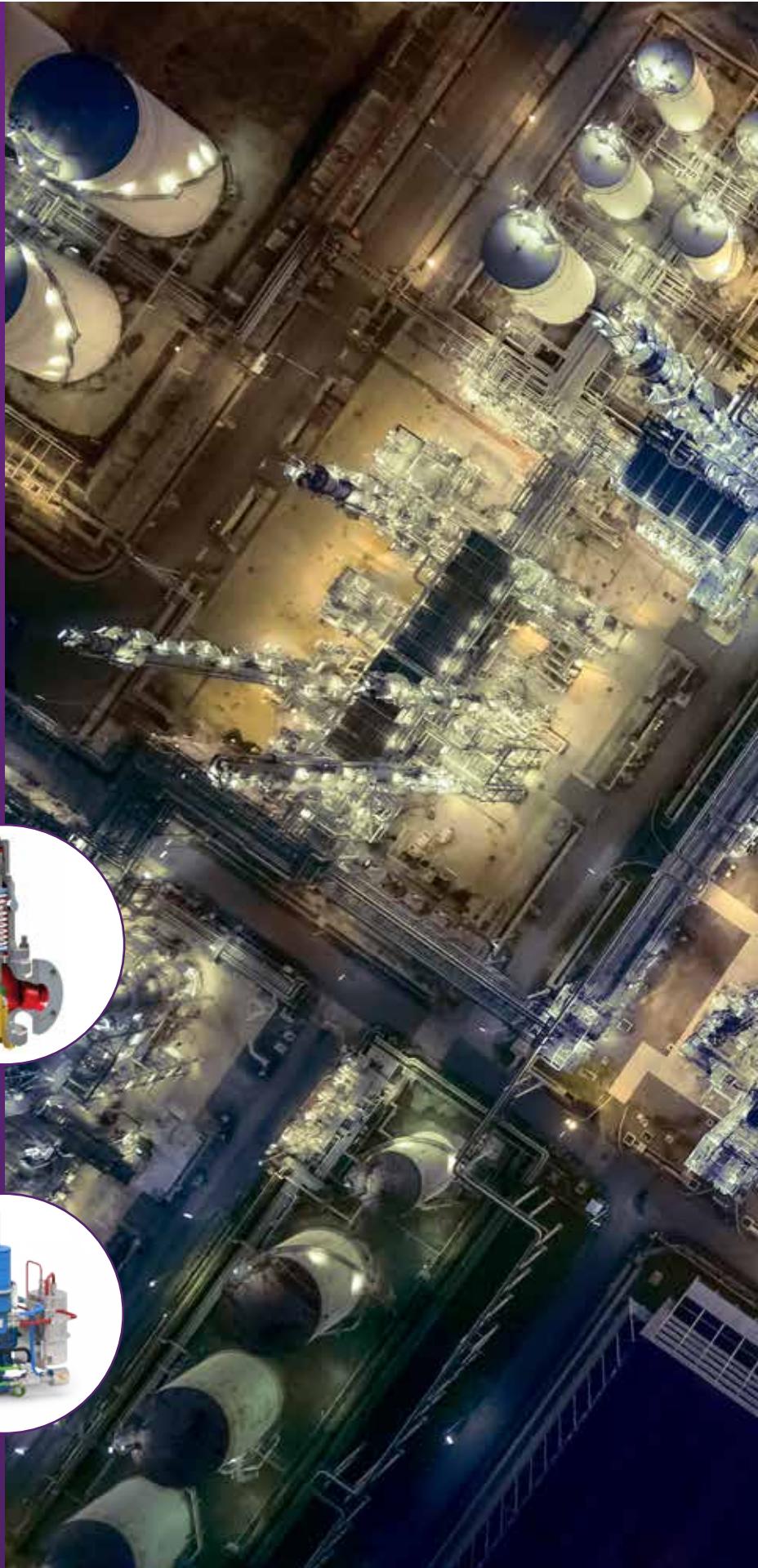
Weir Flow Control was recently awarded the contract to engineer and supply critical service safety valves for Yamal LNG, a major LNG project in northern Russia. The project will develop one of the largest natural gas reserves in the world which, following the construction of an LNG plant, will supply energy to Europe and Asia. The valves developed by Weir for this project are amongst some of the most advanced designs ever produced by the business. A total of 638 highly specialised fast-track safety valves were supplied, 185 of which were 'superfast-track' deliveries, to meet critical installation and start-up schedules.

**Starflow Spring Loaded Valves**

These safety relief valves feature a wide range of material options and trim designs to meet the demands of many processes and applications. They are used in vapour, gas, liquid or steam applications in the oil and gas industry as well as cryogenics and the power industry. The valves are designed to provide high integrity performance.

**Sarasin-RSBD™ 76 Series**

The Sarasin-RSBD Pressure Relief Valve is designed to meet the rigorous process conditions which are mandated by the power industry. The valves are designed to operate in high pressure and high temperature environments.





## Risk Review

# Managing risk effectively

We operate in a complex global environment, where opportunities come with corresponding risks. Our objective is to allow our people to be decisive, so we can take advantage of attractive opportunities whilst ensuring we are not exposing the organisation to excessive risk.

### The risk agenda

During the year, the Board has reviewed the effectiveness of the systems of risk management and internal control and conducted a robust assessment of the principal risks affecting the Group in line with the Risk Appetite Statement. These activities meet the Board's responsibilities in connection with Risk Management and Internal Control set out in the UK Corporate Governance Code.

The aim of the Risk Appetite Statement remains to highlight the risks that we should be willing to take, as well as those which are unacceptable. The statement includes a series of risk assertions which are aligned to our strategy, together with the risk parameters within which we expect our people to work. The risk appetite is all of the risk assertions and the parameters taken together. The parameters can apply to more than one risk assertion, and therefore the individual risk assertions should not be read in isolation. Compliance with the Risk Appetite Statement is monitored through the Group's functional and front line controls including oversight and reporting mechanisms. The Board will continue to review and update the Risk Appetite Statement on an annual basis.

### Risk management cycle



Details of the review of the internal control and risk management systems undertaken during the year are contained in the Audit Committee Report on page 88.

### Risk management

The management of risks is at the core of the internal control framework. We have a risk management policy which defines how we expect risks to be identified, assessed and managed throughout the organisation.

Risks are assessed, and quantified, in terms of impact and likelihood of occurrence, both before and after control mitigation. Assessing the gross risk before control mitigation allows the business to review the relative impact of the existing controls by comparing the gross and net risk assessment. This also allows the business to avoid wasting resources on mitigating controls and actions which have a negligible impact on the risk assessment.

The specific risks identified across the business generally fall under one of the categories within the 'Risk Universe' as shown below.

## Risk universe

### Strategic risk

Industry and market volatility.
Technological advances or disruption.
Pricing pressures.
Acquisitions and mergers.
Planning and resource allocation.

### Hazard risk

Political and social instability.
Natural disasters and other major incidents.
External and internal fraud and corruption.

### Operational risk

People.
Delivery and supply chain.
Quality.
Commercial.
Communication.
IT.

### Compliance risk

Laws and regulations.
Code of Conduct.
Safety, Health and Environment.
Governance.
Intellectual property.

### Financial risk

Financial management.
Credit.
Debt and interest rates.
Foreign exchange.
Accounting and reporting.
Taxation.

Not all risks are controllable or foreseeable, a key example being natural disasters. Our response to such risks is having controls which lessen the impact to our business should they occur. For example, in the case of natural disasters, we have controls in place to reduce the risk of harm to our people, as well as response planning protocols, with clear accountability, to minimise disruption to operations and our customers.

## Risk Appetite Statement

The Weir Group is strategically positioned in markets with good long-term growth prospects. We will pursue ambitious growth targets, and we are willing to accept a higher level of risk to increase the likelihood of achieving or exceeding our strategic priorities, subject to the parameters below.

Risk assertions	Risk parameters
<b>1. Organic growth</b> We will rigorously pursue divisional organic growth strategies to meet our market growth objectives.	Investment of resources will be consistent with divisional strategies and expected divisional compound annual growth rates over five year plans.
<b>2. Mergers and acquisitions (M&amp;A)</b> We will actively pursue M&A opportunities that enhance our strategic platform subject to meeting investment criteria.	Post-tax returns should exceed our cost of capital within three years of the acquisition.
<b>3. Returns and profitability</b> We will not pursue growth at all costs, and expect high margins, strong returns on capital and working capital discipline together with cash generation.	Short term margin dilution is acceptable in gaining market entry but over the cycle we aim for top quartile operating margins and returns on capital.
<b>4. Capital allocation</b> We will encourage capital expenditure in pursuit of our growth ambitions subject to Internal Rate of Return (IRR) hurdles and capital structure targets.	Local country cash flow projections for investment appraisal purposes discounted at country specific rates to account for risk weighted returns.
<b>5. Capital structure</b> We are prepared to use leverage in pursuit of our growth agenda and will actively seek low cost debt to fund the Group but, recognising cyclical in our end markets, will maintain significant headroom against our financial covenants.	We will seek to maintain the ratio of net debt/EBITDA below two times (current financial covenants 3.5 times) and will retain adequate headroom within our debt facilities at all times.
<b>6. Reputation and brand image</b> We will avoid/manage situations or actions that could have a negative impact on our reputation and brands. We aim to be transparent with all of our stakeholders unless prejudicial to our collective interests.	No tolerance for breaches of: <ul style="list-style-type: none"><li>• Legislative/statutory requirements.</li><li>• Weir Code of Conduct.</li><li>• International sanctions.</li><li>• Delegated authority levels.</li><li>• Group and divisional policies.</li></ul>
<b>7. Safety, Health and Environment (SHE)</b> We will not undertake or pursue activities that pose unacceptable hazard or risk to our people, the communities in which we operate, or the broader environment.	<ul style="list-style-type: none"><li>• No tolerance for breaches of Weir Group Safety, Health and Environment Charter.</li><li>• Active community and environmental engagement is expected.</li></ul>
<b>8. Country presence</b> We are prepared to enter new countries which offer opportunities for growth consistent with our overall strategy. We will not enter, or will exit, countries which present a high risk of harm to our people, damage to our reputation, or breach of international sanctions.	No tolerance for breaches of: <ul style="list-style-type: none"><li>• Legislative/statutory requirements.</li><li>• Weir Code of Conduct.</li><li>• International sanctions.</li><li>• Delegated authority levels.</li><li>• Group and divisional policies.</li></ul>
<b>9. Innovation</b> We will invest in technology, research and development to innovate our customer offering allowing us to maintain and expand our market share.	Target research and development spend of 2% of revenues.

## Risk Review continued

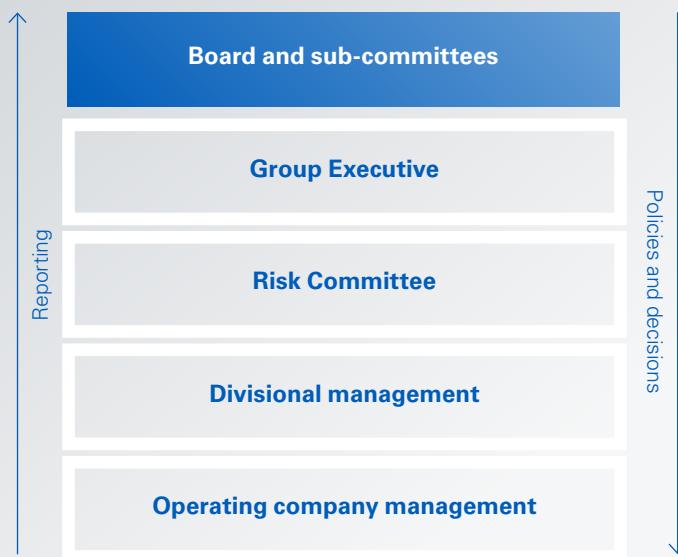
The impact of risks is quantified across a range of factors including: financial; strategy; reputation; people and property; ability to perform services; regulation; safety, health and environment; and investors and funding. The risk management policy includes defined criteria for each risk impact factor, supporting a consistent measurement approach. Risk management takes place at the grassroots level, for example in individual projects, all the way up to Group level assessments, thereby providing an integrated bottom-up and top-down approach to risk management.

Ultimately, the Board is responsible for the Group's risk and internal control framework. It has set out the decisions, and hence the level of risk, which can be delegated to the Group Executive, divisional and operational company management without requiring escalation. This is articulated in a series of Group policies and delegated authority matrices, as well as the parameters within the approved Risk Appetite Statement. The Board and committee structure can be viewed on page 76.

The bottom-up risk reporting approach requires key risks identified, and reported, at project level to be escalated to the operating company management, which in turn may be escalated to divisional management, and ultimately to the Risk Committee and the Board. This is achieved through risk dashboard reports, which are maintained at operating company, divisional and Group levels. The dashboards provide a summary of the major net risks at each respective level, as well as a summary of the key mitigating controls and actions, and further control actions required.

The Risk Committee monitors quarterly risk dashboard reports from the divisions. In addition, the Risk Committee has oversight of the Group Risk Dashboard, along with a routine review of key controls identified to manage each risk and the sources of controls assurance, providing an update to the Board at each Board meeting. The Board obtains assurance over risks and risk management through the internal control framework. More information on the internal control framework can be found within the Corporate Governance Report on page 68 and within the Audit Committee Report on page 88.

## Risk responsibilities and reporting



**First line of defence**

**Second line of defence**

**Third line of defence**

## Role and responsibilities

The key roles and responsibilities for risk management are set out below.

### Group

### Risk management responsibilities

#### Board

Overall responsibility for the Group's risk management and internal control frameworks, and strategic decisions within the Group.

- Annual review and ongoing monitoring of the effectiveness of the risk management and internal control frameworks.
- Annual review of the Group's risk appetite.
- Principal risks presented in every CEO report.
- On a bi-annual basis, receive a report from the Risk Committee which sets out the current assessment of each principal risk, the effect of mitigating controls on each risk, the direction of travel of each risk versus the prior year, the extent to which each could potentially impact the Group's strategic goals and any relevant findings relating to significant control failings or weaknesses which have been identified.
- Functional deep dive reports on each principal risk are summarised in the biannual report.
- Taking decisions in accordance with the delegated authority matrices.

#### Audit Committee

Delegated responsibility from the Board to review the effectiveness of the Group's risk and internal control frameworks.

- Annual assessment of the effectiveness of the risk management and internal control frameworks.
- Review of reports from the internal and external auditors.
- Review of the results from the six-monthly self-assessment compliance scorecards.

#### Group Executive

Executive committee with overall responsibility for managing the Group to ensure it achieves its strategic objectives.

- Managing risks which have the potential to impact the delivery of the Group's strategic objectives.
- Monitoring business performance, in particular key performance indicators relating to strategic objectives.
- Taking strategic decisions in accordance with the delegated authority matrices.
- Escalating issues to the Board as required.

#### Risk Committee

Management committee responsible for governance of the Group's Risk Management Policy and Framework.

- Review of the design and operation of the Group Risk Management Policy and Framework.
- Identification and assessment of the key risks facing the Group, identification of the key controls mitigating those risks and identification of further actions where necessary.
- Review of the Divisional Risk Dashboards, considering the appropriateness of management's responses to identified risks and assessing whether there are any gaps.
- Reporting key Group and divisional risks to the Board.

#### Chief Executive's Safety Committee

Safety Committee with responsibility to set and monitor the Group's SHE principles, priorities and actions.

- Executive Committee representation to drive improvements in our safety performance throughout the Group.

#### Excellence Committees

Engineering  
Safety, Health and Environment  
Finance  
HR  
Group Information Services  
Value Chain

Management committees with representatives from across the Group in their respective areas of focus. The committees govern activities and performance in the individual functional areas.

- Monitoring the management of key risks across the Group associated with the respective remits of the Excellence Committees.
- Monitoring performance and compliance with Group objectives, policies and standards related to the respective remits of the Excellence Committees.
- Taking decisions in accordance with the delegated authority matrices.
- Escalating issues to the Group Executive as required.
- Reviewing the results from relevant assurance activities.

#### Divisional management

Responsible for managing the businesses within the divisions to ensure divisional strategic objectives are achieved and there is compliance with Group policies and standards throughout their division.

- Managing risks which have the potential to impact the delivery of the division's strategic objectives.
- Monitoring performance and compliance with Group objectives, policies and standards within the divisions and with regard to the outputs from the Excellence Committees.
- Taking decisions in accordance with the delegated authority matrices.
- Escalating issues to the Group Executive as required.
- Reviewing the results from relevant assurance activities.

#### Operating company management

Responsible for ensuring company objectives are achieved and business activities are conducted in accordance with Group policies and standards.

- Managing risks which have the potential to impact the delivery of their company's strategic objectives.
- Monitoring performance and compliance with Group objectives, policies and standards within their company.
- Taking decisions in accordance with the delegated authority matrices.
- Escalating issues to divisional management and Excellence Committees as required.
- Reviewing the results from relevant assurance activities.

## Risk Review

# Principal risks and uncertainties

As in any business, there are risks and uncertainties which could impact the Group's ability to achieve its objectives in the future. The Group's risk management and assurance framework is designed to make this less likely by clearly identifying and seeking to mitigate key risks.

### Strategy

-  People
-  Customers
-  Technology
-  Performance

### Risk Trend

-  Increasing
-  Decreasing
-  No change

### Viability Statement

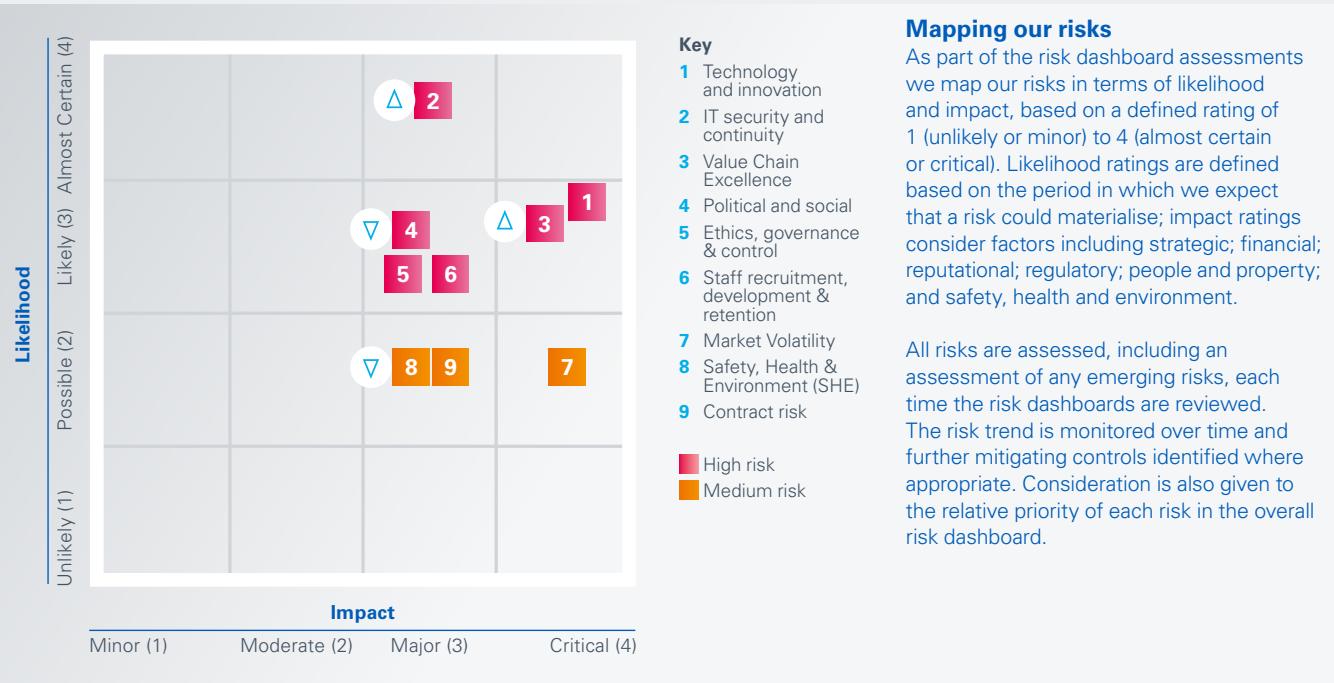


The Board has conducted a robust assessment of the principal risks, alongside the Risk Appetite Statement set out on page 47, meeting the Board's responsibilities in connection with Risk Management and Internal Control detailed in the UK Corporate Governance Code. Each of the principal risks is assigned an owner from amongst the Board or Group senior management team and is either a standing agenda item at each Board meeting or subject to formal periodic review by the Board. A summary of principal risks and the Group's mitigating controls is presented at every Board meeting.

The Directors reviewed the Group's risk register, reassessed the validity of the principal risks identified in the prior year and considered whether any new principal risks have emerged or a risk is no longer considered a principal risk. The identified principal risks were subjected to a detailed assessment based on the following considerations:

- Severity of each risk;
- Existence and effectiveness of actions and internal controls which serve to mitigate the risk;
- The overall effectiveness of the Group's control environment, including assurance and any identified control weaknesses or failings; and
- The extent to which each of the principal risks could impact upon the Group's viability, in financial or operational terms, due to their potential effects on the business plan, solvency or liquidity.

The principal risks set out on pages 51 to 55 are those which we believe to have the greatest potential to impact our ability to achieve the Group's strategic objectives or which have the greatest potential impact on the Group's solvency or liquidity.



## Risk Review: Principal risks and uncertainties

### Technology and innovation

Failure to innovate or to react to emerging technology developments, and therefore fail to ensure that the business continues to deliver sustainable and attractive solutions for our customers.

#### Why we think this is important

The strength of our business is built upon a history of delivering innovative and sustainable solutions for our customers. If we fail to keep abreast of market needs or to innovate solutions, we are at risk of losing market share to our competitors and lowering margins as demand will reduce.

#### How we are mitigating the risk

Our existing research and development initiatives within the business, at Weir Advanced Research Centre, are enhanced through partnerships with certain leading universities around the world. These partnerships are designed to help the Group develop game-changing solutions to our customers' challenges.

We devote skilled resource to reviewing and responding to developing technologies, with our agreements with specialist external parties to develop Internet of Things (IoT) technology.

Engineering strategies are in place at Group and divisional levels with strategic innovation arenas defined as part of the innovation strategy.

#### Impact on strategy



#### Changes during 2017

The pace of technological innovation continues to increase as we and our competitors seek to provide customers with solutions that improve the efficiency of their operations.

Recognising the strategic importance of technology and innovation we recruited a Chief Technology Officer during the year to define the Group's Technology Vision and Strategy.

Further information on progress made in this area is set out in the Products and Technology section of the Sustainability Review on page 57.

#### Risk trend



## Risk Review: Principal risks and uncertainties continued

### IT security and continuity

Failure to maintain business systems or technical infrastructure that serves the business needs.

Failure to successfully execute changes to these business systems or technical infrastructure; together with failure to minimise disruption and maintain business as usual activity during technical infrastructure or business system changes.

Failure to adequately protect the business operations from cybercrime.

#### Impact on strategy



#### Why we think this is important

Up-to-date data allows us to make informed decisions about our business. Therefore, we require reliable and efficient IT systems and infrastructure to provide our data requirements. Breaches of our IT security could have serious consequences for our business, including: interruption to business operations; and loss of intellectual property and other sensitive data.

The Group is investing in a significant IT transformation programme. If this is not managed effectively, the consequences could include interruption to business operations if data is unavailable due to unsuccessful execution of change, impacting our ability to compete and our reputation in the market.

At present, the Group's principal exposures to cybercrime relate to the misappropriation of cash and data. Our revenue streams are largely protected as our products are not currently electronic in nature and we do not, as a rule, transact over the internet.

#### How we are mitigating the risk

We have an IT Governance Framework with a focus on structured change management techniques, including setting project governance levels in line with risk.

Policies, procedures and baseline standards in relation to cyber risk and IT security more generally are continuously updated and rolled out to operations. A programme of user training in relation to cyber risk is in place.

All security related incidents are reported to the Group Executive.

#### Changes during 2017

IT security and continuity continues to be a matter of strategic priority for the Group in an environment of ever increasing cyber security threats. Progress to strengthen the Group's defences in this respect is being made through our IT Next programme.

We continually review the effectiveness of our key IT security controls in consultation with external experts. There is regular reporting of unplanned outages and potential security breaches, with lessons learned across the Group.

Security Incident Responder teams monitor our various security systems.

#### Risk trend



### Value Chain Excellence

Failure to achieve Value Chain Excellence improvements and the associated reduction in costs and enhanced flexibility.

#### Impact on strategy



#### Why we think this is important

If we fail to improve our value chain management, we risk:

- Losing the opportunity to invest capital into alternative value creating opportunities;
- Damaging our reputation and as a consequence losing customers and market share;
- Losing market position if the Group fails to demonstrate to customers the value of our products and services;
- Incurring penalties as a result of late delivery contractual clauses;
- Reducing margins by incurring unnecessary additional costs associated with late remedial actions taken to avoid missing delivery targets; and
- Failing to respond to market upturns or downturns quickly enough to respond to market demand or manage costs.

#### How we are mitigating the risk

Regular KPI monitoring of the value chain throughout the organisation.

The Group's operations are implementing Value Chain Excellence initiatives amongst other business improvement objectives.

Established Centres of Excellence drive cost savings, efficiencies and enhance delivery standards whilst maintaining quality.

The Group's forward purchase commitments are being closely monitored to manage inventories at levels appropriate to market conditions.

Our credit risk management procedures are under continuous appraisal and review.

We regularly monitor market activity to ensure we remain competitive.

#### Changes during 2017

Value chain remains an area of strategic focus for the Group. Value chain improvements continue to be recognised year on year as the Group realises benefits from its focused approach to these matters.

An updated and more focused VCE model has been successfully introduced.

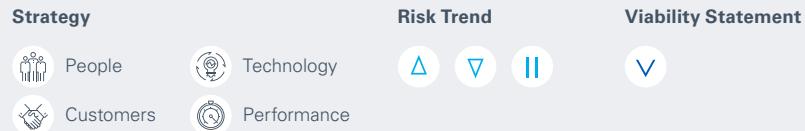
A programme of Value Chain Excellence initiatives has been operating throughout the Group to drive value chain improvements.

All businesses now complete VCE self-assessments, including value stream segmentation, model design and improvement project identification.

Initiatives to expand production in best-cost locations are reviewed and the procurement function continues to drive cost and quality improvements through the Group's supply chain.

#### Risk trend





## Political and social

Adverse political action, or political and social instability, in territories in which we operate may result in strategic, financial or personnel loss to the Group.

### Why we think this is important

We operate across the globe and therefore have to work within a wide range of political and social conditions. Adverse events may occur in the territories in which we operate that may require us to act swiftly to protect our people and our property and regulatory changes could impact our competitiveness. We need to be flexible and able to anticipate such issues.

Expansions into new territories are only undertaken after rigorous assessment of the risks, including the social and political situation within the territory.

### How we are mitigating the risk

Regular review of market attractiveness. Monitoring travel by Weir employees to higher risk locations in accordance with the Weir Group travel policy. External expert risk assessments and regular monitoring in higher risk locations. Contingency plans and exit strategy planning. Our strategic planning assists in forecasting potential political and social instability in regions. Proactive monitoring of evolving policy and development of contingency plans as situations materialise.

### Impact on strategy



### Changes during 2017

The US has approved significant corporate tax reform. The new US tax code will significantly change the tax profile of the Group's US operations and provide opportunities for the Group resulting from a lowering of the US Federal Tax rate. We will continue to respond to any further US tax clarifications this year.

We continue to monitor the direction of Brexit negotiations and any potential impacts directly on our UK manufacturing base.

### Risk trend



## Ethics, governance and control

Interactions with our people, customers, suppliers and other stakeholders are not conducted with the highest standards of integrity which devalues our reputation.

### Why we think this is important

We are unwilling to accept dishonest or corrupt behaviour from our people, or external parties acting on our behalf, whilst conducting our business. If we fail to act with integrity, we are at risk of:

- Reputational damage leading to a loss of customers;
- Increased scrutiny from regulators;
- Legal action from regulators including fines, penalties and imprisonment; and
- Exclusion from markets important for our future growth.

We expect all areas of the business to do the right thing and conduct business in compliance with procedures, applicable laws, Weir Group operating policies and the highest ethical standards.

### How we are mitigating the risk

The Code of Conduct, supplemented with Group policies on related topics, provides a clear benchmark for how we expect our business will be conducted.

Regular training is provided using a range of mechanisms including Town Hall style sessions, online and induction training.

The financial control framework is continually monitored for effectiveness.

Internal Audit's remit includes regular review of the anti-bribery and corruption and financial controls across the Group. The Group Legal team is responsible for monitoring compliance with the Code of Conduct.

A Whistleblower hotline is available to all members of staff. Reports are investigated on a timely basis and summary reports provided to Group Executive and Board.

### Impact on strategy



### Changes during 2017

The governance and legislative environment in which the Group operates continues to evolve and become more complex. We routinely review operations in geographies where ethical standards may not be as well established as in other countries.

The Group has reinforced its commitment to high standards of ethics and governance through the Code of Conduct and completed a programme of training for key individuals.

### Risk trend



## Risk Review: Principal risks and uncertainties continued

### Staff recruitment, development and retention

Failure to recruit, develop or retain key management and staff may lead to disruption to the Group's operations, functions and processes.

#### Impact on strategy



#### Why we think this is important

Our people represent our biggest asset and failure to attract, develop and retain key management and staff would have a detrimental impact on the Group's ability to deliver our key strategic objectives.

As markets improve we need to continue to recruit high quality staff building on existing capability while recruiting skilled expertise in the right areas of the business and at the right time.

#### How we are mitigating the risk

Promotion of the Weir Group Values & Behaviours, Code of Conduct and HR Policies sets the standards and expectations for all our staff, reinforcing our stated commitment to attracting and retaining the very best people.

High performer assessments are undertaken to identify and develop our very best talent.

Succession plans are in place and periodically reviewed for all of our key management.

Personal Development Plans are set and reviewed for the effective development of all of our staff.

We continue to offer competitive compensation and benefits packages.

Personal development programmes including Weir University and the Weir Leadership Programme are open to participation by high potential staff members and these continue to attract high calibre individuals.

#### Changes during 2017

A new Chief People Officer was appointed during the year and tasked with the identification of key strategic priorities for Weir's go-forward people strategy for the Group.

Senior Leadership and Regional Conferences were held during 2017 focused on the delivery of the four strategic pillars.

Our new ENERGY performance development framework was introduced during the year.

#### Risk trend



### Market volatility ▼

Changes in key markets, including commodity prices affecting mining and oil and gas, have an adverse impact on customers' expenditure plans. This may include delaying existing expenditure commitments. As markets improve we may fail to effectively upscale operations to meet customer needs.

#### Impact on strategy



#### Why we think this is important

We need to remain sufficiently flexible to allow us to anticipate downturns, to allow us to adjust our operations accordingly, and equally to meet growth in demand when our customers' markets are buoyant and therefore capital investment is high. Otherwise, we are at risk of incurring unnecessary costs during downturns, and not maximising our potential for growth in buoyant markets.

In challenging market conditions, our value chain risks are increased. These are described in more detail on page 52.

#### How we are mitigating the risk

We maintain regular engagement with our customers to understand their needs and challenges, and ensure our business is appropriately aligned.

Improved demand planning and forecasting including Sales and Operations Planning within VCE.

Our strategic planning utilises extensive market intelligence to assist in forecasting opportunities and dips in markets.

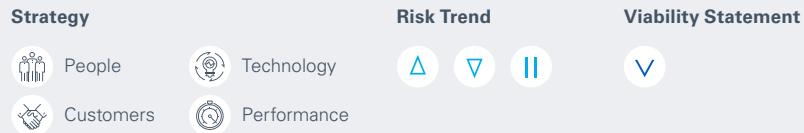
We maintain contingency plans for downturns.

#### Changes during 2017

Our core markets have seen continued improvements during the year, with customers planning for higher activity levels. We continue to focus on technology development, customer relationships and Value Chain Excellence to meet increasing demand from our key sectors.

#### Risk trend





## Safety, Health and Environment (SHE)

Failure to adequately protect our people and other stakeholders from harm associated with a breach in SHE standards.

### Why we think this is important

We operate in hazardous environments, and therefore have a fundamental duty to protect our people and other stakeholders from harm whilst conducting our business. As well as the personal impact on our people resulting from a failure to meet this obligation, we would also be at risk of:

- Reputational damage leading to a loss of customers;
- Legal action from regulators, including fines and penalties; and
- Exclusion from markets important for our future growth.

### How we are mitigating the risk

The Weir Behavioural Safety system is in place to reduce the risk of safety incidents. In addition, there are initiatives to prevent the most common accident types. The Weir global SHE standards are continually reviewed.

The SHE Excellence Committee is responsible for monitoring performance and compliance with Group objectives, policies and standards relating to SHE.

The Chief Executive's Safety Committee met 12 times during the year, committed to achieving the highest of SHE standards.

There is a formal SHE assurance programme with issues escalated as required through the reporting structures.

### Impact on strategy



### Changes during 2017

The Group continues to set higher benchmarks for SHE compliance and roll out cohesive programmes to address SHE risks and drive safe and sustainable working practices.

Improved SHE incident reporting tools have been piloted and rolled out across the Group to provide visibility and responsive actioning of any SHE related issues.

### Risk trend



## Contract risk

Failure to adequately manage contract risk and, as a result, commit to obligations which the Group is unable to meet without incurring significant unplanned costs.

In addition, failure to follow Group policies and procedures may lead to commitments without the desired level of contractual protections.

### Why we think this is important

We operate in an increasingly complex and competitive environment where customers are not only highly focused on price and service but are also more challenging in contract negotiations.

As we offer a broader range of products and services to our customers, including those that are more technologically advanced, we risk exposing the Group to reputational and financial loss should our contract acceptance, negotiation and approval processes fail to protect the Group accordingly.

### How we are mitigating the risk

The Group has policies and procedures for contract acceptance and approval.

These are under continuous review and improvement to ensure they are adequate for current and future circumstances.

The tools and training available to employees responsible for contract management are similarly under continuous review.

### Impact on strategy



### Changes during 2017

Contract management continues to be an area of focus for the Group, given the competitive environment. Group policies and procedures continue to be reviewed and refreshed to provide employees with improved tools to assist them in their contract training and management activities.

### Risk trend



## Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Directors have assessed the viability of the Group over a three year period, taking into account the Group's current position and the potential impact of the principal risks documented on pages 50 to 55 of the Annual Report. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2020.

The Directors have determined that a three-year period to 31 December 2020 is an appropriate period over which to provide the viability statement. The Group's key markets are by nature cyclical and therefore, while the Group operates a five-year strategic planning process, market cyclical and the related lack of visibility over commodity prices, in particular, indicate that a period of three years is appropriate. We believe that this approach presents the Board and readers of the Annual Report with a reasonable degree of confidence over this longer term outlook.

The strategic plan is a bottom up analysis prepared annually and submitted to the Board for consideration. The output of this plan is used to perform central debt and headroom profile analysis, which includes a review of sensitivity to 'business as usual' risks, such as profit growth, working capital variances and return on capital investment. This analysis, in conjunction with the current year results and 2018 Budget, provides the basis for the viability model on which we have overlaid a number of severe, but plausible events, to reflect our risk assessment.

In making this statement, the Board carried out a robust assessment of the principal risks facing the Group, including those that could threaten its business model, future performance, solvency or liquidity.

While the review has considered all the principal risks identified by the Group, the following risks were focused on for enhanced stress-testing: market downturn, major site and customer shocks, significant loss of market share in key markets and regulatory shock. The resulting scenarios were modelled as a series of individual one-off 'shocks', in combination with commodity price based market downturn scenarios. Refer to page 50 for the Group's principal risks, specifying those risks considered during this review.

The geographical and sector diversification of the Group's operations helps minimise the risk of serious business interruption or catastrophic damage to our reputation. While the Group remains exposed to the cyclical nature of the markets in which it operates, it continues to have a strong balance sheet that provides capacity in which to operate. In addition, our ability to flex our cost base to reflect existing markets – as evidenced by our recent cost reduction programmes – protects our viability in the face of adverse economic conditions and / or additional risks highlighted.

While this review does not consider all of the risks that the Group may face, the directors consider that this stress-testing based assessment of the Group's prospects is reasonable in the circumstances of the inherent uncertainty involved.

## Sustainability review

# People

## Inspiring our people to flourish



### Introduction



People are at the heart of the Group's 'We are Weir' strategy with our commitment to caring for our colleagues, our neighbours and the environment and inspiring them all to flourish.

The quality and commitment of our people has always been a competitive advantage for the Group, from the engineers that design our equipment to the operations staff who manufacture it and the on-site experts who support our customers around the world.

As a business that relies on a high-performance culture, we appreciate the importance of offering our people the opportunity to fulfil their potential and provide a workplace that keeps them safe, engaged and inspired to do the best work of their lives.

To achieve that, we invest in safety programmes, learning and development opportunities and leadership. We are also committed to developing a new sustainable engagement score to measure our progress in developing an even more effective organisation.

In addition to developing our employees, the Group takes its responsibility to developing the next generation of employees seriously. This includes supporting programmes that encourage more young people to consider engineering as a career.

### Chief Executive Officer's Safety Committee

The CEO's Safety Committee was established in 2016 to give Board-level leadership to the Group's ambition of becoming a zero-harm workplace. The Committee consists of senior leaders from across the Group, including the three divisional presidents and the Chief People Officer and embodies the priorities of our Safety Charter. The Committee oversees Safety, Health and Environment (SHE) performance, ensuring the Group systems and processes are best set up to deliver our Zero Harm vision.

### SHE Excellence Committee

The Safety, Health and Environment (SHE) Excellence Committee supports the Board and provides leadership, co-ordination and support for the delivery of the Group SHE objectives set by the CEO's Safety Committee. It is tasked by the Board to drive continuous SHE improvement across the Group through setting and assessing rigorous standards that are comprehensive, risk-based, deliverable and built on the best practice of our peers, customers and professional bodies. The progress towards an increasingly behavioural safety culture has been the priority of the SHE Excellence Committee and is evident in the focus on the engagement elements of our Zero Harm strategy.

### SHE performance

2017 is a year that the Group should feel proud of when it comes to SHE. Having challenged ourselves to make a material reduction in the number of lost-time incidents as well as maintaining our continuous positive trend regarding overall recordable injuries as represented by the Total Incident Rate, we delivered an excellent performance. All three Divisions made significant improvements and contributed to a 33% reduction in Lost Time Incidents from 30 to 20 and a 20% reduction in the broader Total Incident Rate to 0.53. In addition, the injuries associated with the lost time incidents were much less severe.



The Weir Group's vision is a zero-harm workplace for people and an environment where everyone goes home safe and healthy.



### Bringing safety and operations even closer together

Weir Valves & Controls USA Inc. (WVC USA) is proud of their current safety record, but that doesn't stop the team from constantly looking for areas for improvement.

The company based in Ipswich, Massachusetts, has always had a safety-centric culture and, in 2017 its President (Mark Claffey) and its Director of Operations (Bert McGrath) implemented a system which is designed to capitalise on their employees' passion for safety and empower them to implement change.

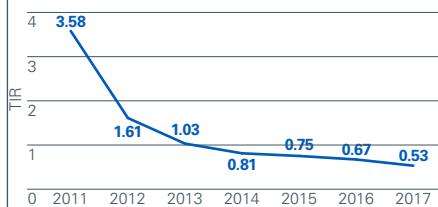
WVC USA took elements of the famed Japanese system, Kaizen, and applied it to areas of their business operations. Kaizen translates as 'continual improvement' and is a system which is often used within lean manufacturing. Weir Valves and Controls USA, taking the key elements of Kaizen, now encourages cross-functional teams to review existing processes, products and services to look for new, safer methods and solutions.

The system has been successful throughout its first year, with teams of employees from different fields feeling empowered to find solutions through innovation and 'out of the box' thinking. Mark Claffey stated: "I am proud of the Ipswich plant employees who have embraced and actively participated in this safety process. As we continue on the path to Zero Harm, a true safety culture shift is only successful with education, awareness and participation of all shop and office employees."

Bert McGrath added: "I am very impressed with how everyone has reacted to the safety Kaizens and the results we have seen so far. Our business has always been safety focused and this new system generates real enthusiasm for safety and a mindset to innovate."

## Sustainability review: People continued

### Total incident rate (TIR)



Contributing to this performance was a refresh of our Weir Zero Harm strategy to reflect a more behavioural approach to safety and our drive to make safety a part of every conversation within the third element of Weir Zero Harm. Everywhere in the Group, people are engaging with safety in a way that is giving everyone the opportunity to identify safer ways of working and sharing the responsibility of looking after each other in the workplace.

### Strategic developments in SHE

2017 saw the introduction of the Group's Global e-management system, SHIELD, dedicated to SHE. SHIELD gives the Group a platform on which every single employee has a presence. It has streamlined the recording, investigating and reporting of all SHE-related activity across the whole Weir footprint and it provides a timely and accurate analytical tool to help inform the wider SHE strategy.

### Delivering our duty of care

Many of the Group's employees travel regularly and we have a comprehensive process to ensure they stay healthy and safe at all times. This includes offering advice before, during and after any trip. This provides our significant travelling population with the reassurance that wherever they are going and whatever they may encounter, there is a world-class system supporting them.

### Diversity and Inclusion (D&I)

As a global company operating in over 70 countries, we benefit from a wide diversity of talents and aim to ensure everyone is given the opportunity to flourish regardless of their gender, race, beliefs or background.

Our commitment to becoming a more diverse and inclusive workplace made significant progress in 2017:

- A project team was re-formed to work on Group-wide D&I initiatives.
- D&I plans were developed by every business unit and there has been good initial progress.
- Groups from our Senior Management Team have worked on 'D&I' initiatives throughout the year.
- Open innovation challenges have been held throughout 2017, which bring diverse teams together to develop innovative solutions to business challenges and opportunities.
- Weir Gabbioneta, based in Italy, took part in a diversity day event, to promote the diversity and inclusion of disadvantaged people within the labour market. People dealing with impaired vision, deafness, motor disability and Down syndrome were keen to seize the opportunities that the world of work can offer them.

Weir University, our online learning platform, continues to offer a range of modules to help our people increase their knowledge and skills.

In 2017, we continued to encourage more young people to consider STEM-related careers in many of the countries in which we operate. In the UK, for example, we have continued our support and involvement with Primary Engineer and the Arkwright Scholarship Trust. As part of our continued commitment to the Arkwright Scholarship Programme, we provided one week summer work-experience placements in Canada and the Netherlands for one scholar from our 2015 intake and two scholars from our 2016 intake respectively. The students spent time learning about our businesses in both countries, visiting the engineering, operations and commercial teams. The students reported on all aspects of their trips and met with Jon Stanton at the end of the year to share their experiences with him. Weir has been supporting Arkwright since 2012.

### Gender diversity – total employees



Male  
**12,891**



Female  
**2,015**

### Gender diversity – Board



Male  
**7**



Female  
**4**

### Gender diversity – senior management



Male  
**189**



Female  
**31**

### Gender diversity – graduate intake



Male  
**68%**



Female  
**32%**



### Leadership capability

We continue to invest in our leadership development programmes, including Weir Leader 4.0 and the Weir Business Management and MBA programmes. To complement this, we have introduced a new Weir Leader framework which is aligned with 'We are Weir'.

The senior leadership of the Group has been strengthened through a mix of internal and external hires and a number of key roles have been introduced in support of our technology agenda, in particular.

### Employee engagement

Employee engagement enables our employees to realise their potential and contribute to improving business performance.

During 2017, we embedded 'We are Weir' throughout the Group including hosting the first ever global CEO 'Town Hall' meetings. These enabled employees from every part of the Group's operations to gather and question the CEO on any issue of their choice. The level of engagement was high and the feedback was very positive. This was followed by regular CEO briefings and the introduction of a direct 'AskJon' email address via which employees can raise any issues they may have.

In addition, the Group launched an internal social network to allow employees to share best practice across operations. There was a strong uptake, with more than 4,000 members regularly sharing stories and collaborating across the world.

These innovations were in addition to more established communications channels such as the Group intranet and bulletin newsletter.

A communications survey of employees received more than 1,400 responses with the majority indicating they felt employee engagement across the Group had improved in 2017 and they had a good understanding of the We are Weir strategic framework.

## Weir Leadership Programme

In 2017, we launched the Weir Leader 4.0 Programme with 26 leaders from across Weir coming together to embark on a nine-month learning journey.

The programme has been designed to build Weir Leaders' capability and commitment to deliver 'We are Weir' against the background of Industry 4.0.

The core of the programme is centred around two four-day sessions where the focus is on understanding 'We are Weir' and leaders' role in delivering it successfully, being clear on the expectations of them as a Weir Leader and about the legacy they want to create for Weir.

Through a framework that incorporates strategic, performance, inclusive and change leadership dimensions, the participants completed a '360 feedback' that will allow them to continue to work on the capabilities and behaviours they will need to achieve impact and success.



Further details of our people development programmes can be found at [www.careers.weir](http://www.careers.weir)

## Weir Minerals Africa

In 2017, Weir Minerals Africa was delighted to participate in the annual Take-a-Girl-Child-to-Work Day® for the second year in a row. Weir hosted 53 female learners and eight teachers, from nine different schools, at both our Isando and Alrode facilities. The event had several objectives, including providing an insight into the "world of work" to give female students positive

role models; helping them achieve their aspirations by motivating them to reach their full potential; providing a platform to discuss the needs of female students and their role in South Africa's socio-economic development; as well as to showcase the exciting opportunities within the engineering and manufacturing environments. The event supports our ongoing commitment to the development of STEM programmes and attracting talent into manufacturing and engineering, in particular.



## Sustainability Review: People continued

# Weir gender pay gap report – 2017

Respecting equal opportunity and promoting diversity and inclusion

At Weir, we aim to be the most admired engineering business in our markets and we'll achieve that ambition by being the employer of choice everywhere we operate. We are committed to attracting and retaining the best people, and no matter where we are in the world we encourage fairness, respect and equal opportunities for everyone.

We value differences and believe that diversity of people, backgrounds, skills and experience makes us stronger and more effective.

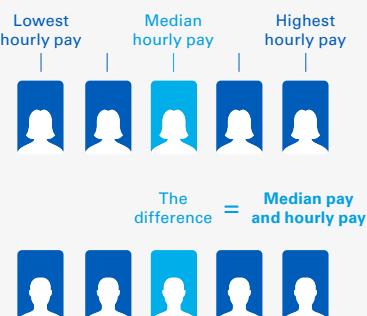
In this report, we provide our gender pay gap information for our consolidated UK businesses, and we outline how we are working to close the gap.

Although Weir operates within industries which have been dominated by men historically, we are committed to making Weir a more diverse and inclusive workplace and we will continue to deliver opportunities for women to develop their careers. By 2020, we have committed to ensuring that one-third of the Board, the Group Executive and their direct reports will be female. In addition, the Board will annually review our progress against gender pay D&I initiatives.

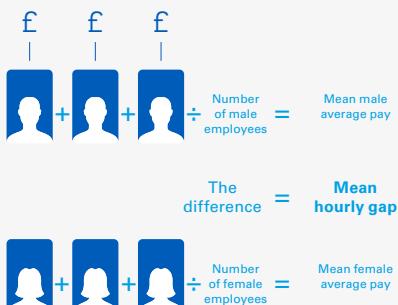
**The requirements and our outcomes**  
The UK Government's Gender Pay Gap Regulation requires legal employing entities with 250 or more employees to publish details of their gender pay and bonus gap. In Weir, there are two employing entities required to publish this data, but we have taken the opportunity to publish the consolidated data for our four UK companies as this covers our entire UK workforce.

## Understanding our pay gap

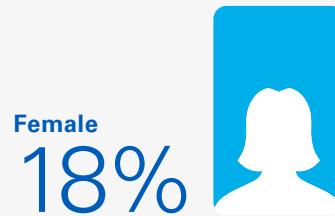
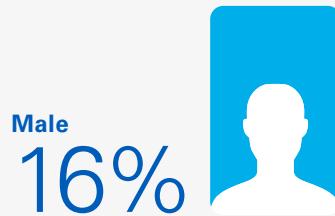
### How we calculate the median difference



### How we calculate the mean difference



### Proportion of employees receiving a bonus



65

We need to encourage and attract more women at all levels of the organisation. Here in Peru we have a female Managing Director and Finance Director, which I believe is unique in Weir, but I am sure it will become increasingly common.

Karina Zevallos  
Managing Director,  
Weir Minerals Peru



99

Jenny McGeough  
Manufacturing Director,  
Weir Minerals Netherlands



65

There is a definite move to make Weir more diverse and inclusive, which is great. Personally, I have found the Group to be a good place to build a career irrespective of gender, but of course we'd all like to see more female role models across the business.

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**By 2020 we have committed to ensuring that one-third of the Board, the Group Executive and their direct reports will be female. In addition, the Board will annually review our progress against gender pay D&I initiatives.**

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**Weir UK****Mean and median pay and bonus gap**

	Mean	Median
Gender Pay Gap	8%	10%
Gender Bonus Gap	22%	11%

**Proportion of males and females receiving a bonus**

	Male	Female
	16%	18%

**Proportion of males and females in each pay quartile band**

Pay Quartile	Male	Female
Upper	87%	13%
Upper Middle	88%	12%
Lower Middle	88%	12%
Lower	76%	24%

**Gender pay and equal pay**

The gender pay gap is different from equal pay, which relates to men and women being paid the same for similar roles or work of equal value. Our pay policies are designed to ensure equal pay for equal jobs and we have processes in place to ensure pay levels are reviewed consistently.

**Understanding our background and what our pay gap tells us**

In common with other companies within the engineering sectors, the majority of our employees are men (86.5% as at 31 December 2017). Although we are taking actions to bring more women into our companies and to promote internally, they are currently under-represented in our senior roles which is reflected in the upper pay quartile outcomes. Globally, we are making progress on increasing our female leadership, but we need to build more opportunities for women in our UK businesses.

As regards the bonus gap, only our leadership roles are eligible for participation in our LTIP programmes

and these roles are male dominated. It is expected that over the next few years, the bonus gap will increase in line with the vesting of our LTIP awards for the leadership group, and also to reflect the vesting outcomes of awards held by our Executive Directors and UK-based Group Executive Members.

**Improving diversity and working to close the gap**

As a global company, we aim to reflect the diversity of our customers, and we seek to recruit, develop and promote people regardless of background and personal circumstances.

We are committed to making Weir a more diverse and inclusive place to work because we believe it improves the performance of our teams and we are committed to delivering current and new initiatives to make Weir a more diverse and inclusive place to work.

- Driving best practice: a cross-business group working on Group-wide D&I priorities including diversity training. During 2017, we established #Weirunitedindiversity, on Yammer, which is being used by our employees to share knowledge, learning and best practice.
- On a regular basis, our businesses undertake diversity audits against our diversity maturity model. This enables us to identify areas of best practice and to develop action plans to address areas needing improvement. Progress of resulting actions and initiatives is monitored by our Group Executive.
- Encouraging women into STEM: Weir Flow Control France is working with the French Ministry of Education to promote diversity and inclusion in the engineering sector, partnering with the government on an initiative which aims to boost the number of women pursuing careers in mechanical engineering. We have also founded the Association of Female Engineers to support and promote successful women in engineering to students in colleges and university.
- Weir Wise: we have partnered with the University of Strathclyde to inspire young female students to become the next generation of engineers. On a two-day programme, participants learn about the benefits of studying maths and physics, participate in team-based challenges and gain awareness of the university and Weir.
- Targeting 50% female intake on our global graduate programme.
- Primary Engineer – Weir Group is supporting Primary Engineer 2017–2020 with funding towards two programmes: 1) Leaders' Awards and 2) Institution of Primary Engineers and Institution of Secondary Engineers. Leaders' Awards is a free-to-schools programme, where pupils from both primary and secondary schools engage with engineers. As part of the programme, pupils interview an engineer and then, inspired by them, use engineering to solve a problem. They illustrate their invention and all entries are marked by engineers or those working in the industry. Students at the Faculty of Engineering at the University of Strathclyde then select a winning entry to be turned into a prototype each year. Through the Institution of Primary and Secondary Engineers, it is Primary Engineer's aim is to develop the skills and confidence in teachers first and then extend from this secure foundation into the classroom, with programmes focusing on skills delivery and development. Weir's own engineers are also working with Primary Engineer in schools where they have a presence, attending some of these sessions.
- Leadership development: we are looking to expand our learning and development programmes to provide more support for women with the establishment of mentoring groups. As we roll out this initiative, we will also pilot a reverse mentoring programme to build awareness, knowledge and empathy.
- Flexible working: we are working with our local business leadership teams to investigate ways we allow employees to work to suit their personal responsibilities and circumstances.
- We are a member of Opportunity Now which empowers employers to accelerate change for women in the workplace.
- We are a member of Race for Opportunity which is committed to improving employment opportunities for ethnic minorities across the UK.
- Charles Berry, our Chairman, is on the steering group of the Hampton-Alexander Review which aims to improve the representation of women in leadership positions of FTSE 350 companies.

**Further details**

A copy of the full report can be found on our website [www.genderpay.weir](http://www.genderpay.weir).

1. This represents the consolidated data for our four UK companies which covers our entire UK workforce.

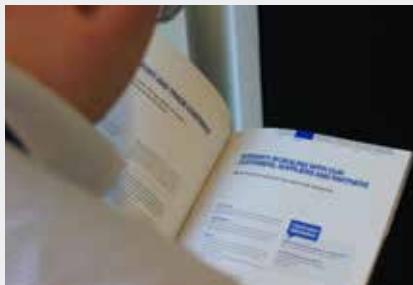
## Sustainability Review

# Ethics

## Committed to business integrity



### Introduction



At Weir, we are proud to be a business which strives to achieve the highest ethical standards and sound business principles. This is firmly reflected in our corporate values and in our Code of Conduct. We understand our role in the communities we work in, and beyond, and the influence we can have to drive change.

We also recognise the responsibilities that we share with our suppliers and we remain committed to establishing open and transparent relationships with them.

We are committed to business integrity and high ethical standards. We operate under a Code of Conduct which promotes honest and ethical behaviour and our aim is to ensure that our customers, suppliers, investors, employees, and the communities where we operate have the confidence to trust us.

#### FTSE4Good

We have been a member of FTSE4Good for seven years, an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. The Company is proud to have been able to consistently meet the stringent environmental, social and governance criteria set by FTSE4Good and we remain committed to continuously improving our performance in 2018.

#### Transparency International

We are a member of Transparency International UK's Business Integrity Forum, the UK's leading anti-corruption forum for businesses in all sectors. This membership enables us to support Transparency International's global movement of seeking a world free from corruption. We have signed up to a set of principles and remain committed to fight against corruption and ensure that we are honest and accountable in the business that we do and that we strive to respect fundamental human rights and freedoms.

#### Code of Conduct

Our Code of Conduct sets out the Weir values in a clear and concise manner. It promotes compliance with applicable laws, rules and regulations and provides details on how we expect our people to conduct themselves on a day-to-day basis, both internally and externally. The Code of Conduct provides a clear framework for decision-making in line with our values and behaviours. It applies to all Weir employees, agents and suppliers. Various measures are taken to ensure that we only enter into business relationships with third parties who are committed to applying similar standards. We not only stress the importance of complying with the Code of Conduct but also encourage our employees to promptly report any concerns or apparent breaches that they may become aware of without fear of retribution. Employees can also choose to report concerns anonymously through our Ethics Hotline.

Our current Code of Conduct is available to download, in 13 languages, from our website.

We provide targeted mandatory e-learning training in respect of the Code of Conduct to employees who are deemed to have a potentially higher risk of exposure to bribery and corruption as a consequence of their geographic location and/or decision-making responsibilities.

To date, 4,700 employees have completed the anti-bribery and corruption compliance training. All new employees who are deemed to fall into the higher risk category must undertake the training as part of their induction. After completion of the training, all participants are asked to confirm that they have read, understood and will comply with the Code of Conduct.

The Code of Conduct is reinforced through various means of communication with our employees, such as Town Hall meetings, conferences, training courses and our integration process in respect of new acquisitions. We have an established training programme in place and the Weir legal team continues to provide face-to-face training to employees of various operating companies worldwide. In 2017, the team conducted training in Trio USA, Trio China, Weir Minerals Europe, Weir Minerals Africa, Weir Gabbioneta and Weir Dubai.

Any employee found in breach of the Code of Conduct may be liable to disciplinary action, up to and including termination of employment or cancellation of contract. We also ensure that we have a right to terminate any agency agreement in the event that any agent is found to be in breach of its ethical obligations.

Information on the Code of Conduct and its application in the Company's supply chain can be found in the Suppliers and third parties section below.

## Conflicts of interest

Our Conflicts of Interest Policy places particular emphasis on outlining what may constitute a conflict and the correct process for disclosing any perceived conflict to management. The policy provides clear guidance to all of our employees to assist them with understanding the mandatory requirements for the identification, reporting and management of actual or potential conflicts of interest.

## Anti-bribery and corruption

As part of our commitment to continually monitoring and improving anti-bribery and corruption practices throughout our global operations, we have reviewed our anti-bribery policy and expect to implement the update of this policy in 2018. In addition, our internal audit department regularly undertake anti-bribery and corruption reviews. They maintain a cyclical, risk-based plan with four Code of Conduct reviews specific to anti-bribery and corruption undertaken during 2017 in addition to our standard internal audit programme of both full and limited scope reviews. No indicators of any bribery or corruption were found in 2017.

## Gifts and hospitality

A review of our Gifts and Hospitality Policy was undertaken in 2017 and the focus in 2018 will be on training and raising continued awareness of the Gifts and Hospitality Policy.

## Modern Slavery Act

We understand our role in eradicating slavery of any kind. Following a review of our existing policies and practices and in light of the introduction of the Modern Slavery Act in the UK, we published our first annual Modern Slavery Statement in March 2017 and have subsequently developed a training programme for specific employees on this issue. A copy of our statement can be found on our website at [www.global.weir/site-information/modern-slavery-statement.pdf](http://www.global.weir/site-information/modern-slavery-statement.pdf). This statement details the steps we are taking to ensure that slavery and human trafficking do not take place in any of our supply chains or in any part of our business.

We have a number of measures in place to protect human rights including the Code of Conduct, Weir Supply Chain Policy, Weir SHE Standards and a programme of supplier audits and reviews. Our Human Rights Policy has also been updated to ensure it reflects recent legal developments in this area. In addition, a mandatory e-learning training programme has been developed and is, in the first instance, aimed at employees who are located in identified high-risk jurisdictions. The e-learning programme aims to increase awareness and compliance with the Modern Slavery Act and Weir's responsibilities.

## General Data Protection Regulation (GDPR)

With GDPR being applicable from May 2018, we have been reviewing and updating existing policies and procedures and, where applicable, implementing new practices to ensure compliance with the new legislation.

## Suppliers and third parties

We source raw materials, components and services across the globe. Our suppliers play a critical role in our business and our relationships with them are based on achieving best performance, product, delivery, service and total cost in an ethical and sustainable manner. Embracing a closer relationship with our key suppliers is fundamental to our Value Chain Excellence initiative.

We recognise that our responsibilities extend to our supply chain. We have a Supply Chain Policy which sets out the minimum standards we expect our suppliers to abide by with respect to:

- business ethics;
- how they treat their workforce;
- legal and regulatory compliance;
- health and safety; and
- environmental standards.

Weir is a member of the UK government-sponsored Prompt Payment Code (PPC), which sets standards designed to support on-time payment to small and medium sized enterprises (SMEs) as well as wider payment procedures. Best practice is administered by the Chartered Institute of Credit Management and compliance with the principles of the PPC is closely monitored and enforced by the PPC Compliance Board.

In addition, the Group is committed to working only with third parties, including customers, sub-contractors, suppliers and joint venture and strategic alliance partners, whose business ethics and behaviours are consistent with our own Code of Conduct.

Our Code of Conduct is issued to all of our key suppliers. Assessments are undertaken with regard to compliance with Group standards and Group policies as part of the vetting process for new suppliers. In addition, key suppliers are audited regularly to ensure ongoing compliance. We are also implementing a mandatory training programme for our employees to improve their understanding and ability to identify signs of Modern Slavery within supply chains to promote fair and honest business practices. Wherever possible, we work with our suppliers to support them to address weaknesses identified.

## Conflict Minerals Policy

We continue to monitor guidance and legislation in relation to conflict minerals and in particular the responsible sourcing of tungsten, tantalum, tin and gold (the '3TG' minerals). Along with internal briefings and updates, we have prepared a Conflict Minerals Policy in order to ensure compliance as necessary. We continue to work with our customers to provide the supply chain information when required.

## Sustainability Review

# Our Communities

## Building relationships with our local communities



### Introduction



Weir is a global business which operates in over 70 countries. We set clear expectations for how each of our businesses should interact and engage with people and other organisations. Wherever we operate in the world, we aim to:

- enhance the local community by running our operations safely, ethically and responsibly;
- respect the communities we operate in; and
- invest in the communities for the long-term mutual benefit of the community and Weir.

We strive to build close relationships in our communities by keeping local people informed about projects which might affect them. If issues arise, we listen and do our best to help to find a solution. Our Ethics Hotline is available for any individual to use if they wish to raise concerns about ethical and compliance-related conduct involving any Weir Group company.

In addition to approaching community relations in an open and transparent manner, we seek to support charitable organisations through donations and volunteering.

We recognise that as an organisation with a global reach, our influence is not insignificant, particularly in developing countries. Our charitable and philanthropic work focuses on the key priorities of improving the health and education of our employees and the local community. We recognise that contributing to these important areas can have an enduring positive effect on the local area.

In addition to supporting charitable organisations, Weir contributes to local communities by being a source of employment, education and training; through the payment of taxes; and, in many instances, the contribution to local supply chains. This can make a substantial positive contribution to the communities in which we operate.

The Group supports the health of its employees, their families and communities through various programmes and initiatives, which are often run in partnership with local service providers.

Weir is a 147-year-old engineering company, and our commitment to training is as strong in the 21st century as it was in the 19th. We are dedicated to developing engineering excellence and we were the first company in Scotland to set up an apprentice school. Weir is a founding member of the Institute of Primary and Secondary Engineers, an institution which seeks to promote science, technology, engineering and mathematics subjects to school children of all ages in the UK.

Weir provides experience and training to develop the next generation of engineers. Although our focus is on engineering, we also provide work placements and internships across all sectors. Our placements give young people from around the world the opportunity to experience working for a global business.

### Charitable giving

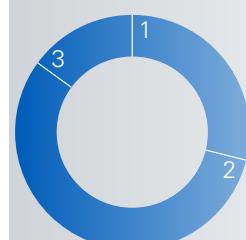
In 2017, the total amount of charitable donations made by Group companies was £533,603 (2016: £456,000). We do not make political donations. Our charitable donations include cash and non-cash items such as services, materials, employee time and use of corporate facilities.

In 2017 the Group continued to support Newlands Junior College, a vocational school that provides career opportunities to young people who have become disengaged from the traditional education system. The College provides vocational training and helps young people to develop and reach their potential. The Group donated £100,000 to Newlands Junior College in 2017.

The Group continues to support The Arkwright Scholarships Trust following initial engagement in 2012. Partnering with organisations in industry and professional engineering institutions, the programme identifies and nurtures high-potential students in UK schools, encouraging them to pursue engineering or technical design at university or through a higher-level apprenticeship. In 2017, the two scholars who were recruited in 2016 undertook a five-day summer placement at our facility in Venlo, the Netherlands. We were delighted to welcome another two scholars onto the programme at an awards ceremony in Edinburgh in October 2017.

The Group continued to support Primary Engineer in 2017. Primary Engineer is a not-for-profit organisation which

### Charitable donations



1 Community

29%

2 Education

56%

3 Health

15%

aims to encourage young people to consider careers in science, technology, engineering and mathematics (STEM) by offering primary and secondary schools a way to deliver practical mathematics and science to design and make activities. Moving forward, the Group will support Primary Engineer with the Scottish Engineering Leaders Awards and continues to support the Institute of Primary Engineers and Institute of Secondary Engineers.

#### **Employee activities**

We are very proud of the charitable work that our people undertake. Our businesses operate their own policies for supporting these, whether by matching donations, providing support or equipment or by allowing employees to participate in charitable activities during working hours.

During 2017, our employees undertook many charitable projects. A small selection of these projects is highlighted below.

#### **Weir Minerals Peru tree planting**

In August 2017, Weir Minerals Peru held its second volunteer initiative, 'Hands of Solidarity – Tree Planting Campaign 2017'. The objective was to highlight the importance of environmental care and preservation by planting trees and shrubs, while improving the appearance of the park adjacent to the Weir Minerals facility in Lima. More than 100 employees volunteered and participated with great enthusiasm and team spirit. Three groups were organised: Air, Water and Land. The 'Air' group participated in planting 90 trees and shrubs in the park. The 'Water' group planted more than 300 shrubs to create a hedge, and the 'Earth' group sowed more than 250 m<sup>2</sup> of grass seed. In total, 3,000 m<sup>2</sup> of green space was landscaped.

#### **The Warman® Design and Build Competition**

The Warman® Design and Build competition, established by Engineers Australia and sponsored by Weir Minerals, has been providing first and second year mechanical engineering university students in the Asia-Pacific region the platform to apply their knowledge in a practical application for the past 30 years. From brainstorming of ideas and building

prototypes, through to showcasing the final models, this comprehensive competition gives competing students real insight into the engineering design process. Weir Minerals are very proud to be a part of this reputable academic competition and would like to thank every university that has taken part over the last 30 years — the competition wouldn't be where it is today without their ongoing support and participation.

#### **Weir Marine Engineering gives a helping hand to the Montreal homeless**

In 2017 a group of 15 Weir Marine Engineering employees took part in The Supper Experience at Montreal,

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We support the communities that we operate in through the payment of taxes, employment and philanthropic efforts.

67

Canada's Old Brewery Mission (OBM). The OBM is a local charitable organisation that helps Montreal's homeless men and women by providing hot meals, mental health programmes, and social housing, as well as finding permanent solutions to re-integrate these men and women back into society. It was a very humbling experience for those that participated and they all left the mission with a greater sense of gratitude for their own circumstances. In the month leading up to the supper experience, the group held a number of fundraising activities and with the help of their colleagues, they managed to raise over 2,000 CAD for the OBM and surpassed their primary goal of 1,500 CAD.



## Sustainability Review

# Environment

Creating opportunities to improve the environmental performance of our operations and those of our customers.



## Introduction



We are committed to doing business responsibly and sustainably. How we operate is just as important as how we deliver financial success.

We believe that acting in an environmentally sustainable way protects and creates long-term value, not just for our shareholders, but for all our stakeholders, and supports the long-term future of our business.

In a competitive world with finite resources, managing the environmental performance of our operations makes good business sense.

We actively invest in research and development through our central research and development hub as well as through its network of academic research partners in some of the world's leading universities.

This enables us to develop and exploit emerging technologies to create new products for our end markets and provide competitive advantages to our customers through leading edge technology, with improved operational efficiency and environmental management, reduced energy consumption, emissions, water use and waste production.

### 2017 performance highlights

#### Operational control

The Weir SHE Management Standards set our expectations and provide a framework for environmental risk management, incorporating key elements such as regulatory compliance, risk assessment, self-audit, and employee engagement.

Our continued commitment to robust environmental protection is well reflected in the performance of our facilities.

We are pleased to report a 2.5% increase in overall compliance with environmental standards across our businesses during 2017, compared to that assessed in 2016.

### Environmental protection

No environmental incidents, penalties or fines were reported at sites under the operational control of the Group during the year ended 31 December 2017.

#### Operational resilience

As a business with global reach we can be exposed to a wide range of extreme weather events in different geographic locations.

In 2017 'Hurricane Harvey' landed in the US, the most powerful hurricane to hit the state of Texas in more than 50 years, and one of the country's costliest natural disasters with damage estimated at \$125 billion (£90 billion).

## Creating a more sustainable future

### Our role in the circular economy

We are proud to play a role in helping our partners and customers move towards a more circular economy.

A circular economy seeks to design out waste and pollution, keep resources in use for as long as possible, extract maximum value whilst in use, then recover and regenerate at the end of service life.

Circularity has clear environmental and social benefits, reducing pressure on natural finite resources by rethinking and redesigning beyond the traditional linear economy of 'Take, make, and dispose'.

During 2017, Weir Minerals Europe secured the perfect opportunity to support regional ambitions for greater circularity through a new waste recovery facility in the Netherlands. The facility is being built by ACCN (Ash Cleaning Company Netherlands), a joint venture between Boskalis Environmental and Inashco.



Seven sites within our Oil & Gas division were affected to varying degrees.

Fortunately, our employees were unharmed and our sites only suffered temporary closures. Thanks to asset resilience and a robust response from the division, eventual business interruption was minimised and the financial impact was contained to £545k (\$750k).

We continue to enable our customers to protect their own operations and business interests through our technical support and innovative products.

For example, the total mine dewatering solutions provided by Weir Minerals, drawing on extensive engineering and application expertise.

It is important, particularly where water is in short supply that we continue to develop technology to ensure that the water drawn out by dewatering systems becomes a resource for mining or even for other uses by communities surrounding the mine sites. Rather than it going to waste, it is increasingly important to manage and reuse the water effectively, improving the resilience of mine site processes and activities in increasingly harsh environments.

### Resource efficiency

Our foundries and manufacturing facilities continually seek to improve resource efficiency and to reduce costs; delivering real results for our Value Chain Excellence initiative.

Over 15,100 tonnes of scrap metal were reused within our foundry operations during 2017, comprising 42% of all metal poured in the foundries (2016: 34%). This was a notable increase on 2016 figures and a great outcome from efficiency-focused initiatives, such as the Foundry Best Practice Forum.

### CDP climate change initiative

We submit annual CDP reports to share our risk management approach to climate change and our greenhouse gas (GHG) emissions performance.

In 2017, we achieved a score of 'C: Awareness' for changes implemented to business strategy and the reductions in GHG emissions achieved.

#### 2017 CDP score

C



### Greenhouse gas emissions

As an energy and carbon intensive business, operating seven foundries worldwide, the Group recognises the importance of measuring and minimising the greenhouse gas (GHG) emissions from operations over which it has control.

The Group's total annual GHG emissions in tCO<sub>2</sub>e for the year ended 31 December 2017 were 133,737 tCO<sub>2</sub>e (2016: 136,167 tCO<sub>2</sub>e). This comprises a 2% decrease in total absolute GHG emissions for the Group when compared with 2016 figures.

During 2017, total GHG emissions for our seven foundries decreased by 3%. Carbon intensity of the metals poured improved marginally with the use of lower carbon fuels.

With the Weir Minerals Europe (WME) total solutions approach and its excellent cross-team collaboration, we secured an order for a range of equipment, including Warman Slurry Pumps, submersible Screw Flow Pumps, Cavex Cyclones, a Linatex Dense Medium Separator, Trio Coarse and Fine Material Washers and a TRIO Impact Crusher.

Once built, our equipment will enable the advanced washing installation to recycle up to 500,000 tonnes of bottom ash, a by-product from the incineration of household waste in nearby waste-to-energy plants, into valuable raw materials, including metals, sand and gravels.

This follows technical advice and specialist equipment provided by WME for the HVC WASH facility in the same region, the world's first large-scale fully integrated washing plant for incinerator bottom ash. The facility diverts bottom ash from landfill, provides recycled raw materials for road construction and concrete products, and also separates valuable metals for reuse.

With expertise in innovative equipment and industry-leading knowledge of waste recovery and recycling, WME is proud of the critical role it plays in solutions for a more circular economy.

## Total annual GHG emissions

	Global annual GHG emissions (tCO <sub>2</sub> e)			GHG emissions intensity (tCO <sub>2</sub> e per £m revenue)		
	2017	2016	Baseline: 2013	2017	2016	Baseline: 2013
Scope 1 emissions: fuel combustion and operation of facilities	33,300	37,170	53,316	14.1	20.1	21.9
Scope 2 emissions: purchased electricity and heat	100,437	98,997	107,581	42.6	53.7	44.3
<b>Total</b>	<b>133,737</b>	136,167	160,897	<b>56.7</b>	73.8	66.2

## Annual GHG emissions from foundries

	Annual GHG emissions (tCO <sub>2</sub> e)			Proportion of global annual emissions (%)			GHG emissions intensity (tCO <sub>2</sub> e per tonne of metal poured)		
	2017	2016	Baseline: 2013	2017	2016	Baseline: 2013	2017	2016	Baseline: 2013
Scope 1 emissions: fuel combustion and operation of facilities	10,799	13,536	16,738	8.1	9.9	10.4	0.3	0.4	0.5
Scope 2 emissions: purchased electricity and heat	52,432	51,501	48,705	39.2	37.8	30.3	1.5	1.5	1.4
<b>Total</b>	<b>63,231</b>	65,037	65,443	<b>47.3</b>	47.7	40.7	<b>1.8</b>	1.9	1.9

Scope 1 emissions: fuel combustion and operation of facilities. Scope 2 emissions: purchased electricity and heat.

We report on all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statement. We do not have responsibility for emission sources that are not included in our consolidated statement.

We have referred to the 'GHG Protocol: Corporate Accounting and Reporting Standard' (revised edition) and used emission factors from the UK Government's 'GHG Conversion Factors for Company Reporting 2017' and other region-specific emissions factors where available.

## Corporate Governance Report

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### Leadership

The Board sets the tone of the Company with regards to corporate governance and ensures the application of the Company's values and behaviours. It demonstrates the clear division of responsibilities and the constructive challenge and development of strategy.

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### Effectiveness

The Board operates effectively for the long-term success of the Company. The Board members demonstrate the correct balance of skills, experience, independence and knowledge and are able to commit sufficient time to undertake the duties and responsibilities appropriately.

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The Board maintains sound risk management and internal control systems and has well-established committees to assist it in the undertaking of its duties.	
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### Relations with Shareholders and Stakeholders

The Board maintains an open dialogue with shareholders and Board members attend investor events globally.	
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### Remuneration

The Board ensures an open and transparent remuneration policy for the effective recruitment and retention of Board members and Company employees.

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### The UK Corporate Governance Code

The UK Corporate Governance Code (the 'Code') is published by the Financial Reporting Council and sets out the standards of good practice in relation to matters such as Board composition and effectiveness, the role of Board Committees, risk management, remuneration and relations with shareholders. The Code can be obtained from the Financial Reporting Council via its website at [frc.org.uk](http://frc.org.uk).

As a listed company, we are required to explain how we have complied with the Code and applied its principles and provisions. We must also provide an explanation of any instances where we have not. This Corporate Governance

Report, together with the Nomination, Audit and Remuneration Committee Reports, details how the Company has applied the main principles of the Code in 2017. For the year ended 31 December 2017 to the date of this Annual Report, the Board considers that the Company has complied fully with the Code.

The Financial Conduct Authority's Disclosure and Transparency Rule 7.2.6 ("DTR 7.2.6") requires the corporate governance statement to contain certain information required by Schedule 7 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410). This information relates to significant interests in the securities of the Company,

securities carrying special rights with regard to the control of the Company, restrictions on voting rights, rules regarding the appointment and replacement of Directors, rules regarding changes to the Company's Articles of Association and the Directors' powers in relation to the issuing or buying back by the Company of its shares. The relevant information can be found in within the Directors' Report on pages 116 to 118.

The following Corporate Governance Report, including the Committee Reports and the Directors' Report, sets out how we apply these governance standards in practice and demonstrates our compliance with the Code.

## Corporate Governance Report

# Chairman's introduction to governance

Driving performance through culture



**Charles Berry**  
Chairman

### Dear Shareholders,

I am pleased to present the Corporate Governance Report for 2017. As Chairman, I continue to focus on ensuring our governance structure remains appropriate, whilst supporting our strategy and culture and ensuring that the Board delivers prudent and effective leadership in order to discharge its duties responsibly and effectively.

Good corporate governance is critical to building a successful and sustainable business and enabling us to create long-term value more effectively. The focus on corporate governance is forever increasing and the Board is committed to maintaining the highest standards of corporate governance as this is the key to the continued long-term success of your Company.

In the Corporate Governance Report, I describe our governance structure, how the Board works and areas that your Board has focused on during the year as well as the work of the Board Committees.

### Statement of Compliance with the UK Corporate Governance Code

I am pleased to report that the Company has fully complied with all the principles of the Code for the year ended 31 December 2017, and from that date to the date of approval of this Annual Report.

### Q As Chairman, what is your view on the role of governance?

As Chairman, I focus on ensuring that the Board delivers effective leadership in order to ensure the long-term success of the Company. The Board sets the tone from the top by defining and demonstrating the Company's values and standards. The Board recognises that a robust corporate governance framework is essential to deliver the strategy of the Group and ensure the highest standards of integrity.

### Q What role does the Board play in setting the culture of the business?

The Board leads by example and works diligently to ensure that the Weir values, corporate strategy and business model are embedded within our culture and at all levels and aspects of our business. This approach allows us to establish a culture which is resilient and adaptive to change. The Board remains committed to driving the culture of the business and ensuring that this is reflected in our Code of Conduct and commitment to our people.

### Q Sustainability is integral to the business. What role does the Board play in managing this?

Every member of the Board views themselves as stewards of the business with a clear responsibility to ensure its long-term success. That long-term approach defines how we develop the strategic direction of the Group, assess risks and opportunities and ultimately deliver sustainable value for all our stakeholders.

### Q The Board Effectiveness Review was led externally this year. What did it identify?

It identified that further enhancement of the Non-Executive Directors' engagement with various levels of the business and a more structured schedule of informal site visits would be valuable. A review and possible refinement of the annual programme and schedule of meetings was also recommended.

### Q The Board is accountable for the Group's management of risk. How does the Board monitor this?

The Board reviews the Group Risk Dashboard at each Board meeting and receives presentations from Executive Directors, Divisional Presidents, Group Executive members and functional leaders which include aspects of the Group's principal and other risks together with how they are being controlled or otherwise mitigated. The Risk Committee reports bi-annually to the Board with a detailed assessment of each principal risk, internal audit and compliance scorecard results, developments in risk management approaches and any significant matters for the Board's consideration. On an annual basis, the Board will also review the Group's Risk Appetite Statement.

### Q What engagement with shareholders has the Board had during the year?

The Board is responsible for ensuring that satisfactory dialogue with shareholders takes place throughout the year. In order to establish and maintain good relationships with the shareholders of the Company, the Directors meet with major shareholders in order to keep them informed of significant developments and to listen to their views. You can read more about how the Board members engaged with shareholders during 2017 on page 83.

**Charles Berry**  
Chairman  
28 February 2018

## Board of Directors

# The right skills and experience to deliver long-term value

### Committee membership key

- █ Chair
- A Audit Committee member
- N Nomination Committee member
- R Remuneration Committee member



Charles Berry Chairman	Jon Stanton Chief Executive Officer	John Heasley Chief Financial Officer	Clare Chapman Non-Executive Director	Alan Ferguson Non-Executive Director	Mary Jo Jacobi Non-Executive Director
<span style="color: blue;">█</span>			<span style="color: blue;">█</span>	<span style="color: blue;">█</span> <span style="color: blue;">█</span>	<span style="color: blue;">█</span> <span style="color: blue;">█</span>
<b>Independent?</b> Yes, since appointment in March 2013	<b>Independent?</b> No	<b>Independent?</b> No	<b>Independent?</b> Yes, since appointment in August 2017	<b>Independent?</b> Yes, since appointment in December 2011	<b>Independent?</b> Yes, since appointment in January 2014
<b>Nationality</b> 	<b>Nationality</b> 	<b>Nationality</b> 	Nationality 	<b>Nationality</b> 	<b>Nationality</b> 
<b>Tenure on Board</b> 4 years and 10 months	<b>Tenure on Board</b> CEO – 1 year and 3 months FD – 6 years and 5 months	<b>Tenure on Board</b> 1 year and 3 months	<b>Tenure on Board</b> 5 months	<b>Tenure on Board</b> 6 years	<b>Tenure on Board</b> 4 years
<b>Experience</b> Charles was an Executive Director of Scottish Power plc from 1999 to 2005 and Chief Executive of its UK operations between 2000 and 2005. Prior to joining Scottish Power, he was Group Development Director of Norwest Holst, a subsidiary of Compagnie Générale des Eaux and held management positions within subsidiaries of Pilkington plc. He is a former Non-Executive Director and Chairman of Eaga plc, Drax Group plc and Thus Group plc, and a former Non-Executive Director of Impax Environmental Markets PLC and Securities Trust of Scotland plc.	<b>Experience</b> Jon joined the Board as Finance Director in 2010 where he helped shape the Group's strategy and developed Weir's finance, treasury, tax and information services capability. Before joining Weir, he was a partner with Ernst & Young, one of the world's largest professional services companies, where he led global board-level relationships with a number of FTSE-100 multi-national companies. Jon is a chartered accountant and a member of the Institute of Chartered Accountants in England and Wales.	<b>Experience</b> Prior to his appointment as Chief Financial Officer, John was the Divisional Managing Director for Weir Flow Control. Prior to joining Weir in 2008, he held a number of senior financial, commercial and operational roles, including positions at PricewaterhouseCoopers and Scottish Power. He is a chartered accountant and a member of the Institute of Chartered Accountants of Scotland.	<b>Experience</b> Clare is the former Group People Director of BT Group plc and Director General of Workforce for the NHS and Social Care. Clare was previously a Non-Executive Director of TUI Travel plc and Chairman of its Remuneration Committee. Clare was also Group HR Director of Tesco plc from 1999 to 2006 and HR Vice President of PepsiCo's west and central European operations from 1994 to 1999.	<b>Experience</b> Alan was Chief Financial Officer and a Director of Lonmin plc, from 2007 until 2010. Prior to this, he was Group Finance Director of the BOC Group plc. Alan also spent 22 years working for Inchcape plc in a variety of roles, including six years as Group Finance Director. Alan is a member of the Institute of Chartered Accountants of Scotland and sits on its Business Policy Panel.	<b>Experience</b> Mary Jo advises companies on international affairs and reputation management. She was formerly a senior executive of BP America, Royal Dutch Shell, Lehman Brothers, HSBC Holdings and Drexel Burnham Lambert and a Non-Executive Director of Tate & Lyle plc. Mary Jo was Special Assistant to President Ronald Reagan, Assistant US Commerce Secretary for President George H.W. Bush and a British Civil Service Commissioner from 2005 until 2010.

Key external appointments	Key external appointments	Key external appointments	Key external appointments	Key external appointments	Key external appointments
Charles is a Non-Executive Chairman of Senior plc and a member of the steering group of the Hampton-Alexander Review.	None.	John is a Non-Executive Director of Royal Scottish National Orchestra Society Limited.	Clare has been a Non-Executive Director of Kingfisher plc since December 2010 and of Heidrick & Struggles International, Inc. since February 2016. Clare is a commissioner on the Low Pay Commission.	Alan is a Senior Independent Non-Executive Director and Audit Committee Chairman of Johnson Matthey plc and Marshall Motor Holdings plc. Non-Executive Director and Audit Committee Chairman of Croda International plc.	Mary Jo is a Non-Executive Director of Mulvaney Capital Management Limited. Mary Jo also has the position of Advisory Board co-chair, George Washington University Institute for Corporate Responsibility.

### Board diversity by gender



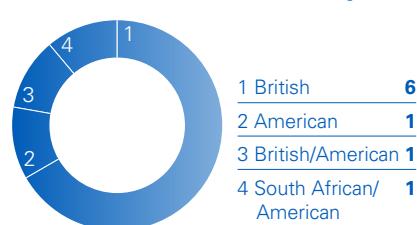
### Board diversity by tenure



### Executive/Non-Executive



### Non-Executive nationality



**Barbara Jeremiah**  
Non-Executive Director



**Professor Sir Jim McDonald**  
Non-Executive Director



**Richard (Rick) Menell**  
Senior Independent Director



**John Mogford**  
Non-Executive Director



**Christopher Morgan**  
Company Secretary and General Counsel  
Secretary to the Board, Audit, Nomination and Remuneration Committees



**Melanie Gee**  
Former Non-Executive Director  
Left the Company in 2017



#### Independent?

Yes, since appointment in August 2017

#### Independent?

Yes, since appointment in January 2015

#### Independent?

Yes, since appointment in April 2009

#### Independent?

Yes, since appointment in June 2008

#### Independent?

n/a

#### Independent?

Yes, since appointment in May 2011

#### Nationality



#### Nationality



#### Nationality



#### Nationality



#### Nationality



#### Nationality



#### Tenure on Board

5 months

#### Tenure on Board

3 years

#### Tenure on Board

8 years and 9 months

#### Tenure on Board

9 years and 7 months

#### Tenure

1 year and 8 months

#### Tenure on Board

6 years and 4 months

#### Experience

Barbara previously spent over 30 years in a number of roles with Alcoa Inc. (now demerged into Alcoa and Arconic Inc.), the global aluminium producer. Her roles in Alcoa included Executive Vice President, Corporate Development and Chairman's Counsel. Barbara also previously served as the Chairwoman of Boart Longyear Limited. Barbara has a BA in political science and is a qualified lawyer.

#### Experience

Jim is Principal and Vice Chancellor of the University of Strathclyde and has held the Rolls-Royce Chair in Electrical Power Systems since 1993. He is also Chairman of the Institute for Energy and Environment. He is a member of the UK Trade and Investment Energy Excellence Board. He co-chairs the Scottish Energy Advisory Board. He is a fellow of the Royal Academy of Engineering, the Royal Society of Edinburgh, the Institution of Engineering and Technology, and the Institute of Physics.

#### Experience

Rick was appointed Chief Executive of Anglovaal Mining in 1996, then Executive Chairman in 2002. In 2005, he was appointed President and Chief Executive of TEAL Exploration & Mining Inc. He was formerly Chairman of Avgold Ltd and Bateman Engineering BV. Rick is a senior adviser to Credit Suisse and Chairman of Credit Suisse Securities (Johannesburg) (Pty) Limited. He is a fellow of the Geological Society (London), and of both the Australasian and South African Institutes of Mining and Metallurgy.

#### Experience

John was formerly a Managing Director for First Reserve, a large global energy-focused private equity firm and an Executive Vice President of BP plc. He was Chairman of Amromco Energy LLC and White Rose Energy Ventures LLP and a Non-Executive Director of Deep Gulf Energy LP. He is a fellow of the Institution of Mechanical Engineers and a visiting Professor at the University of Strathclyde. John was a Non-Executive Director of DOF Subsea AS.

#### Experience

Christopher joined the Group as Deputy General Counsel in 2014 and was appointed as Company Secretary and General Counsel in 2016. He is a qualified solicitor in both Scotland and England and a member of the Law Society of Scotland and the Law Society of England and Wales.

#### Experience

Melanie is a Senior Adviser at Lazar & Co. Limited, having worked for them since 2008. Formerly, she spent a number of years with S.G. Warburg (now part of UBS) and was appointed a Managing Director of UBS in 1999. Her executive career has involved providing corporate finance advice to a broad range of clients in both the UK and overseas.

#### Key external appointments

Barbara is currently a Non-Executive Director of Aggreko plc, Russel Metals Inc and Allegheny Technologies Incorporated.

#### Key external appointments

Jim is a Non-Executive Director of Scottish Power Limited. Non-Executive Director of UK Offshore Renewable Energy Catapult Board, Non-Executive Director of National Physical Laboratory and Non-Executive Director of Glasgow Science Centre Charitable Trust. President of the Conference of European Schools for Advanced Engineering Education and Research (CESAER).

#### Key external appointments

Rick is a Non-Executive Director of Gold Fields Ltd and Sibanye Gold Limited, both South African companies listed on the Johannesburg Stock Exchange and the New York Stock Exchange.

#### Key external appointments

John is a Non-Executive Director of ERM Worldwide Group Limited and BHP Bilton Plc.

#### Key external appointments

None.

#### Key external appointments

Non-Executive Director, Remuneration Committee Chairman and member of the Risk & Capital Committee and Investment Committee of Standard Life Aberdeen plc. Melanie is a Non-Executive Director of Ridgeway Partners Limited. Melanie is also a member of the steering committee of the 30% Club.

## Group Executive

The right skills and experience  
to deliver long-term value



**Paul Coppinger**  
Division President  
of Weir Oil & Gas



**Ricardo Garib**  
Division President  
of Weir Minerals



**David Paradis**  
Division President of  
Weir Flow Control



**Rosemary  
McGinness**  
Chief People Officer



**Geetha Dabir**  
Chief Technology Officer

Jon Stanton and John Heasley are also members of the Group Executive Committee. Their biographical information can be found on the previous pages.

Andrew Neilson held the position of Director of Strategy and Corporate Affairs and was a member of the Group Executive until June 2017.

Pauline Lafferty held the position of Chief People Officer and was a member of Group Executive until July 2017.

### Tenure

3 years

### Tenure

2 years

### Tenure

11 months

### Tenure

5 months

### Tenure

9 months

### Nationality



### Nationality



### Nationality



### Nationality



### Nationality



### Experience

Paul joined the Group Executive in January 2015. He joined Weir in 2011 as President of SPM. Prior to joining Weir, Paul was the President of the Energy Group for ten years at Cincor International, Inc., a diversified manufacturer of valves and related products. He has been a director of the Petroleum Equipment & Services Association since 2007 and has served as the association's Chairman. Paul is presently a Non-Executive Director of Now Inc. He holds a Bachelor of Science degree in Petroleum Engineering from Texas Tech University.

### Experience

Ricardo joined the Group Executive in January 2016. He joined Baker Hughes in 1980 and became the Operations Director of Weir Chile following the purchase of Baker Hughes' Minerals division in 1994 by the Weir Group. In 2001 he was promoted to Regional Managing Director of Weir Minerals Latin America and MD of Weir Minerals Chile. Ricardo is Vice President of the Mining Suppliers Association, a Director of SOFOFA Industrial Schools Boards and an elected council member of the Board of the Chilean Federation of Industry. He holds an MBA and is a Civil Mechanical Engineer.

### Experience

David joined the Group Executive in January 2017. Prior to this he held the position of President of Pressure Pumping. Before joining Weir, David spent 22 years in the flow control industry with Keystone International and Tyco Valves and Controls. He holds a Bachelor of Science degree in Mechanical Engineering and a Masters of Business Administration from Texas A&M University, where he currently serves on the Masters of Science in Marketing Advisory Board in the Mays Business School. In addition, he is an Advisory Board member of the Petroleum Equipment & Services Association.

### Experience

Rosemary joined Weir as Chief People Officer in July 2017. Prior to joining Weir, Rosemary was Group HR Director of William Grant & Sons, for 12 years. Rosemary has held a range of positions covering all aspects of human resources across the globe, including being based in New York in her role as Senior Vice President of HR for document management company Bowne Business Solutions. Rosemary is an Advisory Board Member to the School for CEO's and an Advisory Board Member of the University of Strathclyde Business School. She is also a Fellow of the Chartered Institute of Personnel and Development.

### Experience

Geetha was appointed as Weir's first Chief Technology Officer in March 2017. Geetha is an electrical and software engineer. Prior to joining Weir she was Vice President and General Manager of Internet of Things (IoT) Applications ready platform group at Intel Corporation, having previously worked for Cisco Systems for 13 years, helping lead their networking, server and IoT efforts. Geetha has been recognised as one of the 25 Powerful Women Engineers in Technology by Business Insider.

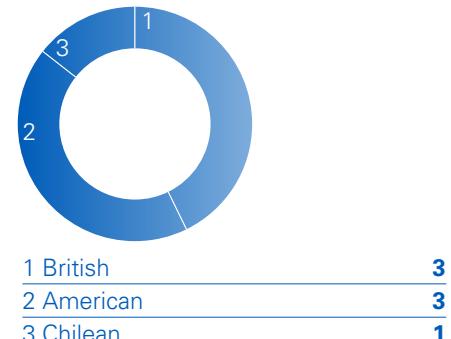


5 Male  
2 Female

### Group Executive by tenure



### Group Executive by nationality



## Corporate Governance Report

# Leadership

### Board statements

Requirement	Board statement	Where to find further information
<b>Compliance with the UK Corporate Governance Code (the 'Code')</b>	The Company has fully complied with all the principles of the Code for the year ended 31 December 2017, and from that date to the date of approval of this Annual Report.	<ul style="list-style-type: none"> <li>• Corporate Governance Report on page 68.</li> </ul>
<b>Going concern basis</b>	The Directors have a reasonable expectation that the Group has adequate resources to continue to operate for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In forming this view, the Directors have reviewed the Group's budgets, plans and cash flow forecasts, including market downturn sensitivities. In addition, the Directors have considered the potential impact of credit risk and liquidity risk detailed in note 30 to the Group financial statements on pages 177 to 183. Each of these items has been considered in relation to the Group's banking facilities described in note 20 on pages 160 and 161.	<ul style="list-style-type: none"> <li>• Directors' Report on page 116.</li> </ul>
<b>Viability statement</b>	In accordance with provision C.2.2 of the UK Corporate Governance Code 2016, the Directors have assessed the viability of the Group over a three-year period, taking into account the Group's current position and the potential impact of the principal risks documented on pages 50 to 55 of the Annual Report. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2020.	<ul style="list-style-type: none"> <li>• Risk review: How We Manage Risk on page 46.</li> </ul>
<b>Robust assessment of the principal risks facing the Group and annual review of systems of risk management and internal control</b>	During the year, the Board has reviewed the effectiveness of the systems of risk management and internal control and conducted a robust assessment of the principal risks affecting the Group in line with the Risk Appetite Statement. These activities meet the Board's responsibilities in connection with Risk Management and Internal Control set out in the UK Corporate Governance Code.	<ul style="list-style-type: none"> <li>• Risk review: How We Manage Risk on page 46.</li> </ul>
<b>Fair, balanced and understandable</b>	The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.	<ul style="list-style-type: none"> <li>• Statement of Directors' responsibilities on page 119.</li> </ul>
<b>Modern Slavery Statement</b>	As a Company, we understand our role in eradicating modern slavery. Following an extensive review of our existing policies and practices in light of the introduction of the Modern Slavery Act, the Company prepared an annual Modern Slavery Statement and has subsequently developed a training programme.	<ul style="list-style-type: none"> <li>• A copy of this statement can be found on our website <a href="http://www.global.weir/sustainability/ethics">www.global.weir/sustainability/ethics</a></li> </ul>

## Corporate Governance Report

# Leadership continued

## A view from the Boardroom table



**Mary Jo Jacobi**  
Non-Executive Director

**Q What do you feel your role as a Non-Executive Director is at the Weir Group?**  
It can best be described as a mixture of counsel and constructive challenge. As a Non-Executive Director, my job is to bring my experience, objectivity and independence to the Board and use it to offer unbiased scrutiny and guidance, particularly on matters such as strategy, risk, remuneration, succession and assessing the overall performance of the business. To do that you need a good understanding of the Group and, in a very global business such as Weir, that means getting out to operations and meeting employees, customers and other stakeholders. Ultimately, each of us has a responsibility to contribute to building a stronger Weir, just as previous generations did for over a hundred years. I know every member of the Board, Non-Executive and Executive, takes that responsibility very seriously.

**Q The composition of the Board has changed in the past year, what difference has that made?**  
Naturally you miss colleagues who have stepped down, but change opens the door to new perspectives and input from different experiences, which is beneficial and refreshing. Melanie Gee, who left in September, was a great Board member and made very positive contributions to our discussions, particularly on remuneration and portfolio decisions. Since they joined late in 2017, both Clare Chapman and Barbara Jeremiah have already made a significant impact. Ultimately, a successful Board depends on a balance of experienced points of view. I think Weir has a good mix of skills and abilities and, most importantly, a shared understanding of responsibility and purpose.

**Q There is an increasing focus on diversity and inclusion on UK Boards. How important an issue do you think this is?**  
I am passionate about equality of opportunity and about the benefits to businesses and society of diverse and inclusive workplaces. This doesn't mean gender alone, but ethnicity, race, age, personality, nationality and experience. A well-functioning Board – and company – is a blend of different skills and perspectives operating in an inclusive environment. That's why I'm delighted to see that building greater diversity at all levels of the business is a priority for the Group.

**Q You serve on both the Remuneration and Nomination Committees; what does membership of these Committees entail?**

The Board has several committees dedicated to aspects of the Company, and they require the same approach in terms of scrutiny and support. The Remuneration Committee seeks to determine and recommend to the Board the framework for the rewards and incentives to Executives to encourage them to enhance the Company's performance and ensure delivery of sustainable value over the long term. We do this by assessing Weir against its peers, ensuring legal and regulatory compliance, analysing risk and consulting with shareholders and other stakeholders to be sure there are stretching targets for Executives to meet. The Nomination Committee consists of only Non-Executive Directors and considers the structure and composition of the Board and ensures that the processes of succession planning and nomination, evaluation and selection for both Board and senior management roles are robust and inclusive, something Weir has always taken very seriously.

**Q You have Board and corporate governance experience in both the UK and USA. How do the two regimes compare?**

Traditionally, the US model has been more "regulator led" while the UK has been more "shareholder led". The financial crisis generated an array of legislative and regulatory changes in the US to make companies more accountable and transparent. In the UK, the Financial Reporting Council is considering major changes to the Corporate Governance Code to improve the quality of governance of the UK's largest companies. The hallmark of both approaches is the recognition of the important impact that companies have on the full array of stakeholders and on society. I think that Weir is well placed with its UK headquarters and extensive US operations to build long-term value for its stakeholders in both countries.

**Board composition**

During 2017, the Board comprised of the Chairman, two Executive Directors and up to eight Non-Executive Directors.

Barbara Jeremiah and Clare Chapman were appointed to the Board in August 2017. Melanie Gee stepped down from the Board and as Chair of the Remuneration Committee in September 2017.

Biographical information on the Board of Directors, including Directors' relevant experience and significant appointments, can be found on pages 70 and 71.

**Roles and responsibilities of Directors**

The key responsibilities of the members of the Board of Directors are set out below.

The Board of Directors has a collective duty to promote the long-term success of the Company for its shareholders. The Board sets the strategic aims of the Group and provides leadership and guidance to senior management to ensure that the necessary resources are in place to achieve the agreed strategy. In determining the long-term strategy and objectives of the Group, the Board is mindful of its duties and responsibilities not just to shareholders but also to customers, employees and other stakeholders.

The Board reviews management and financial performance and monitors the delivery of strategy and the achievement of business objectives. At all times, the Board operates within a robust framework of internal controls and risk management. The Board also develops and promotes

the collective vision of the Group's purpose, culture, values and behaviours.

Each Director brings different skills, experience and knowledge to the Company, with the Non-Executive Directors bringing additional independent thought and judgement. The roles of the Chairman and Chief Executive Officer are separate, with each having clearly defined duties and responsibilities which are set out in writing and approved by the Board. The roles and responsibilities of the Senior Independent Director are also set out in writing and both documents are available to view on the Company's website at [www.corporategovernance.weir](http://www.corporategovernance.weir).

<b>Directors</b>	<b>Responsibility</b>
<b>Charles Berry</b> Chairman	<ul style="list-style-type: none"> <li>• Leading the Board in an ethical manner and promoting effective Board relationships.</li> <li>• Building a well-balanced Board, considering succession planning and the Board's composition.</li> <li>• Ensuring the effectiveness of the Board and individual Directors.</li> <li>• Overseeing the Board evaluation and acting on its results.</li> <li>• Ensuring appropriate induction and development programmes.</li> <li>• Setting the Board agenda and chairing Board meetings.</li> <li>• Ensuring effective communication with shareholders and other stakeholders.</li> </ul>
<b>Jon Stanton</b> Chief Executive Officer	<ul style="list-style-type: none"> <li>• Planning the Group objectives and strategy for Board approval.</li> <li>• Ensuring the effective delivery of Group strategies.</li> <li>• Providing leadership to the Group and communicating the Company's culture, values and behaviours.</li> <li>• Day-to-day management of the Company.</li> <li>• Building Group Executive/Leadership team and succession planning</li> <li>• Communications with external stakeholders: investors; governments; academia</li> </ul>
<b>John Heasley</b> Chief Financial Officer	<ul style="list-style-type: none"> <li>• Ensuring an effective financial control environment which is compliant with regulations.</li> <li>• Ensuring effective management of Group capital structure and financing needs.</li> <li>• Provision of timely and accurate financial reporting.</li> <li>• Assisting in formulating the Group objectives and strategy.</li> <li>• Delivery of the Group Value Chain Excellence and IT strategies.</li> <li>• Day-to-day management of the Company.</li> </ul>
<b>Rick Menell</b> Senior Independent Director	<ul style="list-style-type: none"> <li>• Supporting the Chairman in his duties, where necessary.</li> <li>• Leading the annual review of the performance of the Chairman.</li> <li>• Being available to Directors and shareholders who have concerns that cannot be addressed through the normal channels.</li> </ul>
<b>Non-Executive Directors</b> Clare Chapman Alan Ferguson Melanie Gee Mary Jo Jacobi Barbara Jeremiah Professor Sir Jim McDonald John Mogford	<ul style="list-style-type: none"> <li>• Contributing independent challenge and rigour.</li> <li>• Assisting in the development of the Company's strategy.</li> <li>• Ensuring the integrity of the financial information, controls and risk management processes.</li> <li>• Monitoring the performance of the Executive Directors against agreed goals and objectives.</li> <li>• Advising senior management.</li> </ul>
<b>Christopher Morgan</b> Company Secretary	<ul style="list-style-type: none"> <li>• Advising the Board on governance, legislation and regulatory requirements.</li> <li>• Ensuring the presentation of high-quality information to the Board and its Committees.</li> <li>• Ensuring best practice in Board procedures.</li> <li>• Facilitating inductions and development programmes.</li> <li>• Facilitating the Board effectiveness review process.</li> </ul>

## Corporate Governance Report

# Leadership continued

### Board Committees

The Board has a number of committees to assist in discharging its responsibilities. The principal committees are the Nomination, Audit and Remuneration Committees. The responsibilities of these committees are set out in the individual Terms of Reference, which are available on the Company's website at [www.corporategovernance.weir](http://www.corporategovernance.weir). The roles and responsibilities of the Board Committees, along with the activities undertaken during the year, are outlined in each of their respective reports found on pages 85 to 118. The Company Secretary is the Secretary to the Board Committees and ensures that the Committees adhere to the highest standards of Corporate Governance and apply the provisions and principles of the Code.

Only Committee members are entitled to attend meetings, however, other Board members may attend at any time if they choose to do so. Professional advisers and members of the senior management team attend Committee meetings when they are invited to do so.

The Board may also set up separate committees to consider specific issues, when the need arises.

### Disclosure Committee

The Disclosure Committee is a sub-committee of the Board which

comprises the Chief Executive Officer, Chief Financial Officer and the Company Secretary and General Counsel. The Disclosure Committee was established to ensure compliance with the Market Abuse Regulation. The Committee provides information to the Board in order to assist with the identification of inside information. The Committee makes recommendations as to how and when the Company should disclose such information, in accordance with all applicable legal and regulatory requirements. The Terms of Reference of the Disclosure Committee are available on the Company's website at [www.corporategovernance.weir](http://www.corporategovernance.weir) set out in writing and approved by the Board.

### General Administration Committee

The General Administration Committee is a sub-committee of the Board which comprises two Executive Directors of the Company.

The Committee is responsible to the Board as a whole and meets as required. The principal duties of the Committee include attending to routine procedural and administrative matters in relation to existing banking and finance facilities, the issue and allotment of shares and matters relating to the Company's share capital, including the administration of unclaimed dividends and the Scrip Dividend Scheme. The Committee's Terms of Reference are reviewed

annually to ensure its continuing appropriateness. Minutes of meetings of the General Administration Committee are made available to all Directors at Board meetings.

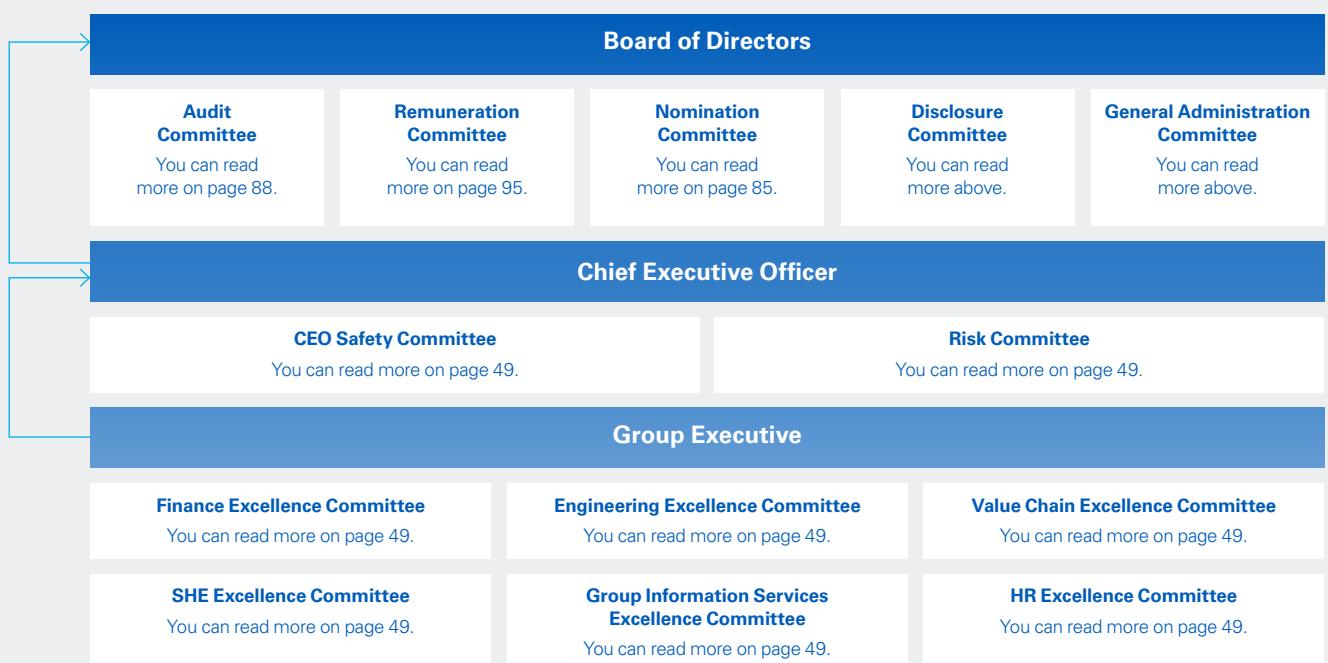
### Group Executive

The Group Executive comprises the Chief Executive Officer, Chief Financial Officer, Chief People Officer, Chief Technology Officer and Divisional Presidents. Biographical details of the members of the Group Executive can be found on page 72.

In the year ended 31 December 2017, the Group Executive met 13 times. The Group Executive is responsible for ensuring that each of the Group's businesses is managed effectively and that the key performance indicators of the Group, as approved by the Board, are achieved.

The Group Executive's role includes the preparation of the Group budget for approval by the Board, management of business performance to achieve the Group budget, establishing and maintaining reporting systems which provide clear and consistent information on all aspects of business performance, managing and minimising corporate risk and ensuring that the necessary mechanisms are in place to achieve effective inter-divisional co-ordination in areas such as purchasing, branding

### Board and Committee structure



and career development planning. It also approves major items of capital expenditure within limits authorised by the Board.

### Management Committees

In addition to the Board Committees, there are several management committees, known as Excellence Committees. The Excellence Committees have clearly defined remits and work across the Group to promote best practice and information sharing. The Executive Directors and members of the Group Executive can delegate their responsibilities to these committees and utilise the areas of expertise contained within them. The Excellence Committees report to the Group Executive and to the Board as required.

The composition of the various committees along with their accompanying Terms of Reference, the matters reserved to the Board for approval and delegated authority matrices combine to create a clear authority matrix across the Group for timely and effective decision-making. This structure provides the Board with confidence that important decisions are being taken at the appropriate levels, and ensures that information flows both up and down the reporting lines.

### Board meetings

The Board meets regularly in order to effectively discharge its duties. Board meetings are held in person or by video-conferencing. During 2017, there were eight scheduled meetings and two additional unscheduled Board meetings. In October 2017, the Board meeting was held in South Africa and

full details can be found on page 81. In addition to the formal Board meetings, the Board maintains an open dialogue throughout the year and contact by telephone occurs whenever necessary. As encouraged by the Code, the Non-Executive Directors, including the Chairman, met once during the year without Executive Directors present.

The table below details the attendance at Board meetings of each of the Directors during their term of office for the year to 31 December 2017.

The Board's annual timetable is discussed at least 12 months prior to its commencement to allow the Directors to plan their time accordingly. The 2018 annual timetable was discussed at the Board meeting in April 2016 and January 2017 and circulated as soon as it was finalised. This process ensures that the Chairman is comfortable that each Director is able to devote the time and resources required. The Board agenda process ensures that the Board has the confidence that all items are scheduled at the most appropriate time of the year and there is sufficient time for discussion by the Board, allowing the Directors to discharge their duties effectively.

### Matters reserved to the Board

The Board recognises that in order to ensure the long-term success of the Company, certain matters should be reserved for the consideration and decision of the Board alone. Other matters may be delegated by the Board to its Committees or executive management. In accordance with the UK Corporate Governance Code, these

decisions are formally recorded in a document entitled Matters Reserved to the Board for Approval. This document is reviewed annually to ensure that it remains appropriate and that there is an effective framework in place to support the Board's decision-making process. The document is available on the Company's website at [www.corporategovernance.weir](http://www.corporategovernance.weir).

### Board activities during 2017

During the year, the Chairman, supported by the Chief Executive Officer and the Company Secretary, maintained a rolling 12-month agenda for Board and Committee meetings. At each meeting, the Board received reports from the Chief Executive Officer and other members of the Group Executive. This included updates and information on safety, strategy, legal and financial matters. The Board also receives updates from each Committee Chairman on items from the most recent committee meeting as well as periodic updates as required. Standing items also included reviewing the Group's risk dashboard and internal controls, safety, strategy and succession planning.

In order to effectively discharge their duties, the Non-Executive Directors met regularly with senior management and received presentations by members of the Group's senior management team and other external advisers as required. The Board also received an annual review on the following matters: asbestos, insurance and risk management, the Ethics Hotline, Value Chain Excellence, HR, tax, treasury and agents.

### Board meeting attendance

Director	Board meetings											% of meetings attended
	18 January	21 February	27 April	26 May <sup>1</sup>	22 June	9 July <sup>1</sup>	21 July	5 September	25 October	12 December		
Charles Berry	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Jon Stanton	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
John Heasley	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Alan Ferguson	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Mary Jo Jacobi	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
Sir Jim McDonald	✓	✓	✓	—	✓	✓	✓	✓	✓	✓	✓	90%
Rick Menell	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	100%
John Mogford	✓	✓	✓	✓	✓	—	✓	✓	✓	✓	✓	90%
Barbara Jeremiah <sup>2</sup>	—	—	—	—	—	—	—	✓	✓	✓	✓	100%
Clare Chapman <sup>3</sup>	—	—	—	—	—	—	—	✓	✓	✓	✓	100%
Melanie Gee <sup>4</sup>	✓	✓	✓	✓	✓	✓	✓	✓	✓	—	—	100%

#### Notes

1. Additional meeting.

2. Barbara Jeremiah was appointed to the Board on 1 August 2017.

3. Clare Chapman was appointed to the Board on 1 August 2017.

4. Melanie Gee stepped down from the Board on 30 September 2017.

## Corporate Governance Report

# Effectiveness

### External Board Effectiveness Review

The Board Effectiveness Review operates on a three-year cycle. 2017's review will be followed by two years of internal evaluation carried out using an on-line confidential online questionnaire.

This year, the external Board Effectiveness Review was undertaken by Independent Audit Limited, who have no other connection with the Company. The process is detailed in the table below.

The Company Secretary is responsible for ensuring all new Directors receive a comprehensive tailored induction programme.

When a new Director is appointed to the Board, they are provided with information on the Group's structure, operations, policies and other relevant documentation. The induction process also includes meetings with senior Executives in the Company, a formal briefing on legal and governance matters from the Company Secretary and visits to the Company's operations.

Directors are informed of important changes to laws and regulations affecting the Group's business and their duties as Directors. The Company Secretary advises the Board on governance matters and is available to all Directors for advice as required. In addition, the Board meets once a year or more at one of the

Group's operational sites, occasions which include presentations from key senior employees and the opportunity to meet employees.

The Chairman regularly reviews and agrees with each Director their training and development needs. Additional induction and training is also available to new committee members as required. Training is also built into the Board meetings, with relevant topics being covered.

### External Board Effectiveness Review cycle

The Effectiveness Review operates on a three-year cycle. 2017's externally led review will be followed by two years of internal review carried out using an on-line questionnaire facilitated by an external provider.

#### Year One

##### Internal Evaluation

- Circulate findings report from previous year
- Online confidential questionnaire
- Analysis and discussion at Board meeting

#### Year Two

##### Internal Evaluation

- Circulate findings report from previous year
- Online confidential questionnaire
- Analysis and discussion at Board meeting

#### Year Three

##### External Evaluation

- Interviews
- Observation
- Analysis and discussion at Board meeting
- Individual meetings with Chairman and Directors post evaluation

### The External Effectiveness Review Process: this year the process was divided into four stages

#### Stage 1

Review of Board and Committee papers.

#### Stage 2

Interviews held with 22 individuals, namely: the Chairman, Chief Executive Officer, Chief Financial Officer, Senior Independent Director, all Non-Executive Directors, Company Secretary and General Counsel, all members of the Group Executive Committee, Group Financial Controller, Head of Internal Audit, PwC Audit Partner, Remuneration Advisers EY and Deloitte.

##### The areas that were covered in the interviews included:

- Board composition.
- The focus of the Board.
- Non-Executive Directors' interaction with the business.
- The practical arrangements.
- Risk and controls.

#### Stage 3

Observation of the Board meeting held in September 2017.

Review of the Chairman carried out by the Senior Independent Director.

#### Stage 4

Dedicated discussion analysing what was learned and sharing of results at the Board meeting in December 2017 with the reviewer present. Followed by one-to-one discussions between the Chairman and Directors.

### Findings

- It was noted from the observation of the Board meeting held in September that the Board is functioning well and the composition sets the Board up well for good meeting dynamics and debate. Overall, the atmosphere is collegiate and collaborative.
- Succession planning for the Board is a well established process and a strength of the Company.
- There is a thorough induction process for Directors.

### Outcomes

- Further enhancement of Non-Executive Directors' engagement with various levels of the business and a more structured schedule of informal site visits.
- Continued increased focus of the Board on people and culture, as the new Chief People Officer works with the Executive team on succession planning, talent management and employee engagement as well as enhanced reporting to the Board in these areas.
- A review and possible refinement of the annual calendar and schedule of meetings.

## Inductions in action

### Clare Chapman and Barbara Jeremiah



**Clare Chapman**

Non-Executive Director



**Barbara Jeremiah**

Non-Executive Director

#### Induction programme

During 2017, tailored induction programmes were designed for our two newly appointed Non-Executive Directors, Clare Chapman and Barbara Jeremiah.

The Company Secretary delivered the induction programme which was designed to reflect the Non-Executive Director's background, experience, knowledge and their appointment to the relevant Committee.

The inductions covered the Company's history, culture, strategy, structure and operations, as well as Corporate Governance framework and policies, Board and Committee process, calendars, Code of Conduct and Directors' Duties

It also included meetings with the Chairman, Executive Directors, Non-Executive Directors, Group Executive Members, Group's operation and functional leaders, advisers and brokers.

As part of their inductions, both Clare and Barbara attended a briefing session with external legal counsel on Directors' Duties.

Site visits are arranged to ensure that newly appointed Directors have an understanding of our business as early as possible following appointment.

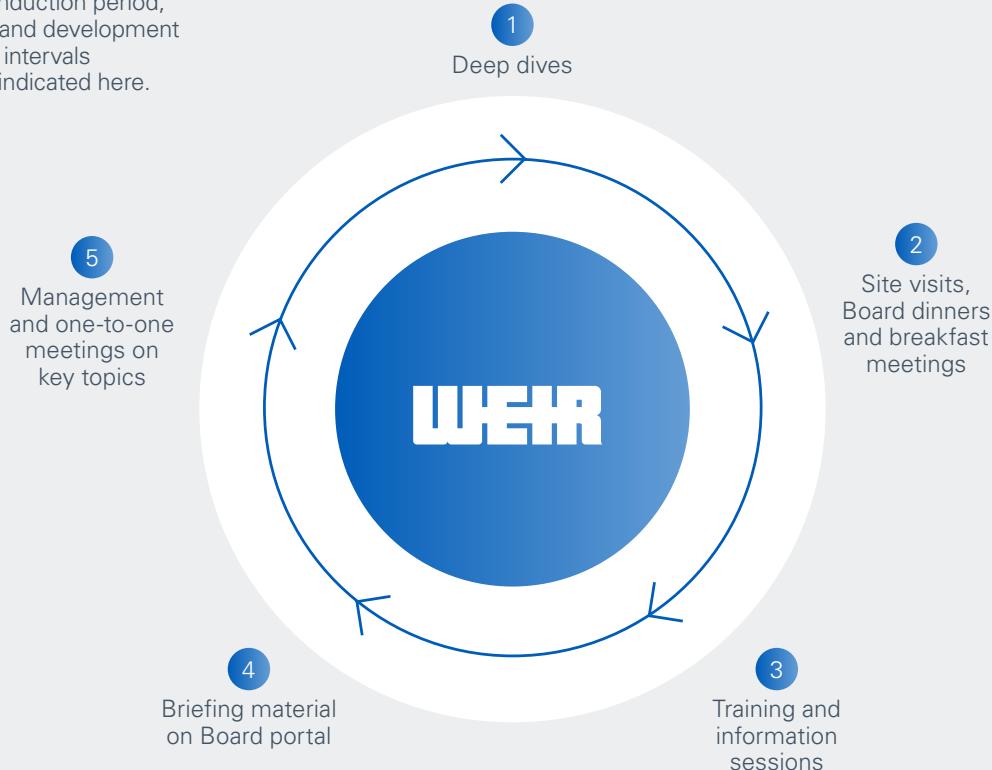
Barbara visited our operation in Fort Worth, USA, and will undertake further visits in 2018, including to Dubai.

Clare has a planned visit for Todmorden with further site visits during the year.

Following the delivery of the induction programme, the Company Secretary seeks feedback on the programme to continually improve its benefit.

#### Training and professional development

Following on from the induction period, there are other training and development opportunities at regular intervals throughout the year as indicated here.



## Corporate Governance Report: Effectiveness continued

The Board considers that it has the right combination of skills, experience, independence and knowledge to be effective in meeting the needs of the Group. More than half of the Board are Non-Executive Directors who are considered by the Board to be independent in character and judgement.

This combination of individuals and skills ensures that the Board is sufficiently balanced and that no individual or group of individuals can dominate the decision-making process. It also allows for an effective division of responsibilities within the Board and its Committees. The positions of Chairman and Chief Executive Officer are held separately and are clearly defined in writing. Each Director devotes sufficient time and attention in order to perform their duties effectively.

The Board is supplied in a timely manner with the appropriate information to enable it to discharge its duties. The Chairman ensures that Non-Executive Directors are properly briefed on any issues arising at Board meetings and Non-Executive Directors have the ability to communicate with the Chairman at any time.

### Re-election

In accordance with the Company's Articles of Association and good practice, Barbara Jeremiah and Clare Chapman will offer themselves for election at the Company's AGM on 26 April 2018. As previously announced, John Mogford and Alan Ferguson will step down from the Board in April 2018 after the AGM. All other Directors on the Board will seek re-election at the Company's AGM in compliance with the Code. Stephen Young joined the Board as a Non-Executive Director and member of the Audit Committee from 1 January 2018. Stephen will succeed Alan as Audit Committee Chairman from 26 April 2018.

The Executive Directors have contracts of service with one year's notice, whilst Non-Executive Directors' appointments can be terminated with six months' notice. The letters of appointment of the Chairman and the Non-Executive Directors are available for inspection at the Company's registered office and set out the required commitment to the Company. Further details can also be found in the Directors' Remuneration Report on pages 95 to 115. Details of the Directors' service contracts, emoluments, the interests of the

Directors in the share capital of the Company and options to subscribe for shares in the Company are also disclosed in the Directors' Remuneration Report.

### Directors and their other interests

Under the Companies Act 2006, a Director of a company must avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. The Company has a formal procedure in place to manage the disclosure, consideration and, if appropriate, the authorisation of any such possible conflict. Each Director is aware of the requirement to notify the Board, via the Company Secretary, as soon as they become aware of any possible conflict or a material change to an existing authorisation. Upon receipt of any such notification, the Board, in accordance with the Company's Articles of Association, will consider the situation before deciding whether to approve the perceived conflict. At the outset of every Board meeting, the Chairman checks that no new conflicts have arisen. Only those Directors who have no interest in the matter being considered are able to take part in the relevant decision and Directors are able to impose limits or conditions when giving authorisation if they think this is appropriate. The Director in question will then be notified of the outcome. Overall, the Board is satisfied that there are appropriate procedures in place to deal with conflicts of interest and that they have operated effectively.

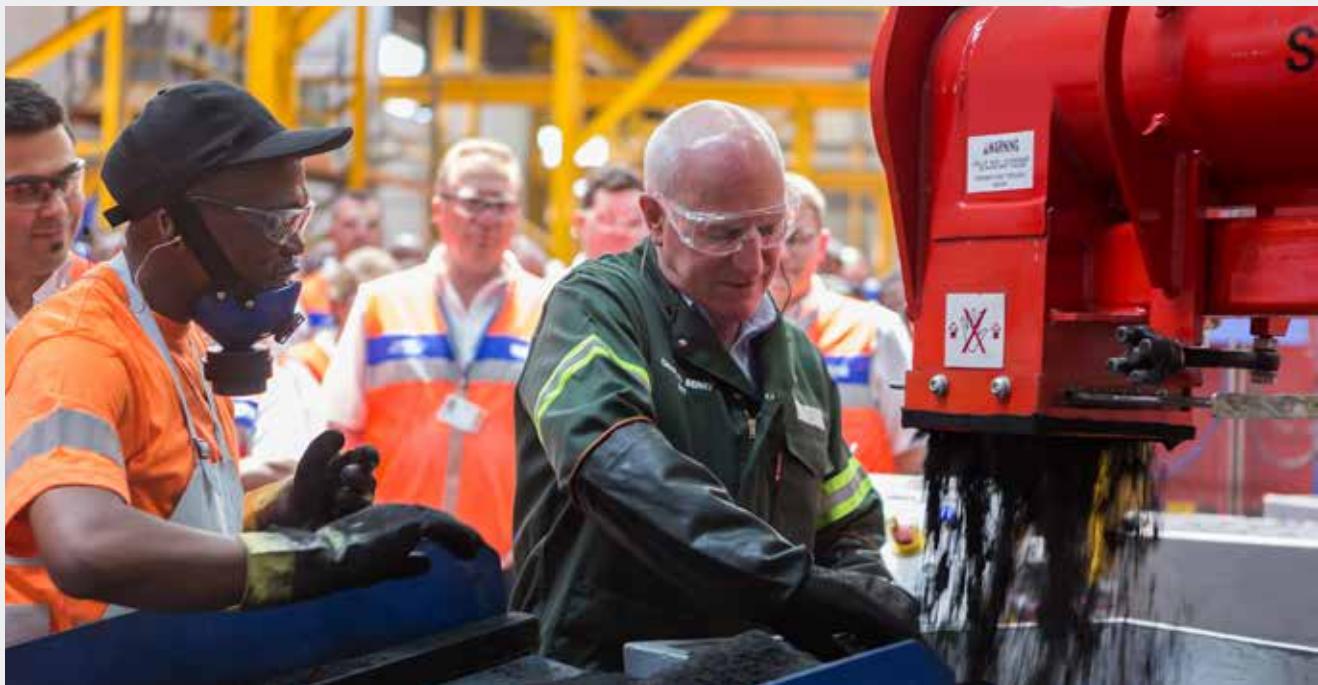
None of the Non-Executive Directors have any material business or other relationship with the Company or its management. Sir Jim McDonald is the Principal and Vice Chancellor of the University of Strathclyde, but he has no direct involvement on a day-to-day basis in relation to the Weir Advanced Research Centre (WARC) which is operated by the Company in conjunction with the University of Strathclyde. Nevertheless, he will offer to recuse himself from any discussions regarding the relationship between the Group and the University of Strathclyde, whether in relation to WARC or otherwise.

## Governance in action Board visit to South Africa

As part of its regular programme of site visits to get first-hand experience of the Group's operations, the Board visited Weir Minerals Africa, which is based in Johannesburg. During the visit, the Board received presentations on the business and its prospects from local management and met, and listened to views from, employees at its manufacturing facilities in Isando and Alrode. This included officially opening a new moulding carousel at our foundry which will support future growth.

Africa is home to some of the world's finest ore grades and consequently has a vibrant mining market that is supported by Weir from our regional headquarters in South Africa. The business is also using its technology to expand into adjacent markets, such as sand and aggregates, and the Board met and toured a customer site to get direct input on the challenges being faced by the industry and the opportunities for Weir to help customers meet their objectives.

In addition to serving its customers, Weir Minerals Africa has made a positive contribution to both developing its people and improving safety and has taken a very active role in its local communities. This includes programmes to encourage more young women in South Africa to consider engineering as a future career. You can read more about this initiative on page 59.



## Corporate Governance Report

# Accountability

### **The Audit Committee and auditors**

Details on the roles and responsibilities of the Audit Committee, and its members can be found in the Audit Committee Report on pages 88 to 94. Information on the Company's external auditors is contained within the Audit Committee Report.

### **Internal control and risk management**

In accordance with the Code and the accompanying Guidance on Risk Management and Internal Controls, the Group has an ongoing process for identifying, evaluating and managing the significant risks through an internal control framework. This process has been in place throughout 2017. More information on how the Group seeks to manage risk can be found on pages 46 to 49.

The Board, in seeking to achieve the Group's business objectives, cannot offer an absolute guarantee that the application of a risk management process will overcome, eliminate or mitigate all significant risks. However, by further developing and operating an annual and ongoing risk management process to identify, report and manage significant risks, the Board seeks to provide a reasonable assurance against material misstatement or loss.

The Audit Committee conducted a review of the effectiveness of the Group's systems of internal control and risk management during 2017, as detailed on page 89.

### **Functional and front line controls**

This includes a wide spectrum of controls as seen in most organisations, including, for example: standard operating procedures and policies; a comprehensive financial planning and reporting system, including quarterly forecasting; regular performance appraisals and training for employees; restricted access to financial systems and data; delegated authority matrices for review and approval of key transactions; protective clothing and equipment to protect our people from harm; IT and data security controls; business continuity planning; and assessment procedures for potential new recruits.

### **Monitoring and oversight controls**

There is a clearly defined organisational structure within which roles and responsibilities are articulated. There are monitoring controls at operating company, regional, divisional and Group level, including standard key performance indicators, with action plans to address underperforming areas.

A compliance scorecard self-assessment is completed and reported by all operating companies twice per annum. The scorecard assesses compliance with Group policies and procedures.

Financial monitoring includes comparing actual results with the forecast and prior year position on a monthly and year-to-date basis. Significant variances are highlighted to Directors on a timely basis, allowing appropriate action to be taken.

### **Assurance activities**

We obtain a wide range of assurance to provide comfort to management and the Board that our controls are providing adequate protection from risk and are operating as we would expect. Following the Board and Committee structure set out on page 76, various internal and external sources of assurance report to the Board and management. These sources of assurance were reviewed by the Board during the year and are principally external audit, internal audit, SHE audits, legal and intellectual property audits, engineering audits, Value Chain Excellence and procurement audits, IT audits and production system lean audits.

The various audit teams plan their activities on a risk basis, ensuring resources are directed at the areas of greatest need. Issues and recommendations to enhance controls are reported to management to ensure timely action can be taken, with oversight provided from the relevant governance committees, including the Audit Committee and the Excellence Committees.

### **Ethical and cultural environment**

We are committed to doing business at all times in an ethical and transparent manner. This is supported by the Weir values which are the core behaviours we expect our people to live by in their working lives. The Weir Code of Conduct also contributes to our culture, providing a high benchmark by which we expect our business to be conducted. Any examples of unethical behaviour are dealt with robustly and promptly.

The Ethics section on page 62 within the Sustainability Review provides more details on the Group's activities to promote ethical behaviour.

The Group's internal control procedures described on page 89 of the Audit Committee Report do not cover joint venture interests. We have Board representation on each of our joint venture companies where separate, albeit similar, internal control frameworks have been adopted.

### **Our internal control framework has four key layers:**



## Corporate Governance Report

# Relations with Shareholders and Stakeholders

The Board recognises the importance of establishing and maintaining good relationships with all of the Company's shareholders. The Company's investor relations programme includes formal presentations of full year and interim results and meetings with individual investors. Through this programme, the Company has directly engaged with 325 investors in 2017 either face-to-face or via telephone or video-conferencing. Other ways in which the Company engages with shareholders include attendance at investor conferences held by the financial community and roadshows and investor relations events held by the Company, of which there were 20 during the year, held in Canada, France, Germany, the UK and the USA.

During the period under review, the Chairman, Chief Executive Officer, Chief Financial Officer, Senior Independent Director and Remuneration Committee Chairman have met or had contact with analysts and institutional shareholders to keep them informed of significant developments and report to the Board accordingly on the views of these stakeholders. Each of the other Non-Executive Directors is also offered the opportunity to attend meetings with major shareholders and would do so if requested by any major shareholder.

Our brokers, Goldman Sachs International and UBS, and public relation advisors undertake investor roadshow feedback which is shared with the Board. The Company Secretary is also charged with

bringing to the attention of the Board any material matters of concern raised by the Company's shareholders.

The primary means of communicating with the Company's shareholders are the Company's Annual Report and Financial Statements and the Interim Report. Both are available on the Company's website and the Annual Report is sent to all shareholders who elect to receive it in hard copy. Copies are available upon request to the Company Secretary and can be downloaded from the website.

The Board also recognises the importance of the internet as a means of communicating widely, quickly and cost-effectively and an updated Group website was successfully

### AGM voting results

The Annual General Meeting of The Weir Group PLC was held on Thursday 27 April 2017 at 2.30 pm. All resolutions were passed on a poll. Resolutions 17 to 20 were passed as special resolutions.

Resolution	Votes for	%	Votes against	%	Votes total	% of isc voted	Votes withheld
1 To receive and adopt the report and financial statements.	159,216,545	99.93	109,220	0.07	159,325,765	73.13%	11,403
2 To declare a final dividend.	159,331,067	100.00	6,101	0.00	159,337,168	73.13%	0
3 To approve the Directors' Remuneration Report (excluding the Directors' Remuneration Policy).	158,523,983	99.52	767,999	0.48	159,291,982	73.11%	44,620
4 To approve the Directors' Remuneration Policy.	150,752,869	94.65	8,525,321	5.35	159,278,190	73.10%	58,978
5 To elect John Heasley as a Director of the Company.	157,495,957	98.90	1,756,827	1.10	159,252,784	73.09%	84,384
6 To re-elect Charles Berry as a Director of the Company.	155,001,705	97.39	4,151,523	2.61	159,153,228	73.05%	183,940
7 To re-elect Jon Stanton as a Director of the Company.	158,988,485	99.84	262,399	0.16	159,250,884	73.09%	86,284
8 To re-elect Alan Ferguson as a Director of the Company.	156,938,557	98.61	2,209,147	1.39	159,147,704	73.04%	189,464
9 To re-elect Melanie Gee as a Director of the Company.	158,960,893	99.82	287,925	0.18	159,248,818	73.09%	88,350
10 To re-elect Mary Jo Jacobi as a Director of the Company.	158,971,027	99.83	277,106	0.17	159,248,133	73.09%	89,035
11 To re-elect Sir Jim McDonald as a Director of the Company.	158,256,472	99.44	890,816	0.56	159,147,288	73.04%	189,589
12 To re-elect Richard Menell as a Director of the Company.	158,636,383	99.63	596,587	0.37	159,232,970	73.08%	104,198
13 To re-elect John Mogford as a Director of the Company.	158,972,645	99.83	264,714	0.17	159,237,359	73.08%	99,809
14 To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company	159,244,715	99.97	49,809	0.03	159,294,524	73.11%	42,644
15 That the Company's Audit Committee be authorised to determine the remuneration of the Auditors.	159,302,039	99.99	22,893	0.01	159,324,932	73.12%	12,236
16 To renew the Directors' general power to allot shares	144,087,809	90.76	14,667,216	9.24	158,755,025	72.86%	579,509
17 To partially disapply the statutory pre-emption provisions.	158,844,315	99.73	434,370	0.27	159,278,685	73.10%	58,483
18 To partially disapply the statutory pre-emption provisions in connection with an acquisition or specified capital investment.	147,209,790	92.42	12,073,878	7.58	159,283,668	73.11%	52,900
19 To renew the Company's authority to purchase its own shares.	157,627,692	98.97	1,636,218	1.03	159,263,910	73.10%	73,008
20 To reduce the notice period for general meetings.	150,419,305	94.84	8,177,146	5.16	158,596,451	72.79%	738,634

a) Any proxy appointments which give discretion to the Chairman have been included in the "for" total.

b) At close of business on 26 April 2017, there were 217,880,699 relevant shares in issue (excluding treasury shares).

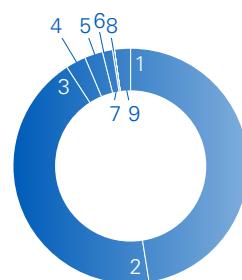
## Corporate Governance Report

# Relations with Shareholders and Stakeholders continued

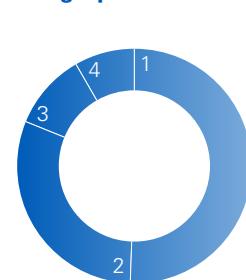
launched in 2016, to better facilitate communications with all of our stakeholders. As well as the Interim and Annual Reports, the website contains information on the business of the Company and corporate governance, all Group press releases and Company news, key dates in the financial calendar and other important shareholder information.

The Board is committed to the constructive use of the Annual General Meeting as a forum to meet with shareholders and to hear their views and answer their questions about the Group and its business. The 2018 AGM is to be held on 26 April 2018. Together with the rest of the Board, the Senior Independent Director and Chairmen of the Remuneration, Nomination and Audit Committees will be available to answer questions relevant to the work of the Board and the Committees.

### Holders



### Geographical



### Engaging with stakeholders

Stakeholder	Why it is important to engage	Ways we engage	Stakeholder key interests
<b>Employees</b>	Our people are our most important asset and ensuring we have a safe, engaged and effective workforce is essential to the successful delivery of our strategy.	<ul style="list-style-type: none"> <li>Meeting with employees during site visits.</li> <li>Regular interaction with managers, including through Board presentations.</li> </ul>	<ul style="list-style-type: none"> <li>The strategy and business model.</li> <li>Future growth opportunities.</li> <li>Impact of new technology.</li> </ul>
<b>Communities</b>	We recognise that businesses need to be active corporate citizens. Weir has operations in more than 70 countries and aims to make a positive difference in all our local communities.	<ul style="list-style-type: none"> <li>Working with local partners to support programmes that encourage improved health and education.</li> <li>Encouraging greater diversity and inclusion across the Group to ensure we reflect the communities we serve.</li> </ul>	<ul style="list-style-type: none"> <li>Employment and inspiring and encouraging the next generation.</li> <li>Contributing to local causes financially and through time and expertise.</li> </ul>
<b>Investors</b>	The Group is owned by its investors and delivering strong returns is a key part of our strategy.	<ul style="list-style-type: none"> <li>Direct meetings with key investors to discuss strategy and performance.</li> <li>Regular updates through earnings announcements and investor conferences.</li> </ul>	<ul style="list-style-type: none"> <li>The strategy and business model.</li> <li>Financial performance and prospects.</li> </ul>
<b>Customers</b>	The Group exists to create value by satisfying the needs of our customers.	<ul style="list-style-type: none"> <li>Board visits to customer sites.</li> <li>Broader programme of regular dialogue and customer research.</li> </ul>	<ul style="list-style-type: none"> <li>Technology.</li> <li>Service capability.</li> </ul>
<b>Suppliers</b>	Developing strategic partnerships with our suppliers is key to the operational success of the business and our ability to satisfy customers.	<ul style="list-style-type: none"> <li>Global agreements with key suppliers.</li> <li>Supporting smaller suppliers with advice and through programmes such as the UK Prompt Payment Code.</li> </ul>	<ul style="list-style-type: none"> <li>Building long-term sustainable relationships.</li> <li>Supporting cash flow through prompt payments.</li> </ul>
<b>Government and regulators</b>	Engaging with policy makers to ensure support for a business environment that allows the Group to continue to create long-term value.	<ul style="list-style-type: none"> <li>Meetings with government ministers and officials.</li> <li>Participation in trade bodies locally and internationally.</li> </ul>	<ul style="list-style-type: none"> <li>Employment, skills and training.</li> <li>Improving productivity and encouraging research and development.</li> </ul>

## Corporate Governance Report

## Nomination Committee Report



**Charles Berry**  
Committee Chairman

**Dear Shareholders,**

I am pleased to introduce our Nomination Committee report for 2017. It has been another busy year for the Nomination Committee, with the appointment of three independent Non-Executive Directors. You can find details of the recruitment process undertaken for the Non-Executive Directors on page 86. This report explains the Committee's focus and activities during the year, and also highlights the Committee's key priorities for 2018. I continue to ensure that the Committee focuses on diversity and inclusion, succession planning and on ensuring that the size, composition and structure of the Board is appropriate for the delivery of the Group's strategy and that all relevant provisions of the UK Corporate Governance Code continue to be met.

**Committee membership in 2017**

Charles Berry, Committee Chairman

Melanie Gee

Rick Menell

John Mogford

Mary Jo Jacobi

**Other attendees (by invitation)**

Jon Stanton, Chief Executive Officer

Christopher Morgan, Secretary

Mary Jo Jacobi, Non-Executive Director

(Mary Jo Jacobi attended by invitation prior to her appointment as member of the Nomination Committee)

**Role of the Nomination Committee**

The Nomination Committee has responsibility for considering the size, structure and composition of the Board, for reviewing Director and senior management succession plans, retirements and appointments of additional or replacement Directors; and for making appropriate recommendations of candidates to the Board so as to maintain an appropriate balance of skills, experience and diversity on the Board.

**Membership and attendance**

The Nomination Committee is entirely made up of independent Non-Executive Directors and myself as Chairman. The members of the Committee are set out in the table to the left and on pages 70 and 71. Senior members of management and advisors are invited to attend meetings as appropriate. The Company Secretary acts as Secretary to the Committee.

There were five Committee meetings held during the year of which two were unscheduled. Details of the attendance of the members of the Committee for the year ended 31 December 2017 are contained in the table below. I do not

Chair Committee meetings when the matters under consideration relate to me or my position. Similarly, should a matter under discussion relate to any of the other Committee members, they would excuse themselves from the meeting.

**Main activities of the Committee during 2017**

- Board and Committee changes – appointment of three Non-Executive Directors and appointment of Mary Jo Jacobi to the Nomination Committee
- Reviewed Board composition and Non-Executive Director rotation
- Undertook Board skills assessment and gap analysis
- Considered Hampton-Alexander Review update

**Areas of focus for 2018**

- Further developing our approach to diversity and inclusion across the wider Group
- Further developing the leadership and talent framework and pipeline
- Continuing our focus on ensuring Board and senior management succession planning are aligned to our strategy and culture

**Attendance table**

Committee attendance in 2017

	Member since	21 February	22 June	21 July	23 October	12 December	Percentage of eligible meetings attended
Charles Berry	1 January 2014	✓	✓	✓	✓	✓	100%
Melanie Gee	18 June 2015	✓	✓	✓	–	–	100%
Rick Menell	14 June 2012	✓	✓	✓	✓	✓	100%
John Mogford	21 January 2014	✓	✓	✓	✓	✓	100%
Mary Jo Jacobi	1 August 2017	–	–	–	✓	✓	100%



Terms of Reference are available on the Company's website at [www.corporategovernance.weir](http://www.corporategovernance.weir)

## Corporate Governance Report

# Nomination Committee continued

### Board composition and skills

The Nomination Committee considers that the Board consists of individuals with the right balance of skills, diversity, experience and knowledge to provide strong and effective leadership of the Group. During the year the Board consisted of the Chairman, up to eight Non-Executive Directors and two Executive Directors, who together bring a diverse and complementary range of backgrounds, personal attributes and experience.

The Committee reviews the tenure of individual Non-Executive Directors on a regular basis in the context of length of service, experience, independence, contribution and skills. This is not only from a current strategy perspective but also takes into account potential future strategic needs.

The Board skills and experience matrix, based primarily on professional background and executive roles held, is detailed below. Detailed biographies can be found on pages 70 and 71.

### Board appointments

The Committee was responsible for leading the process in appointing three new independent Non-Executive Directors in 2017.

The considerations to be taken into account in each appointment to the Board are stipulated in the Terms of Reference of the Nomination Committee. Specifically, the Nomination Committee must consider candidates on merit against objective criteria, and with due regard for the benefits of diversity on the Board, including gender, in identifying and recommending candidates. The Nomination Committee recommends appointments to the Board based on the existing balance of skills, knowledge and experience on the Board, on the merits and capabilities of the nominee and on the time they are able to devote to the role in order to promote the success of the Company.

The Board acknowledges the benefits that a diverse pool of talent can bring to a boardroom. Among other things, a diverse board encompasses diversity of experience, social background, education and training, life skills, personal attributes, as well as differences in age, nationality, race and gender.

The recent focus on Board diversity has centred on gender following the 2016 report of the Hampton-Alexander Review on improving gender balance in FTSE companies. We have committed to ensure that a third of the Board,

Group Executive members, and their direct reports are female by 2020. The current levels are 27%, 29% and 20% respectively. I continue to be a member of the steering group of the Hampton-Alexander Review.

Details of the recruitment process are below.

### Appointment of Non-Executive Directors Barbara Jeremiah, Clare Chapman and Stephen Young

External search advisers JCA Group<sup>1</sup> were engaged in the recruitment process and assisted the Nomination Committee in its search for suitable candidates.

The Committee was informed of possible candidates, put forward by JCA Group. The selected candidates met with myself, the Chief Executive Officer and two Non-Executive Directors. Feedback was provided to the Committee and it was agreed that the preferred candidates should proceed to the next stage. The preferred candidates then met with the remaining Directors.

Following the satisfactory conclusion of the process, the Committee recommended to the Board that Barbara Jeremiah and Clare Chapman be appointed to the Board on 1 August 2017.

### Board skills and experience

Director	Independence	Banking and finance	Governance	International	Leadership	Engineering	Mining	Oil and gas	Power
Charles Berry		✓	✓	✓	✓				✓
Jon Stanton	✓		✓	✓	✓				
John Heasley	✓		✓	✓	✓				✓
Clare Chapman <sup>1</sup>	✓		✓	✓	✓				
Alan Ferguson	✓	✓	✓	✓	✓		✓		
Barbara Jeremiah <sup>2</sup>	✓		✓	✓	✓		✓		✓
Mary Jo Jacobi	✓		✓	✓	✓			✓	
Sir Jim McDonald	✓			✓	✓	✓			✓
Rick Menell	✓	✓	✓	✓	✓		✓		
John Mogford	✓		✓	✓	✓	✓		✓	
Melanie Gee <sup>3</sup>	✓	✓	✓	✓	✓				
Stephen Young <sup>4</sup>	✓	✓	✓	✓	✓				

#### Notes

1. Clare Chapman was appointed to the Board on 1 August 2017.
2. Barbara Jeremiah was appointed to the Board on 1 August 2017.
3. Melanie Gee stepped down from the Board on 30 September 2017.
4. Stephen Young was appointed to the Board on 1 January 2018.

Subsequently the Nomination Committee recommended that Stephen Young be appointed to the Board on 1 January 2018. Stephen Young will be appointed to the Chair of the Audit Committee in April 2018.

1. JCA Group have no other connection with the Company and have signed up to the voluntary code of conduct on matters such as diversity for executive search firms. During 2017, JCA Group provided no other services to the Company.

### Independence and re-election to the Board

The Nomination Committee reviewed and confirmed the independence of all Non-Executive Directors. The continued service as Directors of both Rick Menell and John Mogford was specifically reviewed in light of their respective lengths of service. During 2016, the Committee invited John Mogford to continue for a further year through 2017, given the nature of his sector and management experience. He will step down after the 2018 AGM. Rick Menell's experience is of particular importance to the Company at this time of change and it was therefore recommended that his term should be extended for a further year (subject to re-election by shareholders at the 2018 AGM). This year's review also enabled the Committee to confirm its support for the election of Barbara

Jeremiah, Clare Chapman and Stephen Young, and for the re-election of all other members of the Board, at the Company's forthcoming 2018 AGM. The Directors biographies can be found on pages 70 and 71 and in the Notice of Meeting.

Processes are in place to identify any business relationships held by Non-Executive Directors or additional directorships or significant links with other companies or bodies which may be of relevance in determining their independence. The Board still considered all of its Non-Executive Directors to be independent in character and judgement.

### Committee effectiveness

The Committee's areas of responsibility were reviewed during the year through an external Board Effectiveness Review, undertaken by Independent Audit Limited. Their report was presented in December 2017. I am pleased to confirm it concluded that the areas of responsibility of the Nomination Committee continued to be performed well.

You will find more information on the Board Effectiveness Review cycle and process on page 78.

### Diversity and Inclusion

We recognise that Diversity and Inclusion is a key element of our strategic framework. To remain competitive we need to further develop a diverse and inclusive workplace including the development of our approach to increasing ethnic minority representation at leadership level in line with recommendations of the Parker Review.

Our objective is to diversify thought in The Weir Group and provide an environment where values-based inclusion prevails. You can read more about Diversity and Inclusion and the details of the initiatives that the Company has been involved in on pages 58 to 61.



**Charles Berry**  
Chairman of the  
Nomination Committee  
28 February 2018

### Board appointment and tenure

Director	Length of tenure at 31 December 2017										Date of appointment	Date of next election or re-election
	1 year	2 years	3 years	4 years	5 years	6 years	7 years	8 years	9 years	10 years		
Charles Berry											1 Mar 2013	26 Apr 2018
Jon Stanton <sup>1</sup>											1 April 2010	26 Apr 2018
John Heasley											3 Oct 2016	26 Apr 2018
Clare Chapman											1 Aug 2017	26 Apr 2018
Alan Ferguson											13 Dec 2011	–
Barbara Jeremiah											1 Aug 2017	26 Apr 2018
Mary Jo Jacobi											1 Jan 2014	26 Apr 2018
Sir Jim McDonald											1 Jan 2015	26 Apr 2018
Rick Menell											1 Apr 2009	26 Apr 2018
John Mogford											1 Jun 2008	–
Melanie Gee <sup>2</sup>											4 May 2011	–

1. John Stanton was Finance Director from April 2010 to September 2016.

2. Melanie Gee stepped down from the Board on 30 September 2017.

## Corporate Governance Report

# Audit Committee Report



**Alan Ferguson**  
Committee Chairman

### Committee membership in 2017

Alan Ferguson, Committee Chairman

Sir Jim McDonald

John Mogford

Barbara Jeremiah

Melanie Gee (to 30 Sept 2017)

### Other regular Audit Committee attendees (by invitation)

Charles Berry, Chairman

Jon Stanton, Chief Executive Officer

John Heasley, Chief Financial Officer

Christopher Morgan, Company Secretary and General Counsel, attends as secretary to the Committee

Steven Wallace,  
Group Financial Controller

David Kyles, Head of Internal Audit

Lindsay Gardiner  
(PricewaterhouseCoopers)  
Group Audit Partner

### Introduction

As Chairman of the Audit Committee, I am pleased to present our report to shareholders for the year ended 31 December 2017. This report will outline how the Committee has fulfilled its key objective of providing effective governance over the appropriateness of the Group's financial reporting.

### Areas of focus

Our key objective is achieved by focusing on, amongst other things:

- the adequacy of accounting policies and disclosures, as well as the areas requiring significant estimates or judgements;
- the performance of both the internal audit function and the external auditor; and
- oversight of the Group's systems of internal control, and the framework for identification and management of business risks and related assurance activities.

### Membership

After six years this will be my final report as the Chairman of the Committee.

The members of the Committee, other than myself, are Sir Jim McDonald, John Mogford and Barbara Jeremiah, all of whom are independent Non-Executive Directors. With the exception of Barbara Jeremiah, all have been members of the Committee for the full year and to the date of this report. Melanie Gee served during the year prior to standing down from the Board in September. Stephen Young, who will take over as Chair when I step down, joined the Committee in January 2018.

The Committee members have, through their other business activities, significant experience in financial matters. They have been selected with the aim of providing the wide range of financial and commercial expertise necessary to fulfil our responsibilities. Summary biographies have been presented on pages 70 and 71.

### Attendance table

Committee members	Member since	18 January	15 February	21 July	23 October	Percentage of eligible meetings attended
Alan Ferguson, Chairman	13 Dec 2011	✓	✓	✓	✓	100%
Sir Jim McDonald	1 Jan 2015	✓	✓	✓	-	75%
John Mogford	1 Aug 2008	✓	✓	✓	✓	100%
Melanie Gee (to 30 Sept 2017)	4 May 2011	✓	✓	✓	-	100%
Barbara Jeremiah	1 Aug 2017	-	-	-	✓	100%



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## **Meetings**

We met four times during the year and have met twice since the year end. Each Committee meeting normally takes place prior to a Board meeting, during which I provide a report on our activities.

There is at least one meeting each year when we meet with each of the Head of Internal Audit and the external auditors separately, without any executive management present. This provides us with the opportunity for any issues of concern to be raised by, or with, the auditors.

We have the ability to call on Group employees to assist in our work and to obtain any information required from Executive Directors in order to carry out our roles and duties. We are also able to obtain outside legal or independent professional advice if required.

The table above details the Board members and members of senior management who were invited to attend meetings as appropriate during the calendar year. In addition, PricewaterhouseCoopers LLP (PwC) attended the meetings by invitation as auditors to the Group.

## **Main activities**

Over the course of the year since the last Annual Report, our work was focused in the following areas:

- (i) financial reporting;
- (ii) internal control and risk management;
- (iii) internal audit; and
- (iv) external audit.

The following sections provide more detail on our specific items of focus under each of these headings, explaining the work we, as a Committee, have undertaken and the results of that work.

### **(i) Financial reporting**

Our principal responsibility in this area is the review and challenge of the actions and judgements of management in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:

- critical accounting policies and practices, and any changes therein;
- decisions requiring significant judgements, areas of significant estimate, or where there has been discussion with the external auditor;
- the existence of any errors, adjusted or unadjusted, resulting from the audit;

- the clarity of the disclosures and compliance with accounting standards and relevant financial and governance reporting requirements, including an assessment of adoption of the going concern basis of accounting and a review of the process and financial modelling underpinning the Group's Viability Statement; and
- the processes surrounding the compilation of the Annual Report and Financial Statements with regard to presenting a fair, balanced and understandable assessment of the Group's position and prospects.

We received formal reports from the Chief Financial Officer and the external auditor, summarising the main discussion points for both the Interim Report in our July 2017 meeting and Annual Report during our January and February 2018 meetings.

The financial reporting matters discussed in the current year and recurring agenda items are summarised in the table on pages 90 to 92.

### **(ii) Internal control and risk management**

Overall responsibility for the Group's risk management and internal control frameworks rests with the Board. Further details on accountability for Risk Management are provided in the Corporate Governance Report on page 82.

Our role with regard to risk management has been delegated by the Board and is to review the effectiveness of the Group's risk and internal control frameworks.

Our work in this area was supported by reporting from the Head of Internal Audit on the results of the programme of internal audits completed; the overall assessment of the internal control environment; and in addition, reporting, either verbal or written, from senior management covering any investigations into known or suspected fraudulent activities. We also noted the additional work undertaken for the Board on a review of the sources of assurance which were mapped against the principal risks (see (iii) Internal audit below).

The Committee also receives regular reporting on the Group's compliance-related activities from the Group General Counsel and Company Secretary and Head of Internal Audit. This includes reviewing compliance with the Group's

Ethics Helpline programme which provides a mechanism for employees with serious concerns about the conduct of the Group or its employees to report their concerns. The Committee ensures that appropriate arrangements are in place to receive and act proportionately upon a complaint about malpractice. The Committee takes a particular interest in any reports of possible improprieties in financial reporting.

Since the last Annual Report and Financial Statements, there have been presentations from the three Divisional Finance Directors (DFDs) which included a review of the divisional risk dashboards, the significant findings from the internal audit visits and the Compliance Scorecard process over the last 12 months, as well as an overview of their divisional finance teams. Focus is given to:

1. the strength and depth of the finance team's capability;
2. the quality and efficiency of responses to findings of internal audit visits, including whether learning has been shared more widely across the Group to mitigate the risk of recurrence and share good practice to; and
3. the quality of the discussion around divisional risk dashboards.

In addition, we received a presentation on the progress of the Minerals SAP rollout and related controls.

The Compliance Scorecard is a control mechanism whereby each operating company undertakes self-assessments, every six months, of their compliance with Group policies and procedures, including key internal controls across a range of categories including finance, anti-bribery and corruption, tax, treasury, trade and customs, HR, IT and legal. As far as the elements relating to finance are concerned, these cover (but are not limited to) management accounts and financial reporting, balance sheet controls, employee costs and other financial policies. Each operating company is expected to prepare and execute action plans to address any weaknesses identified as part of the self-assessment process.

## Corporate Governance Report

# Audit Committee Report continued

### Current year matters

Area of focus	Issue	Role of the Committee	Conclusion
<b>Exceptional items – restructuring costs and related provisions</b>  (see notes 5 and 22 of the financial statements)	Management exercises judgement on the classification of certain items as exceptional.	<p>We have received detailed reporting from the Chief Financial Officer covering the following aspects of the exceptional charges:</p> <ul style="list-style-type: none"> <li>(i) charge/credit by Division, including the nature of the items;</li> <li>(ii) accounting treatment adopted in relation to recognition of provisions and impairments; and</li> <li>(iii) disclosure of the amounts and related narrative reporting.</li> </ul> <p>Our work has focused on ensuring that these items were exceptional due to their size, nature and/or frequency, taking cognisance where appropriate of multi-year restructuring programmes. We also received confirmation from PwC that management's treatment was acceptable.</p> <p>Consideration was also given to the classification of the one-off charges incurred within the Flow Control Division during the year as trading items rather than exceptional.</p> <p>Finally, consideration was given to the current balance sheet position of the remaining restructuring provisions, with a specific focus on the China provision (created in 2016), with management providing details of the remaining liabilities.</p>	The Committee agrees with the accounting treatment and disclosure of these items in the Annual Report.
<b>Acquisition accounting for KOP</b>  (see note 13 of the financial statements)	Management exercises judgement on the type of intangible assets acquired and estimates are made of the fair value of all assets and liabilities.	<p>We received a summary report from management which outlined:</p> <ul style="list-style-type: none"> <li>(i) the purchase price allocation exercise which identified and valued separately identifiable intangible assets;</li> <li>(ii) the assessment of acquisition fair values, with a particular focus on inventory carrying values; and</li> <li>(iii) the related disclosures in the financial statements displayed in note 13</li> </ul> <p>We reviewed the resulting valuations, understood the reasons behind the changes made and looked at a comparison to other recent acquisitions where appropriate. We also received confirmation from PwC that management's assumptions and calculation methodology were acceptable.</p>	The Committee agrees with the acquisition accounting treatment and disclosure of the KOP acquisition in the Annual Report.
<b>US Tax Reform</b>  (see notes 7 and 23 of the financial statements)	Management exercises judgement on the potential impact on the Group tax assets, liabilities and corporate tax rate.	<p>An assessment of the transitional impact of the recently enacted US Tax Cuts and Jobs Act was presented by the Group Head of Tax to the Committee, summarising the key judgements underpinning the estimated financial impact on the Group tax assets, liabilities and corporate tax rate for the current year and potential tax implications on future years, recognising that the practical application and impact of parts of the Act remain unclear.</p> <p>We reviewed this in light of input from both Deloitte and EY. PwC also provided confirmation that management's assumptions, calculation methodology and treatment of transitional credits as exceptional items were acceptable.</p>	The Committee agrees with Management's judgements and related disclosures.

## Recurring agenda items

Area of focus	Issue	Role of the Committee	Conclusion
<b>Impairment</b>  (see note 14 of the financial statements)	Management undertakes an annual detailed, formal impairment review of goodwill and other intangible assets, with judgements made on the relevant Cash Generating Units and estimates of available headroom.	<p>The most significant estimates are in setting the assumptions underpinning the calculation of the value in use of the Cash Generating Units (CGUs). We specifically reviewed:</p> <ul style="list-style-type: none"> <li>(i) the achievability of the long-term business plan numbers and macroeconomic assumptions underlying the valuation process;</li> <li>(ii) long-term growth rates and discount rates used in the cash flow models for all of the CGUs; and</li> <li>(iii) the rationale for the allocation of KOP to the Oil and Gas EMEA Cash Generating Unit.</li> </ul> <p>Business plans and budgets were Board-approved and underpin the cash flow forecasts.</p> <p>We have considered the sensitivity analysis supplied by management.</p> <p>We have reviewed the relevant disclosures in the financial statements and the related narrative.</p>	We are satisfied that the impairment analysis supports the carrying value of the underlying assets in each CGU.
<b>Provisions</b>  (see note 22 of the financial statements)	Significant balance sheet provisions are underpinned by management's key judgements on obligating events and timeframes over which a reliable estimate for provision values can be made.	<p>The focus of the Audit Committee was on the restructuring provisions including the linkage to the exceptional charges recorded in the Income Statement, and the employee-related provisions, specifically the element in respect of US asbestos-related claims.</p> <p>The Committee's work in relation to exceptional items is discussed in the previous section.</p> <p>With regard to the US asbestos-related provision, the Committee noted the updated external advice in respect of the actuarial assumptions underpinning the provision and related insurance asset.</p> <p>Our review and challenge was centred on gaining an understanding of:</p> <ul style="list-style-type: none"> <li>(i) the claims and settlement assumptions that underpin the discounted cash flow model and their relation to recent historic experience;</li> <li>(ii) the period over which the liability can be reasonably estimated,</li> <li>(iii) the position with regard to availability of insurance cover; and</li> <li>(iv) the adequacy and transparency of the disclosures in note 22.</li> </ul> <p>We challenged management on the assumptions underpinning the liability assessment and the recording of a matching receivable on the basis of the insurance asset. PwC also provided confirmation that management's assumptions were reasonable.</p> <p>With regard to other provisions (other than inventory – see below), we examined the key movements between the opening and closing provision balances and challenged management on the commercial drivers which caused them.</p>	We are satisfied that the current provisioning levels and approach are appropriate, as is the recognition of a matching insurance asset in relation to the US asbestos provision.
<b>Pensions</b>  (see note 24 of the financial statements)	The valuation of pension liabilities can be materially affected by the assumptions utilised by management on areas such as discount and inflation rates.	We challenged management on the key assumptions underpinning the valuation, taking assurance from the fact that external advice had been taken by the Company and that PwC had benchmarked these assumptions to their own internal ranges.	The Committee was satisfied with the assumptions and related pension disclosures.

## Corporate Governance Report

# Audit Committee Report continued

Area of focus	Issue	Role of the Committee	Conclusion
<b>Tax charge and provisioning</b>  (see notes 7 and 23 of the financial statements)	The tax position is complex, with a number of international jurisdictions requiring management's judgement with regards to effective tax rates, tax compliance and tax provisioning.	<p>The Audit Committee receives a detailed report from the Chief Financial Officer every six months, which covers the following key areas:</p> <ul style="list-style-type: none"> <li>(i) status of ongoing enquiries and tax audits with local tax authorities;</li> <li>(ii) the Group's effective tax rate for the current year; and</li> <li>(iii) the level of provisioning for known and potential liabilities, including significant movements on the prior period.</li> </ul> <p>In addition, the Committee takes comfort from the annual presentation to the main Board on tax strategy and risk, given by the Group Head of Tax, and the work done by, and conclusions of, PwC in this area.</p>	Based on the work we have undertaken, we are satisfied that the position presented in these financial statements, including the disclosures, is appropriate.
<b>Inventory valuation</b>  (see note 16 of the financial statements)	Management applies estimates on inventory valuation and provisioning.	Given the significant investment in inventory within both the Minerals and Oil & Gas Divisions, both of which are impacted by commodity cycles, this remains a judgement for specific consideration. Reporting has been received from management on the business drivers behind movements in both gross inventory and the related slow-moving and obsolete provision. Specific consideration was given to a review of the accuracy of inventory provisioning.	Based on the information provided, the Committee concluded that management action had been effective and that the level of provisioning appeared adequate.
<b>Fair, balanced and understandable</b>	<p>The Board is required to state that the Group's external reporting is fair, balanced and understandable.</p> <p>The Audit Committee is requested by the Board to provide advice to support the assertion.</p>	<p>The Committee received a report from management summarising the detailed approach that had been taken to ensure that the Group's external reporting is fair, balanced and understandable. This covered, but was not limited to, the following:</p> <ul style="list-style-type: none"> <li>(i) involvement of a cross section of management across the organisation during the preparation of the external reporting, including the Group Executive, Divisional Finance Directors, Group Communications, Group Finance (including Group Tax and Group Treasury) and Company Secretariat;</li> <li>(ii) input and advice from appropriate external advisers, including the Company's brokers and public relations agency;</li> <li>(iii) use of available disclosure checklists for both corporate governance and financial statement reporting;</li> <li>(iv) regular research to identify emerging practice and guidance from relevant regulatory bodies;</li> <li>(v) regular weekly meetings (from December to February inclusive) involving the key contributors to the document, during which specific consideration was given to the fair, balanced and understandable assertion; and</li> <li>(vi) use of three 'cold' readers; two employees independent of the preparation process (one a member of the senior management group) and an external, independent proofreader.</li> </ul>	The successful completion of this work has been reported to the Board.
<b>Viability Statement</b>	The Committee's role, as delegated by the Board, is to review the underlying processes and key assumptions underpinning the Viability Statement and report to the Board accordingly.	We fulfilled our responsibilities in this area through the review and discussion of reporting received from management, which covered the following areas: <ul style="list-style-type: none"> <li>(i) overview of the construct of the financial model and base case data underpinning the sensitivity and stress-test scenarios;</li> <li>(ii) results of financial modelling which reflected the crystallisation of those principal risks identified by the Board as having the greatest potential impact on the Group's viability, both individually and when taken together in a severe but plausible stress-test scenario;</li> <li>(iii) extent of mitigating actions included in the financial modelling, relative to the population of such actions that had been identified as within the control of management and the Board; and</li> <li>(iv) banking covenant calculations and assessment of facility headroom in each of the downside and stress-test scenarios.</li> </ul>	The successful completion of this work has been reported to the Board. The Group's viability statement is reported on page 56.

Operating companies are required to retain evidence of their testing in support of their self-assessment responses. Internal audit has responsibility for confirming the self-assessment during planned visits. Any significant variances are reported to local, divisional and Group management. Any companies reporting low levels of compliance are required to prepare improvement plans to demonstrate how they will improve over a reasonable period of time. The overall compliance scores (as a percentage) are tracked over time and reported to the Audit Committee twice a year, with the Committee paying particular attention to the variances between self-assessed and internal audit assessed scores as well as trends and the performance of newly acquired companies.

### **(iii) Internal audit**

Twice annually, the Head of Internal Audit reports to the Committee on audit activities, progress against the internal audit plan and the results of audit visits, with particular focus on high priority findings and the action plans, including management responses, to address these areas.

Private discussions between myself and the Head of Internal Audit are held during the year and once a year with the full Committee. I also receive copies of all internal audit reports issued during the year.

This gives us broad coverage of the activities of the function and a good sense of the control environment. This also allows us to ensure the function is effective (which includes assessing the independence of the function), adequately resourced and has appropriate standing within the Company.

One of the main duties of the Committee is to review the annual internal audit plan and to ensure that internal audit remains focused on providing effective assurance. We undertook a deeper review of the proposed scope and approach for the 2018 Annual Plan. This was helped by an exercise which was conducted during the year to map the key sources of assurance against the Group's core processes. Whilst this demonstrated good coverage, it was concluded that there could be stronger linkage between the conclusions from these assurance outputs and the scope of work for internal audit. The 2018 Internal Audit Annual Plan has been developed considering these wider internal assurance risk indicators

and in addition internal audit's scope and remit has been increased to allow for the provision of additional assurance over some non-financial areas.

The factors considered when deciding which businesses to audit and the scope of each audit, including consideration of the number of visits to each operating company in the Group on a cyclical basis are, amongst other things, the volatility of end markets, critical system or senior management changes in the year, financial results, the timing of the most recent internal audit visit, assessments from other assurance reviews undertaken and whether the business is a recent acquisition.

In addition, the emergence of any common themes or trends in the findings of recent internal audits or compliance scorecard submissions (see previous section) is taken into consideration.

An information technology risk profiling exercise was also undertaken during the year and forms the basis of the IT risk assurance programme for the 2018 Annual Plan. This includes the further development and utilisation of data analytics techniques.

Also as part of the Annual Plan, reviews are to be undertaken to assess compliance with Weir's Code of Conduct procedures, including anti-bribery and corruption. This includes areas such as policy and procedures, employee training, relationships with agents, accounting for employee expenses and corporate hospitality and gifts. Finally, an element of the Annual Plan is reserved for assurance coverage of any emerging risk areas.

The Committee considered and approved the 2018 Internal Audit Annual Plan including the resource model, which shows a significant increase over that for 2017, in line with the broader scope agreed.

### **(iv) External audit** **Auditor effectiveness**

The effectiveness of the external audit process is highly dependent on appropriate audit risk identification at the start of the audit cycle and the quality of planning. PwC present their detailed audit plan to the Committee each year identifying their assessment of the key risks, amongst other matters, and this gets the appropriate degree of attention.

Our assessment of the effectiveness and quality of the audit process covers a number of other matters, including a review of the reporting from the auditors to the Committee, a review of the latest FRC Audit Quality Inspection report on PwC and also by seeking feedback from management on the effectiveness of the audit process. Overall, management were satisfied that there had been appropriate focus and challenge on the primary areas of audit risk and assessed the quality of the audit process to be satisfactory.

The Committee holds private meetings with the external auditor each year to provide additional opportunity for open dialogue and feedback from the Committee and the auditor without management being present. Matters typically discussed include the auditor's assessment of business risks and management activity thereon, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management and how they have exercised professional scepticism. I also meet with the lead audit partner outside the formal committee process as necessary throughout the year. These interactions are also important in our assessment of audit quality.

Based on the work carried out, we are of the view that the quality of the audit process is satisfactory and that our expectations set, when awarding the audit to PwC in 2016, have been largely met.

**Corporate Governance Report****Audit Committee Report continued****Independence policy and non-audit services**

The Audit Committee is responsible for the appointment and role of the auditor. This includes keeping under review the auditor's independence by issuing guidelines on any non-audit services that are to be provided by them. A formal policy exists (see [www.global.weir](http://www.global.weir)) which ensures that the nature of the advice to be provided cannot impair the objectivity of the auditor's opinion on the Group's Financial Statements. The policy makes it clear that only certain types of service are permitted to be carried out by the auditors. All permitted non-audit services require the approval of the Chief Financial Officer and, where the expected cost of the service is in excess of £75,000, the approval of myself, the Audit Committee Chairman. If non-audit fees approach £0.5m during a calendar year, the Committee will consider imposing additional restrictions on non-audit services. The auditor confirms their independence at least annually.

Fees payable to PwC in respect of audit and assurance services for 2017 of £2.6m (2016: £2.2m) were approved by the Committee after a review of the level and nature of work to be performed and after being satisfied by PwC that the fees were appropriate for the scope of the work required.

Non-audit fee work conducted by PwC in the year of £0.3m represented 10% of the audit fee. We are of the view that the level and nature of non-audit work does not compromise the independence of the external auditor.

Having considered the relationship with PwC, their qualifications, expertise, resources and effectiveness, the Committee concluded that they remained independent and effective for the purposes of the 2017 year end. As a result, the Committee recommended to the Board that PwC should be reappointed as auditor at the next AGM.

**Committee evaluation**

The Committee was subject to an evaluation process in 2017, as part of the Board's triennial review process conducted externally by Independent Audit Board Review.

The evaluation concluded that the Committee was performing well, with a particular strength being the quality and frequency of the Committee's interaction with the DFDs. No significant areas of concern were noted. However, with the impending change in the Committee's chair and other Board changes, managing change should be a focus for the Committee.

**Our focus for 2017**

In last year's report we said that, in addition to our routine business, we would increase our focus on three areas:

1. Following the exceptional item arising from issues in China, we will review with management what we can do to minimise the risk of a reoccurrence of such exposures in the future;
2. We will increase our focus on the IT control environment given that the rollout of SAP in Minerals is underway; and
3. In conjunction with the Board, we will increase our focus on the matching of our overall assurance structure against our principal risks.

We have made good progress. With regard to China, for example, we ensured that internal audit will be involved with the KOP acquisition at a much earlier stage and we focused on management actions to assess the control environment straight after completion. The other two points were covered by our work with internal audit in the year (and are discussed above in sections (ii) and (iii)).

**Our focus for 2018**

In addition to our routine business in 2018, we will focus on two main areas. The first will be to manage the significant change in the members of the Committee since September, including John Mogford and my impending departures. I will hand over the Chair to Stephen Young at the conclusion of the AGM. The second will be to review how the broadened internal audit approach has bedded down within the business.



**Alan Ferguson**  
**Chairman of the Audit Committee**  
28 February 2018

# Directors' Remuneration Report



**Clare Chapman**  
Committee Chair

**"We are refocusing remuneration on long-term value creation by using substantive equity holdings to expose executives to both upside and downside risk. Over the cycle, this will best promote the value of our company for shareholders and the society in which we operate."**

## Rewarding long-term value creation

One of the strengths of 'We are Weir' is that it takes our strategic framework and identifies how we will create value from it for all our stakeholders.

	<b>People</b>	Caring for our colleagues, our neighbours and the environment and inspiring them to flourish.
	<b>Customers</b>	Working in partnership to provide distinctive solutions that deliver compelling value for money.
	<b>Technology</b>	Driving the development of new technologies and capabilities that lead the market.
	<b>Performance</b>	Delivering excellence for all our stakeholders through strong leadership, accountability and a lean mindset.

The Committee realised that to reinforce the delivery of 'We are Weir', we needed to be clear with our reward principles and ensure these informed the design of the new executive reward arrangements. These principles have been refreshed and are shown in the 'Reward principles' table.

## Dear Shareholders,

I am pleased to introduce our Directors' Remuneration Report for the year ended 31 December 2017. This is my first report as Chair of the Remuneration Committee having succeeded Melanie Gee in August 2017. On behalf of the Board, I would like to thank Melanie for her significant contribution whilst in the role.

As committed to in our Report last year, we have invested time during this past year looking at how to align our remuneration arrangements to the Weir strategy so their design best recognises the cyclical and volatile nature of the sectors in which we operate. The management team emphasises creating long-term value for customers in our end markets and for shareholders: behaviours and a culture which we also seek to reward.

The current LTIP suffers from 'all or nothing' characteristics, so to move from this, we have considered the best evidence to help us evaluate alternative reward constructs. This included considering the recommendations from the Investment Association Working Group which called for Boards to explore alternative solutions in markets where traditional LTIPs do not work. Academic evidence has also indicated that simpler pay packages, with less reliance on short-term performance conditions and requiring large shareholdings, have a positive impact on investment, innovation, long-term decision making and long-term value creation.

Based on the outcome of this review, we are proposing changes to our remuneration framework, notably the replacement of our current LTIP with Restricted Share awards under our Share Reward Plan. We are unanimous as a Board that this is the right thing to do for the long-term interest of the business and we lay out below our rationale and how the parameters of the award have been calibrated.

## Reward principles

### Rewarding the delivery of sustainable value over time in a cyclical business

Employees as shareholders	Encouraging and enabling substantial long-term share ownership for all employees
Rewarding long-term value creation	Bringing focus to sustainable improvement in the underlying business via our strategic framework
Supporting our culture	Focusing incentives on team performance to create collective accountability and becoming an employer of choice by offering a motivating and fair package
Simplifying and increasing effectiveness	Simple and transparent reward linked to business success and delivered in a way that reduces the impact of cyclical volatility on reward outcomes and enables retention

## Main structure

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The Remuneration Committee	115

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Engaging with our investors	100
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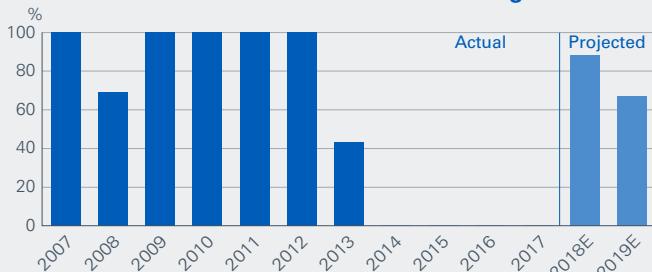
## Rewarding performance in cyclical and volatile markets

Given the exposure of our sectors to the commodity markets, it makes it extremely challenging to set robust and stretching financial targets. As a result, we have seen 'all or nothing' vesting outcomes from our LTIP over the past ten years. These outcomes are more reflective of where the business is in the cycle than of the underlying performance. The up-cycle leads to vesting 'windfalls' and the down-cycle penalises LTIP participants. The potential for a negative impact on executive pay is clear. Incentives are unlikely to engage executives or motivate the right behaviours if outcomes are considered arbitrary. Windfall outcomes will rightly appear unreasonable to investors and unfair to employees and other stakeholders. Penal outcomes can disengage executives and, when applicable over a number of cycles, prevent the build-up of meaningful shareholdings, which is one of the primary objectives of share-based reward plans.

The Committee's view is that this makes a conventional LTIP inappropriate as a mechanism for incentivising, retaining and engaging the executives in the long-term stewardship of the business. After testing various alternatives, we concluded that the best fit for the business was a redesigned annual bonus and the implementation of a Restricted Shares Plan.

## Directors' Remuneration Report continued

### Our LTIP outcomes have been 'all or nothing'



1 Projected figures are based on a current forecast using public information. TSR element – based on TSR performance measured to 31 Aug 2017; EPS element – based on Bloomberg consensus forecasts; ROCE element – assumes the same vesting level as EPS element. Actual outcomes may differ from these projections.

The Committee concluded that 2018 is the right time to be making the move to Restricted Shares. The expected vesting for 'in-flight' awards (using publicly available market expectations) as we head into the up-cycle is over 80% this year and over 60% next year. Switching to Restricted Shares at this point in the cycle is likely to be less beneficial to management, but is recognised as the right thing to do to incent the delivery of long-term value.

Under the Restricted Shares proposal, executives will receive a significantly smaller award each year than under the current LTIP, and these awards will vest subject to an 'Underpin' as outlined in the table below. Further details on the underpin are set out on page 99.

The key parameters of the Restricted Share awards are in line with best practice guidance:

- Significant reduction in award size.** Annual Restricted Share awards will be 125% (CEO) and 100% (CFO), half the current LTIP awards (250%

and 200% respectively). The Committee carefully considered what this 'discount' should be. Our starting point for the conversion was to confirm that the total compensation is positioned around median against similarly sized companies so it was clear we were not embedding any excessive quantum.

To understand what a fair expectation for LTIP pay-outs would be, we analysed vesting outcomes over a long-term period (ten years, being more representative than just two or three recent years). The average outcome has been 61% of maximum and therefore a reasonable expected value of the current LTIP would have been 153% of salary (CEO) and 122% (CFO) – current award size multiplied by 61%. Therefore the Committee concluded that setting the discount at 50% is more than sufficient. This is also consistent with investor guidance.

- Extended time horizons – shares released between five and seven years from grant.** For each award, 50% will be released to participants

### The difficulty in forecasting commodity prices

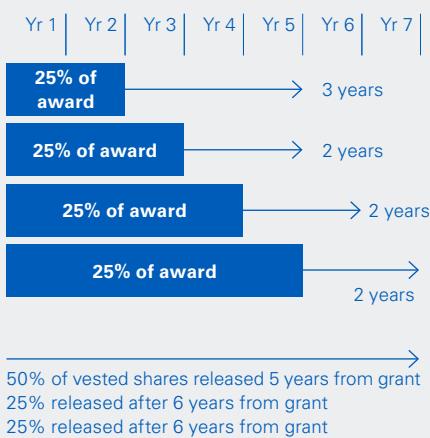


Chart shows rolling 12 month average oil price (blue line). For each year, the grey marker plots the EIA projection from 3 years earlier (i.e. a typical LTIP period).

after five years, 25% after six years and the final 25% after seven years from grant. This represents one of the longest holding periods for Restricted Share plans in the UK and is in excess of the five years recommended in investor guidance. Awards will vest as follows – 50% after three years, 25% after four years and 25% after five years. In order to address a one-off transitional risk of moving from an LTIP to Restricted Shares, the first tranche of awards made under the 2018 Policy will vest 25% after two years (rather than three). These transition arrangements will not apply to new hires. We will also confirm in our Policy statement in 2021 that we will revert to a three-year vest for tranche one since, by then, the transition issues will largely be managed.

- Underpin – safeguarding against payment for failure.** Restricted Share awards do not have conventional performance conditions which might apply to an LTIP, reflecting their different purpose and design. However, the framework includes safeguards which can adjust vesting in circumstances of significant under-performance, in line with investor best practice. The underpin includes a set of key metrics with pre-disclosed performance thresholds. If any of these thresholds are not met, or if an adjustment is required to better reflect underlying performance, the Committee retains discretion to reduce the vesting outcome. The key metrics for the underpin for 2018 awards are as laid out in the 'Underpin metrics' table (with the detailed underlying thresholds disclosed on page 99) and it is our current intention that this framework remains unchanged for the forthcoming policy period.

### Vesting and holding timeline



### Underpin metrics

<b>Balance sheet health</b>	<b>Dividend</b>
	<b>Breaching covenants</b>
<b>Investor return</b>	<b>Return on Capital Employed (ROCE)</b>
<b>Corporate governance</b>	<b>Major governance failure</b>

- Enhanced shareholding guidelines, including extending into post-employment.** The shareholding guidelines for the CEO and CFO will be doubled to 400% and 300% of salary, respectively. The shareholding guidelines will also be extended into a post-employment period (at 50% of the normal level, tapering to 0% after two years).

In developing these proposals, we have engaged extensively with our major shareholders, many of whom invest in our business over the long term. We have valued the consultation and the Committee's proposals on the elements such as the discount, underpin, time horizons and shareholding requirements have been proposed to reflect the messages we heard. I am conscious, however, that programmes based on Restricted Shares are not commonplace in the UK market. I hope that I have demonstrated in this letter why this programme is appropriate for the business and how the design of the awards have been calibrated to address the concerns of some shareholders who are yet to build confidence in Restricted Share programmes.

Going forward the Committee commit to evolving these plans over time so they stay aligned to business strategy. When the Committee next reviews the incentive framework ahead of our next Policy approval in 2021, we will undertake a similarly thoughtful and collaborative review process as described in this letter which would involve engaging early with our major investors.

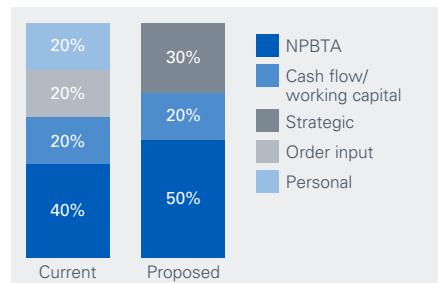
#### Changes to bonus framework

We are also proposing changes to our annual bonus framework for 2018, to better align with the reward principles and delivery of our strategy.

The key change is the introduction of strategic measures to represent 30% of the bonus. This replaces the 40% of the bonus that was driven by order input and personal objectives, so we are also simplifying the framework from four to three measures. The strategic measures will align to the strategic framework (People, Customers, Technology, and Performance). We will set stretching targets aligned to a balanced scorecard and use externally verified industry standard measures wherever possible, in particular around core operational metrics and the Voice of the Customer (VoC) and Employees. This will enable benchmarking and facilitate learning. The key measures for 2018 are disclosed on page 98 and we will continue to provide

full retrospective disclosure of the underlying targets in next year's report. Payment of any strategic component will be subject to a discretionary underpin (including individual performance).

Having listened to shareholders, the remainder of the bonus will continue to be assessed against key financial measures for the year. PBTA<sup>1</sup> will remain the primary metric (with the weighting increased from 40% to 50% for 2018). Our cash-based measure will change for 2018 from operating cash flow to working capital as a percentage of sales, better reflecting our growth agenda. The weighting will remain at 20%.



There are no changes to bonus opportunities, which will remain at 150% (CEO) and 125% (CFO). These changes do not represent a policy change but since they are important to how the whole reward package works, I wanted to give investors full sight of them.

#### 2017 bonus and LTIP outcomes

When determining the bonus pay-outs in respect of 2017, the Committee took into account the overall performance of the business as well as the Executive Directors' performance.

80% of the bonus was based on performance against three financial measures: profit, order input and cash flow. Profit increased significantly reflecting a return to growth by our Oil & Gas Division. We also delivered strong order growth in both our Oil & Gas and Minerals divisions as demand for their solutions increased. Flow Control was impacted by tough market conditions. We had a disappointing performance against the cash flow measure, with cash flow from operations reducing as a result of increased investment in working capital to support strong growth, and reduced profitability in Flow Control.

Although we failed to achieve the cash flow measure, the performance achieved against the profit and order input measures was 98% and 76% of maximum respectively. This resulted in a total contribution to payout of 54% of maximum for the financial measures.

Full details of achievement as well as details of the performance of each Executive Director are provided on pages 111 and 112.

The 2015 LTIP awards lapsed as the performance targets measured over the three-year period to 31 December 2017 were not met.

#### 2018 decisions

In addition to the key policy changes outlined above, I can confirm the following for 2018:

- With effect from April 2018, the salaries for the Executive Directors will increase by 2.8% in line with the average increase for UK employees.
- Pension contributions will remain at 12% of salary, in line with our Policy. The Committee is aware that a number of UK investors remain concerned about executive pensions which are significantly higher than those in the wider workforce. At Weir, the pension contribution of 12% is very much at the lower end of market practice and aligns with senior roles within the UK. I therefore believe strongly that our pension practice is in line with good practice.

#### 2018 AGM

To implement the proposed changes we will be seeking shareholder approval for a new Remuneration Policy and this is set out in pages 102 to 107 of this report. We will also be seeking approval for the new Share Reward Plan and new All-Employee Share Ownership Plan, the full details of which are included in the Notice of Meeting. This is an important step forward. One of the principles which has guided our thinking as a Committee is a commitment to a principle of 'employees as shareholders' so we are keen to make it possible for all colleagues to build up long-term share ownership.

I would like to thank those who engaged extensively on the proposals over recent months and I look forward to receiving your support at the AGM. As ever, we remain committed to an open and ongoing dialogue and I would be very happy to hear the views of investors on our proposals.

**Clare Chapman**  
Chair of the Remuneration Committee  
28 February 2018

1. PBTA is defined as continuing profit before tax, amortisation and exceptional items, translated at 31 January 2017 average exchange rates.



Terms of Reference are available on the Company's website at [www.corporategovernance.weir](http://www.corporategovernance.weir)

## Directors' Remuneration Report continued

### Summary of policy changes and 2018 implementation

The table below summarises the key components of our proposed remuneration framework, illustrating how they differ from our current policy and how we intend to operate the new policy in 2018. Full details of the policy are set out on pages 102 to 107.

		Current arrangements	New policy and 2018 implementation
Fixed	Salary	<p>Fixed remuneration which reflects role, skills, and responsibilities</p> <p>For 2017:</p> <ul style="list-style-type: none"> <li>• CEO – £650,000</li> <li>• CFO – £400,000</li> </ul>	<p>No change to Policy.</p> <p>Increases for 2018 aligned to the average increase for UK employees of 2.8%.</p> <ul style="list-style-type: none"> <li>• CEO – £668,200</li> <li>• CFO – £411,200</li> </ul>
	Pension	Executive Directors receive a cash allowance of 12% per annum in line with pension contributions for other senior UK employees	No change. The Committee believes that executive pensions which are aligned to other employees in the business is consistent with emerging investor best practice in this area.
	Benefits	Car allowance, health care and life assurance	No change.
Variable	Annual Bonus	<p>Maximum opportunity:</p> <ul style="list-style-type: none"> <li>• CEO 150% of base salary</li> <li>• CFO 125% of base salary</li> </ul> <p>30% deferred into shares for three years</p> <p>Measures and weightings in 2017:</p> <ul style="list-style-type: none"> <li>– 40% Group PBTA</li> <li>– 20% Operating cash flow</li> <li>– 20% Order input</li> <li>– 20% Personal</li> </ul> <p>Full retrospective target disclosure (see page 111 in respect of 2017).</p>	<p>No change to opportunities or deferral structure.</p> <p>Measures and weightings in 2018:</p> <ul style="list-style-type: none"> <li>– 50% Group PBTA – increased from 2017 to reflect importance of profit</li> <li>– 20% working capital as percentage of sales – changed the basis of the cash measure to better reflect our growth agenda.</li> <li>– 30% strategic measures – replacing order input and personal objectives to better incent strategic objectives for the year. Measures will align to the strategic framework (People, Customers, Technology, and Performance) and set out below are the underlying headline metrics to be achieved over the next three years, as well as the target priorities for 2018. Targets will be stretching and aligned to a balanced scorecard. Externally verified industry standard measures will be used where possible. Underlying targets will be fully disclosed in next year's report.</li> </ul>
	Greater alignment to our strategic objectives		<p><b>People</b> Improved engagement score and increase in organisational effectiveness</p> <ul style="list-style-type: none"> <li>• Develop best in class behavioural safety culture</li> <li>• Identify and build the capabilities required to deliver the customer proposition</li> <li>• Continue to extend the Weir culture and develop the voice of the employee</li> </ul> <p><b>Customers</b> Increased market share</p> <ul style="list-style-type: none"> <li>• Increase revenues from service centre networks</li> <li>• Increase number of customer partnerships on technology development and trials</li> <li>• Voice of Customer (VoC) development</li> </ul> <p><b>Technology</b> Improved percentage revenue from new solutions/services/ products</p> <ul style="list-style-type: none"> <li>• Progress commercialisation of Weir digital agenda</li> <li>• Further develop additive manufacturing capability</li> <li>• Develop Weir innovation framework</li> </ul> <p><b>Performance</b> Sustainably higher margins through cycle</p> <ul style="list-style-type: none"> <li>• Improved VCE score</li> <li>• Progression on IT infrastructure and systems development</li> <li>• Begin sustainability journey</li> </ul>

		Current arrangements	New policy and 2018 implementation
Long-term share awards	Long Term Incentive Plan (LTIP) awards:	Replacement of LTIP with Restricted Share awards, with the first awards to be made following the approval of the Share Reward Plan at the 2018 AGM. Award parameters in line with best practice and investor guidance.	
<b>Replacement of LTIP with Restricted Shares</b>	<ul style="list-style-type: none"> <li>• CEO 250% of base salary</li> <li>• CFO 200% of base salary</li> </ul> <p>Vesting based on performance over three years:</p> <ul style="list-style-type: none"> <li>– One third EPS</li> <li>– One third ROCE</li> <li>– One third TSR</li> </ul> <p>Two-year holding period.</p>	<p>Maximum award size significantly reduced by 50% from previous LTIP award levels (the rationale for this discount is discussed in more detail in the next section):</p> <ul style="list-style-type: none"> <li>• CEO 125% of base salary</li> <li>• CFO 100% of base salary</li> </ul> <p>Vesting phased over a five-year period, with vested shares released between five and seven years from grant.</p> <p>Vesting subject to the underpin. Prior to vesting, if any of the thresholds set out below have not been met, it would trigger the Committee to consider whether a discretionary adjustment was required.</p> <p><b>Balance sheet health</b></p> <ul style="list-style-type: none"> <li>• <b>Dividend</b> <ul style="list-style-type: none"> <li>– Maintain average absolute dividend per share over the vesting period at least in line with the 2017 declared dividend per share.</li> </ul> </li> <li>• <b>Breaching covenants</b> <ul style="list-style-type: none"> <li>– No breach of debt covenant or renegotiation of covenant terms outside of a normal refinancing cycle.</li> </ul> </li> </ul> <p><b>Investor returns</b></p> <ul style="list-style-type: none"> <li>• <b>Return on Capital Employed (ROCE)</b> <ul style="list-style-type: none"> <li>– Maintain average ROCE over the vesting period above the average Weighted Average Cost of Capital for that period.</li> </ul> </li> </ul> <p><b>Corporate governance</b></p> <ul style="list-style-type: none"> <li>• <b>Major governance failure</b> <ul style="list-style-type: none"> <li>– No material failure in governance or an illegal act resulting in significant reputational damage and/or material financial loss to the Group.</li> </ul> </li> </ul> <p>Restricted Share awards will also be subject to malus and clawback provisions.</p> <p>The Committee will also retain discretion to determine the grant level each year.</p>	
Other	<p>Shareholding guidelines</p> <p><b>Significant enhancement</b></p>	<ul style="list-style-type: none"> <li>• CEO – 200% of base salary</li> <li>• CFO – 150% of base salary</li> </ul>	<p>Shareholding guidelines will be doubled from current levels:</p> <ul style="list-style-type: none"> <li>• CEO – 400% of base salary</li> <li>• CFO – 300% of base salary</li> </ul> <p>In addition, shareholding requirements will continue post-employment.</p>
NED fees	Fees reflect responsibilities and time commitments for the role.		<p>Fees will increase broadly in line with the wider employee average as follows, effective 1 April 2018:</p> <ul style="list-style-type: none"> <li>• Chairman's fee by 2.8% to £306,500</li> <li>• Non-Executive Director base fee by 2.9% to £61,200</li> <li>• Chairman of Committee fee by 2.6% to £15,900</li> <li>• Senior Independent Director fee by 2.4% to £12,800</li> </ul>

## Directors' Remuneration Report continued

### Engaging with our investors

In developing the proposals set out in this report, we engaged extensively with major investors and shareholder bodies. A number of common themes which emerged in discussion are set out below.

#### **Q Why are changes being made at this time?**

As flagged in last year's report, during the course of 2017, a comprehensive review of our remuneration philosophy and framework was undertaken to ensure it continued to best support the delivery of our strategy.

#### **Q In the context of the difficulty of setting robust long-term targets, could other solutions have been considered (e.g. relative TSR or a 'hybrid' with the existing LTIP)?**

It is correct that relative targets can be a solution to the challenge of setting absolute targets. Most commonly, this would be done via relative TSR. This relies on the ability to construct a robust and relevant peer group, which for a number of reasons, the Committee considers is not possible for Weir (given our exposure to a range of different commodity end markets and an insufficient number of direct UK peer companies). Relative TSR could also incentivise higher leverage as a means of generating differential equity performance against peers, which could penalise companies looking to safeguard a strong balance sheet through the cycle.

The Committee believes that a 'hybrid' approach (i.e. introducing restricted shares whilst also maintaining a performance-based LTIP) lacks a coherent rationale and was the approach which our investors strongly rejected at our 2016 AGM.

#### **Q How else does this proposal differ from 2016?**

Other key differences from 2016 are:

- Significantly enhanced shareholding guidelines (including extending the guideline into post-employment).
- This proposal has a much more substantial underpin.
- Extended time horizons.

#### **Q What is the change to maximum total compensation?**

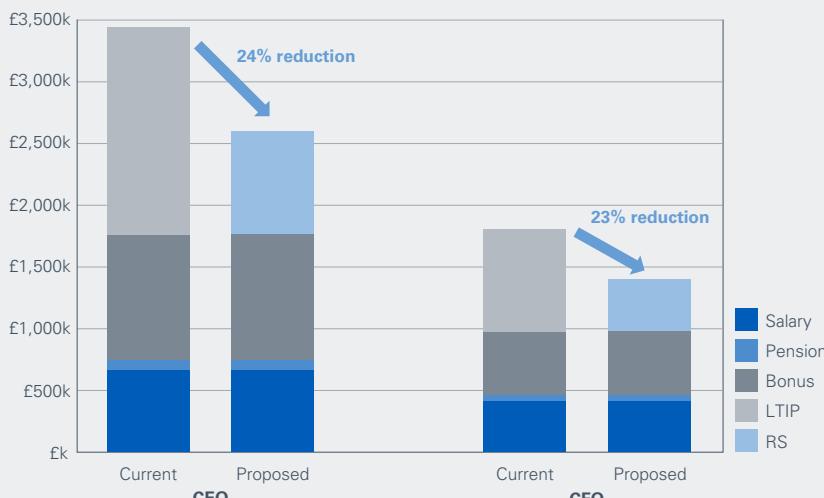
As shown below, the maximum value of the packages has been reduced by over 20% as a result of the change in award structure.

#### **Q If the performance element is removed from long-term share awards, how will you motivate performance?**

The Committee is firmly of the view that the Restricted Shares will act as a more powerful driver of performance than the LTIP. By increasing the direct exposure to shares both during and post employment, executives have wealth at risk. This very visible exposure to the share price, which is easily monitored by executives, is therefore far more motivating than long-term plans based on relative TSR (which is seen as a "lottery" so has little incentive effect). With Restricted Shares, executives are strongly incentivised to take actions that will enhance long-term performance rather than short-term shareholder value given the phased vesting and release profile.

In addition, the annual bonus will continue to act as a powerful tool to drive annual performance against stretching targets built around our annual financial and strategic objectives.

#### **Change in maximum total compensation**



## Q How did you arrive at the 50% discount from LTIP award levels?

We recognise that the conversion rate between LTIP and Restricted Shares is a key issue for investors. Our 'starting point' for the conversion was to confirm that total compensation is positioned around median against similarly sized UK companies and therefore we were not embedding any excessive quantum.

To understand LTIP payout expectations, we analysed LTIP outcomes over a long-term period (ten years) to provide a robust view on the vesting outcomes which executives might expect 'through the cycle'. This showed that the average vesting has been 61% over that period and therefore a reasonable 'expected value' of the current LTIP would be 153% of salary (CEO) and 122% (CFO) – being the current market competitive award size multiplied by the long-term expected vesting of 61% of maximum. The proposed award sizes represent a 20% reduction to that expected value and the Committee therefore believes that 50% is a more than sufficient discount.

As shown in the chart on page 96, recent vesting outcomes have been zero. However, the expected vesting for 'in-flight' awards (using publicly available market expectations) as we now head into the up-cycle is over 80% this year and over 60% next year. Therefore, management will be more financially disadvantaged under the Restricted Shares proposal than they would be under an LTIP if those types of vesting levels continued through the coming years. Switching to Restricted Shares at this point in the cycle is likely to be less beneficial to management, but is recognised as the right thing to do to incent delivery of long-term value.

## Q Why does the first tranche vest after two years? Is this just a transitional solution?

Yes, the primary reason for this is to address a sizeable 'transition' issue as we shift from LTIPs to Restricted Shares. The Committee modelled the future release of shares which illustrated a significant potential fall-off in released value in 2023 (as the LTIP switches to

Restricted Shares) which could create an unintended retention risk at a critical stage in the execution of the business strategy. Recognising the need to be mindful of the continuity of talent, the Committee's preferred solution was to shorten the vesting of the first 25% tranche from three to two years which would allow executives to perceive a greater build up in the vested value of their awards over that critical period of 2021 to 2023 as the transition from LTIP to Restricted Shares occurs.

However, it should be noted that:

- This has no impact on when executives receive any shares from the holding period, which will continue to be from five to seven years from grant. It therefore does not compromise the principle of long-term focus.
- In our 2021 Policy, we will revert to three-year vesting for tranche one.
- New executives in the 2018 Policy period will have three-year vesting.

## Q How will the underpin work? Does it provide the Committee with the necessary tools in the event of poor performance?

The Board considered the metrics and the mechanics of the underpin at length in developing the proposal. The underpin provides investors with transparency on a number of clearly identified 'failure scenarios' which would trigger the Committee to consider, ahead of the vesting of each tranche of each award, whether a downward adjustment was required. Full disclosure would be made at the time should the underpin be invoked.

A number of additional safeguards and discretions also exist in circumstances not explicitly referenced in the underpin framework. For example:

- **General discretion.** As included in the Policy Table on page 104, the Committee retains a general discretion to adjust vesting outcomes downwards for each tranche of the Restricted Share awards if it believes this will better reflect the underlying performance of the Company over the period.

- **Malus and clawback.** These remain in place in line with the provisions which already existed in our LTIP. Malus allows a reduction of awards prior to vesting and clawback is the ability to reclaim vested amounts prior to the end of the holding period.
- **Discretion on future award sizes.** In addition to the above, the Committee would also retain full discretion on future award sizes. Although the maximum levels of award are set for the Policy period at 125%/100% of salary for the CEO/CFO, these grant levels would not be 'automatic' each year and the Committee retains the discretion to make a lower award if appropriate.

These additional provisions provide the Committee with a wide range of 'tools' within the remuneration framework which could be applied to ensure appropriate outcomes.

## Q Under the new bonus framework, how will you ensure the strategic objectives are stretching and robustly assessed?

The strategic objectives will operate under a robust architecture. For each of the strategic priorities (People, Customers, Technology, and Performance), the Board has agreed the key underlying headline metric to be achieved over the next three to five years, as well as the target priorities for 2018. Targets will be stretching and assessed using a robust framework comprising objective, measurable and, where possible, externally referenced targets. Underlying targets will be fully disclosed in next year's report.

## Directors' Remuneration Report continued

### Directors' Remuneration Policy

The policy will be put to shareholders for approval at the AGM to be held on 26 April 2018. Subject to approval, the policy is intended to apply for three years from the AGM.

There are three major differences between the proposed and the current policy approved in 2017: (i) replacement of the Long Term Incentive Plan (LTIP) with the Share Reward Plan (SRP), (ii) increased shareholding requirements and extension of the requirement post-employment, and (iii) implementation of an all-employee share plan.

#### Future policy table

##### Base salary

###### Purpose

To provide a salary which takes into account an individual's role, skills and responsibilities and enables the Group to attract and retain talented leaders.

###### Operation

Reviewed annually, with increases normally taking effect from 1 April. Salaries are set by reference to market practice for similar roles in companies of similar size and complexity. The Committee also takes into account personal performance, the wider employee context, and economic and labour market conditions.

###### Maximum value

While there is no stipulated maximum salary increase, increases will not normally be greater than the average salary increase for UK employees (or the relevant jurisdiction if an Executive Director is based outside the UK).

Different increases may be awarded at the Committee's discretion in instances such as where:

- there has been a significant increase in the size, complexity or value of the Group;
- there has been a change in role or responsibility;
- the individual is relatively new in the role and the salary level has been set to reflect this; and
- the individual is positioned below relevant market levels.

##### Pension

###### Purpose

To encourage long-term saving and planning for retirement.

###### Operation

A contribution into the Company's defined contribution pension plan or an equivalent cash allowance, or any other arrangement the Committee considers has the same economic benefit.

###### Maximum value

12% of base salary per annum in line with other senior UK employees.

##### Benefits

###### Purpose

To provide cost-effective benefits valued by individuals.

###### Operation

Benefits include, but are not limited to, health care, car allowance, liability insurance and death in service insurance.

Other benefits may be provided from time to time if considered reasonable and appropriate, such as relocation benefits or long-term disability insurance.

###### Maximum value

- Car allowance – no greater than £20,000 per annum
- Life assurance – 5 x base salary

The cost of providing insurance and health care benefits varies according to premium rates, so there is no formal maximum monetary value.

## Annual bonus

### Purpose

To incentivise the delivery of our strategic plan and to reward the achievement of stretching performance on an annual basis.

To focus incentives on team performance to create collective accountability.

### Operation

Measures, targets and weightings are reviewed and determined annually at the start of each financial year to ensure they are appropriate and support the Company's strategy.

30% of any bonus will be deferred into an award of Weir Group shares which will normally be released after three years.

Malus and clawback provisions may be applied in the event of a material misstatement in the financial statements of the Group or a subsidiary/division, the discovery that information used to determine an award was materially incorrect, mistaken or misrepresented, gross misconduct (leading to termination for cause), or reputational damage causing significant damage to the Company and clearly attributable to the individual.

### Maximum value

- CEO 150% of base salary
- CFO 125% of base salary

### Performance assessment

Annual bonuses will be subject to such targets as the Committee considers appropriate each year.

Financial measures will normally be used to calculate at least 50% of the bonus, with the remainder being based on strategic and/or personal objectives.

The performance targets for financial measures are set in the context of the internal budget taking into account other relevant factors such as external forecasts.

All financial measures are calibrated with payment on a straight line basis between threshold (up to 20% of maximum bonus payable) and stretch.

Payment of any strategic component will be subject to a discretionary underpin (including individual performance).

In exceptional circumstances, the Committee has discretion to alter the measures and/or targets during the performance period if it believes the original measures and/or targets are no longer appropriate.

The Committee has discretion in exceptional circumstances to amend the payout level if it believes this will better reflect the Company's underlying performance.

## Directors' Remuneration Report continued

### Share Reward Plan

#### Purpose

To encourage and enable substantial long-term share ownership.  
To reward the delivery of sustainable value over time in a cyclical business.

#### Operation

The Committee may grant awards under the SRP on an annual basis.

#### Vesting

Vesting of awards will be phased in four equal tranches over a five-year period. This will normally be split into four equal tranches of 25% (of the total award) which vest after two, three, four and five years following grant. For any Executive Director appointed after the effective date of this Policy and from 2021 onwards for incumbent executives, 50% will vest after three years, 25% after four years and 25% after five years.

Vesting will be subject to continued employment and assessment of the underpin.

Following vesting, an additional two-year holding period will also apply to each tranche, such that 50% of vested shares in an award are released five years from grant, 25% are released after six years and the final 25% is released after seven years.

Awards will normally be made in the form of conditional share awards, but may be awarded in other forms if appropriate (e.g. as nil cost options).

Malus and clawback (applicable for three years from vesting) provisions may be applied in the event of:

- A discovery of a material misstatement in the audited consolidated accounts of the Group or audited accounts of any Group company;
- Action or conduct which can be considered as gross misconduct;
- Events or behaviour which have a significant detrimental impact on the reputation of any Group company and which can be attributed to the individual award holder;
- The information used to determine the number of shares over which an award is granted or vests is found to be materially incorrect, mistaken or misrepresented to the advantage of the award holder.

#### Maximum value

The Committee will determine the grant level each year. The maximum value of an award which may be granted in respect of a financial year is:

- CEO 125% of base salary
- CFO 100% of base salary

#### Performance assessment

No performance measures are associated with the awards.

The underpin will consist of a 'basket' of pre-determined key metrics which will best reflect overall business health over the vesting period. For each metric, a clearly defined and, where relevant, quantifiable 'threshold' will be set at the time of grant. Thresholds will be disclosed on a prospective basis.

Prior to vesting, if any of the thresholds have not been met, it would trigger the Committee to consider whether a discretionary downward adjustment was required.

In addition, the Committee will have general discretion to reduce vesting levels if it believes this will better reflect the underlying performance of the Company over the period.

### Shareholding requirements

#### Purpose

To ensure Executive Directors build and hold a significant shareholding long term.

To align Executive Directors' interests with shareholders.

#### Operation

Executive Directors are required to build up a shareholding in the Company over a five-year period.

All beneficially owned shares, deferred shares and unvested Restricted Share awards count towards an individual's shareholding (on a net of tax basis, where relevant).

Until the shareholding requirement is met, an Executive Director must retain 50% of net Restricted Share awards, Performance Share awards and deferred bonus awards.

Shareholding requirements continue post-employment:

- The requirement will fall to half the normal level on leaving.
- The requirement would taper down to zero after two years.

#### Maximum Value

- CEO 400% of base salary
- CFO 300% of base salary

## All-employee share plans

### Purpose

To enable long-term share ownership for all employees, and to increase alignment with shareholders.

To provide one common benefit to all employees.

### Operation

Employees will be awarded free shares in 2019 and 2020. From 2021 onwards, only new employees will be eligible to receive free shares. For all other employees, awards of free shares will be contingent on the employee purchasing shares with their own funds. Shares purchased using employees' own funds will be matched by the Company.

Shares will vest no later than three years after grant.

Executive Directors will be excluded from receiving any free shares in 2019 and 2020, but they will be eligible to purchase and receive matching shares from 2021 on the same terms as other employees.

In 2016, shareholders approved a Save As You Earn scheme for all employees but this plan is not currently operated.

### Maximum value

The maximum amount of shares that can be purchased will be £200 per month. The maximum share match basis will be one share for every three shares purchased.

## Legacy arrangements

### Purpose

To honour payments and other remuneration related items due to Executive Directors.

### Maximum value

In line with existing commitments and arrangements.

### Operation

The Committee reserves the right to make any remuneration payments and/or payments for loss of office, this includes exercising any discretions available to it in connection with such payments (notwithstanding that they are not in line with this policy) where the terms of payment:

- Came into effect before this policy was approved and implemented (including where such payments are in line with a previously approved policy);
- Were agreed at a time when the individual was not a Director of the Company and, in the opinion of the Committee, the payment is not in consideration for the individual becoming a Director.

This will include the vesting of any awards granted under the LTIP.

## Chairman and Non-Executive Directors' fees

### Purpose

To attract and retain experienced and skilled Non-Executive Directors and to reflect the responsibilities and time commitment involved.

Fees are reviewed annually by reference to companies of similar size and complexity, economic and labour market conditions.

Additional fees may be made available to Non-Executive Directors where appropriate to reflect any additional time commitment or duties.

The Company may reimburse Non-Executive Directors for any business related costs (such as travel and accommodation costs incurred in connection with their duties) and any associated tax on these costs.

### Maximum value

Fees as prescribed in the Articles of Association.

Planned increases in fees will take into account general increases across the Group, along with market practice.

## Notes to the future policy table

### Dividends

Executive Directors are entitled to receive the value of dividends payable on any deferred bonus awards under the Annual Bonus or awards under the SRP and LTIP up the point of vesting. This value may be calculated assuming that the dividends were notionally reinvested in the Company's shares.

### Common award terms

Awards granted under the share plans may be adjusted in the event of any variation of the Company's share capital or any demerger, special dividend or other event that may affect the current or future value of the awards.

## Directors' Remuneration Report continued

### Recruitment policy

The Committee's approach when considering the overall remuneration arrangements in the recruitment of an Executive Director is to take account of all relevant factors, such as the individual's remuneration package in their prior role and the positioning of the package against the local market. We will not pay more than necessary to facilitate the recruitment.

Component	Policy and operation
<b>Remuneration</b>	The salary level, benefits, pension, annual bonus and annual SRP participation will be in line with the policy table.
<b>Buy-Out Awards</b>	<p>The Committee will consider whether any buy-out awards are reasonably necessary to facilitate the recruitment of an Executive Director, and if there are any other compensation arrangements that would be forfeited on leaving the previous employer.</p> <p>The Committee will seek to structure any buy-out award taking into account relevant factors including any performance conditions, the form in which it is to be paid and the timeframe of the award.</p> <p>Buy-out awards will generally be made on a like-for-like basis and will be no more generous in quantum and timeframe than the awards being forfeited.</p>
<b>Other</b>	<p>The Committee may agree to meet certain mobility or relocation costs including, but not limited to, temporary living and transportation expenses. The Committee may also agree to meet the costs of relevant professional fees.</p> <p>Reasonable expenses and associated tax incurred as part of their recruitment will be reimbursed to the Executive Director.</p>
<b>Internal promotion to Executive Director</b>	The Committee will honour existing remuneration arrangements made prior to and not in contemplation of promotion. The arrangements will continue to pay out in accordance with the respective rules and guidelines.

### Service contracts and policy on payment for loss of office

It is the Committee's policy that there should be no element of reward for failure. The Committee's approach when considering payments in the event of termination is to take account of the individual circumstances including the reason for termination, contractual obligations of both parties as well as incentive plan and pension scheme rules.

In the event that an Executive Director's service contract is terminated other than in accordance with its terms, the Committee will give full consideration to the obligation and ability of the individual to mitigate any loss they may suffer as a result of the termination of their contract.

Service contracts and letters of appointment are available for inspection at the Company's registered office.

Provision	Policy
<b>Unexpired term</b>	The unexpired term of Executive Directors' contracts is 12 months. Executive Directors have rolling contracts.
<b>Change of control</b>	No provisions in service contracts relate to a change of control. Refer to the relevant sections below for annual bonus and share plans provisions.
<b>Notice period</b>	Current Executive Directors have 12 months' notice by either the Company or the individual. This would be the normal policy for new appointments.
<b>Contractual payments</b>	<p>Termination with contractual notice or termination by way of payment in lieu of notice (PILON) at the Company's discretion.</p> <p>Neither notice nor PILON will be given in the event of gross misconduct.</p> <p>The calculation of PILON will be at 1.2 x gross salary to reflect the value of salary and contractual benefits.</p> <p>PILON will be made where circumstances dictate that Executive Directors' services are not required for their full notice period. Contracts also allow for phased payments on termination which provides for mitigation, including remuneration from alternative employment.</p> <p>The Committee may authorise:</p> <ul style="list-style-type: none"> <li>• payments for statutory entitlements in the event of termination;</li> <li>• reasonable settlement of potential legal claims;</li> <li>• payment of reasonable reimbursement of professional fees in connection with such agreements.</li> </ul>

Provision	Policy
<b>Annual bonus and deferred bonus awards</b>	<p>At the discretion of the Committee, a pro-rated payment (payable in such proportions of cash and shares as the Committee may determine) may be earned if employment ceases during the year. Any payment will be subject to the assessment of bonus targets.</p> <p>Dismissal for gross misconduct – all entitlements will be forfeited, including any unvested deferred bonus awards.</p> <p>All other departure events – existing rights are normally retained in respect of any deferred bonus awards. Vesting will take place at the normal vesting date unless the Committee determines otherwise.</p> <p>Malus and clawback provisions will continue to apply.</p> <p>Change in control – any bonus will normally be determined by the Committee up to the expected date of change in control taking into account both performance and the period of the financial year which has elapsed. Deferred bonus awards will vest on change in control.</p>
<b>Outstanding share plan awards</b>	<p>The treatment of share awards will be governed by the rules of the relevant plan.</p> <p>Where an individual leaves as a Good Leaver (which includes for reasons of death, retirement, ill-health, injury or disability, redundancy, the sale of employing company or business, or other circumstances that the Committee determines) unvested awards will normally continue and vest on the normal vesting date, taking into account the assessment of any applicable underpins and pro-rated to reflect the proportion of the vesting period of each tranche which has elapsed. For LTIP awards, vesting would also take into account any applicable performance conditions over the normal performance period.</p> <p>The Committee may exercise its discretion to apply a different pro-rata methodology or to dis-apply time pro-rating completely.</p> <p>Awards subject to a holding period will continue to be subject to that holding period as if employment had not ceased, except in the case of death, or in such other circumstances as the Committee may determine, when the holding period will end at that time.</p> <p>The rules provide flexibility that in the case of the participant's death (or such other exceptional circumstances as the Committee considers appropriate), tranches will vest (and awards in the holding period will be released) at the time of death/leaving.</p> <p>If an individual leaves for any reason other than as a Good Leaver, any unvested awards will lapse on termination.</p> <p>Leavers have a period of three months to exercise any options unless this period is extended by the Committee. In the event of death, an option can be exercised for a period of 12 months by the deceased's estate.</p> <p>Awards will remain subject to the operation of malus and clawback provisions.</p> <p>Change in control – the extent to which unvested awards vest will be determined by the Committee, taking into account the performance conditions and/or underpins as applicable and the proportion of the vesting period that has elapsed. Alternatively, awards may be exchanged for new equivalent awards in the acquiring company. The holding period applicable to any awards will end at the time of change in control.</p>
<b>All-employee plans</b>	The rules of any all-employee share plans will apply in the event of termination of employment or change in control.
<b>Relocation</b>	The Committee may determine that share plan awards or deferred bonus awards should vest early if an Executive Director is relocated to a country where they would suffer a tax or regulatory disadvantage by holding the award.
<b>Chairman and Non-Executive Directors</b>	<p>Non-Executive Directors have letters of appointment. The letters do not contain any contractual entitlement to a termination payment and the Non-Executive Directors can be removed in accordance with the Company's Articles of Association.</p> <p>With the exception of the Chairman and Non-Executive Directors appointed prior to 2011, notice periods are six months from the Company and no notice from the individual.</p> <p>There are no change in control provisions in the letters of appointment.</p>

## Directors' Remuneration Report continued

The following table sets out the dates of each of the Executive Directors' service agreements, the dates of the Non-Executive Directors' letters of appointment and the date on which the Non-Executive Director is subject to reappointment or re-election. Directors are required to retire at each Annual General Meeting and seek re-election by shareholders.

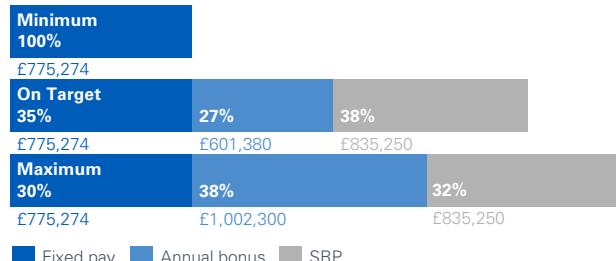
Executive Director	Contract commencement date	Unexpired term (months)
Jon Stanton	28 July 2016	12
John Heasley	3 October 2016	12
Non-Executive Director	Date of appointment	Date when next subject to appointment or re-election
Charles Berry	1 January 2014	26 April 2018
Clare Chapman	1 August 2017	26 April 2018
Alan Ferguson	13 December 2011	–
Barbara Jeremiah	1 August 2017	26 April 2018
Mary Jo Jacobi	1 January 2014	26 April 2018
Sir Jim McDonald	1 January 2016	26 April 2018
Rick Menell	1 April 2009	26 April 2018
John Mogford	1 June 2008	–
Stephen Young	1 January 2018	26 April 2018

### Application of Remuneration Policy

The charts below illustrate the potential total future remuneration for the Executive Directors under the new policy. In line with current regulations, the illustrations do not assume any share price growth or dividend equivalent payments on share awards.

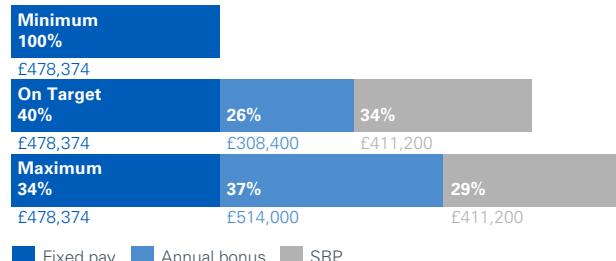
#### Jon Stanton

##### Illustration of package value under new policy



#### John Heasley

##### Illustration of package value under new policy



### Notes to Application of Remuneration Policy charts

Element of package	Assumptions used
Fixed pay	Base salary: effective 1 April 2018 Benefits: as disclosed in single total figure of remuneration Pension: 12% cash allowance
Annual bonus	Minimum: no bonus is earned On target: 60% of maximum bonus is earned Maximum: 100% of maximum bonus is earned
SRP	Minimum: no vesting On target: 100% vesting Maximum: 100% vesting

### **Consideration of conditions elsewhere in the Group**

As per our terms of reference, the Committee monitors the level of remuneration of employees below the Group Executive and is regularly updated on pay and conditions across the Group. When determining remuneration for the Executive Directors, the average salary increases and performance ranges applicable to all employees are taken into account as well as economic trends. The wider employee group was not consulted when setting the remuneration policy.

### **Consideration of employee engagement**

Meaningful engagement with customers and employees play a crucial role in both innovation and the continuous improvement of the Weir business.

The Board recognises the importance of culture and effective employee relations to the creation of good work and good workplaces. The role of the Board therefore is to ensure that mechanisms are in place, and monitored, for effective employee engagement and that there is governance of the process for management standards and training to continue to assure ourselves of the leadership skills required to do engagement well. Given the multi-national nature of our business, the management team also recognise that their approaches to insight-gathering and dialogue need to reflect country practices so that engagement can be led well locally and be mindful of circumstances and culture.

As a Board, we recognise the importance of a Group-wide framework for employee dialogue which is why the focus in 2018/19 (as reflected earlier in the Directors' Remuneration Report in the section on Strategic Objectives) will be to ensure that we broaden our Group-wide practices for gathering workforce views and engaging in meaningful dialogue and for measuring and further strengthening employee engagement. Monitoring of progress will take place at the Board.

### **Consideration of shareholder engagement**

Shareholders and their representative bodies have played a very active role in the development of the remuneration policies outlined in this Report. An extensive consultation process has been undertaken in both the second half of 2017 and the beginning of 2018. This began with meetings with our major shareholders to shape the proposals and then consultation was extended more broadly to other large shareholders.

As demonstrated in the Q&A earlier in the Directors' Remuneration Report, shareholders asked a broad range of questions including how the underpin would work and how the Committee will avoid 'paying for failure'. We were also asked about how the Committee could be sure that the arrangements would aid motivation and retention. This engagement provided valuable insight into issues of concern for shareholders and enabled the Committee to make adjustments to win support for our new reward construct. The Committee Chair has also made it clear that she remains committed to open and transparent reporting against these new remuneration arrangements and is available for continuous dialogue.

## Directors' Remuneration Report continued

### Annual Report on Remuneration

This section of the Report sets out how the previous Remuneration Policy was applied for the financial year ending 31 December 2017. The overview of how the Committee is proposing to implement the new Remuneration Policy for 2018 is shown in the table on pages 102 to 107.

#### Single total figure of remuneration for Executive Directors (audited)

	Base salary £		Pension £		Benefits £		Annual bonus £		LTIP £		Total £	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Jon Stanton <sup>1</sup>	650,000	503,750	78,000	60,450	26,890	21,830	686,037	255,838	–	–	1,440,927	841,868
John Heasley <sup>2</sup>	400,000	99,999	48,000	5,333	17,830	4,329	351,814	52,157	–	–	817,644	161,818

#### Notes

1. The base salary and pension figures for Jon Stanton in 2016 reflect the increase in salary when he was appointed as CEO on 1 October 2016.
2. The figures for John Heasley in 2016 are in respect of the period from his appointment to the Board on 3 October 2016.

#### Notes to the total figure of remuneration for Executive Directors (audited)

**Base salary** – corresponds to the amount received during the year ended 31 December 2017.

**Pension** – corresponds to the cash allowance provided to the Executive Directors during the year ended 31 December 2017. This equates to 12% of salary.

**Benefits** – corresponds to the value of benefits received in respect of the year ended 31 December 2017, as follows:

	Jon Stanton 2017 £	John Heasley 2017 £
Car allowance	17,000	13,970
Group healthcare	1,615	1,615
Life assurance	8,275	2,245
Total	26,890	17,830

**Annual bonus** – corresponds to the amount earned in respect of the year ended 31 December 2017. 30% of the value shown will be delivered in Weir shares which will be released after three years. Details of how the bonus outcome was calculated are set out below.

**LTIP** – corresponds to the level of award resulting from targets achieved over the relevant performance period ending in respect of the financial year shown. Further details are set out below.

#### Annual bonus plan (audited)

Details of remuneration to be awarded to the Executive Directors as part of the 2017 annual bonus plan are set out below. The annual bonus plan is currently based on the achievement of financial measures and personal objectives. This plan provides a maximum bonus opportunity for Jon Stanton of 150% of salary and a maximum of 125% of salary for John Heasley. 30% of any bonus earned must be deferred into shares for three years.

The annual bonus measures and weightings will be focused and simplified in 2018 and will be PBTA (50%), working capital as percentage of sales (20%) and strategic measures (30%) as set out on page 98. There will be no change to maximum opportunities or the deferral structure.

### Bonus outcomes (audited)

The following table illustrates the performance achieved against the targets. As a result of this performance, Jon Stanton was awarded 106% of salary (70% of maximum) and John Heasley was awarded 88% of salary (70% of maximum). As a comparison, the payout range for the executive team ranged from 54% to 92% of maximum.

	Weighting	Entry	Target	Maximum	Achievement	Payout
Payout % of maximum		20%	60%	100%		
Group profit before tax and amortisation	40%	£194.9m	£230.9m	£263.7m	£260.8m	39%
Cash flow	20%	£314.6m	£353.5m	£386.4m	£219.9m	0%
Order input	20%	£2,138m	£2,370m	£2,583m	£2,449m	15%
Personal	20%					16%
		100%				70%

#### Notes

The performance targets and achievements are set using January 2017 average exchange rates and are increased or decreased to reflect the impact of any acquisitions or disposals made in the year that are of a size requiring Board approval. For acquisitions, targets are increased by the expected performance from the acquired business. For disposals, the target is reduced by the expected performance from the business which was disposed.

### Financial measures

Our performance against our financial measures was as follows:

**Profit** – profit before tax increased significantly principally reflecting a return to growth by the Oil & Gas division. Profitability in Minerals was impacted by investment in growth initiatives, project phasing and plant reconfigurations. Flow Control was impacted by one-off charges in the first half.

**Cash flow from operations** was reduced as a result of increased investment in working capital to support strong growth, particularly in the Minerals and Oil & Gas divisions. Flow Control's cash flow performance reflected its reduced profitability.

**Order input** – the Group delivered strong order growth in both its Oil & Gas and Minerals divisions as demand for its solutions increased. Flow Control orders were impacted by tough conditions in both power and downstream oil and gas markets.

### Personal objectives

The personal objectives were chosen as they supported and reinforced our business strategy. The Committee assessed performance using metrics where appropriate, but it also took into account the Executive Director's overall performance in his job.

#### Jon Stanton

Objective	Performance achieved
Continuous improvement in the safety and welfare of our people	Total Incident Rate 0.53 compared with 0.67 in 2016. 20 LTIs compared with 30 in 2016 with a significant reduction in severity. Implementation of global safety system 'Shield'
Execution and rollout of strategy refresh	Successful internal and external roll out of 'We are Weir' with strong ownership and visibility at business level. Phase 2 launched in January 2018 with focus on the strategic objectives and cultural change.
Employee engagement and talent development	Development of a new people strategy which will drive improved organisational effectiveness in line with the strategic objectives. Progress in engagement agenda, specifically D&I strategy and values refresh.
Deliver operational improvement agenda	Refresh and rollout of refreshed VCE with introduction of three-year targets. Good progress made in resolving historical operational issues. Minerals global capacity and capability assessment underway.
Drive technology agenda including digital	Recruitment of Chief Technology Officer and new technology team. Successful completion of Synertrex pilots leading into the initial ten commercial sites for delivery in 2018.

Based on the performance achieved, the Committee determined that a payment of 16% out of a maximum of 20% was appropriate.

## Directors' Remuneration Report continued

### John Heasley

Objective	Performance achieved
CFO transition	Establishing himself as a well-regarded and knowledgeable leader among the investor and analyst community.  Demonstrated a good balance between core finance/control aspects of the role and commercial/strategic contribution.
Corporate finance leadership	Full alignment of tax and treasury strategy across the Group including the impacts of US tax reform.  Broadening of internal audit scope and utilisation of analytical tools to scope internal audit plans.  Completed a buy-in of the Executive pension plan such that all scheme obligations are now fully insured.
IS strategy and leadership	Development of clear Group-wide IS strategy to provide a Group infrastructure to support future digital strategies and enhance user experience.
People development	Senior divisional and corporate finance appointments transitioned seamlessly. Improved oversight and development of high potential employees across finance functions.
Leadership of Value Chain Excellence, including procurement	Revised VCE model developed and rolled out enabling businesses to deliver value-add improvements.  Group procurement team aligned with divisions and supporting the achievement of Group wide annual purchasing savings.

Based on the performance achieved, the Committee determined that a payment of 16% out of a maximum of 20% was appropriate.

### Long-term incentives vesting in 2018 – actual performance (audited)

The 2015 performance share awards were due to vest on 12 March 2018. None of the performance conditions were met in respect of the vesting criteria of relative TSR, EPS growth and improvement in average ROCE. Consequently, none of the awards vested and they lapsed with immediate effect.

### Scheme interests awarded during 2017 (audited)

The following table sets out awards granted to the Executive Directors in the year ending 31 December 2017. The closing market price of the Company's ordinary shares at 29 December 2017 was £21.23, and the range during the year was £21.63 to £16.96.

	Share award	Award basis	Grant date	Face value of award at maximum vesting <sup>1</sup>	No of shares granted	End of performance period <sup>2</sup>
Jon Stanton	Performance (conditional)	250% salary	29 Mar 17	£1,624,999	87,038	31 Dec 2019
	Bonus (deferred)	30% bonus	27 Mar 17	£40,362	2,190	–
John Heasley	Performance (conditional)	200% salary	29 Mar 17	£799,991	42,849	31 Dec 2019
	Bonus (deferred)	30% bonus	27 Mar 17	£22,319	1,211	–

#### Notes

1. The face value of the Performance Award is based on the average of the closing share price for the three days prior to the date of grant, being £18.67. The value of the Bonus Share Award is calculated as the share price on the date of grant, being £18.43.
2. There is no performance period associated with Bonus Share Awards. The awards vest three years after grant.

### Performance conditions for performance shares granted in 2017

Vesting criteria	Performance conditions over performance period
33% based on relative TSR growth against comparator group	100% vesting if ranked in upper quintile or above 25% vesting if ranked at median (threshold) 0% vesting if ranked below median
33% based on EPS growth p.a. The base EPS for the award is 61.2p per share	100% vesting if EPS growth is 15% 25% vesting if EPS growth is 5% (threshold) 0% vesting if EPS growth is less than 5%
33% based on 2019 ROCE. The base ROCE for the award is 7.6%	100% if 2019 ROCE is 12.6% 25% vesting if 2019 ROCE is 8.6% (threshold) 0% vesting if 2019 ROCE is less than 8.6%

#### Notes

Straight line vesting will occur between threshold and maximum.

The TSR comparator group: Atlas Copco Ab, Boart Longyear, Caterpillar, Dover Corporation, Fenner Plc, FLSmidth & Co A/S, FlowServe Corporation, Forum Energy Technologies Inc, Hunting, IMI Plc, ITT Corporation, John Wood Group Plc, Komatsu, Metso Corporation, National Oilwell Varco, Outotec Oyj, Petrofac, Rotork Plc, Sandvik AB, Smiths Group, SPX FLOW, Sulzer, TechnipFMC

**Single total figure of remuneration for Chairman and Non-Executive Directors (audited)**

	Basic fee (£)		SID/Committee Chair (£)		Taxable benefits (£)		Total Fees (£)	
	2017	2016	2017	2016	2017	2016	2017	2016
Charles Berry	<b>296,000</b>	290,000	—	—	<b>1,416</b>	1,258	<b>297,416</b>	291,258
Clare Chapman	<b>24,792</b>	—	<b>6,458</b>	—	—	—	<b>31,250</b>	—
Alan Ferguson	<b>59,125</b>	58,000	<b>15,375</b>	15,000	—	615	<b>74,500</b>	73,615
Melanie Gee	<b>44,250</b>	58,000	<b>11,500</b>	15,000	<b>949</b>	1,545	<b>56,699</b>	74,545
Mary Jo Jacobi	<b>59,125</b>	58,000	—	—	—	1,591	<b>59,125</b>	59,591
Barbara Jeremiah	<b>24,792</b>	—	—	—	—	—	<b>24,792</b>	—
Sir Jim McDonald	<b>59,125</b>	58,000	<b>15,375</b>	15,000	—	763	<b>74,500</b>	73,763
Richard Menell	<b>59,125</b>	58,000	<b>12,375</b>	12,000	<b>610</b>	4,207	<b>72,110</b>	74,207
John Mogford	<b>59,125</b>	58,000	—	—	<b>577</b>	1,403	<b>59,702</b>	59,403

## Notes

Clare Chapman and Barbara Jeremiah joined the Board on 1 August 2017.

Melanie Gee stepped down from the Board on 30 September 2017. There were no other payments made above a de minimis threshold of £750.

Taxable benefits include travel to attend Board meetings in the UK (excluding international travel from America or South Africa).

**Payments to past Directors (audited)**

As disclosed in last year's report, Keith Cochrane was eligible under the terms of his service contract to be considered for the Company element of bonus in respect of the financial year ending 31 December 2017, pro-rated for the period to 28 July 2017. This equates to a bonus value of £356,756 (subject to mitigation which may result in a lower amount being paid). 30% will be subject to deferral into shares and held for period of three years.

No other payments have been made to past directors.

**Statement of Directors' shareholdings and share interests (audited)**

The shareholdings of all Directors, including the shareholdings of their connected persons as at 31 December 2017, are set out below. There have been no changes in the Directors' interests from 31 December 2017 to the date of this report.

	As at 31 December 2017					
	Shares owned outright	Scheme interests				Shareholding Requirement (% of salary) <sup>1</sup>
		With performance conditions	Without performance conditions	Vested and exercised in 2017	Current shareholding (% of salary) <sup>1</sup>	
Jon Stanton	42,684	214,444	6,691	—	139%	200%
John Heasley	7,834	116,479	23,088	—	42%	150%
Charles Berry	2,116	—	—	—	—	—
Clare Chapman	—	—	—	—	—	—
Alan Ferguson	2,730	—	—	—	—	—
Mary Jo Jacobi <sup>2</sup>	2,000	—	—	—	—	—
Barbara Jeremiah	250	—	—	—	—	—
Sir Jim McDonald	—	—	—	—	—	—
Richard Menell	1,024	—	—	—	—	—
John Mogford	12,615	—	—	—	—	—

## Notes

1. Current shareholding percentage is calculated using share price of £21.23 as at 29 December 2017.

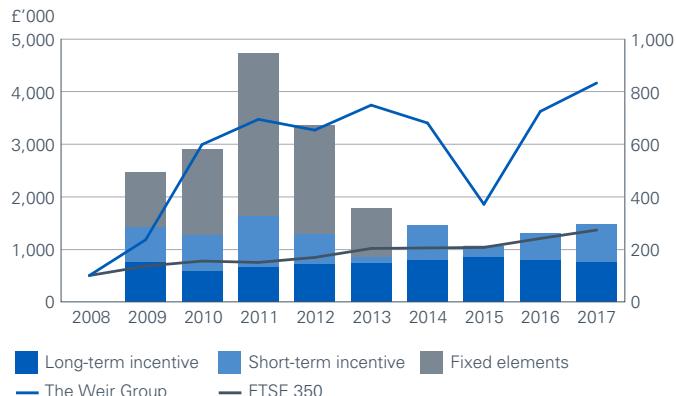
2. Mary Jo Jacobi's interest in 2,000 shares shown above is through her holding of 4,000 American Depository Receipts (ADRs). One ADR being equivalent to 0.5 ordinary shares.

## Directors' Remuneration Report continued

### Historical performance and remuneration

The graph shows Weir's TSR performance against the performance of the FTSE350 over the nine-year period to 31 December 2017 as well as the total and vested received remuneration for the CEO over the same period.

The table below shows the CEO's total remuneration over the same period, as well as outcomes under the annual bonus plans and long term incentive plans.



Year	Total single figure (£'000)	Short-term incentive (% of maximum)	Long-term incentive (% of maximum)
<b>Jon Stanton</b>			
2017	1,441	70%	0%
2016 <sup>1</sup>	281	38%	0%
<b>Keith Cochrane</b>			
2016 <sup>2</sup>	1,012	40%	0%
2015	1,065	20%	0%
2014	1,456	61%	0%
2013	1,787	10%	43%
2012	3,363	54%	100%
2011	4,728	100%	100%
2010	2,913	100%	100%
2009 <sup>3</sup>	218	83.7%	100%
<b>Mark Selway</b>			
2009 <sup>4</sup>	2,237	83.7%	100%

#### Notes

1. Total single figure relates to the period Jon Stanton was CEO from 1 October 2016
2. Total single figure relates to the period Keith Cochrane was on the Board to 30 September 2016.
3. Total single figure relates to the period Keith Cochrane was CEO from November 2009.
4. Total single figure relates to the period Mark Selway was CEO until his resignation in November 2009.

### External appointments

It is the Board's policy to allow the Executive Directors to accept directorships of other companies. Any such directorships must be formally approved by the Chairman.

During the year, John Heasley was a Non-Executive Director of Royal Scottish National Orchestra Society Ltd. He received no fees.

### Percentage change in CEO remuneration

The table below shows the percentage change in elements of remuneration for the CEO and UK employees between 2016 and 2017. The UK employee population has been chosen as it reflects a broad sample of employees which includes Head Office and other individuals located in the same country as the CEO.

	CEO % change	UK employees % change
Salary and fees	-10.3%	8.7%
Taxable benefits	19.3%	21.4%
Bonus	49.4%	21.3%

### Relative importance on spend of pay

The chart below shows the change in total staff pay between 2017 and 2016, and dividends paid out in respect of 2017 and 2016.

	2017 £m	2016 £m	Percentage Change
Overall spend on pay for employees	632.4	558.7	13.2%
Profit distributed by way of dividend	96.7	94.5	2.3%

Details of the dividends declared and paid are contained in note 10 to the Financial Statements on page 149. Details of the overall spend on pay for employees can be found in note 4 to the Financial Statements on page 143.

## The Remuneration Committee

### The Remuneration Committee in 2017

There were six Committee meetings during 2017 and all Committee members attended the meetings they were eligible to attend. Calls were also held with members of the Committee in relation to shareholder consultation on the proposed Remuneration Policy.

Role	Name	Title
Chairman and members	Clare Chapman (From August 2017) Melanie Gee (To August 2017) Alan Ferguson Mary Jo Jacobi Barbara Jeremiah (from August 2017) Richard Menell	Independent Non-Executive Directors
Internal advisors	Charles Berry Jon Stanton Pauline Lafferty (until July 2017) Rosemary McGinness (from July 2017) Christopher Morgan Geraldine Pamphlett	Chairman of the Board Chief Executive Officer Chief People Officer Chief People Officer Company Secretary Group Head of Reward and Recognition
Committee's External Advisor	Deloitte	Adviser to Committee

Internal advisors provided important information to the Committee and attended meetings. None of the individuals were involved in any decisions relating to their own remuneration.

Deloitte LLP provided services to the Committee for the year ended 31 December 2017. Fees paid to Deloitte LLP for work that materially assisted the Committee were £233,100. Deloitte LLP also provided other services to the Weir Group in the year including tax, global employee services, risk advisory and financial advisory services. Deloitte is a signatory to the Remuneration Consultants' Group Voluntary Code of Conduct and the Committee is satisfied that Deloitte's advice was objective and independent.

### Main activities

Over the course of the period since the last Annual Report, the Committee's work has been focused on

- Working with the executive team to develop the new remuneration policy and framework
- Consulting with investors on the proposals for the Share Reward Plan and changes to the annual bonus
- Assessing performance of the Executive Directors

### Committee performance

The Committee's Terms of Reference are reviewed on an annual basis and were last updated in September 2017. A copy can be found on our website [www.corporategovernance.weir](http://www.corporategovernance.weir)

The Committee was evaluated as part of the 2017 Board Effectiveness Review, and it was concluded that consideration should be taken as to how the wider connectivity between the Committee and the Board could be improved.

### Shareholder voting

The table below sets out the voting by shareholders on the resolution to approve the Directors' Remuneration Report and the Directors' Remuneration Policy at the AGM held in April 2017.

	For	Against	Total Votes Cast	Withheld
Remuneration Report	158,523,983 (99.52%)	767,999 (0.48%)	159,291,982	44,620
Remuneration Policy	150,752,869 (95.65%)	8,525,321 (5.35%)	159,278,190	58,978

### Annual General Meeting

This report and our proposed remuneration policy will be submitted to shareholders for approval at the Annual General Meeting to be held on 26 April 2018.



**Clare Chapman**  
Chair of the Remuneration Committee  
28 February 2018

## Corporate Governance Report

# Directors' Report

The Directors present their report for the year ending 31 December 2017.

The Directors' Report includes the Corporate Governance reports from page 68 to 94, together with the sections of the Annual Report incorporated by reference.

The Company has chosen to disclose the following information in the Strategic Report on pages 2 to 67:

- Particulars of any important events, if any, affecting the Company which have occurred since the end of the financial year.
- An indication of likely future developments in the business of the Company.
- An indication of the activities of the Company in the field of research and development.
- Details of employee policy and involvement (Our People, pages 14 to 15).
- Information on greenhouse gas emissions (Environment, pages 66 to 67).
- Principal risks and uncertainties (pages 50 to 55).

The Strategic Report and the Directors' Report constitute the management report as required under the Disclosure and Transparency Rule 4.1.5R.

Information to be disclosed under the Listing Rule 9.8.4 is set out in the table below.

Subject matter	Page reference
Allotment of shares for cash (LR 9.8.4(7))	170
Waiver of dividends (LR 9.8.4(12))	117

Paragraphs (1), (2), (4), (5), (6), (8), (9), (10), (11), (13) and (14) of Listing Rule 9.8.4 are not applicable.

This Annual Report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents and advisers, do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed. This Annual Report may contain statements which are not based on current or historical fact and/or which are forward

looking in nature. Please refer to the cautionary statement on page 216.

### Company number

The Weir Group PLC is registered in Scotland under company number SC002934.

### 2018 Annual General Meeting

The Annual General Meeting will be held on Thursday 26 April 2018. The Notice of Meeting, along with an explanation of the proposed resolutions, are set out in a separate circular to shareholders which accompanies this Annual Report and which can be downloaded from the Company's website. The Company conducts the vote at the AGM by poll and the result of the votes, including proxies, is published on the Company's website after the meeting.

### Dividend

The Directors have recommended a final dividend of 29.0p per share for the year ended 31 December 2017. Payment of this dividend is subject to shareholder approval at the 2018 AGM.

### Substantial shareholders

The Company has been notified in accordance with the Financial Conduct Authority's Disclosure Rules and Transparency Rules (DTR 5) that the following held, or were beneficially interested in, 3% or more of the voting rights of the Company's issued share capital as at 31 December 2017:

Shareholder	Number of voting rights	Percentage of voting rights %
BlackRock, Inc.	29,338,449	13.08%
Harbor International Fund	8,747,875	4.01%
Universities Superannuation Scheme Limited	7,056,781	3.15%

Between 31 December 2017 and 27 February 2018, the Company was notified of the following changes to the table above.

Shareholder	Date	Number of Voting Rights	Percentage of Voting Rights %
BlackRock, Inc.	6 February 2018	29,130,500	12.99%
FMR LLC	2 February 2018	11,630,611	5.18%
BlackRock, Inc.	30 January 2018	29,540,996	13.17%
BlackRock, Inc.	22 January 2018	29,687,082	13.24%

### Employment policy and involvement

The average number of employees in the Group during the year is given in note 4 to the Group financial statements on page 143.

Group companies operate within a framework of HR policies, practices and regulations appropriate to their market sector and country of operation. Policies and procedures for recruitment, training and career development promote equality of opportunity regardless of gender, sexual orientation, age, marital status, disability, race, religion or other beliefs and ethnic or national origin. The aim is to encourage a culture in which all employees have the opportunity to develop fully according to their individual abilities and the needs of the Group. The Group remains committed to the fair treatment of people with disabilities regarding applications, training, promotion and career development.

Employee involvement and feedback is actively encouraged. Further details of the Group's employment policies and involvement are detailed in the Our People section of the Sustainability Review on pages 57 to 61.

### Financial instruments

The information required in respect of financial instruments as required by Schedule 7 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 is given in note 30 to the Group financial statements on pages 177 to 183.

### Share capital and rights attaching to the Company's shares

Details of the issued share capital of the Company, which comprises a single class of ordinary shares of 12.5p each are set out in note 25 to the Group financial statements on page 170. The rights attaching to the shares are set out in the Company's Articles of Association. There are no special control rights in relation to the Company's shares and the Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

During the year a total of 6,249,373 ordinary shares with an aggregate nominal value of £781,171.63 were issued and allotted.

The Weir Group has two Employee Benefit Trusts (EBT): one with the trustees SG Kleinwort Hambros Trust Company (CI) Ltd (the 'Kleinwort EBT') and one with the trustees Estera Trust (Jersey) Limited (the 'Estera EBT').

During the year, the trustees of the Kleinwort EBT transferred 1,787 ordinary shares to satisfy a one-off conditional award. During the year, the trustees of the Estera EBT transferred 246,184 ordinary shares to employees to satisfy the vesting of LTIP awards.

Both EBTs have agreed to waive any right to all dividend payments on shares held by them, with the exception of shares held in respect of awards which have a dividend entitlement. Details of the shares held by the EBTs are set out in note 25 to the Group financial statements on page 170. The 42,875 shares held in the Estera EBT for the LTIP bonus share awards are the shares in respect of which dividends have not been waived. The Kleinwort EBT holds, through its nominee account K.B. (CI) Nominees Limited, 0.002% of the issued share capital of the Company, as at 31 December 2017. The Estera EBT holds through its nominee account CGWL Nominees Ltd, 0.03% of the issued share capital of the Company as at 31 December 2017.

Of this, 0.02% is held in trust for the benefit of certain senior executives of the Group, and 0.01% is held in trust on behalf of the Company for satisfaction of any future vesting of the awards granted under the LTIP. With the exception of the shares held for the benefit of certain senior executives, the voting rights in relation to these shares are exercised by the trustees. The EBTs may vote or abstain from voting with the shares or accept or reject any offer relating to shares, in any way they see fit, without incurring any liability and without being required to give reasons for their decision.

### **Repurchase of shares**

At the 2017 Annual General Meeting, shareholders renewed the Company's authority to make market purchases of up to £21.7m ordinary shares (representing approximately 10% of the issued share capital excluding treasury shares). No shares were purchased under this authority

during the year ended 31 December 2017 and at the forthcoming Annual General Meeting, the Board will again seek shareholder approval to renew the annual authority for the Company to make market purchases at the same level.

### **Voting rights**

The Company's Articles of Association provide that on a show of hands at a general meeting of the Company, every holder of ordinary shares present in person and by proxy and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The Notice of the AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. The Company conducts the vote at the AGM by poll and the result of the poll will be released to the London Stock Exchange and posted on the Company's website as soon as practicable after the meeting.

The Articles of Association may only be amended by a special resolution passed at a general meeting of shareholders.

### **Transfer of shares**

There are no restrictions on the transfer of ordinary shares in the Company, other than as contained in the Articles of Association:

- The Directors may refuse to register any transfer of any certificated share which is not fully paid up, provided that this power will not be exercised so as to disturb the market in the Company's shares.
- The Directors may also refuse to register the transfer of a certificated share unless it is delivered to the Registrar's office, or such other place as the Directors have specified, accompanied by a certificate for the shares to be transferred and such other evidence as the Directors may reasonably require to prove title of the intending transferor.

Certain restrictions may from time to time be imposed by laws and regulations, for example, insider trading laws, in relation to the transfer of shares.

### **Appointment and replacement of Directors**

The provisions about the appointment and re-election of Directors of the Company are contained in the Articles of Association.

### **Powers of Directors**

The business of the Company is managed by the Directors who may exercise all the powers of the Company, subject to the provisions of the Company's Articles of Association, any special resolution of the Company and any relevant legislation.

### **Directors' indemnities**

The Company has granted indemnities to each of its Directors in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as Directors to the extent permitted by the Companies Act 2006 and the Company's Articles of Association. In addition, Directors and Officers of the Company and its subsidiaries and trustees of its pension schemes are covered by Directors' and Officers' liability insurance.

### **Pension scheme indemnities**

The Group operates two closed defined benefit pension schemes in the UK which provide retirement and death benefits for employees and former employees of the Group. The corporate trustees of the pension schemes are The Weir Group Pension Trust Limited, a subsidiary of The Weir Group PLC, and The Weir Group Senior Executives Pension Trust Limited. Qualifying pension scheme indemnity provisions, as defined in section 235 of the Companies Act 2006, were in force for the financial year ended 31 December 2017 and remain in force for the benefit of each of the directors of the corporate trustees of the pension schemes. These indemnity provisions cover, to the extent permitted by law, certain losses or liabilities incurred as a director or officer of the corporate trustees of the pension schemes.

**Corporate Governance Report****Directors' Report continued****Change of control – significant agreements**

The following significant agreements contain provisions entitling the counterparties to require prior approval, exercise termination, alteration or similar rights in the event of a change of control of the Company.

The Group has in place a US\$800m multi-currency revolving credit facility (the "Facility") with a syndicate of 12 banks due to mature in September 2021. Under the terms of the Facility, if there is a change of control of the Company, the Company has 30 days from the date of the change of control to agree terms for continuing the Facility. If at the end of the 30 days no agreement is reached between the Company and the banks, any lender may request, by not less than 30 days' notice to the Company, that its commitment be cancelled and all outstanding amounts be repaid to that lender at the expiry of such notice period.

The Company has in issue fixed rate private placement notes with a range of maturities: US\$70m at an interest rate of 5.03% due on 11 January 2018; £43m at an interest rate of 5.36% due on 11 January 2018; US\$210m at an interest rate of 3.69% due on 18 February 2019; US\$590m at an interest rate of 4.27% due on 16 February 2022; and US\$200m at an interest rate of 4.34% due on 16 February 2023. Under the terms of the applicable note purchase agreements, if there is a change of control of the Company, the notes must be offered for prepayment by the Company within seven days of the change of control.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

**Confirmations**

So far as each of the Directors is aware, there is no relevant audit information (as defined by section 481 of the Companies Act 2006) of which the Company's auditors are unaware.

Each of the Directors has taken all of the steps that he or she ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Going concern**

The Directors have a reasonable expectation that the Group has adequate resources to continue to operate for a period of at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements. In forming this view, the Directors have reviewed the Group's budgets, plans and cash flow forecasts, including market downturn sensitivities. In addition, the Directors have considered the potential impact of credit risk and liquidity risk detailed in note 30 to the Group financial statements on pages 177 to 183. Each of these items has been considered in relation to the Group's banking facilities described in note 20 on pages 160 and 161.

The Directors' Report has been approved by the Board of Directors in accordance with the Companies Act 2006.

On behalf of the Board of Directors



**Christopher Morgan**  
Company Secretary and  
General Counsel  
28 February 2018

## Corporate Governance Report

# Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Company financial statements in accordance with UK Accounting Standards and applicable law.

In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State that the Group financial statements have complied with IFRS as adopted by the European Union, subject to any material departures being disclosed and explained.
- State for the Company financial statements whether the applicable UK Accounting Standards have been followed, subject to any material departures being disclosed and explained.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the 2006 Act and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Each of the Directors, as at the date of this report, confirms to the best of their knowledge that:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group.
- The Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board of Directors



**Charles Berry**  
Chairman  
28 February 2018



**Jon Stanton**  
Chief Executive Officer  
28 February 2018

## Financial Statements

# Independent auditors' report to the members of The Weir Group PLC

### Report on the audit of the financial statements

#### Opinion

In our opinion:

- The Weir Group PLC's Group financial statements and Parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2017 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and Parent company balance sheets as at 31 December 2017; the consolidated income statement and statement of comprehensive income, the consolidated cash flow statement, the consolidated and Parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

#### Basis for opinion

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

#### Independence

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

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent company.

Other than those disclosed in note 4 to the financial statements, we have provided no non-audit services to the Group or the Parent company in the year from 1 January 2017 to 31 December 2017.

#### Our audit approach

##### Context

The Group is organised into three operating divisions: Minerals, Oil & Gas and Flow Control, with each having businesses in a number of locations around the world. Many of the businesses are of similar size, so we scoped our audit to ensure we had appropriate coverage of the Group covering all three divisions. We included components which accounted for the largest share of the Group's results or where we considered there to be areas of significant risk. We also considered the markets in which the Group operates when we performed our assessment of scope and areas of significant risk.

- Overall Parent company materiality: £1.5m (2016: £1.5m), based on an allocation of Group materiality.
- We conducted audit work in 20 components in 11 countries, including six components in the UK. We conducted full scope audits on 10 of these components and the audit of specified balances and classes of transactions for the remaining components.
- The Group audit engagement team visited the United States, China and Italy, covering four components. In addition, members of the Group engagement team performed the audit of the six components based in the UK.
- The 20 components where we performed audit work accounted for approximately 84% of Group revenue and 73% of profit before exceptional items, intangibles amortisation and tax.
- Accounting for asbestos-related claims (Group).
- Carrying value of goodwill and intangibles (Group).
- Accounting for exceptional items (Group).
- Valuation of uncertain tax provisions (Group).

#### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industries in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, Pensions

#### Overview

- Overall Group materiality: £12.4m (2016: £8.5m), based on 5% of profit before exceptional items, intangibles amortisation and tax.



legislation, UK tax legislation and equivalent local laws and regulations applicable to significant component teams. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, enquiries of management, review of significant component auditors' work and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

#### Key audit matter

##### **Accounting for asbestos-related claims**

Refer to page 88 (Audit Committee Report), page 131 Accounting Policies and page 162 (note 22).

Provision has been made for future asbestos-related claims as at 31 December 2017 of £58.0m (2016: £52.7m). This consists of a provision of £53.3m (2016: £47.5m) for the Group's liabilities arising from asbestos-related damages claims in the US and £4.7m in the UK (2016: £5.2m).

The valuation of the liability involves significant estimation. In arriving at the estimate of the liability, management is required to make assumptions including the number and value of claims and the time period over which the liability can be reliably measured.

As a result there is a high degree of uncertainty in this estimate.

The Group has insurance cover in place to offset the US provision (£53.3m included in other receivables between non-current and current assets – note 17, page 158). This was also considered in our work.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of fraud in revenue recognition, and the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

#### **Key audit matters**

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current year and include the most significant assessed risks of material misstatement

(whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit. All key audit matters are relevant to the Group only. None of them apply to the parent Company.

#### How our audit addressed the key audit matter

We have performed procedures on both the UK and US asbestos liabilities. The US provision is the more significant and uncertain and therefore involved more judgement.

During the year, management obtained an updated actuarial estimate of the asbestos liability from an independent expert. We involved our PwC actuarial specialists to assess the reasonableness of the methodology used by management's expert.

Management used the updated actuarial data to calculate the provision required at 31 December 2017. We evaluated management's underlying assumptions used in their calculation. This included testing of:

- the mathematical accuracy of the underlying calculations in management's model;
- the input data to management's model, such as the average cost per claim and the number of settled claims to source data which we verified directly with the Group's external lawyers; and
- the reasonableness of forecast settlement numbers and amounts to data provided by the Group's external actuarial experts.

We evaluated the appropriateness of management's assessment of the timescale over which a liability can be reliably measured, which remains at ten years.

We also examined the insurance cover held by the Group and modelled the likelihood of the cover in place being sufficient to cover the period and amount of the estimated liabilities.

Finally, we tested the disclosures in the financial statements and checked for compliance with IAS 37 'Provisions, Contingent Liabilities and Contingent Liabilities' and IAS 1 'Presentation of Financial Statements'.

We considered the assumptions used by management to be appropriate in arriving at a reliable estimate of the provision. We also assessed the recognition of an offsetting insurance asset in the financial statements and considered it to be appropriate.

## Financial Statements

# Independent auditors' report to the members of The Weir Group PLC continued

Key audit matter	How our audit addressed the key audit matter
<b>Carrying value of goodwill and intangibles</b> Refer to page 88 (Audit Committee Report), page 131 Accounting Policies and page 155 (note 14).  The Group has £869.5m (2016: £876.0m) of goodwill on the balance sheet. We focused on this area because the assessment of the value in use of each Cash Generating Unit ('CGU') involves judgement.  The key assumptions in management's impairment model are the forecast results of the business, long-term growth rates and discount rates applied to future cash flow forecasts.  The ongoing uncertainty in the Oil & Gas market and the loss recorded by the Flow Control division could suggest a higher risk of impairment in the carrying value of goodwill.	We performed detailed testing over management's Value in Use model which included: <ul style="list-style-type: none"><li>• assessing the integrity and mathematical accuracy of the model;</li><li>• utilising PwC valuations specialists to assess the key assumptions of growth rate and discount rate.</li></ul> We also assessed the composition of CGUs, ensuring that these accurately reflect the structure and operations of the business and that the CGUs met the requirements of IAS 36 'Impairment of Assets'.  We assessed the headroom in each CGU, performing sensitivity analyses for each, focusing in particular on the Flow Control CGU where the headroom is lowest. We tested the disclosures in the Financial Statements and checked compliance with IAS 36 and IAS 1.  From the procedures performed, we did not identify any material misstatements.
<b>Accounting for exceptional items</b> Refer to page 88 (Audit Committee Report), page 131 Accounting Policies and page 144 (note 5).  The Group incurred £13.3m (2016: £73.5m) of exceptional charges in the year.  The accurate presentation of costs and income as exceptional items was considered an area of focus for all reporting units. This was to check the consistency and accuracy of the Group's underlying earnings as reported to shareholders.  The Group commenced a significant restructuring plan during 2015 and this continued in 2016 and 2017. Further, there were other non-recurring, material items which were significant in nature and therefore required a higher level of focus.	We obtained a listing of the exceptional costs and income incurred by both component and category and tested a sample to supporting documentation.  We checked the nature of the costs and income to assess whether they were treated appropriately and consistently as exceptional items within the income statement. We checked the disclosures in the annual report relating to exceptional items.  We considered whether there were other significant costs or income which should have been included in exceptional items using our knowledge of the business.  We assessed the appropriateness of the classification of items as exceptional for compliance with both the Group's accounting policy and IAS 1.  We also verified that provisions made in the prior year were appropriately utilised during the year.  Finally, we checked the disclosure in note 5 for consistency with our understanding and for compliance with IAS 1.  From the audit work performed, we did not identify any material misstatements.
<b>Valuation of uncertain tax provisions</b> Refer to page 88 (Audit Committee Report), page 131 Accounting Policies and page 164 (note 23).  The Group operates in multiple tax jurisdictions and has a number of ongoing discussions and investigations with tax authorities where uncertain tax provisions and treatments may be challenged. There is judgement in assessing the level of provisions required to cover the risk of successful challenge over certain of the Group's tax provisions.	We read the Group's documentation of uncertain tax provisions and tested the more significant provisions for appropriateness by: <ul style="list-style-type: none"><li>• confirming the basis of provision;</li><li>• understanding the movements on the provision during the year; and</li><li>• reading correspondence with relevant tax authorities in the assessment of management's calculation.</li></ul> This is an area which requires significant management judgement and has a range of possible outcomes. However, the evidence we obtained, including our testing of assumptions, was materially consistent with the overall level of provisioning in respect of tax.  In addition, we assessed the adequacy and appropriateness of the disclosure of tax provisions for compliance with IAS 12 'Income Taxes'.

## How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, the industries in which the Group operates and the areas of audit risk.

The Group is organised into three operating divisions: Minerals, Oil & Gas and Flow Control with additional centralised Head Office functions. The Group financial statements are a consolidation of a large number of components which make up the Group's operating businesses within these divisions and centralised functions. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the components either by us, as the Group engagement team, or component auditors from other PwC network firms operating under our instruction.

The Group's components vary significantly in size and we identified ten components that, in our view, required an audit of their complete financial information due to their relative size or risk characteristics. Of these full scope component audits, six were UK based and were performed by members of the Group engagement team. These covered trading components, central functions and head office managed balances including treasury, uncertain tax provisions, post-retirement benefits, goodwill and intangibles. The remaining four full scope component audits were performed by other PwC network firms. Other PwC network firms also performed specific scope audits over a further ten components which covered all line items on the income statement and specified line items on the balance sheet.

The scope of work at each component was determined by its contribution to the Group's overall financial performance or balance sheet and its risk profile. Where component audits were performed by teams from other PwC network firms, members of the Group engagement team were involved in their work throughout the audit. We maintained regular communication and conducted formal interim and year-end conference calls with all full and specific scope component teams. The year end discussions also included divisional management.

Of the 20 components in scope, we deemed three to be financially significant to the Group. We visited all three locations in the prior year and have commenced a rotational cycle of visits. The Group engagement leader visited the significant component in the United States twice during the year. Senior members of the Group engagement team also visited components in China and Italy.

Together these full and specific scope component audits gave appropriate coverage of all material balances at a Group level. On a consolidated basis, these provided coverage of 84% of revenue and 73% of profit before exceptional items, intangibles amortisation and tax.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
<b>Overall materiality</b>	£12.4m (2016: £8.5m).	£1.5m (2016: £1.5m).
<b>How we determined it</b>	5% of profit before exceptional items, intangibles amortisation and tax.	An allocation of Group materiality.
<b>Rationale for benchmark applied</b>	It is clear from the Annual Report that this profit measure is used by shareholders in evaluating the underlying business performance. We applied a lower materiality to the audit of exceptional items and intangibles amortisation.	An allocation of Group materiality.

For each component in our audit scope, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.4m and £9.0m. We applied a specific lower materiality to the audit of exceptional items and amortisation of intangibles. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.6m (Group audit) (2016: £0.4m) and £0.6m (Parent company audit) (2016: £0.4m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Financial Statements

# Independent auditors' report to the members of The Weir Group PLC continued

### Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

### Reporting on other information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

### The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 50 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 50 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and Parent company and their environment obtained in the course of the audit. (Listing Rules)

## **Other Code provisions**

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 119, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent company obtained in the course of performing our audit.
- The section of the Annual Report on pages 88 to 94 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

## **Directors' remuneration**

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the Directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities set out on page 119, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditors' responsibilities for the audit of the financial statements**

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

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

### **Use of this report**

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

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

### **Appointment**

Following the recommendation of the Audit Committee, we were appointed by the members on 28 April 2016 to audit the financial statements for the period ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the period ended 31 December 2016 and year to 31 December 2017.



**Lindsay Gardiner (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

Glasgow

28 February 2018

**Consolidated Income Statement**

for the year ended 31 December 2017

	Notes	Year ended 31 December 2017			Period ended 31 December 2016		
		Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 5) £m	Total £m	Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation (note 5) £m	Total £m
<b>Continuing operations</b>							
Revenue	3	2,355.9	–	2,355.9	1,844.9	–	1,844.9
<b>Continuing operations</b>							
Operating profit before share of results of joint ventures		280.9	(68.7)	212.2	206.8	(123.7)	83.1
Share of results of joint ventures	15	10.9	–	10.9	7.2	–	7.2
<b>Operating profit</b>		<b>291.8</b>	<b>(68.7)</b>	<b>223.1</b>	214.0	(123.7)	90.3
Finance costs	6	(43.3)	(0.8)	(44.1)	(48.1)	(3.8)	(51.9)
Finance income	6	1.6	–	1.6	4.4	–	4.4
<b>Profit before tax from continuing operations</b>		<b>250.1</b>	<b>(69.5)</b>	<b>180.6</b>	170.3	(127.5)	42.8
Tax (expense) credit	7	(59.7)	40.6	(19.1)	(38.4)	38.8	0.4
<b>Profit for the year from continuing operations</b>		<b>190.4</b>	<b>(28.9)</b>	<b>161.5</b>	131.9	(88.7)	43.2
Profit (loss) for the year from discontinued operations	8	–	–	–	1.1	(6.1)	(5.0)
<b>Profit for the year</b>		<b>190.4</b>	<b>(28.9)</b>	<b>161.5</b>	133.0	(94.8)	38.2
Attributable to:							
Equity holders of the Company		190.6	(28.9)	161.7	133.1	(94.8)	38.3
Non-controlling interests		(0.2)	–	(0.2)	(0.1)	–	(0.1)
<b>Earnings per share</b>	9				133.0	(94.8)	38.2
Basic – total operations				<b>73.5p</b>			17.8p
Basic – continuing operations		<b>86.7p</b>		<b>73.5p</b>	61.2p		20.1p
Diluted – total operations				<b>73.1p</b>			17.7p
Diluted – continuing operations		<b>86.1p</b>		<b>73.1p</b>	60.8p		20.0p

## Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

	Notes	Year ended 31 December 2017 £m	Period ended 31 December 2016 £m
<b>Profit for the year</b>		<b>161.5</b>	38.2
<b>Other comprehensive income (expense)</b>			
Gains (losses) taken to equity on cash flow hedges		<b>0.4</b>	(0.7)
Exchange (losses) gains on translation of foreign operations		<b>(147.7)</b>	377.4
Reclassification of foreign currency translation reserve on discontinued operations		–	0.8
Exchange gains (losses) on net investment hedges		<b>54.0</b>	(142.0)
Reclassification adjustments on cash flow hedges		<b>(0.3)</b>	1.9
Tax relating to other comprehensive income (expense) to be reclassified in subsequent years	7	<b>0.8</b>	0.2
<b>Items that are or may be reclassified to profit or loss in subsequent years</b>		<b>(92.8)</b>	237.6
Remeasurements on defined benefit plans	24	<b>(5.4)</b>	(53.0)
Remeasurements on other benefit plans		<b>(0.8)</b>	–
Tax relating to other comprehensive income (expense) that will not be reclassified in subsequent years	7	<b>1.5</b>	8.6
<b>Items that will not be reclassified to profit or loss in subsequent years</b>		<b>(4.7)</b>	(44.4)
<b>Net other comprehensive (expense) income</b>		<b>(97.5)</b>	193.2
<b>Total net comprehensive income for the year</b>		<b>64.0</b>	231.4
Attributable to:			
Equity holders of the Company		<b>64.2</b>	228.9
Non-controlling interests		<b>(0.2)</b>	2.5
		<b>64.0</b>	231.4
Total net comprehensive income (expense) for the year attributable to equity holders of the Company			
Continuing operations		<b>64.2</b>	233.0
Discontinued operations		–	(4.1)
		<b>64.2</b>	228.9

**Consolidated Balance Sheet**

at 31 December 2017

	Notes	31 December 2017 £m	31 December 2016 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant & equipment	11	<b>392.3</b>	402.0
Intangible assets	12	<b>1,549.9</b>	1,628.8
Investments in joint ventures	15	<b>19.2</b>	40.5
Deferred tax assets	23	<b>45.3</b>	42.1
Other receivables	17	<b>43.0</b>	39.2
Retirement benefit plan assets	24	—	9.8
Derivative financial instruments	30	<b>0.3</b>	—
<b>Total non-current assets</b>		<b>2,050.0</b>	2,162.4
<b>Current assets</b>			
Inventories	16	<b>586.8</b>	551.6
Trade & other receivables	17	<b>613.3</b>	481.8
Construction contracts	18	<b>23.6</b>	23.8
Derivative financial instruments	30	<b>16.7</b>	24.0
Income tax receivable		<b>18.5</b>	21.5
Cash & short-term deposits	19	<b>284.6</b>	258.6
<b>Total current assets</b>		<b>1,543.5</b>	1,361.3
<b>Total assets</b>		<b>3,593.5</b>	3,523.7
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Interest-bearing loans & borrowings	20	<b>388.4</b>	144.0
Trade & other payables	21	<b>613.2</b>	548.1
Construction contracts	18	<b>2.6</b>	4.2
Derivative financial instruments	30	<b>25.8</b>	30.2
Income tax payable		<b>31.1</b>	43.8
Provisions	22	<b>52.6</b>	83.2
<b>Total current liabilities</b>		<b>1,113.7</b>	853.5
<b>Non-current liabilities</b>			
Interest-bearing loans & borrowings	20	<b>739.4</b>	949.1
Other payables	21	<b>0.5</b>	14.9
Derivative financial instruments	30	<b>0.7</b>	14.9
Provisions	22	<b>72.0</b>	60.2
Deferred tax liabilities	23	<b>58.4</b>	100.5
Retirement benefit plan deficits	24	<b>137.7</b>	147.0
<b>Total non-current liabilities</b>		<b>1,008.7</b>	1,286.6
<b>Total liabilities</b>		<b>2,122.4</b>	2,140.1
<b>NET ASSETS</b>		<b>1,471.1</b>	1,383.6
<b>CAPITAL &amp; RESERVES</b>			
Share capital	25	<b>28.1</b>	27.3
Share premium		<b>197.9</b>	86.2
Merger reserve		<b>9.4</b>	9.4
Treasury shares		<b>(5.9)</b>	(5.9)
Capital redemption reserve		<b>0.5</b>	0.5
Foreign currency translation reserve		<b>98.1</b>	191.8
Hedge accounting reserve		<b>0.3</b>	(0.6)
Retained earnings		<b>1,141.4</b>	1,066.4
<b>Shareholders' equity</b>		<b>1,469.8</b>	1,375.1
Non-controlling interests		<b>1.3</b>	8.5
<b>TOTAL EQUITY</b>		<b>1,471.1</b>	1,383.6

The financial statements were approved by the Board of Directors and authorised for issue on 28 February 2018.  
 The financial statements also comprise the notes on pages 131 to 185.

**Jon Stanton**  
Director

**John Heasley**  
Director

## Consolidated Cash Flow Statement

for the year ended 31 December 2017

	Notes	Year ended 31 December 2017 £m	Period ended 31 December 2016 £m
<b>Cash flows from operating activities</b>	26		
Cash generated from operations		<b>220.5</b>	292.6
Additional pension contributions paid		(3.0)	(2.8)
Exceptional cash items	22	(28.6)	(58.1)
Income tax paid		(60.5)	(15.7)
Net cash generated from operating activities		<b>128.4</b>	216.0
<b>Cash flows from investing activities</b>			
Acquisitions of subsidiaries, net of cash acquired	26	(90.1)	(10.6)
Investment in joint ventures	15	(1.4)	–
Purchases of property, plant & equipment		(67.8)	(50.5)
Purchases of intangible assets		(17.6)	(15.4)
Other proceeds from sale of property, plant & equipment and intangible assets		4.6	3.5
Disposals of discontinued operations, net of cash disposed	26	3.5	31.4
Disposals of joint ventures	15	31.8	–
Exceptional items included in asset disposal programme		–	35.7
Interest received		1.5	6.5
Dividends received from joint ventures	15	8.0	7.3
Net cash (used in) generated from investing activities		(127.5)	7.9
<b>Cash flows from financing activities</b>			
Purchase of non-controlling interest	13	(37.2)	(3.4)
Proceeds from borrowings		<b>964.4</b>	1,328.1
Repayments of borrowings		(854.7)	(1,420.5)
Settlement of derivative financial instruments		6.6	(3.7)
Interest paid		(42.3)	(46.3)
Dividends paid to equity holders of the Company	10	(74.2)	(45.8)
Issue of shares	25	90.0	–
Purchase of shares for LTIP & other awards		–	(0.1)
Net cash generated from (used in) financing activities		<b>52.6</b>	(191.7)
<b>Net increase in cash &amp; cash equivalents</b>		<b>53.5</b>	32.2
Cash & cash equivalents at the beginning of the year		<b>257.0</b>	179.3
Foreign currency translation differences		(26.0)	45.5
<b>Cash &amp; cash equivalents at the end of the year</b>	19	<b>284.5</b>	257.0

The cash flows from discontinued operations included above are disclosed separately in note 8.

**Consolidated Statement of Changes in Equity**

for the year ended 31 December 2017

	Share capital £m	Share premium £m	Merger reserve £m	Treasury shares £m	Capital redemption reserve £m	Foreign currency translation reserve £m	Hedge accounting reserve £m	Attributable to equity holders of the Company £m	Non-controlling interests £m	Total equity £m
At 1 January 2016	26.8	38.0	9.4	(5.8)	0.5	(41.8)	(2.0)	1,166.5	1,191.6	6.2 1,197.8
Profit (loss) for the period	–	–	–	–	–	–	–	38.3	38.3	(0.1) 38.2
Losses taken to equity on cash flow hedges	–	–	–	–	–	–	(0.7)	–	(0.7)	– (0.7)
Exchange gains on translation of foreign operations	–	–	–	–	–	374.8	–	–	374.8	2.6 377.4
Reclassification of foreign currency translation reserve on discontinued operations	–	–	–	–	–	0.8	–	–	0.8	– 0.8
Exchange losses on net investment hedges	–	–	–	–	–	(142.0)	–	–	(142.0)	– (142.0)
Remeasurements on defined benefit plans	–	–	–	–	–	–	–	(53.0)	(53.0)	– (53.0)
Reclassification adjustments on cash flow hedges	–	–	–	–	–	–	1.9	–	1.9	– 1.9
Tax relating to other comprehensive income (expense)	–	–	–	–	–	–	0.2	8.6	8.8	– 8.8
Total net comprehensive income (expense) for the period	–	–	–	–	–	233.6	1.4	(6.1)	228.9	2.5 231.4
Acquisition of non-controlling interest	–	–	–	–	–	–	–	(3.8)	(3.8)	(0.2) (4.0)
Issue of shares	0.5	48.2	–	–	–	–	–	–	48.7	– 48.7
Cost of share-based payments inclusive of tax credit	–	–	–	–	–	–	–	4.3	4.3	– 4.3
Dividends	–	–	–	–	–	–	–	(94.5)	(94.5)	– (94.5)
Purchase of shares*	–	–	–	(0.1)	–	–	–	–	(0.1)	– (0.1)
At 31 December 2016	<b>27.3</b>	<b>86.2</b>	<b>9.4</b>	<b>(5.9)</b>	<b>0.5</b>	<b>191.8</b>	<b>(0.6)</b>	<b>1,066.4</b>	<b>1,375.1</b>	<b>8.5 1,383.6</b>
Profit (loss) for the year	–	–	–	–	–	–	–	<b>161.7</b>	<b>161.7</b>	<b>(0.2) 161.5</b>
Gains taken to equity on cash flow hedges	–	–	–	–	–	–	<b>0.4</b>	–	<b>0.4</b>	– <b>0.4</b>
Exchange losses on translation of foreign operations	–	–	–	–	–	<b>(147.7)</b>	–	–	<b>(147.7)</b>	– <b>(147.7)</b>
Exchange gains on net investment hedges	–	–	–	–	–	<b>54.0</b>	–	–	<b>54.0</b>	– <b>54.0</b>
Remeasurements on defined benefit plans	–	–	–	–	–	–	–	<b>(5.4)</b>	<b>(5.4)</b>	– <b>(5.4)</b>
Remeasurements on other benefit plans	–	–	–	–	–	–	–	<b>(0.8)</b>	<b>(0.8)</b>	– <b>(0.8)</b>
Reclassification adjustments on cash flow hedges	–	–	–	–	–	–	<b>(0.3)</b>	–	<b>(0.3)</b>	– <b>(0.3)</b>
Tax relating to other comprehensive income (expense)	–	–	–	–	–	–	<b>0.8</b>	<b>1.5</b>	<b>2.3</b>	– <b>2.3</b>
<b>Total net comprehensive (expense) income for the year</b>	–	–	–	–	–	<b>(93.7)</b>	<b>0.9</b>	<b>157.0</b>	<b>64.2</b>	<b>(0.2) 64.0</b>
Acquisition of non-controlling interest	–	–	–	–	–	–	–	<b>7.0</b>	<b>7.0</b>	<b>(7.0) –</b>
Issue of shares	<b>0.8</b>	<b>111.7</b>	–	–	–	–	–	–	<b>112.5</b>	– <b>112.5</b>
Cost of share-based payments inclusive of tax credit	–	–	–	–	–	–	–	<b>7.7</b>	<b>7.7</b>	– <b>7.7</b>
Dividends	–	–	–	–	–	–	–	<b>(96.7)</b>	<b>(96.7)</b>	– <b>(96.7)</b>
At 31 December 2017	<b>28.1</b>	<b>197.9</b>	<b>9.4</b>	<b>(5.9)</b>	<b>0.5</b>	<b>98.1</b>	<b>0.3</b>	<b>1,141.4</b>	<b>1,469.8</b>	<b>1.3 1,471.1</b>

\* These shares were purchased on the open market and are held by the Estera EBT on behalf of the Group.

## Notes to the Group Financial Statements

### 1. Authorisation of financial statements and statement of compliance

The Consolidated Financial Statements of The Weir Group PLC (the 'Company') and its subsidiaries (together, the 'Group') for the year ended 31 December 2017 ('2017') were approved and authorised for issue in accordance with a resolution of the Directors on 28 February 2018. The comparative information is presented for the period commencing 2 January 2016 and ended 31 December 2016 ('2016').

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 Weir Group PLC is a public limited company incorporated in Scotland and is listed on the London Stock Exchange. 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 where otherwise indicated.

The accounting policies which follow are consistent with those of the previous period. The following amendment applies for the first time in 2017:

#### Disclosure Initiative – Amendments to IAS 7

The amendment requires disclosure of information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from: cash flows, such as drawdowns and repayments of borrowings; and non-cash changes, such as acquisitions, disposals and unrealised exchange differences. Additional disclosure has been included in note 26.

There are no other new standards or interpretations, in addition to the above, which are considered to have a material impact on the annual Consolidated Financial Statements of the Group.

#### 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 results of its joint ventures. For consolidation purposes, subsidiaries and joint ventures prepare financial information 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 achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The results of a subsidiary acquired during the year 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 year 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.

A full list of the Company's related undertakings can be found on page 202.

#### Exceptional items & intangibles amortisation

In order to provide the users of the Consolidated Financial Statements with a more relevant presentation of the Group's underlying performance, on a like for like basis, profit for each period has been analysed between:

- i) profit before exceptional items & intangibles amortisation; and
- ii) the effect of exceptional items & intangibles amortisation.

Exceptional items are items of income and expense which, because of the nature, size and/or infrequency of the events giving rise to them, merit separate presentation. These specific items are presented on the face of the Consolidated Income Statement to provide greater clarity and a better understanding of the impact of these items on the Group's financial performance. In doing so, it also facilitates greater comparison of the Group's underlying results with prior periods and assessment of trends in financial performance. This split is consistent with how underlying business performance is measured internally.

Exceptional items may include but are not restricted to: profits or losses arising on disposal or closure of businesses; the cost of significant business restructuring; significant impairments of intangible or tangible assets; adjustments to the fair value of acquisition-related items such as contingent consideration and inventory; other items deemed exceptional due to their significance, size or nature; and the related exceptional taxation.

Intangibles amortisation has been shown separately to provide visibility over the ongoing impact on the Group's Income Statement of prior and current period investment activities.

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

## Notes to the Group Financial Statements continued

### 2. Accounting policies continued

#### Use of estimates and judgements

The Group's significant accounting policies are set out below. The preparation of the Consolidated Financial Statements, in conformity with IFRS, requires management to make judgements that affect the application of accounting policies and estimates that impact the reported amounts of assets, liabilities, income and expense.

Management base these judgements on a combination of past experience, professional expert advice and other evidence that is relevant to each individual circumstance. Actual results may differ from these judgements and the resulting estimates which are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

Areas requiring significant judgement in the current year and on a recurring basis are presented to the Audit Committee, as summarised on page 90.

The areas where management consider critical judgements and estimates to be required are those in respect of:

#### i. Retirement benefits

The assumptions underlying the valuation of retirement benefit assets and liabilities include discount rates, inflation rates and mortality assumptions which are based on actuarial advice. Changes in these assumptions could have a material impact on the measurement of the Group's retirement benefit obligations. Sensitivities to changes in key assumptions are provided in note 24.

#### ii. Provisions

Management judgement is used to determine when a provision is recognised taking into account the commercial drivers which gave rise to them, the Group's previous experience of similar obligations and the progress of any associated legal proceedings. The calculation of provisions typically involves management estimates of associated cash flows and discount rates. The key provision which currently requires a greater degree of management estimate is the US asbestos provision, details of which are included in note 22.

#### iii. Taxation

The level of current and deferred tax recognised in the financial statements is dependent on subjective judgements as to the interpretation of complex international tax regulations and, in some cases, the outcome of decisions by tax authorities in various jurisdictions around the world, together with the ability of the Group to utilise tax attributes within the limits imposed by the relevant tax legislation.

The Group faces a variety of tax risks which result from operating in a complex global environment including the ongoing reform of both international and domestic tax rules in some of the Group's larger markets and the challenge to fulfil ongoing tax compliance filing and transfer pricing obligations given the scale and diversity of the Group's global operations.

The Group makes provision for open tax issues where it is probable that an exposure will arise including, in a number of jurisdictions, ongoing tax audits and uncertain tax positions which are by nature complex and can take a number of years to resolve. In all cases, provisions are based on management's interpretation of tax law in each country, as supported, where appropriate, by discussion and analysis undertaken by the Group's external advisers, and reflect the single best estimate of the likely outcome for each liability. Provisions for uncertain tax positions are included in current tax liabilities and total £26.6m at 31 December 2017.

The Group believes it has made adequate provision for such matters although it is possible that amounts ultimately paid will be different from the amounts provided.

The risk that the application of management judgements and estimates in tax provisioning in the financial statements fails to present a true and fair view of the tax position is a risk which receives significant focus from management, tax advisers and auditors. Actions to mitigate this risk include the following:

- i) The Group has capable people and strong processes and controls in place in order to deliver tax filings and tax payments in compliance with local tax requirements. This includes the recruitment and continued training and development of tax and finance staff with recognised professional qualifications.
- ii) Local tax systems and controls are monitored by Group management via a compliance scorecard process and any companies reporting a sub-standard level of performance are required to prepare and execute improvement plans.
- iii) Regular training is organised by the Group in our key jurisdictions and encouraged elsewhere to ensure we maintain appropriate standards of technical competence.
- iv) All personnel involved in filing tax returns are encouraged to share knowledge and seek input on best practice across the Group.
- v) External tax advisers either prepare or review the annual tax provisions and balances and are involved with the identification and management of transfer pricing policies and related documentation and filing requirements.
- vi) Standard operating procedures are in place to provide assurance at Group level that tax risks are being adequately managed and issues are escalated to Group level as appropriate.

- vii) The Group tax team provides technical support on the progression and completion of tax audits and the resolution of issues raised under audit is handled in an open and collaborative manner.

Detailed tax disclosures are provided in notes 7 and 23.

#### **Joint ventures**

The Group has a number of long-term contractual arrangements which represent joint ventures. The Group's interests in the results and assets and liabilities of its joint ventures are accounted for using the equity method.

These investments are carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of net assets less any impairment in value. The Consolidated 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 over 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 year 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 Consolidated 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 year 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 and in other comprehensive income.

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 IFRS 1, 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 that date.

In the Consolidated Cash Flow Statement, the cash flows of foreign operations are translated into Sterling at the average exchange rate for the year.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, and 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.

##### **i. Sale of goods**

Revenue from the sale of goods is recognised in the Consolidated Income Statement when the significant risks and rewards of ownership have been transferred to the buyer, usually on despatch of goods, and reliable measurement is possible. No revenue is recognised where recovery of the consideration is not probable or there are significant uncertainties regarding associated costs, or the possible return of goods. Transfers of risks and rewards vary depending on the nature of the products sold and the individual terms of the contract of sale. Where the sale of a product requires customer inspection, revenue is not recognised until the inspection has been completed and approved by the customer.

This policy is applicable to the sale of both original equipment and spare parts, whether sold individually, in bulk or as part of a cross-selling marketing strategy.

## Notes to the Group Financial Statements continued

### 2. Accounting policies continued

#### ii. Provision of services

Revenue from the rendering of services is generally recognised on completion if the service contract is short-term in nature. Where this is not the case, revenue from services is recognised in proportion to the stage of completion of the service at the balance sheet date. The stage of completion is assessed by reference to the contractual agreement with each separate customer and the costs incurred on the contract to date in comparison to the total forecast costs of the contract. Revenue recognition commences only when the outcome of the contract can be reliably measured, by reference to individual terms and conditions within each service contract, and it is probable that the economic benefits associated with the contract will flow to the Group.

#### iii. Construction contracts

Construction contracts usually contain discrete elements separately transferring risks and rewards to the customer. 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 year when such losses become probable. Construction contracts are primarily entered into by the Group's 'Engineer to order' businesses.

#### Property, plant & equipment

Property, plant & equipment is stated at cost less accumulated depreciation and any recognised impairment losses. Freehold land and assets under construction are not depreciated. Depreciation of property, plant & equipment is provided on a straight-line basis so as to charge the cost less residual value, to the Consolidated Income Statement over the expected useful life of the asset concerned, and 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

#### Goodwill

Goodwill arises on the acquisition of businesses 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 recognised in the Consolidated Income Statement in the year in which they are incurred. Goodwill in respect of an acquired business is recognised as an intangible asset. Goodwill is carried at cost less any recognised impairment losses and is tested at least annually or where there are indicators of impairment.

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.

Any contingent consideration is recognised at the date of acquisition or disposal. For acquisitions, subsequent changes to the fair value of the contingent consideration are adjusted against the cost of acquisition where they qualify as measurement period adjustments. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year. If the change does not qualify as a measurement period adjustment, it is reflected in the Consolidated Income Statement. For disposals, any subsequent change in contingent consideration is adjusted against the disposal proceeds and the gain/loss on disposal.

#### Other intangible assets

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

Intangible assets acquired separately are measured at cost on initial recognition. 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.

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

Brand names	indefinite life*
Customer & distributor relationships	5 – 25 years
Purchased software	4 – 8 years
Intellectual property & trademarks	6 – 15 years
Other	up to 6 years

\* Acquired brands which are considered to have a finite life are amortised accordingly.

**Research & development costs**

All research expenditure is charged to the Consolidated Income Statement in the year in which it is incurred.

Development expenditure is charged to the Consolidated Income Statement in the year in which it is incurred unless it relates to the development of a new product or technology 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, and has sufficient resources, to complete the development and to use or sell the asset. Any such capitalised development expenditure is amortised on a straight-line basis so that it is charged to the Consolidated Income Statement over the expected life of the resulting product or technology.

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

**Inventories**

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

**Financial assets & liabilities**

The Group's principal financial assets and liabilities, other than derivatives, comprise bank overdrafts, short-term borrowings, loans and fixed-rate notes, commercial paper, 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, and contingent consideration in relation to acquisitions.

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, 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 receivables**

Trade receivables, which are generally of a short-term 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 & 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.

## Notes to the Group Financial Statements continued

### 2. Accounting policies continued

#### 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 settle the liability at least 12 months after the balance sheet date.

#### Provisions

A provision is recognised in the Consolidated 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 and counterparty, and the Group's own, credit risk. 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, spot foreign exchange rates and counterparty and own credit risk. Changes in their fair values are recognised in the Consolidated Income Statement, except where hedge accounting is used, provided the conditions specified by IAS 39 are met. Hedge accounting is applied in respect of hedge relationships where it is both permissible under IAS 39 and practical to do so. When hedge accounting is used, the relevant hedging relationships are classified as fair value hedges, cash flow hedges or net investment hedges, as appropriate.

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 or 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. When the hedged asset or liability is recognised in the Consolidated Financial Statements, the accumulated gains and losses recognised in other comprehensive income will be either recycled to the Consolidated Income Statement or, if the hedged item results in a non-financial asset, will be recognised as adjustments to its initial carrying amount.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in 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 is recognised in other comprehensive income, or recognised in the Consolidated Income Statement in the year.

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 Consolidated Income Statement.

#### Share-based payments

Equity settled share-based incentives are provided to employees under the Group's Long Term Incentive Plan (LTIP) and as a consequence of occasional one-off conditional awards.

The fair value of the LTIP or other conditional awards 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 or performance conditions. The conditions of the LTIP which took effect in 2014 are summarised in the Directors' Remuneration Policy which can be found on the Company's website, [www.corporategovernance.weir](http://www.corporategovernance.weir).

#### Treasury shares

The Weir Group PLC shares held by the Company are classified in shareholders' equity as treasury shares and are recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost being taken directly to retained earnings. 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 certain current and former employees in the UK, US and Canada and post-retirement healthcare benefits provided to certain employees in the US.

For defined benefit pension and post-retirement healthcare plans, the annual service cost is calculated using the projected unit credit method and is recognised over the future service lives of participating employees, in accordance with the advice of qualified actuaries. Current service cost and administration expenses are recognised in operating costs and net interest on the net pension liability is recognised in finance costs.

The finance cost recognised in the Consolidated Income Statement in the year reflects the net interest on the net pension liability. This represents the change in the net pension liability resulting from the passage of time, and is determined by applying the discount rate to the opening net liability, taking into account employer contributions paid into the plan and the consequent reduction in the net liability, during the year.

Past service costs resulting from enhanced benefits are recognised immediately in the Consolidated Income Statement. Actuarial gains and losses, which represent differences between interest on the plan assets, experience on the benefit obligation and the effect of changes in actuarial assumptions, are recognised in full in other comprehensive income in the year in which they occur.

The defined benefit liability or asset recognised in the Consolidated Balance Sheet comprises the net total for each plan of the present value of the benefit obligation, using a discount rate based on yields at the balance sheet date on appropriate high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and are denominated in the currency in which the benefits are expected to be paid, minus the fair value of the plan assets, if any, at the balance sheet date. The balance sheet asset recognised is limited to the present value of economic benefits which the Group expects to recover by way of refunds or a reduction in future contributions. In order to calculate the present value of economic benefits, consideration is also given to any minimum funding requirements.

For defined contribution plans, the cost represents the Group's contributions to the plans and these are charged to the Consolidated Income Statement in the year in which they fall due, along with any associated administration costs.

## **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 & 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 over a period 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 Consolidated Income Statement while the capital element is applied to reduce the outstanding liability.

Operating lease rentals and any incentives receivable are recognised in the Consolidated 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 year.

Deferred tax liabilities represent tax payable in future years in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future years in respect of deductible temporary differences, the carry forward of unutilised tax losses and the carry forward of unused tax credits. Deferred tax is measured on an undiscounted basis using the tax rates and 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.

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; and
- 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.

## Notes to the Group Financial Statements continued

### 2. Accounting policies continued

Current and deferred tax is recognised in the Consolidated 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, amendments and interpretations, which are considered relevant to the Group, with an effective date after the year covered by these financial statements.

International Accounting Standards (IAS/IFRS)	Effective date for periods commencing
IFRS 9: Financial instruments	1 January 2018
IFRS 15: Revenue from contracts with customers (including associated amendments*)	1 January 2018
Amendments to IFRS 2: Share-based payments	1 January 2018*
Annual improvements 2014 – 2016	1 January 2018*
IFRIC 22 Foreign currency transactions and advance consideration	1 January 2018*
IFRS 16: Leases	1 January 2019*
IFRIC 23 Uncertainty over income tax treatments	1 January 2019*

\* Not yet endorsed 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. An impact assessment has been performed for each of the standards, amendments and interpretations effective from 1 January 2018, with no significant financial impact being identified. Further details are provided below in relation to the two new standards effective from 2018:

- i) IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has carried out an impact assessment which has focused on the areas of classification, measurement and impairment. Internal procedures in these areas have been updated as appropriate in response to the new standard. Implementing IFRS 9 is not expected to have a significant impact on the financial statements of the Group.
- ii) IFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the full retrospective approach and will restate the 2017 comparative data accordingly in the 2018 Annual Report. The Group has completed an extensive impact assessment which included submissions from each reporting entity. Based on the assessment performed, it is expected that the new standard will have a limited impact on the results of the Group, estimated at less than 1% of Group revenue, with the main change relating to the timing of revenue recognition, either over time or point in time for certain 'Engineer to order' contracts.

Initial planning has commenced for an assessment of the impact of the other standards applicable from 2019.

### Non-GAAP measures

The financial statements are 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. In measuring our performance, the financial measures that we use include those which have been derived from our reported results in order to eliminate factors which we believe distort period-on-period comparisons. These are considered non-GAAP financial measures. This information, along with comparable GAAP measurements, is useful to investors in providing a basis for measuring our operational performance. Our management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating our performance and value creation. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information in compliance with GAAP. Non-GAAP financial measures as reported by the Group may not be comparable with similarly titled amounts reported by other companies.

Below we set out our definitions of non-GAAP measures and provide reconciliations to relevant GAAP measures.

**Free cash flow**

Free cash flow (FCF) is defined as cash flow from operating activities adjusted for income taxes, net capital expenditures, net interest payments, dividends paid, settlement of derivatives, purchase of shares for LTIP and other awards and pension contributions. FCF reflects an additional way of viewing our liquidity that we believe is useful to investors as it represents cash flows that could be used for repayment of debt or to fund our strategic initiatives, including acquisitions, if any. The reconciliation of cash flow from operating activities to FCF is as follows.

	2017 £m	2016 £m
Cash generated from operations	<b>220.5</b>	292.6
Income tax paid	<b>(60.5)</b>	(15.7)
Net capital expenditure from purchase & disposal of property, plant & equipment and intangibles	<b>(80.8)</b>	(62.4)
Net interest paid	<b>(40.8)</b>	(39.8)
Dividends paid to equity holders of the Company	<b>(74.2)</b>	(45.8)
Dividends received from joint ventures	<b>8.0</b>	7.3
Settlement of derivative financial instruments	<b>6.6</b>	(3.7)
Purchase of shares for LTIP & other awards	<b>–</b>	(0.1)
Additional pension contributions paid	<b>(3.0)</b>	(2.8)
	<b>(24.2)</b>	129.6

**EBITDA**

EBITDA is operating profit from continuing operations, before exceptional items, intangibles amortisation and depreciation. EBITDA is used in conjunction with other GAAP and non-GAAP financial measures to assess our operating performance. A reconciliation of EBITDA to the closest equivalent GAAP measure, operating profit, is provided.

	2017 £m	2016 £m
<b>Continuing operations</b>		
Operating profit	<b>223.1</b>	90.3
Adjusted for:		
Exceptional items (note 5)	<b>13.3</b>	73.5
<b>Earnings before interest and tax (EBIT)</b>	<b>236.4</b>	163.8
Intangibles amortisation (note 5)	<b>55.4</b>	50.2
Depreciation of property, plant & equipment (note 11)	<b>58.2</b>	55.9
<b>EBITDA</b>	<b>350.0</b>	269.9

**Net debt**

A reconciliation of net debt to cash & short-term deposits, interest-bearing loans and borrowings is provided in note 26.

## Notes to the Group Financial Statements continued

### 3. Segment information

For management purposes, the Group is organised into three operating divisions: Minerals, Oil & Gas and Flow Control. The 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 under IFRS 8. The operating and reportable segments were determined based on the reports reviewed by the Chief Executive Officer which are used to make operational decisions.

The Minerals segment is the global leader in the provision of slurry handling equipment and associated aftermarket support for abrasive high wear applications used in the mining and oil sands markets. The Oil & Gas segment provides products and service solutions to upstream, production, transportation and related industries. The Flow Control segment designs and manufactures valves and pumps, and provides specialist support services to the global power generation, industrial and oil and gas sectors.

The Chief Executive Officer assesses the performance of the operating segments based on operating profit from continuing operations before exceptional items (including impairments) and intangibles amortisation ('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 Chief Executive Officer 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.

The segment information for the reportable segments for 2017 and 2016 is disclosed below.

	Minerals		Oil & Gas		Flow Control		Total continuing operations	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
<b>Revenue</b>								
Sales to external customers	<b>1,286.7</b>	1,112.0	<b>703.8</b>	401.4	<b>365.4</b>	331.5	<b>2,355.9</b>	1,844.9
Inter-segment sales	<b>3.9</b>	6.1	<b>0.7</b>	12.8	<b>15.6</b>	14.7	<b>20.2</b>	33.6
Segment revenue	<b>1,290.6</b>	1,118.1	<b>704.5</b>	414.2	<b>381.0</b>	346.2	<b>2,376.1</b>	1,878.5
Eliminations							<b>(20.2)</b>	(33.6)
							<b>2,355.9</b>	1,844.9

#### Sales to external customers – 2016 at 2017 average exchange rates

Sales to external customers	<b>1,286.7</b>	1,200.5	<b>703.8</b>	421.4	<b>365.4</b>	350.3	<b>2,355.9</b>	1,972.2
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#### Segment result

Segment result before share of results of joint ventures	<b>227.3</b>	217.0	<b>80.6</b>	(16.2)	<b>(2.8)</b>	30.1	<b>305.1</b>	230.9
Share of results of joint ventures	–	–	<b>10.9</b>	7.2	–	–	<b>10.9</b>	7.2
Segment result	<b>227.3</b>	217.0	<b>91.5</b>	(9.0)	<b>(2.8)</b>	30.1	<b>316.0</b>	238.1
Unallocated expenses							<b>(24.2)</b>	(24.1)
Operating profit before exceptional items & intangibles amortisation							<b>291.8</b>	214.0
Total exceptional items & intangibles amortisation							<b>(69.5)</b>	(127.5)
Net finance costs before exceptional items							<b>(41.7)</b>	(43.7)
Profit before tax from continuing operations							<b>180.6</b>	42.8

#### Segment result – 2016 at 2017 average exchange rates

Segment result before share of results of joint ventures	<b>227.3</b>	234.2	<b>80.6</b>	(17.1)	<b>(2.8)</b>	32.2	<b>305.1</b>	249.3
Share of results of joint ventures	–	–	<b>10.9</b>	7.6	–	–	<b>10.9</b>	7.6
Segment result	<b>227.3</b>	234.2	<b>91.5</b>	(9.5)	<b>(2.8)</b>	32.2	<b>316.0</b>	256.9
Unallocated expenses							<b>(24.2)</b>	(24.4)
Operating profit before exceptional items & intangibles amortisation							<b>291.8</b>	232.5

Revenues do not exceed 10% of Group revenue for any single external customer.

	Minerals		Oil & Gas		Flow Control		Total Group	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
<b>Assets &amp; liabilities</b>								
Intangible assets	<b>603.0</b>	652.4	<b>762.3</b>	815.2	<b>137.5</b>	137.5	<b>1,502.8</b>	1,605.1
Property, plant & equipment	<b>221.3</b>	226.1	<b>89.3</b>	90.9	<b>72.1</b>	75.4	<b>382.7</b>	392.4
Working capital assets	<b>623.9</b>	523.0	<b>379.1</b>	290.2	<b>218.8</b>	248.0	<b>1,221.8</b>	1,061.2
	<b>1,448.2</b>	1,401.5	<b>1,230.7</b>	1,196.3	<b>428.4</b>	460.9	<b>3,107.3</b>	3,058.7
Investments in joint ventures	–	–	<b>19.2</b>	40.5	–	–	<b>19.2</b>	40.5
Segment assets	<b>1,448.2</b>	1,401.5	<b>1,249.9</b>	1,236.8	<b>428.4</b>	460.9	<b>3,126.5</b>	3,099.2
Unallocated assets							<b>467.0</b>	424.5
Total assets							<b>3,593.5</b>	3,523.7
Working capital liabilities	<b>352.3</b>	311.6	<b>182.2</b>	150.6	<b>122.3</b>	169.4	<b>656.8</b>	631.6
Unallocated liabilities							<b>1,465.6</b>	1,508.5
Total liabilities							<b>2,122.4</b>	2,140.1
<b>Other segment information – total Group</b>								
Segment additions to non-current assets	<b>43.5</b>	33.0	<b>25.0</b>	10.3	<b>6.2</b>	15.6	<b>74.7</b>	58.9
Unallocated additions to non-current assets							<b>11.0</b>	18.9
Total additions to non-current assets							<b>85.7</b>	77.8
<b>Other segment information – total Group</b>								
Segment depreciation & amortisation	<b>45.0</b>	42.2	<b>51.7</b>	49.1	<b>11.6</b>	12.1	<b>108.3</b>	103.4
Segment impairment of property, plant & equipment	<b>0.1</b>	2.3	<b>3.6</b>	4.1	<b>0.3</b>	2.0	<b>4.0</b>	8.4
Segment impairment of intangible assets	–	0.4	–	–	–	–	–	0.4
Discontinued operations							–	0.4
Unallocated depreciation & amortisation							<b>5.3</b>	2.7
Total depreciation, amortisation & impairment							<b>117.6</b>	115.3

Unallocated assets primarily comprise cash and short-term deposits, derivative financial instruments, income tax receivable, deferred tax assets and retirement benefit surpluses 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

Geographical information in respect of revenue and non-current assets for 2017 and 2016 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 & equipment, intangible assets and investments in joint ventures.

Year ended 31 December 2017	UK £m	US £m	Canada £m	Europe & FSU £m	Asia Pacific £m	Australia £m	South America £m	Middle East & Africa £m	Total £m
Revenue from continuing operations									
Sales to external customers	72.5	712.7	239.9	179.7	316.0	193.8	310.7	330.6	2,355.9
Non-current assets	345.4	723.0	49.0	171.2	333.5	155.7	65.1	118.5	1,961.4
Period ended 31 December 2016									
Revenue from continuing operations	74.9	474.5	180.8	153.9	257.7	178.3	261.2	263.6	1,844.9
Sales to external customers	366.5	847.7	44.1	168.1	290.1	157.4	63.8	133.6	2,071.3

The following disclosures are given in relation to continuing operations.

	2017 £m	2016 £m
An analysis of the Group's revenue is as follows:		
Original equipment	666.9	523.2
Aftermarket parts	1,280.5	982.8
Sales of goods	1,947.4	1,506.0
Provision of services	350.4	282.1
Construction contracts	58.1	56.8
Revenue	2,355.9	1,844.9

### 4. Revenues & expenses

The following disclosures are given in relation to continuing operations and exclude exceptional items & intangibles amortisation.

	2017 £m	2016 £m
A reconciliation of revenue to operating profit is as follows:		
Revenue	2,355.9	1,844.9
Cost of sales	(1,619.2)	(1,241.7)
Gross profit	736.7	603.2
Other operating income	5.2	5.6
Selling & distribution costs	(260.0)	(221.1)
Administrative expenses	(201.0)	(180.9)
Share of results of joint ventures	10.9	7.2
Operating profit	291.8	214.0

Details of exceptional items and intangibles amortisation are provided in note 5.

	2017 £m	2016 £m
Operating profit from continuing operations is stated after charging (crediting):		
Cost of inventories recognised as an expense	<b>1,619.2</b>	1,241.7
Depreciation of property, plant & equipment (note 11)	<b>58.2</b>	55.9
Amortisation of intangible assets (note 12)	<b>55.4</b>	50.2
Acquisition transaction costs	<b>1.2</b>	-
Acquisition integration costs	<b>0.3</b>	0.4
Exceptional items (note 5)	<b>13.3</b>	73.5
Net foreign exchange (gains) losses	<b>(0.4)</b>	6.6
Net impairment charge (credit) of trade receivables excluding additional restructuring action amounts (note 17)	<b>7.5</b>	(1.0)

Depreciation of property, plant & equipment (note 11) for discontinued operations was £nil (2016: £0.3m).

Amortisation of intangible assets (note 12) for discontinued operations was £nil (2016: £0.1m).

### Research & development costs

Research & development costs amount to £40.4m (2016: £27.4m) of which £30.0m (2016: £25.9m) was charged directly to cost of sales in the income statement and £10.4m (2016: £1.5m) was capitalised (note 12).

### Operating leases

Minimum lease payments under operating leases recognised as an expense in the year were £53.1m (2016: £45.3m).

	2017 £m	2016 £m
Employee benefits expense		
Wages & salaries	<b>551.6</b>	487.0
Social security costs	<b>52.2</b>	46.8
Pension costs		
Defined benefit plans (note 24)	<b>(3.0)</b>	0.5
Defined contribution plans	<b>24.6</b>	20.3
Share-based payments – equity settled transactions	<b>7.0</b>	4.1
	<b>632.4</b>	558.7

Details of Directors' remuneration is disclosed in note 29.

	2017 Number	2016 Number
The average monthly number of people employed by the Company and its subsidiaries is as follows:		
Minerals	<b>8,213</b>	7,999
Oil & Gas	<b>2,931</b>	2,393
Flow Control	<b>2,513</b>	2,725
Group companies	<b>435</b>	89
	<b>14,092</b>	13,206

The following disclosures are given in relation to total operations.

At 31 December 2017, the number of people employed by the Group and including those under temporary contracts was 14,906 (2016: 13,687).

## Notes to the Group Financial Statements continued

### 4. Revenues & expenses continued

	2017 £m	2016 £m
<b>Auditors' remuneration</b>		
The total fees payable by the Group to our auditors for work performed in respect of the audit and other services provided to the Company and its subsidiary companies during the year are disclosed below		
Fees payable to the Company's auditor for the audit of the Company and Consolidated Financial Statements	<b>1.7</b>	1.6
Fees payable to the Company's auditor for other services		
The audit of the Company's subsidiaries	<b>0.9</b>	0.6
Audit-related assurance services	<b>0.1</b>	0.1
Other non-audit services	<b>0.2</b>	0.3
Fees payable in respect of the Group's pension schemes		
Audit (performed by Ernst & Young LLP)	<b>0.1</b>	0.1

### 5. Exceptional items & intangibles amortisation

	2017 £m	2016 £m
Recognised in arriving at operating profit from continuing operations		
Intangibles amortisation (note 12)	<b>(55.4)</b>	(50.2)
Exceptional item – intangibles impairment (note 12)	–	(0.4)
Exceptional item – restructuring and rationalisation charges	<b>(12.5)</b>	(63.8)
Exceptional item – China operations	–	(17.0)
Exceptional item – gain on sale and leaseback of properties	–	5.1
Exceptional item – legal claims	<b>(2.1)</b>	(1.1)
Exceptional item – gain on sale of EPI joint venture	<b>10.4</b>	–
Exceptional item – fair value adjustment to contingent consideration liability	<b>(9.1)</b>	3.7
	<b>(68.7)</b>	(123.7)
Recognised in finance costs		
Exceptional item – unwind in respect of contingent consideration liability	<b>(0.8)</b>	(3.8)

Restructuring and rationalisation charges represent the committed costs of programmes to right-size operations and discontinue certain activities. The restructuring and rationalisation exceptional cost of £12.5m comprises £13.4m of restructuring costs for programmes commenced in 2016 offset by the release of unutilised restructuring provisions. These relate to headcount reduction and service centre closures and comprise £4.3m net cash restructuring costs, £4.8m inventory write down and a net £3.4m relating to plant & equipment.

An exceptional gain of £10.4m has been recognised on the sale of the 49% stake in the Energy Products LLC (EPI) joint venture sold in November 2017.

An exceptional cost of £2.1m relates to the continuation of a prior period legal claim. A fair value adjustment to contingent consideration liability of £9.6m related to the acquisition of the remaining 40% of Weir International, offset by a £0.5m credit following the settlement of Delta Industrial Valves deferred consideration and £0.8m unwind of contingent consideration liability for Weir International.

## 6. Finance (costs) income

### Finance costs

	2017 £m	2016 £m
Interest payable on bank loans, fixed rate notes & overdrafts	<b>(38.2)</b>	(41.7)
Losses on financial assets & liabilities at fair value through profit & loss	–	(0.9)
Finance charges related to committed loan facilities	<b>(1.4)</b>	(2.5)
Other finance costs – retirement benefits	<b>(3.7)</b>	(3.0)
	<b>(43.3)</b>	(48.1)
Unwind of discount in respect of contingent consideration – exceptional item (note 5)	<b>(0.8)</b>	(3.8)
	<b>(44.1)</b>	(51.9)

### Finance income

	2017 £m	2016 £m
Interest receivable on financial assets	<b>1.6</b>	4.4

## 7. Tax expense

### Income tax expense

	2017 £m	2016 £m
<b>Consolidated Income Statement</b>		
Current income tax		
UK corporation tax – continuing operations	<b>(2.5)</b>	(0.1)
Adjustments in respect of previous years	<b>1.1</b>	(1.4)
UK corporation tax	<b>(1.4)</b>	(1.5)
Foreign tax – continuing operations	<b>(57.8)</b>	(43.4)
Adjustments in respect of previous years	<b>6.0</b>	0.9
Total current income tax	<b>(53.2)</b>	(44.0)
Deferred income tax		
Origination & reversal of temporary differences – continuing operations	<b>14.0</b>	47.1
Adjustment to estimated recoverable deferred tax assets	<b>8.8</b>	0.4
Effect of changes in tax rates	<b>16.7</b>	(1.0)
Adjustments in respect of previous years	<b>(5.4)</b>	(2.1)
Total deferred tax*	<b>34.1</b>	44.4
Total income tax (expense) credit in the Consolidated Income Statement	<b>(19.1)</b>	0.4

\* Includes £30.3m of deferred tax credit relating to foreign tax (2016: £44.5m credit).

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

	2017 £m	2016 £m
Tax (expense) credit		
– continuing operations before exceptional items & intangibles amortisation	<b>(59.7)</b>	(38.4)
– exceptional items	<b>22.9</b>	21.0
– intangibles amortisation and impairment	<b>17.7</b>	17.8
Total income tax (expense) credit in the Consolidated Income Statement	<b>(19.1)</b>	0.4

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

	2017 £m	2016 £m
<b>Consolidated Statement of Comprehensive Income</b>		
Current tax on pension contributions	–	0.2
Deferred tax – origination & reversal of temporary differences	<b>2.3</b>	10.0
Deferred tax – effect of change in tax rates	<b>(0.8)</b>	(1.6)
Tax credit on actuarial losses on retirement benefits	<b>1.5</b>	8.6
Current tax credit on hedge losses	–	0.2
Deferred tax credit on hedge losses	<b>0.8</b>	–
Tax credit in the Consolidated Statement of Comprehensive Income	<b>2.3</b>	8.8
<b>Consolidated Statement of Changes in Equity</b>		
Deferred tax on share-based payments	<b>0.7</b>	0.2
Tax credit in the Consolidated Statement of Changes in Equity	<b>0.7</b>	0.2

#### Reconciliation of the total tax charge

The tax debit (2016: credit) in the Consolidated Income Statement for the year is lower (2016: lower) than the weighted average of standard rates of corporation tax across the Group of 33.1% (2016: 7.6%). The differences are reconciled below.

	2017 £m	2016 £m
Profit before tax from continuing operations	<b>180.6</b>	42.8
Loss before tax from discontinued operations	<b>(0.1)</b>	(12.7)
Accounting profit before tax	<b>180.5</b>	30.1
At the weighted average of standard rates of corporation tax across the Group of 33.1% (2016: 7.6%)	<b>59.8</b>	2.3
Adjustments in respect of previous years – current tax	<b>(7.1)</b>	(2.6)
– deferred tax	<b>5.4</b>	4.4
Joint ventures	<b>(1.0)</b>	(1.6)
Unrecognised deferred tax assets	<b>6.8</b>	1.9
Overseas tax on unremitted earnings	<b>1.7</b>	2.2
Transitional impact of US Tax Reform	<b>(22.6)</b>	–
Permanent differences	<b>(4.0)</b>	9.5
Tax effect of funding overseas operations	<b>(22.5)</b>	(22.3)
Effect of changes in tax rates	<b>0.5</b>	0.1
Exceptional items ineligible for tax	<b>2.1</b>	(2.0)
At effective tax rate of 10.6% (2016: (26.9)%)	<b>19.1</b>	(8.1)

The decrease in permanent differences from a £9.5m addition in 2016 to a £4.0m deduction in 2017 arises in part from the release of tax risk provisions following the resolution of tax authority enquiries in the UK, Canada and the US. Other key movements in permanent differences include a credit in relation to non-taxable exchange gains/losses across various jurisdictions, a debit in relation to provisions for tax risk including transfer pricing and credit for Research & Development incentives.

The United States Tax Cuts and Jobs Act was signed on 22 December 2017 and included a broad range of tax reform including a reduction in the Federal rate of corporate income tax from 35% to 21% (effective 1 January 2018) as well as significant changes to business deductions and other international tax provisions including changes to the rules governing interest deductibility.

US tax reform gives rise to a transitional one-off non-cash tax credit of £22.6m primarily due to the revaluation of the Group's aggregate US deferred tax assets and deferred tax liabilities following the reduction in the US Federal rate from 35% to 21%.

Finance arrangements are in place to fund the acquisition of business operations in overseas territories. This finance is provided primarily to US operations through intragroup loans which provide a benefit to the Group effective tax rate. In addition, the Group claims a partial exemption under the UK Controlled Foreign Companies legislation for profits from 'qualifying loan relationships'. The Group is monitoring the developments in relation to EU state aid investigations into this exemption, noting that at this stage the final outcome of any investigation is unclear.

## 8. Discontinued operations

During the year ended 31 December 2017 there were no disposals of businesses which met the definition of a discontinued operation under IFRS 5.

In 2016, the Group disposed of Ynfiniti Engineering Services (31 May 2016), American Hydro Corporation and the trade and assets of the Montreal business of Weir Canada Inc. (30 June 2016) for a combined consideration of £38.4m of which £3.6m was to be held in escrow for one year. The escrow balance was settled in 2017, with a £0.1m adjustment to deferred consideration recorded in discontinued operations as an exceptional item in the year. Also included in 2016 was a maximum contingent consideration of £1.9m with £0.8m initially recognised on disposal, with the balance being finalised in 2016.

Exceptional items and intangibles amortisation in the prior period related to intangibles amortisation of £0.1m and a charge of £4.0m for reassessment of liabilities related to previous disposals.

### Financial performance and cash flow information for discontinued operations

	Year ended 31 December 2017			Period ended 31 December 2016		
	Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation £m	Total £m	Before exceptional items & intangibles amortisation £m	Exceptional items & intangibles amortisation £m	Total £m
<b>(Loss) profit before tax from discontinued operations</b>	–	<b>(0.1)</b>	<b>(0.1)</b>	0.3	(4.1)	(3.8)
Tax credit	–	<b>0.1</b>	<b>0.1</b>	0.8	0.8	1.6
<b>Profit (loss) after tax from discontinued operations</b>	–	–	–	1.1	(3.3)	(2.2)
Loss on sale of the subsidiaries after income tax	–	–	–	–	(2.8)	(2.8)
<b>Profit (loss) for the year from discontinued operations</b>	–	–	–	1.1	(6.1)	(5.0)
Reclassification of foreign currency translation reserve	–	–	–	0.8	–	0.8
<b>Other comprehensive income from discontinued operations</b>	–	–	–	0.8	–	0.8

	Year ended 31 December 2017 £m	Period ended 31 December 2016 £m
Cash flows from operating activities	–	(4.4)
Cash flows from investing activities	–	(0.4)
<b>Net decrease in cash &amp; cash equivalents from discontinued operations</b>	<b>–</b>	<b>(4.8)</b>

### Loss per share

Loss per share from discontinued operations were as follows.

	2017 pence	2016 pence
Basic	–	(2.3)
Diluted	–	(2.3)

These loss per share figures were derived by dividing the net profit attributable to equity holders of the Company from discontinued operations by the weighted average number of ordinary shares, for both basic and diluted amounts, shown in note 9.

## Notes to the Group Financial Statements continued

### 9. Earnings per share

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

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

	2017	2016
Profit attributable to equity holders of the Company		
Total operations* (£m)	<b>161.7</b>	38.3
Continuing operations* (£m)	<b>161.7</b>	43.3
Continuing operations before exceptional items & intangibles amortisation* (£m)	<b>190.6</b>	132.0
Weighted average share capital		
Basic earnings per share (number of shares, million)	<b>219.9</b>	215.6
Diluted earnings per share (number of shares, million)	<b>221.3</b>	216.9

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.

	2017 Shares million	2016 Shares million
Weighted average number of ordinary shares for basic earnings per share	<b>219.9</b>	215.6
Effect of dilution: LTIP awards	<b>1.4</b>	1.3
Adjusted weighted average number of ordinary shares for diluted earnings per share	<b>221.3</b>	216.9

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

	2017 £m	2016 £m
Net profit attributable to equity holders from continuing operations*	<b>161.7</b>	43.3
Exceptional items & intangibles amortisation net of tax	<b>28.9</b>	88.7
Net profit attributable to equity holders from continuing operations before exceptional items & intangibles amortisation	<b>190.6</b>	132.0
	2017 pence	2016 pence
<b>Basic earnings per share:</b>		
Total operations*	<b>73.5</b>	17.8
Continuing operations*	<b>73.5</b>	20.1
Continuing operations before exceptional items & intangibles amortisation*	<b>86.7</b>	61.2
<b>Diluted earnings per share:</b>		
Total operations*	<b>73.1</b>	17.7
Continuing operations*	<b>73.1</b>	20.0
Continuing operations before exceptional items & intangibles amortisation*	<b>86.1</b>	60.8

\* Adjusted for a loss of £0.2m (2016: £0.1m) in respect of non-controlling interests.

There have been no share options (2016: nil) exercised between the reporting date and the date of signing of these financial statements.

Earnings per share from discontinued operations are disclosed in note 8.

## 10. Dividends paid & proposed

	2017 £m	2016 £m
Declared & paid during the year		
Equity dividends on ordinary shares		
Final dividend for 2016: 29.0p (2015: 29.0p)	<b>63.1</b>	62.0
Interim dividend for 2017: 15.0p (2016: 15.0p)	<b>33.6</b>	32.5
	<b>96.7</b>	94.5
Proposed for approval by shareholders at the Annual General Meeting		
Final dividend for 2017: 29.0p (2016: 29.0p)	<b>65.0</b>	63.1

In 2016 and 2017, shareholders on record were provided the opportunity to receive dividends in the form of new fully paid ordinary shares through The Weir Group PLC Scrip Dividend Scheme. Participation in the scheme resulted in a final dividend for 2016 of £6.4m share issue and a cash dividend of £56.7m (final dividend for 2015: £29.6m share issue; £32.4m cash). The interim dividend for 2017 was split £16.1m share issue and £17.5m cash dividend (interim dividend for 2016: £19.1m share issue; £13.4m cash).

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 this Annual Report and Financial Statements and the record date for the final dividend.

Dividends have been maintained in the year with dividend cover of 1.97 times (2016: 1.39 times) as explained in the Financial Review.

## Notes to the Group Financial Statements continued

### 11. Property, plant & equipment

	Land & buildings £m	Plant & equipment £m	Total property, plant & equipment £m
<b>Cost</b>			
At 1 January 2016	196.3	552.7	749.0
Additions	19.2	35.1	54.3
Disposals	(41.5)	(33.1)	(74.6)
Disposal of business	(10.5)	(16.7)	(27.2)
Reclassifications from (to) intangible assets (note 12)	1.4	(1.6)	(0.2)
Reclassifications	(1.3)	1.3	–
Exchange adjustment	36.0	129.9	165.9
At 31 December 2016	<b>199.6</b>	<b>667.6</b>	<b>867.2</b>
Additions	<b>9.3</b>	<b>58.0</b>	<b>67.3</b>
Acquisitions	<b>3.5</b>	<b>4.4</b>	<b>7.9</b>
Disposals	<b>(4.5)</b>	<b>(24.9)</b>	<b>(29.4)</b>
Group transfers	<b>2.4</b>	<b>(2.4)</b>	<b>–</b>
Reclassifications to intangible assets (note 12)	<b>–</b>	<b>(1.8)</b>	<b>(1.8)</b>
Reclassifications	<b>4.3</b>	<b>(4.3)</b>	<b>–</b>
Exchange adjustment	<b>(7.1)</b>	<b>(39.3)</b>	<b>(46.4)</b>
At 31 December 2017	<b>207.5</b>	<b>657.3</b>	<b>864.8</b>
<b>Accumulated depreciation &amp; impairment</b>			
At 1 January 2016	49.8	310.9	360.7
Depreciation charge for the period	6.4	49.8	56.2
Impairment during the period	2.2	6.2	8.4
Disposals	(15.6)	(27.0)	(42.6)
Disposal of business	(1.5)	(8.5)	(10.0)
Reclassifications from (to) intangible assets (note 12)	0.1	(2.2)	(2.1)
Reclassifications	(1.0)	1.0	–
Exchange adjustment	10.3	84.3	94.6
At 31 December 2016	<b>50.7</b>	<b>414.5</b>	<b>465.2</b>
Depreciation charge for the year	<b>6.8</b>	<b>51.4</b>	<b>58.2</b>
Impairment during the year	<b>0.9</b>	<b>3.1</b>	<b>4.0</b>
Disposals	<b>(2.2)</b>	<b>(22.2)</b>	<b>(24.4)</b>
Reclassifications to inventory	<b>–</b>	<b>(0.1)</b>	<b>(0.1)</b>
Reclassifications	<b>0.1</b>	<b>(0.1)</b>	<b>–</b>
Exchange adjustment	<b>(2.8)</b>	<b>(27.6)</b>	<b>(30.4)</b>
At 31 December 2017	<b>53.5</b>	<b>419.0</b>	<b>472.5</b>
Net book value at 1 January 2016	146.5	241.8	388.3
Net book value at 31 December 2016	148.9	253.1	402.0
<b>Net book value at 31 December 2017</b>	<b>154.0</b>	<b>238.3</b>	<b>392.3</b>

The carrying value of buildings held under finance leases is £0.8m (2016: £0.9m). The carrying value of plant & equipment held under finance leases is £1.8m (2016: £1.0m). Leased assets are pledged as security for the related finance lease liabilities. The carrying amount of assets under construction included in plant & equipment is £24.6m (2016: £22.7m).

The impairment charges in the year are primarily related to actions undertaken as a result of the restructuring and rationalisation actions as outlined in note 5. Depreciation charge from discontinued operations for the year amounted to £nil (2016: £0.3m).

During 2016, the Group disposed of land & buildings under sale and leaseback agreements in North America for £33.2m. The gain on sale in relation to these disposals amounted to £5.1m. The Group restructuring and rationalisation charge included the proceeds from a further property in North America which was disposed of outright for a consideration of £2.5m, resulting in an exceptional gain on sale of £1.3m. These disposals were part of the Group's 2016 asset disposal programme.

## 12. Intangible assets

	Goodwill £m	Brand names £m	Customer & distributor relationships £m	Purchased software £m	Intellectual property & trademarks £m	Development costs £m	Other £m	Total £m
<b>Cost</b>								
At 1 January 2016	1,131.2	211.5	573.8	67.1	81.3	11.8	25.6	2,102.3
Additions	–	–	–	20.8	0.6	1.5	0.6	23.5
Disposals	–	–	–	(1.8)	–	–	–	(1.8)
Disposal of business	(37.7)	(4.4)	(8.3)	(0.7)	(6.9)	(0.2)	(3.0)	(61.2)
Reclassifications from (to) property, plant & equipment (note 11)	–	–	–	2.4	(0.9)	–	(1.3)	0.2
Exchange adjustment	217.3	42.6	114.0	10.1	15.6	1.3	4.9	405.8
At 31 December 2016	<b>1,310.8</b>	<b>249.7</b>	<b>679.5</b>	<b>97.9</b>	<b>89.7</b>	<b>14.4</b>	<b>26.8</b>	<b>2,468.8</b>
Additions	–	–	–	<b>7.8</b>	–	<b>10.4</b>	<b>0.2</b>	<b>18.4</b>
Acquisitions	<b>51.6</b>	<b>4.4</b>	<b>5.4</b>	–	<b>12.4</b>	–	–	<b>73.8</b>
Disposals	–	–	–	(0.9)	–	–	–	(0.9)
Reclassifications from property, plant & equipment (note 11)	–	–	–	<b>1.1</b>	<b>0.1</b>	–	<b>0.6</b>	<b>1.8</b>
Reclassifications	–	–	–	(25.0)	(2.9)	<b>28.1</b>	(0.2)	–
Exchange adjustment	<b>(99.7)</b>	<b>(22.4)</b>	<b>(57.8)</b>	(2.3)	(6.5)	–	(1.7)	(190.4)
At 31 December 2017	<b>1,262.7</b>	<b>231.7</b>	<b>627.1</b>	<b>78.6</b>	<b>92.8</b>	<b>52.9</b>	<b>25.7</b>	<b>2,371.5</b>
<b>Accumulated amortisation &amp; impairment</b>								
At 1 January 2016	386.1	7.0	203.7	31.8	37.3	2.5	22.1	690.5
Amortisation charge for the period	–	–	36.8	7.0	4.3	1.2	1.0	50.3
Impairment during the period	–	–	–	–	–	0.4	–	0.4
Disposals	–	–	–	(1.8)	–	–	–	(1.8)
Disposal of business	(27.8)	–	(6.8)	(0.5)	(1.8)	(0.2)	(3.0)	(40.1)
Reclassifications from (to) property, plant & equipment (note 11)	–	–	–	2.2	–	–	(0.1)	2.1
Exchange adjustment	76.5	1.4	42.9	5.1	7.9	0.4	4.4	138.6
At 31 December 2016	<b>434.8</b>	<b>8.4</b>	<b>276.6</b>	<b>43.8</b>	<b>47.7</b>	<b>4.3</b>	<b>24.4</b>	<b>840.0</b>
Amortisation charge for the year	–	<b>0.5</b>	<b>38.1</b>	<b>6.8</b>	<b>5.1</b>	<b>3.8</b>	<b>1.1</b>	<b>55.4</b>
Disposals	–	–	–	(0.9)	–	–	–	(0.9)
Reclassifications	–	–	–	(5.5)	(0.4)	<b>5.9</b>	–	–
Exchange adjustment	<b>(41.6)</b>	<b>(0.9)</b>	<b>(23.8)</b>	(1.3)	(3.7)	–	(1.6)	(72.9)
At 31 December 2017	<b>393.2</b>	<b>8.0</b>	<b>290.9</b>	<b>42.9</b>	<b>48.7</b>	<b>14.0</b>	<b>23.9</b>	<b>821.6</b>
Net book value at 1 January 2016	745.1	204.5	370.1	35.3	44.0	9.3	3.5	1,411.8
Net book value at 31 December 2016	876.0	241.3	402.9	54.1	42.0	10.1	2.4	1,628.8
<b>Net book value at 31 December 2017</b>	<b>869.5</b>	<b>223.7</b>	<b>336.2</b>	<b>35.7</b>	<b>44.1</b>	<b>38.9</b>	<b>1.8</b>	<b>1,549.9</b>

## Notes to the Group Financial Statements continued

### 12. Intangible assets continued

The impairment charge recorded in 2016 of £0.4m relates to the write down of development costs in Minerals. No impairment was recorded for the current year.

Brand names, with the exception of those acquired during the KOP Surface Products purchase, have been assigned an indefinite useful life and as such are not amortised. The brand names acquired during 2017 will be amortised fully over the next two years. The carrying value of brand names with an indefinite life is tested annually for impairment (note 14). There is no impairment charge in the current or prior year. The carrying value at the year end was £223.7m (2016: £241.3m).

The brand name value includes the brands of Linatex, BDK, Warman, SPM, Gabbioneta, Multiflo, Mathena and Wales, all of which are considered to be market leaders in their respective markets. The allocation of significant brand names is as follows.

	Brand names	
	2017 £m	2016 £m
Warman	<b>61.4</b>	67.9
Linatex	<b>42.1</b>	46.6
Seaboard	<b>28.6</b>	31.7
SPM	<b>40.3</b>	38.8
Trio	<b>17.6</b>	19.5
Gabbioneta	<b>6.0</b>	5.8
Mathena	<b>8.8</b>	9.7
Other	<b>18.9</b>	21.3
	<b>223.7</b>	241.3

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

	Remaining amortisation period		Customer and distributor relationships	
	2017 Years	2016 Years	2017 £m	2016 £m
SPM	<b>14</b>	15	<b>74.3</b>	88.1
Seaboard	<b>10</b>	11	<b>89.2</b>	106.9
Mathena	<b>8</b>	9	<b>83.3</b>	104.0
Novatech	<b>8</b>	9	<b>34.4</b>	43.4
Trio	<b>7</b>	8	<b>16.3</b>	20.9
Other	<b>Up to 13</b>	Up to 14	<b>38.7</b>	39.6
			<b>336.2</b>	402.9

Amortisation from discontinued operations for the year amounted to £nil (2016: £0.1m).

### 13. Business combinations

On 27 July 2017, the Group completed the acquisition of KOP Surface Products (KOP), a South Asian provider of advanced pressure control wellhead technologies, systems and services for a consideration of \$118.0m less cash acquired of \$3.9m. The acquisition was funded by the issue of shares totalling £90.0m. The provisional fair values, which are subject to finalisation during the first half of 2018, are disclosed in the table below.

There are certain intangible assets included in the £51.6m of goodwill recognised that cannot be individually separated and reliably measured due to their nature. These items include anticipated business growth, synergies and an assembled workforce.

	2017 £m
KOP provisional fair values	
Property, plant & equipment	7.9
Inventories	3.4
Intangible assets	
– customer relationships	5.4
– brand name	4.4
– intellectual property	12.4
Trade & other receivables	10.4
Cash & cash equivalents	3.2
Trade & other payables	(7.0)
Provisions	(4.1)
Current tax	1.4
Deferred tax	3.5
Fair value of net assets	40.9
Goodwill arising on acquisition	51.6
Total consideration	92.5

The total net cash outflow on current year acquisitions was as follows

– cash paid	(92.5)
– cash & cash equivalents acquired	3.2
Total cash outflow (note 26)	(89.3)

The gross amount and fair value of KOP trade receivables amounts to £10.4m. It is expected that virtually all the contractual amounts will be collected.

KOP contributed £13.3m to revenue and an operating loss of £4.3m (including exceptional items and intangibles amortisation) in the period from acquisition to 31 December 2017. If the acquisition had occurred at the start of 2017, the revenue and profit for the year from acquired operations, after exceptional items and intangibles amortisation, would not have been materially different from the results disclosed in the Consolidated Income Statement. Acquisition costs totalled £1.5m in the year (note 4).

## Notes to the Group Financial Statements continued

### 13. Business combinations continued

#### Contingent consideration

	Asset		Liability	
	2017 £m	2016 £m	2017 £m	2016 £m
Opening balance	<b>3.9</b>	–	<b>(31.0)</b>	(35.9)
Liability arising on business combinations	–	–	–	(0.6)
Asset arising on business disposal	<b>0.4</b>	4.6	–	–
Fair value changes in profit or loss (note 8 and note 5)	<b>(0.1)</b>	(0.4)	<b>(9.1)</b>	3.7
Contingent consideration (received) paid (note 8 and note 26)	<b>(3.5)</b>	(0.6)	<b>38.0</b>	10.6
Unwind of discount (note 5)	–	–	<b>(0.8)</b>	(3.8)
Exchange movements in the year	<b>(0.3)</b>	0.3	<b>(0.5)</b>	(5.0)
Closing balance	<b>0.4</b>	3.9	<b>(3.4)</b>	(31.0)

Any contingent consideration is recognised at the date of acquisition or disposal of a subsidiary.

##### i) Contingent consideration receivable

The disposal of American Hydro Corporation in 2016 included a final escrow payment of £3.6m due for settlement in 2017. This balance was settled during the year with £3.5m cash received and a £0.1m adjustment recorded in discontinued operations.

An escrow receivable of £0.4m was booked in the year relating to the sale of the joint venture entity, Energy Products LLC (EPI). The balance is to be received early 2018.

##### ii) Contingent consideration payable

The deferred consideration payable in relation to the acquisition of Weir International in 2011 has been settled in the year following an agreement being reached to complete the purchase of the remaining minority interest. In 2017 a fair value adjustment of £9.6m and an unwind of £0.8m was recorded with payment of the closing deferred consideration in December 2017 to complete the purchase of the remaining minority interest for payment proceeds of £36.6m.

The remaining deferred consideration of £1.3m for the 2015 acquisition of Delta Valves was settled in the year. Based on final negotiations, £0.8m was paid in cash with the remainder of the balance written off as a fair value adjustment.

The deferred consideration of £0.6m relating to the 2016 purchase of the remaining shareholding of Shengli Oilfield Weir Highland Pump Company Ltd (Shengli) was paid during the year.

There is contingent consideration payable of £3.4m remaining in relation to the 2014 Weir Trio acquisition. This relates to working capital balances and is now expected to be finalised in 2018. A reconciliation of fair value measurement of the contingent consideration asset and liability is provided above.

#### **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 cash generating units (CGUs) that are expected to benefit from the business combination. The Group tests goodwill and intangible assets with indefinite lives annually for impairment, or more frequently if there are indications that they might be impaired.

KOP Surface Products, acquired during 2017 as described in note 13, has been allocated to the Oil & Gas International (formerly Oil & Gas EMEA) CGU.

The carrying amounts of goodwill and intangible assets with indefinite lives have been allocated as per the table below.

	<b>Goodwill 2017 £m</b>	<b>Intangibles 2017 £m</b>	Goodwill 2016 £m	Intangibles 2016 £m
Flow Control	<b>101.5</b>	<b>12.1</b>	98.7	12.1
Minerals	<b>372.9</b>	<b>130.0</b>	396.0	143.2
Oil & Gas International	<b>57.1</b>	—	6.6	—
Oil & Gas North America	<b>338.0</b>	<b>77.7</b>	374.7	86.0
	<b>869.5</b>	<b>219.8</b>	876.0	241.3

#### **Description of CGUs**

A description of each of the CGUs is provided below along with a summary of the key drivers of revenue growth and EBITA margin.

##### **Flow Control**

Flow Control includes the Gabbioneta brand. Flow Control is a supplier of highly engineered pumps, valves and associated aftermarket services to oil and gas refinery, petro-chemical and power generation industries. The key drivers for revenues are capital expenditure within oil refinery, petro-chemical industries and power generation. 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 2017.

##### **Minerals**

Minerals includes the Weir Warman, Weir Linatex and Weir Trio brands. Weir Minerals companies supply pumps and associated equipment and services to all global mining markets. 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 capital expenditure and activity have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2017.

##### **Oil & Gas International**

Oil & Gas International comprises multiple service centre locations within the Middle East and Europe and the recently acquired wellhead locations across a number of countries in Asia Pacific. The service centre locations supply services including repair, manufacture and certification of oilfield equipment, to a diverse portfolio of customers. The Asia Pacific location supplies surface wellheads, surface trees, valves and actuators as well as providing support to customers including installation, maintenance, rental and refurbishment services. The key drivers for revenues are oil and natural gas prices. Independent forecasts of these commodity prices have been used to derive revenue growth assumptions. These independent forecasts were prepared during the final quarter of 2017.

##### **Oil & Gas North America**

Oil & Gas North America includes the Weir SPM, Weir Seaboard and Weir Mathena brands. This CGU is a supplier of oil and gas well service pumps, wellhead solutions, associated flow control equipment and services to the oil and gas production industry. Demand in Oil & Gas North America is closely related to the number of conventional and unconventional oil drilling rigs and gas well drilling rigs in operation which is in turn dependent upon oil and natural gas prices and storage levels. Independent forecasts of North American oil and gas well drilling activity, which take into account forecast oil and natural gas prices and storage levels, have been used during the final quarter of 2017 to derive revenue growth assumptions.

## Notes to the Group Financial Statements continued

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

#### Impairment testing assumptions

The basis of the impairment tests for the four primary CGUs including key assumptions are set out in the table below.

CGU	Basis of valuation	Period of forecast	Discount rate <sup>1</sup>	Real growth <sup>2</sup>	Key assumptions	Source
Flow Control	Value in use	5 years	13.6% (2016: 13.5%)	1.2% (2016: 1.2%)	Revenue growth EBITA margins	External forecast Historical experience
Minerals	Value in use	5 years	14.8% (2016: 16.3%)	1.2% (2016: 1.2%)	Revenue growth EBITA margins	External forecast Historical experience
Oil & Gas International	Value in use	5 years	12.0% (2016: 13.7%)	1.2% (2016: 1.2%)	Revenue growth EBITA margins	External forecast Historical experience
Oil & Gas North America	Value in use	5 years	15.1% (2016: 15.3%)	1.2% (2016: 1.2%)	Revenue growth EBITA margins	External forecast Historical experience

#### 1 Discount rate

The pre-tax nominal weighted average cost of capital (WACC) is the basis for the discount rate, with adjustments made, as appropriate, for geographic risk. The WACC is the weighted average of the pre-tax cost of debt financing and the pre-tax cost of equity finance. During the year, there have been changes in the bond yields, equity market risk premium and industry asset beta, which have led to a decrease in the overall discount rate for the majority of countries.

#### 2 Real growth

Real growth beyond the five year forecast period has been held consistent with the prior year at 1.2% (2016: 1.2%), reflecting the increasingly global nature of these businesses, the long-term growth prospects in their end markets and the fact that they sell a significant proportion of their products to emerging markets which also have strong long-term growth prospects.

#### EBITA margins

EBITA margins have been forecast based on historical 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.

#### Impairment testing and sensitivity analysis

Base case forecasts for all CGUs show significant headroom above carrying value. No sensitivity analysis has been undertaken as there is no reasonable possible change in key assumptions that would cause the carrying values to exceed recoverable amounts.

**15. Investments in joint ventures**

The investments in joint ventures are as follows.

	£m
At 1 January 2016	33.4
Share of results	7.2
Share of dividends	(7.3)
Exchange adjustment	7.2
At 31 December 2016	<b>40.5</b>
Additions	<b>1.4</b>
Disposals	<b>(21.8)</b>
Share of results	<b>10.9</b>
Share of dividends	<b>(8.0)</b>
Exchange adjustment	<b>(3.8)</b>
At 31 December 2017	<b>19.2</b>

Details of the Group's share of the balance sheet, revenue and profit of each of its joint ventures are given below.

	2017 £m	2016 £m
Share of joint ventures' balance sheets		
Goodwill	<b>3.9</b>	15.9
Current assets	<b>18.3</b>	33.2
Non-current assets	<b>2.9</b>	4.7
Current liabilities	<b>(4.5)</b>	(11.4)
Non-current liabilities	<b>(1.4)</b>	(1.9)
Net assets	<b>19.2</b>	40.5
Share of joint ventures' revenue & profits		
Revenue	<b>65.7</b>	47.3
Cost of sales	<b>(48.0)</b>	(31.9)
Selling & distribution costs	<b>(4.3)</b>	(5.6)
Administrative expenses	<b>(1.5)</b>	(1.0)
Income tax expense	<b>(1.0)</b>	(1.6)
Profit after tax	<b>10.9</b>	7.2

The addition in the year relates to the Group's investment in EPIX, a joint venture with MTU, on 24 March 2017. The disposal relates to Energy Products LLC (EPI) which was divested on 30 November 2017 for proceeds of £31.8m and a deferred consideration receivable balance of £0.4m (note 13). This resulted in a gain on sale of £10.4m which has been disclosed as an exceptional item in the year (note 5). The Group's investments in joint ventures are included in Subsidiary Undertakings on page 202.

**16. Inventories**

	2017 £m	2016 £m
Raw materials	<b>142.1</b>	125.8
Work in progress	<b>129.4</b>	137.5
Finished goods	<b>315.3</b>	288.3
	<b>586.8</b>	551.6

In 2017, the cost of inventories recognised as an expense within cost of sales amounted to £1,619.2m (2016: £1,241.7m). In 2017, the write-down of inventories to net realisable value amounted to £5.7m (2016: £20.1m), which included £4.8m (2016: £7.9m) in relation to Group restructuring actions, as disclosed in note 5. Write-downs in both years relate to assessments of inventory obsolescence, excess inventory holding and inventory resale values across all of the Group's businesses.

## Notes to the Group Financial Statements continued

### 17. Trade & other receivables

Other receivables presented as non-current on the face of the Consolidated Balance Sheet of £43.0m (2016: £39.2m) are in respect of insurance contracts relating to asbestos-related claims in the US. Further detail is presented in note 22.

Current trade & other receivables are analysed in the following table.

	2017 £m	2016 £m
Trade receivables	<b>516.5</b>	387.8
Allowance for doubtful debts	<b>(23.6)</b>	(17.7)
	<b>492.9</b>	370.1
Other debtors	<b>45.5</b>	48.3
Sales tax receivable	<b>14.7</b>	14.2
Accrued income	<b>30.3</b>	24.2
Prepayments	<b>29.5</b>	21.1
Contingent consideration receivable	<b>0.4</b>	3.9
	<b>613.3</b>	481.8

The average credit period on sales of goods is 76 days (2016: 73 days). Other debtors includes £2.4m (2016: £9.3m) in respect of amounts due from joint ventures, and £10.3m (2016: £8.3m) in respect of insurance contracts relating to asbestos-related claims made in the US (note 22).

### Analysis of trade receivables

	2017 £m	2016 £m
Neither impaired nor past due	<b>322.4</b>	262.7
Past due but not impaired	<b>170.5</b>	107.4
Impaired	<b>23.6</b>	17.7
	<b>516.5</b>	387.8

### Ageing of past due but not impaired trade receivables

	2017 £m	2016 £m
Up to 3 months	<b>122.0</b>	76.1
Between 3 & 6 months	<b>25.6</b>	9.0
More than 6 months	<b>22.9</b>	22.3
	<b>170.5</b>	107.4

### Movement in the allowance for doubtful debts

	2017 £m	2016 £m
Balance at the beginning of the year	<b>(17.7)</b>	(18.3)
Impairment losses recognised on receivables	<b>(8.6)</b>	(3.1)
Arising on disposal of business	<b>–</b>	0.1
Amounts written off as uncollectable	<b>0.5</b>	4.1
Amounts recovered during the year	<b>0.5</b>	0.9
Impairment losses reversed	<b>1.1</b>	1.0
Exchange adjustment	<b>0.6</b>	(2.4)
Balance at the end of the year	<b>(23.6)</b>	(17.7)

Impairment losses recognised in 2016 include £3.1m as part of Group restructuring actions.

### Ageing of impaired trade receivables

	2017 £m	2016 £m
Up to 3 months	0.6	0.8
Between 3 & 6 months	0.5	2.2
More than 6 months	22.5	14.7
	<b>23.6</b>	17.7

### 18. Construction contracts

	2017 £m	2016 £m
Gross amount due from customers for contract work (included in current assets)	<b>23.6</b>	23.8
Gross amount due to customers for contract work (included in current liabilities)	(2.6)	(4.2)
	<b>21.0</b>	19.6
Contract costs incurred plus recognised profits less recognised losses to date	<b>92.1</b>	76.5
Less: progress billings	(71.1)	(56.9)
	<b>21.0</b>	19.6

The amount of retentions held by customers for contract work was £nil in both periods. The amount of advances received from customers for contract work was £2.4m (2016: £1.3m).

### 19. Cash & short-term deposits

	2017 £m	2016 £m
Cash at bank & in hand	<b>155.1</b>	148.2
Government securities & short-term deposits	<b>129.5</b>	110.4
	<b>284.6</b>	258.6
For the purposes of the Consolidated Cash Flow Statement, cash & cash equivalents comprise the following:		
Cash & short-term deposits	<b>284.6</b>	258.6
Bank overdrafts & short-term borrowings (note 20)	(0.1)	(1.6)
	<b>284.5</b>	257.0

Cash at bank & 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

	2017 £m	2016 £m
<b>Current</b>		
Bank overdrafts	<b>0.1</b>	1.2
Short-term borrowings	–	0.4
	<b>0.1</b>	1.6
Fixed-rate notes	<b>94.0</b>	–
Bank loans	<b>0.6</b>	–
Commercial paper	<b>293.4</b>	142.1
Obligations under finance leases (note 27)	<b>0.3</b>	0.3
	<b>388.4</b>	144.0
<b>Non-current</b>		
Bank loans	–	31.1
Fixed-rate notes	<b>738.7</b>	917.5
Obligations under finance leases (note 27)	<b>0.7</b>	0.5
	<b>739.4</b>	949.1

Bank loans	Maturity	Interest basis	Weighted average interest rate			2017 £m	2016 £m
			2017 %	2016 %			
<b>Revolving credit facility</b>							
United States Dollar variable rate loans	2021	US\$ LIBOR	<b>1.09</b>	1.09		–	31.0
<b>Other</b>							
Argentinian Peso fixed-rate loan facilities	2019	FIXED	<b>18.18</b>	18.18		–	0.1
United States Dollar pre-shipment credit in foreign currency	2018	US\$ LIBOR	<b>3.96</b>	–		<b>0.4</b>	–
Indian Rupee working capital loan facility	2018	FIXED	<b>9.20</b>	–		<b>0.2</b>	–
						<b>0.6</b>	31.1
Less: current instalments due on bank loans							
United States Dollar pre-shipment credit in foreign currency	2018	US\$ LIBOR				<b>(0.4)</b>	–
Indian Rupee working capital loan facility	2018	FIXED				<b>(0.2)</b>	–
Non-current bank loans						–	31.1

Commercial paper	Maturity	Interest basis	Weighted average interest rate			2017 £m	2016 £m
			2017 %	2016 %			
<b>Commercial paper</b>							
Euro variable rate commercial paper	2018	EUR LIBOR	<b>0.06</b>	0.17		<b>293.4</b>	142.1
						<b>293.4</b>	142.1
Less: current instalments due on commercial paper							
Euro variable rate commercial paper	2018	EUR LIBOR				<b>(293.4)</b>	(142.1)
Non-current commercial paper						–	–

The weighted average interest rates include an applicable margin over and above the interest basis.

Fixed rate notes	Maturity	Interest basis	Fixed interest rate		2017 £m	2016 £m
			2017 %	2016 %		
<b>Private placement</b>						
Sterling fixed-rate notes	2018	FIXED	<b>5.36</b>	5.36	<b>43.0</b>	43.0
United States Dollar fixed-rate notes	2018	FIXED	<b>5.03</b>	5.03	<b>51.0</b>	57.2
United States Dollar fixed-rate notes	2019	FIXED	<b>3.69</b>	3.69	<b>155.0</b>	171.7
United States Dollar fixed-rate notes	2022	FIXED	<b>4.27</b>	4.27	<b>435.9</b>	482.1
United States Dollar fixed-rate notes	2023	FIXED	<b>4.34</b>	4.34	<b>147.8</b>	163.5
					<b>832.7</b>	917.5
Less: current instalments due on fixed-rate notes						
Sterling fixed-rate notes	2018	FIXED			<b>(43.0)</b>	-
United States Dollar fixed-rate notes	2018	FIXED			<b>(51.0)</b>	-
Non-current fixed-rate notes					<b>738.7</b>	917.5

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

At 31 December 2017, a total of £293.4m equivalent (2016: £142.1m equivalent) was outstanding under the Group's US\$1bn commercial paper programme.

At 31 December 2017, US\$nil (2016: US\$40.0m) was drawn under the revolving credit facility. The US\$800m multi-currency revolving credit facility matures in two tranches between September 2020 and September 2021.

Total unamortised issue costs at 31 December 2017 were £1.5m (2016: £2.5m).

## 21. Trade & other payables

	2017 £m	2016 £m
<b>Current</b>		
Trade payables	<b>341.7</b>	268.2
Other creditors	<b>9.2</b>	9.4
Other taxes & social security costs	<b>16.0</b>	16.5
Accruals	<b>177.5</b>	165.0
Contingent consideration payable	<b>3.4</b>	17.3
Deferred income	<b>65.4</b>	71.7
	<b>613.2</b>	548.1
<b>Non-current</b>		
Other payables	<b>0.5</b>	1.2
Contingent consideration payable	<b>—</b>	13.7
	<b>0.5</b>	14.9

## Notes to the Group Financial Statements continued

### 22. Provisions

	Warranties & onerous sales contracts £m	Asbestos-related £m	Employee-related £m	Exceptional rationalisation £m	Other £m	Total £m
At 31 December 2016	<b>23.5</b>	<b>52.7</b>	<b>16.7</b>	<b>47.1</b>	<b>3.4</b>	<b>143.4</b>
Additions	<b>21.8</b>	<b>15.6</b>	<b>4.1</b>	<b>7.3</b>	<b>3.6</b>	<b>52.4</b>
Acquisitions	<b>1.8</b>	–	<b>2.0</b>	–	<b>0.3</b>	<b>4.1</b>
Utilised	<b>(17.4)</b>	<b>(6.4)</b>	<b>(3.4)</b>	<b>(32.8)</b>	<b>(1.7)</b>	<b>(61.7)</b>
Unwind	–	<b>0.7</b>	–	–	–	<b>0.7</b>
Unutilised	<b>(4.3)</b>	–	<b>(0.3)</b>	<b>(0.9)</b>	<b>(0.3)</b>	<b>(5.8)</b>
Transfers	<b>5.2</b>	–	–	<b>(5.2)</b>	–	–
Exchange adjustment	<b>(1.0)</b>	<b>(4.6)</b>	<b>(0.6)</b>	<b>(1.9)</b>	<b>(0.4)</b>	<b>(8.5)</b>
<b>At 31 December 2017</b>	<b>29.6</b>	<b>58.0</b>	<b>18.5</b>	<b>13.6</b>	<b>4.9</b>	<b>124.6</b>
Current 2017	<b>21.2</b>	<b>10.7</b>	<b>5.3</b>	<b>10.7</b>	<b>4.7</b>	<b>52.6</b>
Non-current 2017	<b>8.4</b>	<b>47.3</b>	<b>13.2</b>	<b>2.9</b>	<b>0.2</b>	<b>72.0</b>
<b>At 31 December 2017</b>	<b>29.6</b>	<b>58.0</b>	<b>18.5</b>	<b>13.6</b>	<b>4.9</b>	<b>124.6</b>
Current 2016	18.2	13.6	6.2	42.5	2.7	83.2
Non-current 2016	5.3	39.1	10.5	4.6	0.7	60.2
At 31 December 2016	23.5	52.7	16.7	47.1	3.4	143.4

#### Warranties & onerous sales contracts

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.

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 majority of these costs will be incurred within one year of the balance sheet date.

#### Asbestos-related claims

Certain of the Group's US-based subsidiaries are co-defendants in lawsuits pending in the United States in which plaintiffs are claiming damages arising from alleged exposure to products previously manufactured which contained asbestos. The Group has comprehensive insurance cover for cases of this nature with all claims directly managed by the Group's insurers who also meet associated defence costs. The insurers and their legal advisers agree and execute the defence strategy between them. There are currently no related cash flows to or from the Group, and we expect this to continue for the foreseeable future.

There remains inherent uncertainty associated with estimating future costs in respect of asbestos-related diseases. Actuarial estimates of future indemnity and defence costs associated with asbestos-related diseases are subject to significantly greater uncertainty than actuarial estimates for other types of exposure. This uncertainty results from factors that are unique to the asbestos claims litigation and settlement process including but not limited to:

- i) The possibility of future state or federal legislation applying to claims for asbestos-related diseases;
- ii) The ability of the plaintiff's bar to develop and sustain new legal theory and/or develop new populations of claimants;
- iii) Changes in focus of the plaintiff's bar;
- iv) Changes in the Group's defence strategy; and
- v) Changes in the financial condition of other co-defendants in suits naming the Group and affiliated businesses.

A review of both the Group's expected liability for US asbestos-related diseases and the adequacy of the Group's insurance policies to meet future settlement and defence costs was completed in conjunction with external advisers. The exercise was originally completed in 2014 and has been repeated in 2017 as part of our planned triennial actuarial update. This review estimated future claims experience based on an industry standard epidemiological decay model and Weir's claims settlement history. Due to the inherent uncertainty resulting from the changing nature of the US litigation environment as outlined above, and in conjunction with the actuarial review, the Directors consider 10 years (2016: 10 years) of projected claims to provide a reliable estimate of the future liability. A provision of £53.3m represents the Directors' best estimate of the future liability, although these estimates and the period over which they are assessed will continue to be refined as the claims history develops. Confirmation was also received from external advisers that the insurance asset remains sufficient to match the Directors' best estimate of the future liability and therefore a corresponding asset continues to be recognised for insurance proceeds (note 17).

There can be no guarantee that the assumptions used to estimate the provision will result in an accurate prediction of the actual costs that may be incurred. Sensitivity analysis has been conducted which involved:

- i) Increasing/decreasing the number of projected future settled claims and estimated settlement value by 10%; or
- ii) Increasing/decreasing the basis of provision by two years.

Application of these sensitivities would not lead to a material change in the provision.

In the UK, there are outstanding asbestos-related claims which are not the subject of insurance cover. The extent of the UK asbestos exposure involves a series of legacy employers liability claims which all relate to former UK operations and employment periods in the 1960s and 1970s. In 1989 the Group's employer's liability insurer (Chester Street Employers Association Ltd) was placed into run-off which effectively generated an uninsured liability exposure for all future long tail disease claims with an exposure period pre-dating 1 January 1972. All claims with a disease exposure post 1 January 1972 are fully compensated via the Government established Financial Services Compensation Scheme (FSCS). Any settlement to a former employee whose service period straddles 1972 is calculated on a pro rata basis. The Group provides for these claims based on management's best estimate of the likely costs given past experience of the volume and cost of similar claims brought against the Group.

The UK provision was reviewed and adjusted accordingly for claims experience in the year, resulting in a provision of £4.7m (2016: £5.2m).

#### **Employee-related**

Employee-related provisions arise from legal obligations, the majority of which relate to compensation associated with periods of service.

#### **Exceptional rationalisation**

Restructuring and rationalisation charges led to additions of £7.3m (2016: £63.0m) during the year which related to continued costs from 2016 restructuring projects and additional costs of £2.1m as a result of an extension of a prior period legal claim.

During 2017, a transfer has been made from exceptional rationalisation to the warranties and onerous sales contract provision. Included in the utilisation of the exceptional rationalisation provision in the year is non-cash utilisation items of £4.2m which led to a cash outflow of £28.6m.

#### **Other**

Other provisions relate to penalties, duties due, legal claims and other exposures across the Group.

## Notes to the Group Financial Statements continued

### 23. Deferred tax

	2017 £m	2016 £m
<b>Deferred income tax assets</b>		
Post-employment benefits	<b>24.3</b>	26.4
Decelerated depreciation for tax purposes	<b>6.2</b>	2.9
Intangible assets	<b>1.4</b>	5.1
Untaxed reserves	<b>109.3</b>	131.8
Offset against liabilities	<b>(95.9)</b>	(124.1)
Deferred income tax assets	<b>45.3</b>	42.1
<b>Deferred income tax liabilities</b>		
Accelerated depreciation for tax purposes	<b>(16.3)</b>	(20.9)
Overseas tax on unremitted earnings	<b>(15.1)</b>	(23.1)
Intangible assets	<b>(108.7)</b>	(190.9)
Other temporary differences	<b>(14.2)</b>	10.3
Offset against assets	<b>95.9</b>	124.1
Deferred income tax liabilities	<b>(58.4)</b>	(100.5)
<b>Net deferred income tax liabilities</b>	<b>(13.1)</b>	(58.4)

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

	Post employment benefits £m	Accelerated depreciation for tax purposes £m	Overseas tax on unremitted earnings £m	Intangible assets £m	Untaxed reserves & other temporary differences £m	Total £m
At 1 January 2016	17.3	(15.0)	(20.5)	(159.8)	82.9	(95.1)
Prior year adjustments	1.7	(3.0)	–	–	2.1	0.8
(Charged) credited to the Income Statement (note 7)	(2.0)	3.0	1.6	5.4	36.4	44.4
Credited to equity (note 7)	8.4	–	–	–	0.2	8.6
Exchange adjustment	1.0	(3.0)	(4.2)	(31.4)	20.5	(17.1)
<b>At 31 December 2016</b>	<b>26.4</b>	<b>(18.0)</b>	<b>(23.1)</b>	<b>(185.8)</b>	<b>142.1</b>	<b>(58.4)</b>
Prior year adjustments	–	<b>2.9</b>	–	–	<b>(2.9)</b>	–
Acquisitions	–	<b>(0.2)</b>	–	–	<b>3.7</b>	<b>3.5</b>
(Charged) credited to the Income Statement (note 7)	<b>(3.2)</b>	<b>3.9</b>	<b>7.1</b>	<b>65.3</b>	<b>(39.0)</b>	<b>34.1</b>
Credited to equity (note 7)	<b>1.5</b>	–	–	–	<b>0.8</b>	<b>2.3</b>
Exchange adjustment	<b>(0.4)</b>	<b>1.3</b>	<b>0.9</b>	<b>13.2</b>	<b>(9.6)</b>	<b>5.4</b>
<b>At 31 December 2017</b>	<b>24.3</b>	<b>(10.1)</b>	<b>(15.1)</b>	<b>(107.3)</b>	<b>95.1</b>	<b>(13.1)</b>

Untaxed reserves primarily relate to temporarily disallowed inventory/receivable provisions and accruals/provisions for liabilities where the tax allowance is deferred until the cash expense occurs. In relation to the untaxed reserves, £34.7m relates to carried forward interest deductions in the US. The Tax Cuts and Jobs Act enacted in the US on 22 December 2017 maintained the rule which allows surplus interest expenses to be carried forward indefinitely to be used against future earnings. Forecasts have been prepared which indicate that this interest will be able to be substantially offset by 2022; therefore, it is considered appropriate to continue to recognise a deferred tax asset in respect of this amount.

Deferred tax asset balances for unused tax losses of £18.2m (2016: £11.5m) 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 £5.9m (2016: £4.2m) 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 £15.1m (2016: £23.1m) has been recognised in respect of taxes on the unremitted earnings of the South American and Canadian subsidiaries and the unremitted earnings of the Canadian subsidiary of the US subgroup. As at 31 December 2017, 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 £1,971.9m (2016: £1,986.6m).

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

### **UK Corporation tax rate changes**

Legislation was enacted on 26 October 2015 such that the main rate of UK corporation tax has been 19% since April 2017 and will be 17% from April 2020. Consequently, UK deferred tax has been provided at the prevalent rates during the periods in which the UK temporary differences are expected to unwind. As a result, deferred tax has been provided on UK temporary differences at 17.8% (2016: 17.8%).

### **24. Pensions & other post-employment benefit plans**

The Group has four main 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 funded UK plans.

#### **UK plans**

The Group has two funded defined benefit plans (the Main Plan and the Executive Plan) and an unfunded retirement benefit plan for retired executive directors. The Group also operates a defined contribution plan, the contributions to which are in addition to those set out below, and are charged directly to the Consolidated Income Statement.

For the defined benefit plans, benefits are related to service and final salary. The Main Plan closed to future accrual of benefits effective from 30 June 2015.

The weighted average duration of the expected benefit payments from the Main Plan is around 17 years and from the Executive Plan is around 14 years.

The current funding target for the UK plans is to maintain assets equal to the value of the accrued benefits. The Main Plan holds two insurance policies which match the liabilities in respect of a significant proportion of deferred and retired pensioners. The Executive Plan entered into an insurance contract in 2017 which matches the liabilities of the plan in full.

The regulatory framework in the UK requires the pension scheme Trustees and Group to agree upon the assumptions underlying the funding target, and then to agree upon the necessary contributions required to recover any deficit at the valuation date. There is a risk to the Group that adverse experience against these assumptions could lead to a requirement for the Group to make considerable contributions to recover any deficit. This risk is significantly reduced for the Main Plan and the Executive Plan through the insurance policies held.

#### **North American plans**

The Group also sponsors two funded defined benefit pension plans in the US and Canada and certain unfunded post-employment healthcare benefits for senior employees in the US.

These plans combined make up 3% of the Group's pension and other post-employment benefit plan commitments and 2% of the Group's total associated assets.

The weighted average duration of these plans is around 10 years.

## Notes to the Group Financial Statements continued

### 24. Pensions & other post-employment benefit plans continued

#### Assumptions

The significant actuarial assumptions used for accounting purposes reflect prevailing market conditions in the UK and North America and are as follows.

	UK pensions		North American pensions		North American post-retirement healthcare	
	2017	2016	2017	2016	2017	2016
<b>Significant actuarial assumptions</b>						
Discount rate (% pa)	<b>2.4</b>	2.6	<b>3.4</b>	3.9	<b>3.4</b>	3.9
Retail Prices Inflation assumption (% pa)	<b>3.2</b>	3.3	n/a	n/a	n/a	n/a
<b>Post-retirement mortality (life expectancies in years)</b>						
Current pensioners at 65 – male	<b>22.1</b>	22.2	<b>20.6</b>	20.8	<b>20.6</b>	20.8
Current pensioners at 65 – female	<b>24.0</b>	24.3	<b>22.6</b>	22.8	<b>22.6</b>	22.8
Future pensioners at 65 – male	<b>23.5</b>	24.0	<b>22.2</b>	22.4	<b>22.2</b>	22.4
Future pensioners at 65 – female	<b>25.5</b>	26.2	<b>24.2</b>	24.9	<b>24.2</b>	24.9
<b>Other related actuarial assumptions</b>						
Rate of increases for pensions in payment (% pa)						
Pre 6 April 2006 service	<b>3.1</b>	3.1	n/a	n/a	n/a	n/a
Post 5 April 2006 service	<b>2.1</b>	2.1	n/a	n/a	n/a	n/a
Consumer Prices Inflation assumption (% pa)	<b>2.1</b>	2.2	n/a	n/a	n/a	n/a
Rate of increase in healthcare costs	n/a	n/a	n/a	n/a	*	**

\* Between 6.2% and 8.7% per annum decreasing to 4.5% per annum and remaining static at that level from 2028 onwards.

\*\* 7.2% per annum decreasing to 4.5% per annum and remaining static at that level from 2028 onwards.

The assumptions used to determine end-of-year benefit obligations are also used to calculate the following year's cost. For North America, weighted average assumptions are shown where applicable.

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 a member retiring in 2038 (in 20 years' time).

The assets and liabilities of the plans are as follows.

	Total	
	2017 £m	2016 £m
Plan assets at fair value		
Equities (quoted)	<b>196.7</b>	216.7
Diversified Growth Funds (primarily quoted)	<b>56.8</b>	51.5
Corporate bonds (quoted)	<b>82.1</b>	85.6
Government bonds (quoted)	<b>74.7</b>	97.2
Insurance policies (unquoted)	<b>414.1</b>	379.2
Cash (quoted)	<b>0.8</b>	2.0
Fair value of plan assets	<b>825.2</b>	832.2
Present value of funded obligations	<b>(955.6)</b>	(960.9)
Net funded obligations	<b>(130.4)</b>	(128.7)
Present value of unfunded obligations	<b>(7.3)</b>	(8.5)
Net liability	<b>(137.7)</b>	(137.2)
Plans in surplus	–	9.8
Plans in deficit	<b>(137.7)</b>	(147.0)

The government bonds held at 31 December 2017 are all index-linked (2016: included 7% fixed interest government bonds). The pension plans have not directly invested in any of the Group's own financial instruments, or in properties or other assets used by the Group.

In the UK, where the majority of the Group's pension assets are held, the investment strategy is to hold equities and other return-seeking assets, such as diversified growth funds and a mixture of bonds, to meet the assessed value of the benefits promised for the non-insured deferred pensioners. For the remaining deferred pensioners and the bulk of pensioners currently receiving their benefit, the liabilities are backed by insurance policies and suitable bonds.

The change in net liabilities recognised in the Balance Sheet is comprised as follows.

	2017 £m	2016 £m
Opening net liabilities	<b>(137.2)</b>	(81.8)
Expense charged to profit & loss	<b>(0.7)</b>	(3.5)
Amount recognised in Consolidated Statement of Comprehensive Income	<b>(5.4)</b>	(53.0)
Employer contributions	<b>4.2</b>	3.9
Currency adjustment	<b>1.4</b>	(2.8)
Closing net liabilities	<b>(137.7)</b>	(137.2)

## Notes to the Group Financial Statements continued

### 24. Pensions & other post-employment benefit plans continued

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

	2017 £m	2016 £m
<b>Recognised in the Consolidated Income Statement</b>		
Past service credit	<b>3.5</b>	–
Administrative expenses	<b>(0.5)</b>	(0.5)
Included in operating profit	<b>3.0</b>	(0.5)
Interest on net pension liability (note 6)	<b>(3.7)</b>	(3.0)
Total expense charged to profit & loss	<b>(0.7)</b>	(3.5)
<b>Recognised in the Consolidated Statement of Comprehensive Income</b>		
Actual return on plan assets	<b>36.3</b>	134.7
Less: interest on plan assets	<b>(21.2)</b>	(26.5)
	<b>15.1</b>	108.2
Other actuarial (losses) gains due to		
Changes in financial assumptions	<b>(35.1)</b>	(172.3)
Changes in demographic assumptions	<b>17.3</b>	11.1
Experience on benefit obligations	<b>(2.7)</b>	–
Actuarial losses recognised in the Consolidated Statement of Comprehensive Income	<b>(5.4)</b>	(53.0)

Current service cost and administration expenses are recognised in operating costs and interest on net pension liability is recognised in finance costs.

A past service credit of £3.5m arose in 2017 in relation to certain members opting for a different benefit structure in one of the Group's US post-retirement medical arrangements.

Pension contributions are determined with the advice of independent qualified actuaries on the basis of regular valuations using the projected unit method. The Group made special contributions of £3.0m in 2017 (2016: £2.8m) in addition to the Group's regular contributions.

The most recent actuarial funding valuation of the Main Plan was as at 31 December 2014 when the funding shortfall was £65.0m. Under the recovery plan agreed with the Trustees, the Group entered into a pension funding partnership structure under which it will contribute interests in a Scottish Limited Partnership (SLP) for the Main Plan. The Main Plan's interests in the SLP will reduce the deficit on a funding basis, although the agreement will not affect the position directly on an IAS 19 accounting basis as the investments held do not qualify as assets for IAS 19 purposes. As a partner in the SLP, the Main Plan is entitled to receive a share of the profits of the SLP once a year for 15 years, subject to conditions being met. The profits to be shared with the Plan will be reflected in the Group's financial statements as a pension contribution.

The Executive Plan actuarial valuation as at 31 December 2013 included a funding shortfall of £10.6m with agreed recovery contributions of £2.4m per annum to 31 December 2017. The Trustees of the UK Executive Scheme entered into a full buy-in transaction in the third quarter of 2017, meaning all of the benefit payments due from the Executive Scheme are now covered by an insurance policy. There remains an outstanding premium payment (estimated to be £1.2m), which is expected to be paid in 2018 following a data cleanse process to finalise the insurance policy. The IAS 19 Balance Sheet at the 2017 year end reflects this expected payment due.

The Group has taken legal advice regarding its UK arrangements to confirm the accounting treatment under IFRIC 14 and the current exposure draft of the revised IFRIC 14 with regard to recognition of a surplus in 2016 and also recognition of a minimum funding requirement. This confirmed that there is no requirement to adjust the Balance Sheet and that recognition of a surplus in 2016 was appropriate on the basis that the Group has an unconditional right to a refund of a current (or projected future) surplus at some point in the future. For the same reason, there is no requirement for the Group to adjust the Balance Sheet to recognise the future agreed deficit recovery contributions. Having considered the position, taking account of the legal input received and noting that the Trustees of the UK arrangements do not have discretionary powers to unilaterally wind up the schemes without cause, the Directors of the Group have concluded that the Group has an unconditional right to a refund of any surplus. Amendments to the current version of IFRIC 14 are currently being considered.

The total Group contributions for 2018 (including those expected from the SLP in the UK) are expected to be £6.2m.

### Sensitivity analysis

Changes in key assumptions can have a significant effect on the reported retirement benefit obligation and the Consolidated Income Statement expense for 2018. The effects of changes in those assumptions on the reported retirement benefit obligation are set out in the table below.

	Increase 2017 £m	Decrease 2017 £m	Increase 2016 £m	Decrease 2016 £m
Discount rate				
Effect on defined benefit obligation of a 1.0% change	<b>146.7</b>	<b>(178.7)</b>	146.1	(177.4)
Effect on net liability of a 1.0% change	<b>105.3</b>	<b>(132.1)</b>	109.4	(136.5)
RPI inflation (and associated assumptions)				
Effect on defined benefit obligation of a 1.0% change	<b>(95.8)</b>	<b>87.3</b>	(90.3)	82.8
Effect on net liability of a 1.0% change	<b>(62.2)</b>	<b>56.0</b>	(64.2)	58.1
Life expectancy				
Effect on defined benefit obligation of a 1 year change	<b>(29.2)</b>	<b>29.2</b>	(29.5)	29.5
Effect on net liability of a 1 year change	<b>(14.0)</b>	<b>14.0</b>	(15.5)	15.5

The impact on the net liability is significantly reduced as a result of the insurance policies held. In the absence of such policies, the impact on the net liability would be much closer to the significantly higher impact on the defined benefit obligation shown in the table.

These sensitivities have been calculated to show the movement in the defined benefit obligation and net liability in isolation and assume no other changes in market conditions at the accounting date. In practice, for example, a change in discount rate is unlikely to occur without any movement in the value of the invested (non-insurance policy) assets held by the plans.

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

	2017 £m	2016 £m
Opening defined benefit obligations	<b>(969.4)</b>	(809.2)
Past service credit	<b>3.5</b>	–
Interest on benefit obligations	<b>(24.9)</b>	(29.5)
Benefits paid	<b>45.8</b>	35.7
Actuarial gains (losses) due to		
Changes in financial assumptions	<b>(35.1)</b>	(172.3)
Changes in demographic assumptions	<b>17.3</b>	11.1
Experience on benefit obligations	<b>(2.7)</b>	–
Exchange rate adjustment	<b>2.6</b>	(5.2)
Closing defined benefit obligations	<b>(962.9)</b>	(969.4)

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

	2017 £m	2016 £m
Opening plan assets	<b>832.2</b>	727.4
Interest on plan assets	<b>21.2</b>	26.5
Employer contributions	<b>4.2</b>	3.9
Administrative expenses	<b>(0.5)</b>	(0.5)
Benefits paid	<b>(45.8)</b>	(35.7)
Actual return on plan assets less interest on plan assets	<b>15.1</b>	108.2
Exchange rate adjustment	<b>(1.2)</b>	2.4
Closing plan assets	<b>825.2</b>	832.2

## Notes to the Group Financial Statements continued

### 25. Share capital & reserves

	2017 Number million	2016 Number million
<b>Issued &amp; fully paid share capital</b>		
At the beginning of the year	<b>218.4</b>	214.7
Issued during the year in respect of scrip dividends	<b>1.2</b>	3.7
Issued during the year in respect of KOP acquisition (note 13)	<b>5.1</b>	–
At the end of the year	<b>224.7</b>	218.4
<b>Treasury shares</b>		
At the beginning of the year	<b>0.7</b>	0.7
Utilised during the year in respect of LTIP awards	<b>(0.2)</b>	–
At the end of the year	<b>0.5</b>	0.7

The Company has one class of ordinary share with a par value of 12.5p which carries no rights to fixed income.

5,060,237 ordinary shares of 12.5p each were issued on 19 July 2017, raising cash proceeds of £90m which were used to fund the acquisition of KOP Surface Products.

As at 31 December 2017, 3,803 shares (2016: 5,590) were held by the Kleinwort Employee Benefit Trust (EBT) with a market value of £0.1m (2016: £0.1m).

As at 31 December 2017, 28,181 shares (2016: 44,917) were held by the Estera Employee Benefit Trust for the performance and restricted awards made under the LTIP. These shares have a market value of £0.6m (2016: £0.8m).

As at 31 December 2017, 42,875 shares (2016: 28,871) were held by the Estera Employee Benefit Trust for the bonus shares awarded under the LTIP. These shares have a market value of £0.9m (2016: £0.5m).

#### Reserves

The period movements on the below reserves are summarised in the Consolidated Statement of Changes in Equity.

#### Merger reserve

The merger reserve was created by the issue of new equity in relation to the acquisition of Delta Industrial Valves Inc. during 2015.

#### 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 gains (losses) transferred from equity during the year are included in the following line items in the Consolidated Income Statement and Consolidated Balance Sheet.

	2017 £m	2016 £m
Revenue	<b>(1.8)</b>	0.1
Cost of sales	<b>2.1</b>	(1.7)
Administrative expenses	<b>–</b>	(0.3)
	<b>0.3</b>	(1.9)

## 26. Additional cash flow information

	Notes	2017 £m	2016 £m
<b>Total operations</b>			
<b>Net cash generated from operations</b>			
Operating profit – continuing operations		<b>223.1</b>	90.3
Operating loss – discontinued operations		(0.1)	(3.8)
Operating profit – total operations		<b>223.0</b>	86.5
Exceptional items	5, 8	<b>23.8</b>	77.5
Amortisation of intangible assets	12	<b>55.4</b>	50.3
Share of results of joint ventures	15	(10.9)	(7.2)
Depreciation of property, plant & equipment	11	<b>58.2</b>	56.2
Impairment of property, plant & equipment		<b>0.1</b>	–
Grants received		(1.2)	–
Gains on disposal of property, plant & equipment		(0.1)	(1.1)
Gains on disposal of joint ventures	5, 15	(10.4)	–
Funding of pension & post-retirement costs		(4.8)	(0.6)
Employee share schemes		<b>7.0</b>	4.1
Transactional foreign exchange		(0.4)	6.6
Decrease in provisions		(0.5)	(11.3)
Cash generated from operations before working capital cash flows		<b>339.2</b>	261.0
(Increase) decrease in inventories		(64.2)	7.1
(Increase) decrease in trade & other receivables and construction contracts		(117.8)	57.5
Increase (decrease) in trade & other payables and construction contracts		<b>63.3</b>	(33.0)
Cash generated from operations		<b>220.5</b>	292.6
Additional pension contributions paid		(3.0)	(2.8)
Exceptional cash items	22	(28.6)	(58.1)
Income tax paid		(60.5)	(15.7)
Net cash generated from operating activities		<b>128.4</b>	216.0

Exceptional items are detailed in note 5.

The provision and associated insurance asset in relation to US asbestos-related claims disclosed in note 22 will not result in any cash flows either to or from the Group and therefore they have been excluded from the table above.

The cash flows from discontinued operations included above are disclosed separately in note 8.

## Notes to the Group Financial Statements continued

### 26. Additional cash flow information continued

The following tables summarise the cash flows arising on acquisitions and disposals.

	2017 £m	2016 £m				
<b>Acquisitions of subsidiaries</b>						
Current year acquisitions (see below)	<b>(89.3)</b>	–				
Prior year acquisitions contingent consideration paid	<b>(0.8)</b>	(10.6)				
	<b>(90.1)</b>	(10.6)				
Acquisition of subsidiaries – cash paid	<b>(92.5)</b>	–				
Cash & cash equivalents acquired	<b>3.2</b>	–				
Acquisition of subsidiaries – current year acquisitions	<b>(89.3)</b>	–				
Total cash outflow on current year acquisitions	<b>(89.3)</b>	–				
Prior period acquisitions contingent consideration paid	<b>(0.8)</b>	(10.6)				
Total cash outflow relating to acquisitions	<b>(90.1)</b>	(10.6)				
<b>Net cash inflow arising on prior period disposals</b>						
Consideration received in cash & cash equivalents	–	35.4				
Less: cash & cash equivalents disposed of	–	(4.0)				
Prior period disposals completion adjustment	<b>3.5</b>	–				
Total cash inflow relating to prior period disposals	<b>3.5</b>	31.4				
	2017 £m	2016 £m				
<b>Net debt comprises the following</b>						
Cash & short-term deposits (note 19)	<b>284.6</b>	258.6				
Current interest-bearing loans & borrowings (note 20)	<b>(388.4)</b>	(144.0)				
Non-current interest-bearing loans & borrowings (note 20)	<b>(739.4)</b>	(949.1)				
	<b>(843.2)</b>	(834.5)				
<b>Reconciliation of financing cash flows to movement in net debt</b>						
	Opening balance £m	Cash movements £m	Additions £m	FX £m	Non-cash movements £m	Total £m
Third party loans	(1,093.2)	<b>(110.1)</b>	–	<b>75.1</b>	–	<b>(1,128.2)</b>
Leases	(0.8)	<b>0.4</b>	<b>(0.6)</b>	–	–	<b>(1.0)</b>
Unamortised issue costs	2.5	–	–	–	<b>(1.0)</b>	<b>1.5</b>
Amounts included in gross debt	(1,091.5)	<b>(109.7)</b>	<b>(0.6)</b>	<b>75.1</b>	<b>(1.0)</b>	<b>(1,127.7)</b>
Cash & cash equivalents	257.0	<b>53.5</b>	–	<b>(26.0)</b>	–	<b>284.5</b>
Amounts included in net debt	(834.5)	<b>(56.2)</b>	<b>(0.6)</b>	<b>49.1</b>	<b>(1.0)</b>	<b>(843.2)</b>
Financing derivatives	(21.4)	<b>6.6</b>	–	–	<b>5.6</b>	<b>(9.2)</b>
Contingent consideration	(31.0)	<b>38.0</b>	–	<b>(0.5)</b>	<b>(9.9)</b>	<b>(3.4)</b>
Other liabilities relating to financing activities	(52.4)	<b>44.6</b>	–	<b>(0.5)</b>	<b>(4.3)</b>	<b>(12.6)</b>
Total financing liabilities*	(1,143.9)	<b>(65.1)</b>	<b>(0.6)</b>	<b>74.6</b>	<b>(5.3)</b>	<b>(1,140.3)</b>

\*Total financing liabilities comprise gross debt plus other liabilities relating to financing activities.

## 27. Commitments & legal claims

### Operating lease commitments

The Group has entered into commercial leases for land & buildings, motor vehicles and plant & equipment. Land & building leases have an average term of between two and ten years, motor vehicle leases have an average term of between two and four years and plant & equipment leases have an average term of between three and five years. Certain leases have terms of renewal at the option of the lessee. Future minimum rentals payable under non-cancellable operating leases are shown in the table below.

	2017 £m	2016 £m
Less than 1 year	<b>34.6</b>	32.8
After 1 year but not more than 5 years	<b>94.2</b>	82.3
More than 5 years	<b>57.8</b>	65.5
	<b>186.6</b>	180.6

### Finance lease commitments

The Group has finance leases for buildings and plant & 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.

	Minimum payments 2017 £m	Present value of payments 2017 £m	Minimum payments 2016 £m	Present value of payments 2016 £m
Less than 1 year	<b>0.3</b>	<b>0.3</b>	0.4	0.3
After 1 year but not more than 5 years	<b>0.6</b>	<b>0.5</b>	0.4	0.5
After five years	<b>0.2</b>	<b>0.2</b>	–	–
Total minimum lease payments	<b>1.1</b>		0.8	
Less amounts representing finance charges	<b>(0.1)</b>		–	
Present value of minimum lease payments	<b>1.0</b>	<b>1.0</b>	0.8	0.8

The weighted average outstanding lease term is 5.54 years (2016: 2.42 years). For the year ended 31 December 2017, the weighted average effective borrowing rate was 5.98% (2016: 7.28%).

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

### Capital commitments

	2017 £m	2016 £m
Outstanding capital commitments contracted but not provided for – property, plant & equipment	<b>14.6</b>	13.3
Outstanding capital commitments contracted but not provided for – intangible assets	<b>2.8</b>	1.6

The Group's share of the capital commitments of its joint ventures amounted to £1.5m (2016: £nil).

### 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. Provisions have been made where the Directors have assessed that a cash outflow is likely and they believe all other claims are remote.

## Notes to the Group Financial Statements continued

### 28. Equity settled share-based payments

#### Employee share plans

Under the Group's LTIP 2014 Rules the types of awards which may be granted under this Plan to employees include: Performance shares, Restricted shares and Bonus shares. Details of each award are outlined in the Remuneration Report on pages 95 to 115.

One-off conditional share awards are also occasionally granted to employees. These transactions fall under the scope of IFRS 2 and are treated in line with awards issued under the Group's LTIP.

The following tables illustrate the number and weighted average share prices (WASP) of shares awarded.

#### Performance shares

	2017 Number million	2017 WASP	2016 Number million	2016 WASP
Outstanding at the beginning of the year	<b>1.7</b>	<b>£18.06</b>	1.5	£22.14
Awarded during the year	<b>0.3</b>	<b>£18.58</b>	0.6	£12.13
Forfeited during the year	<b>(0.9)</b>	<b>£24.91</b>	(0.4)	£23.74
Outstanding at the end of the year	<b>1.1</b>	<b>£16.34</b>	1.7	£18.06

#### Restricted shares

	2017 Number million	2017 WASP	2016 Number million	2016 WASP
Outstanding at the beginning of the year	<b>0.8</b>	<b>£12.91</b>	0.2	£19.94
Awarded during the year	<b>0.4</b>	<b>£18.59</b>	0.7	£11.16
Exercised during the year	<b>(0.2)</b>	<b>£14.75</b>	–	–
Forfeited during the year	<b>(0.2)</b>	<b>£13.84</b>	(0.1)	£14.15
Outstanding at the end of the year	<b>0.8</b>	<b>£14.89</b>	0.8	£12.91

An amount of £7.0m has been charged (2016: £4.0m) 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.

The remaining contractual lives of the outstanding LTIP and one-off conditional share awards at the end of the year are as follows.

Year of award	2017 Number million	2017 Remaining contractual life	2016 Number million	2016 Remaining contractual life
2014	–	–	0.5	3 months
2015	<b>0.5</b>	<b>3 months</b>	0.7	15 months
2016	<b>0.8</b>	<b>15 months</b>	1.3	27 months
2017	<b>0.6</b>	<b>27 months</b>	–	–

The fair value at date of grant of the conditional awards under the LTIP has been independently estimated based on the type of award:

**i) Restricted shares**

The grant date fair value of these awards is calculated as the share price at the date of grant less an adjustment for loss of reinvestment return on the dividend equivalent. There are no performance conditions attached to these awards.

The fair value of occasional one-off conditional awards at grant date is also estimated on this basis.

**ii) Performance shares**

The grant date fair value of the performance share awards subject to the EPS and ROCE performance targets is calculated in the same way as the restricted share awards except that a discount of 11% is applied to reflect the holding period which applies to these awards. The EPS and ROCE performance targets are 'non market' vesting conditions for the purpose of IFRS 2 and so their effect is not allowed for in the grant date fair values.

The valuation of performance share awards subject to the TSR-related performance targets is performed using a Monte Carlo simulation model. The following table gives the assumptions made during the periods ended 31 December 2017 and 31 December 2016 in the calculation of the fair value of awards subject to the TSR-related performance targets made in those years.

	2017	2016
Weighted average expected volatility (%)	<b>37.00</b>	37.00
Weighted average expected life (years)	<b>3.00</b>	3.00
Weighted average risk free rate (%)	<b>0.30</b>	0.70
Weighted average share price (£)	<b>18.58</b>	12.13
Weighted average fair value (£)	<b>8.17</b>	5.84

The expected life of the awards 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.

**Bonus shares**

Under the Group's annual bonus plan, Executive Directors and members of the Group Executive typically receive 30% of any bonus deferred into an award of Weir Group shares which will normally be released after three years. These awards are entitled to accrue the value of the dividends payable on any deferred bonus awards during the three year holding period.

The LTIP bonus shares are administered by the Estera EBT. The shares are acquired on market at the grant date and are held in the Estera EBT until such time as they are vested. Forfeited shares are reallocated in subsequent grants. Under the terms of the Trust Deed, Weir Group is required to provide the Estera EBT with the necessary funding for the acquisition of the shares at the time of the grant.

The number of shares to be granted is determined based on the applicable annual bonus divided by the price at which the Company's shares are traded at the date of the grant. In 2017, 15,242 shares were awarded (2016: 9,338).

The fair value of the rights at grant date was estimated using the market price of the Company's shares on that date.

## Notes to the Group Financial Statements continued

### 29. Related party disclosure

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 year end.

Related party		Sales to related parties – goods £m	Sales to related parties – services £m	Purchases from related parties – goods £m	Purchases from related parties – services £m	Amounts owed to related parties £m
Joint ventures	<b>2017</b>	<b>48.7</b>	<b>0.5</b>	<b>0.2</b>	<b>0.3</b>	–
	2016	26.0	0.1	0.2	0.4	–
Group pension plans	<b>2017</b>	–	–	–	–	<b>4.3</b>
	2016	–	–	–	–	4.1

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

### Terms & conditions of transactions with related parties

Sales to and from related parties are made at normal market prices. Outstanding balances at the year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party balances. For 2017, the Group has not raised any provision for doubtful debts relating to amounts owed by related parties (2016: £nil) as the payment history has been excellent. 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.

	<b>2017</b> £m	2016 £m
Compensation of key management personnel		
Short-term employee benefits	<b>6.9</b>	6.1
Share-based payments	<b>0.2</b>	–
Post-employment benefits	<b>0.2</b>	0.2
	<b>7.3</b>	6.3
Emoluments paid to the Directors of The Weir Group PLC		
Remuneration	<b>3.0</b>	3.3
Gains made on the exercise of Long Term Incentive Plan awards	<b>0.1</b>	–
	<b>3.1</b>	3.3

Key management comprises the Board and the Group Executive. Further details of the Directors' remuneration are disclosed in the Directors' Remuneration Report on pages 95 to 115.

### 30. Financial instruments

#### A. Derivative financial instruments

The Group enters into derivative financial instruments in the normal course of business in order to hedge its exposure to foreign exchange risk. Derivatives are only used for economic hedging purposes and no speculative positions are taken. Derivatives are recognised as held for trading and at fair value through profit and loss unless they are designated in IAS 39 compliant hedge relationships.

The table below summarises the types of derivative financial instrument included within each Balance Sheet category.

	2017 £m	2016 £m
<b>Included in non-current assets</b>		
Other forward foreign currency contracts	<b>0.3</b>	–
	<b>0.3</b>	–
<b>Included in current assets</b>		
Forward foreign currency contracts designated as cash flow hedges	<b>0.3</b>	–
Forward foreign currency contracts designated as net investment hedges	<b>7.5</b>	–
Other forward foreign currency contracts	<b>8.9</b>	24.0
	<b>16.7</b>	24.0
<b>Included in current liabilities</b>		
Forward foreign currency contracts designated as cash flow hedges	<b>(0.1)</b>	(1.2)
Forward foreign currency contracts designated as net investment hedges	<b>(1.6)</b>	(15.2)
Cross currency swaps designated as net investment hedges	<b>(8.9)</b>	(6.3)
Other forward foreign currency contracts	<b>(15.2)</b>	(7.5)
	<b>(25.8)</b>	(30.2)
<b>Included in non-current liabilities</b>		
Cross currency swaps designated as net investment hedges	<b>(0.7)</b>	(14.7)
Other forward foreign currency contracts	<b>–</b>	(0.2)
	<b>(0.7)</b>	(14.9)
<b>Net derivative financial liabilities</b>	<b>(9.5)</b>	(21.1)

## Notes to the Group Financial Statements continued

### 30. Financial instruments continued

#### B. Financial assets and liabilities

Financial assets and liabilities (with the exception of derivative financial instruments) are initially recognised at fair value net of transaction costs. Subsequently they are recognised at either fair value or amortised cost. Derivative financial instruments are initially recognised at fair value and subsequently re-measured at fair value.

#### Carrying amounts and fair values

The table below shows the carrying amounts and fair values of the Group's financial instruments that are reported in the financial statements.

				Fair value measurement using		
	<b>Carrying amount 2017 £m</b>	<b>Fair value 2017 £m</b>		Level 1 Quoted prices in active markets £m	Level 2 Significant observable inputs £m	Level 3 Significant unobservable inputs £m
<b>Financial assets</b>						
Derivative financial instruments recognised at fair value through profit or loss	<b>9.2</b>	<b>9.2</b>		–	9.2	–
Derivative financial instruments in designated hedge accounting relationships	<b>7.8</b>	<b>7.8</b>		–	7.8	–
Contingent consideration receivable	<b>0.4</b>	<b>0.4</b>		–	–	0.4
Trade & other receivables excluding statutory assets & prepayments*	<b>611.7</b>	<b>611.7</b>				
Cash & short-term deposits*	<b>284.6</b>	<b>284.6</b>				
	<b>913.7</b>	<b>913.7</b>				
<b>Financial liabilities</b>						
Derivative financial instruments recognised at fair value through profit or loss	<b>15.2</b>	<b>15.2</b>		–	15.2	–
Derivative financial instruments in designated hedge accounting relationships	<b>11.3</b>	<b>11.3</b>		–	11.3	–
Contingent consideration payable	<b>3.4</b>	<b>3.4</b>		–	–	3.4
Amortised cost						
Fixed rate borrowings	<b>832.9</b>	<b>896.6</b>		–	896.6	–
Floating rate borrowings	<b>293.8</b>	<b>293.8</b>		–	293.8	–
Obligations under finance leases	<b>1.0</b>	<b>1.0</b>		–	1.0	–
Bank overdrafts & short-term borrowings*	<b>0.1</b>	<b>0.1</b>				
Trade & other payables excluding statutory liabilities & deferred income*	<b>528.9</b>	<b>528.9</b>				
	<b>1,686.6</b>	<b>1,750.3</b>				

			Fair value measurement using		
	Carrying amount 2016 £m	Fair value 2016 £m	Level 1 Quoted prices in active markets £m	Level 2 Significant observable inputs £m	Level 3 Significant unobservable inputs £m
<b>Financial assets</b>					
Derivative financial instruments recognised at fair value through profit or loss	24.0	24.0	—	24.0	—
Contingent consideration receivable	3.9	3.9	—	—	3.9
Trade & other receivables excluding statutory assets & prepayments*	481.8	481.8			
Cash & short-term deposits*	258.6	258.6			
	768.3	768.3			
<b>Financial liabilities</b>					
Derivative financial instruments recognised at fair value through profit or loss	7.7	7.7	—	7.7	—
Derivative financial instruments in designated hedge accounting relationships	374	374	—	374	—
Contingent consideration payable	31.0	31.0	—	—	31.0
Amortised cost					
Fixed rate borrowings	917.5	1,012.7	—	1,012.7	—
Floating rate borrowings	173.2	173.2	—	173.2	—
Obligations under finance leases	0.8	0.8	—	0.8	—
Bank overdrafts & short-term borrowings*	1.6	1.6			
Trade & other payables excluding statutory liabilities & deferred income*	443.8	443.8			
	1,613.0	1,708.2			

\* The fair value of cash & short-term deposits, trade & other receivables and trade & other payables approximates their carrying amount due to the short-term maturities of these instruments. As such, disclosure of the fair value hierarchy for these items is not required.

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 that have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

At 31 December 2017 and 31 December 2016 the Group has classified contingent consideration as level 3. A reconciliation of the movements in the contingent consideration fair value has been included in note 13.

During the periods ended 31 December 2017 and 31 December 2016, there were no transfers between level 1 and level 2 fair value measurements and no transfers into or out of level 3 fair value measurements.

## Notes to the Group Financial Statements continued

### 30. Financial instruments continued

#### Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Group currently has a legal right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at 31 December 2017, cash & short-term deposits of £284.6m (2016: £258.6m) and current interest bearing loans & borrowings of £388.4m (2016: £144.0m) were presented after elimination of debit and credit balances within individual pools of £1.3m (2016: £2.3m).

The Group has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be offset in specific circumstances. As at 31 December 2017, the Group had derivative financial instruments of £10.2m which were subject to master netting arrangements but not offset.

#### C. Hedging activities

The Group designates certain derivative financial instruments in either cash flow hedging or net investment hedging relationships in accordance with IAS 39.

	Cash flow hedge	Net investment hedge
Hedge relationship	Cash flow hedge of highly probable forecast foreign currency purchases and sales	Net investment hedge of foreign operations
Hedged risk	Transactional foreign exchange risk	Translational foreign exchange risk
Hedging instruments	Forward foreign currency contracts	Foreign currency debt Cross currency swaps Forward foreign currency contracts

For each type of derivative financial instrument, the net carrying amount, maturity dates and the amounts recognised for the year in profit or loss and equity are set out in the table below. In the Consolidated Financial Statements, these amounts are offset by the retranslation of foreign currency denominated receivables and payables.

Year ended 31 December 2017	Net carrying amount £m	Maturity dates	Gain (loss) recognised in profit or loss £m	Gain recognised in equity £m	Loss recognised in inventory £m
Forward foreign currency contracts designated as cash flow hedges	0.2	2018	0.3	0.4	(0.6)
Forward foreign currency contracts designated as net investment hedges	5.9	2018	–	22.4	–
Cross currency swaps designated as net investment hedges	(9.6)	2018 to 2021	–	6.5	–
Other forward foreign currency contracts at fair value through profit or loss	(6.0)	2018 to 2019	(12.1)	–	–
	(9.5)		(11.8)	29.3	(0.6)

Period ended 31 December 2016	Net carrying amount £m	Maturity dates	Gain recognised in profit or loss £m	Loss recognised in equity £m	Loss recognised in inventory £m
Forward foreign currency contracts designated as cash flow hedges	(1.2)	2017 to 2018	1.9	(0.7)	(0.4)
Forward foreign currency contracts designated as net investment hedges	(15.2)	2017	–	(53.6)	–
Cross currency swaps designated as net investment hedges	(21.0)	2017 to 2018	–	(26.6)	–
Other forward foreign currency contracts at fair value through profit or loss	16.3	2017 to 2019	40.6	–	–
	(21.1)		42.5	(80.9)	(0.4)

## D. Financial risk management

Financial risk management of the Group is carried out by Group Treasury in conjunction with individual subsidiaries. The principal financial risks to which the Group is exposed are market risk, liquidity risk and credit risk.

### Market risk

The Group is exposed to foreign exchange risk and interest rate risk in the ordinary course of business.

#### i) Foreign exchange risk

The Group is exposed to both transactional and translational foreign exchange risk. Transactional risk arises when subsidiaries enter into transactions denominated in currencies other than their functional currency for operational or financing purposes or when the Group's Treasury function enters into transactions for financing or risk management purposes. Translational risk arises on the translation of overseas earnings and investments into Sterling for consolidated reporting purposes. Foreign currency transactional and translational risk could result in volatility in reported consolidated earnings and net assets.

In respect of transactional foreign currency risk, the Group maintains a policy that all operating units eliminate exposures on material committed foreign currency transactions, usually by entering into forward foreign currency contracts through the Group's Treasury function. Certain operating units apply cash flow hedge accounting in accordance with IAS 39. The Group does not engage in any speculative foreign exchange transactions.

The Group has material foreign investments in the US, Australia, Europe and South Africa. In respect of translational risk, the Group has a policy of partially hedging its net investment exposure to US Dollar (US\$), Australian Dollar (AUD), Euro (EUR) and South African Rand (ZAR) denominated subsidiaries. This is achieved through designating an element of foreign currency borrowings, forward foreign currency contracts and cross currency swaps as net investment hedges against the Group's investments. The Group does not hedge the translational exposure arising from profit and loss items.

#### Sensitivity to foreign exchange rates

The Group considers the most significant transactional foreign exchange risk relates to the Australian Dollar, Euro and US Dollar. The following table shows the impact of movements in derivative valuation as a result of a weakening of these currencies. In the Consolidated Income Statement, these amounts are offset by the retranslation of foreign currency denominated receivables and payables.

Transactional foreign exchange	Increase in currency rate	Effect on profit gain (loss) £m	Effect on equity gain £m
<b>2017</b>			
Australian Dollar	+25%	11.1	19.5
Euro	+25%	32.4	20.9
US Dollar	+25%	0.7	130.1
<b>2016</b>			
Australian Dollar	+25%	6.2	18.5
Euro	+25%	8.0	12.8
US Dollar	+25%	(1.1)	124.6

## Notes to the Group Financial Statements continued

### 30. Financial instruments continued

The Group is also exposed to translational foreign exchange risk as a result of its global operations and therefore the earnings of the Group will fluctuate due to changes in foreign exchange rates in relation to Sterling. The Group's operating profit from continuing operations before exceptional items and intangibles amortisation was denominated in the following currencies.

	2017 £m	2016 £m
US Dollar	<b>176.4</b>	70.0
Australian Dollar	<b>29.0</b>	33.8
Euro	<b>6.8</b>	26.2
Canadian Dollar	<b>33.9</b>	36.6
United Arab Emirates Dirham	<b>3.2</b>	5.8
Chilean Peso	<b>39.0</b>	35.6
South African Rand	<b>11.1</b>	4.9
Brazilian Real	<b>4.9</b>	3.6
Russian Rouble	<b>5.2</b>	6.9
UK Sterling	<b>(21.6)</b>	(11.2)
Other	<b>3.9</b>	1.8
Operating profit from continuing operations before exceptional items & intangibles amortisation	<b>291.8</b>	214.0

#### ii) Interest rate risk

The Group is exposed to interest rate risk on its outstanding borrowings. Changes in interest rates will affect future interest cash flows on floating rate debt and the fair value of fixed rate borrowings.

The earnings of the Group are sensitive to changes in interest rates in respect of floating rate borrowings. As at 31 December 2017, 26% of the Group's borrowings were at floating interest rates. The interest rate profile of the Group's interest bearing borrowings was as follows.

	2017			2016		
	Floating rate £m	Fixed rate £m	Total £m	Floating rate £m	Fixed rate £m	Total £m
US Dollar	<b>(0.4)</b>	<b>(791.2)</b>	<b>(791.6)</b>	(32.7)	(875.2)	(907.9)
Euro	<b>(293.4)</b>	–	<b>(293.4)</b>	(142.1)	–	(142.1)
UK Sterling	–	<b>(43.0)</b>	<b>(43.0)</b>	–	(43.0)	(43.0)
Other	–	<b>(0.2)</b>	<b>(0.2)</b>	–	–	–

#### Sensitivity to interest rates

Based on borrowings at 31 December 2017, a 1% increase in interest rates would have a £2.9m impact on the profit before tax and amortisation of the Group. This assumes that the change in interest rates is effective from the beginning of the year and that all other variables are constant throughout the year.

#### Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial liabilities as they fall due.

Liquidity risk is managed by monitoring forecast and actual cash flows and ensuring that sufficient committed facilities are in place to meet possible downside scenarios. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of fixed rate loan notes, bank loans, commercial paper and bank overdrafts. Further details of the Group's borrowing facilities are disclosed in note 20.

The tables below show only the financial liabilities of the Group by maturity. The amounts disclosed in the table are undiscounted cash flows and may therefore not agree to the amounts disclosed in the Consolidated Balance Sheet.

The Group manages its liquidity to ensure that it always has sufficient funding to grow the business and is able to meet its obligations as they fall due.

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Year ended 31 December 2017					
Cross currency swaps – outflow	(58.1)	(4.9)	(87.6)	–	(150.6)
Cross currency swaps – inflow	47.8	3.6	89.5	–	140.9
Forward foreign currency contracts – net outflow	(1.8)	0.2	–	–	(1.6)
<b>Cash flows relating to derivative financial liabilities</b>	<b>(12.1)</b>	<b>(1.1)</b>	<b>1.9</b>	<b>–</b>	<b>(11.3)</b>
Trade & other payables excluding statutory liabilities & deferred income	(531.7)	(0.5)	–	–	(532.2)
Obligations under finance leases	(0.3)	(0.2)	(0.3)	(0.2)	(1.0)
Bank overdrafts & short-term borrowings	(0.1)	–	–	–	(0.1)
Bank loans	(0.7)	–	–	–	(0.7)
Commercial paper	(293.4)	–	–	–	(293.4)
Fixed rate notes	(126.5)	(183.2)	(502.0)	(151.1)	(962.8)
<b>Cash flows relating to non-derivative financial liabilities</b>	<b>(952.7)</b>	<b>(183.9)</b>	<b>(502.3)</b>	<b>(151.3)</b>	<b>(1,790.2)</b>
	<b>(964.8)</b>	<b>(185.0)</b>	<b>(500.4)</b>	<b>(151.3)</b>	<b>(1,801.5)</b>

	Less than 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Period ended 31 December 2016					
Cross currency swaps – outflow	(97.2)	(58.7)	–	–	(155.9)
Cross currency swaps – inflow	88.5	44.2	–	–	132.7
Forward foreign currency contracts – net outflow	(0.9)	(0.1)	(0.1)	–	(1.1)
<b>Cash flows relating to derivative financial liabilities</b>	<b>(9.6)</b>	<b>(14.6)</b>	<b>(0.1)</b>	<b>–</b>	<b>(24.3)</b>
Trade & other payables excluding statutory liabilities & deferred income	(461.3)	(13.7)	–	–	(475.0)
Obligations under finance leases	(0.3)	(0.3)	(0.2)	–	(0.8)
Bank overdrafts & short-term borrowings	(1.6)	–	–	–	(1.6)
Bank loans	(0.4)	(0.4)	(33.8)	–	(34.6)
Commercial paper	(142.1)	–	–	–	(142.1)
Fixed rate notes	(39.2)	(134.5)	(255.7)	(657.0)	(1,086.4)
<b>Cash flows relating to non-derivative financial liabilities</b>	<b>(644.9)</b>	<b>(148.9)</b>	<b>(289.7)</b>	<b>(657.0)</b>	<b>(1,740.5)</b>
	<b>(654.5)</b>	<b>(163.5)</b>	<b>(289.8)</b>	<b>(657.0)</b>	<b>(1,764.8)</b>

### Credit risk

The Group is exposed to credit risk to the extent of non-payment by either its customers or the counterparties to its derivative 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. In certain circumstances, operating entities are permitted to make use of invoice discounting facilities to reduce counterparty credit risk. In addition, applicable creditworthiness checks are undertaken with external credit rating agencies before entering into contracts with customers and credit limits are set as appropriate and enforced. As shown in note 17, the trade receivables presented in the Consolidated 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 amounts due to the Group.

The Group's exposure to the credit risk of financial instruments is limited by the adherence to counterparty credit limits, and by only trading with counterparties that have an investment-grade credit rating or better at contract inception, based upon ratings provided by the major credit rating agencies. Exposures to those counterparties are regularly reviewed and, when the market view of a counterparty's credit quality changes, adjusted as considered appropriate.

The maximum exposure to credit risk is equal to the carrying value of the financial assets of the Group.

## Notes to the Group Financial Statements continued

### 31. Capital management

The primary objective of the Group's capital management is to ensure that it maintains 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.

#### Net debt to EBITDA cover

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

The Group's banking arrangements include bi-annual financial covenants of net debt to EBITDA (not greater than 3.5) and interest cover (not less than 3.5). For the purposes of the covenants required by the Group's lenders, the net debt is to be converted at the exchange rate used in the preparation of the Group's income statement and cash flows, i.e. average rate. In addition, results of businesses acquired in the financial year have to be included as if the acquisitions occurred at the start of the financial year, while the results of businesses disposed of in the year are to be excluded.

The Group considers that the ratio of net debt to EBITDA is the key metric from a capital management perspective and seeks to maintain the ratio below two times. Given the recent downturn in oil and gas markets, the metric is currently 2.5 times but is on a downward trajectory and remains actively managed.

	2017	2016
Net debt at average exchange rates (£m)	<b>873.7</b>	758.3
Operating profit (£m)	<b>218.2</b>	90.3
Exceptional items included in operating profit (note 5) (£m)	<b>13.3</b>	73.1
Depreciation and intangibles amortisation (£m)	<b>115.4</b>	106.5
EBITDA (£m)	<b>346.9</b>	269.9
Net debt to EBITDA cover (ratio)	<b>2.5</b>	2.8

#### Interest cover

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

	2017	2016
Operating profit before exceptional items & intangibles amortisation (£m)	<b>286.9</b>	214.0
Net finance costs (excluding exceptional items and other finance costs) (£m)	<b>38.0</b>	40.7
Interest cover (ratio)	<b>7.6</b>	5.3

#### Gearing ratio

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

	2017	2016
Net debt (£m)	<b>843.2</b>	834.5
Total equity (£m)	<b>1,471.1</b>	1,383.6
Gearing ratio (%)	<b>57.3</b>	60.3

**32. Exchange rates**

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

	2017	2016
<b>Average rate (per £)</b>		
US Dollar	<b>1.29</b>	1.36
Australian Dollar	<b>1.68</b>	1.83
Euro	<b>1.14</b>	1.22
Canadian Dollar	<b>1.67</b>	1.80
United Arab Emirates Dirham	<b>4.73</b>	4.98
Chilean Peso	<b>835.52</b>	918.59
South African Rand	<b>17.15</b>	20.00
Brazilian Real	<b>4.11</b>	4.75
Russian Rouble	<b>75.17</b>	91.20
<b>Closing rate (per £)</b>		
US Dollar	<b>1.35</b>	1.22
Australian Dollar	<b>1.73</b>	1.70
Euro	<b>1.13</b>	1.17
Canadian Dollar	<b>1.69</b>	1.65
United Arab Emirates Dirham	<b>4.97</b>	4.49
Chilean Peso	<b>832.26</b>	813.76
South African Rand	<b>16.76</b>	16.63
Brazilian Real	<b>4.48</b>	3.97
Russian Rouble	<b>77.86</b>	73.89

**Company Balance Sheet**

At 31 December 2017

	Notes	<b>31 December 2017</b> <b>£m</b>	31 December 2016 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3	<b>0.2</b>	0.2
Property, plant & equipment	4	<b>4.0</b>	4.2
Investments in subsidiaries	5	<b>3,271.0</b>	3,101.6
Deferred tax assets	6	<b>21.3</b>	20.6
Trade & other receivables	7	<b>42.6</b>	42.5
Retirement benefit plan assets	8	—	9.8
Derivative financial instruments	9	<b>0.4</b>	0.1
<b>Total non-current assets</b>		<b>3,339.5</b>	3,179.0
<b>Current assets</b>			
Trade & other receivables	7	<b>178.0</b>	145.5
Derivative financial instruments	9	<b>28.0</b>	69.3
Cash & short-term deposits		<b>40.8</b>	14.6
<b>Total current assets</b>		<b>246.8</b>	229.4
<b>Total assets</b>		<b>3,586.3</b>	3,408.4
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade & other payables	10	<b>1,865.3</b>	1,282.9
Derivative financial instruments	9	<b>45.6</b>	43.1
<b>Total current liabilities</b>		<b>1,910.9</b>	1,326.0
<b>Non-current liabilities</b>			
Interest-bearing loans & borrowings	11	<b>905.5</b>	1,398.4
Derivative financial instruments	9	<b>1.1</b>	14.8
Provisions	12	—	0.2
Deferred tax liabilities	6	<b>2.4</b>	3.4
Retirement benefit plan deficits	8	<b>125.1</b>	131.1
<b>Total non-current liabilities</b>		<b>1,034.1</b>	1,547.9
<b>Total liabilities</b>		<b>2,945.0</b>	2,873.9
<b>NET ASSETS</b>		<b>641.3</b>	534.5
<b>CAPITAL &amp; RESERVES</b>			
Share capital	13	<b>28.1</b>	27.3
Share premium		<b>197.9</b>	86.2
Merger reserve		<b>9.4</b>	9.4
Treasury shares		(5.9)	(5.9)
Capital redemption reserve		<b>0.5</b>	0.5
Special reserve		<b>1.8</b>	1.8
Retained earnings		<b>409.5</b>	415.2
<b>TOTAL EQUITY</b>		<b>641.3</b>	534.5

In accordance with the concession granted under section 408 of the Companies Act 2006, the Income Statement and Statement of Comprehensive Income of the Company have not been separately presented in these financial statements. The profit of the Company was £85.0m (2016: loss of £13.5m).

The financial statements on pages 186 to 201 were approved by the Board of Directors on 28 February 2018.

**Jon Stanton**  
Director

**John Heasley**  
Director

**Company Statement of Changes in Equity**

for the year ended 31 December 2017

	<b>Share capital £m</b>	<b>Share premium £m</b>	<b>Merger reserve £m</b>	<b>Treasury shares £m</b>	<b>Capital redemption reserve £m</b>	<b>Special reserve £m</b>	<b>Retained earnings £m</b>	<b>Total equity £m</b>
At 1 January 2016	26.8	38.0	9.4	(5.8)	0.5	1.8	563.5	634.2
Loss for the period	–	–	–	–	–	–	(13.5)	(13.5)
Remeasurements on defined benefit plans	–	–	–	–	–	–	(53.2)	(53.2)
Tax relating to other comprehensive expense	–	–	–	–	–	–	8.6	8.6
Total net comprehensive expense for the period	–	–	–	–	–	–	(58.1)	(58.1)
Issue of shares	0.5	48.2	–	–	–	–	–	48.7
Cost of share-based payments inclusive of tax charge	–	–	–	–	–	–	4.3	4.3
Dividends (note 2)	–	–	–	–	–	–	(94.5)	(94.5)
Purchase of shares*	–	–	–	(0.1)	–	–	–	(0.1)
<b>At 31 December 2016</b>	<b>27.3</b>	<b>86.2</b>	<b>9.4</b>	<b>(5.9)</b>	<b>0.5</b>	<b>1.8</b>	<b>415.2</b>	<b>534.5</b>
Profit for the year	–	–	–	–	–	–	85.0	85.0
Remeasurements on defined benefit plans	–	–	–	–	–	–	(2.6)	(2.6)
Tax relating to other comprehensive expense	–	–	–	–	–	–	0.9	0.9
<b>Total net comprehensive income for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>83.3</b>	<b>83.3</b>
Issue of shares	<b>0.8</b>	<b>111.7</b>	–	–	–	–	–	<b>112.5</b>
Cost of share-based payments inclusive of tax charge	–	–	–	–	–	–	7.7	7.7
Dividends (note 2)	–	–	–	–	–	–	(96.7)	(96.7)
<b>At 31 December 2017</b>	<b>28.1</b>	<b>197.9</b>	<b>9.4</b>	<b>(5.9)</b>	<b>0.5</b>	<b>1.8</b>	<b>409.5</b>	<b>641.3</b>

\* These shares were purchased on the open market and are held by the Estera EBT on behalf of the Group.

## Notes to the Company Financial Statements

### 1. Accounting policies

#### Authorisation of financial statements and statement of compliance

The Company Financial Statements of The Weir Group PLC (the 'Company') for the year ended 31 December 2017 ('2017') were approved and authorised for issue in accordance with a resolution of the Directors on 28 February 2018. The comparative information is presented for the period commencing 2 January 2016 and ended 31 December 2016 ('2016').

The Weir Group PLC is a public limited company incorporated in Scotland and is listed on the London Stock Exchange.

The Company Financial Statements of The Weir Group PLC have been prepared on a going concern basis under the historic cost convention and in accordance with FRS 101 and applied in accordance with the provisions of the Companies Act 2006. The following disclosure exemptions from the requirements of IFRS have been consistently applied in the preparation of these financial statements, in accordance with FRS 101:

- i) Disclosures required by paragraphs 45(b) and 46-52 of IFRS 2 'Share-based payment' can be found in note 28 to the Group financial statements;
- ii) IFRS 7 'Financial Instruments: Disclosures' exemption has been taken as a result of the disclosures in note 30 to the Group financial statements;
- iii) IAS 7 'Statement of cash flows';
- iv) Disclosure of key management compensation as required by paragraph 17 of IAS 24 'Related party disclosures';
- v) Disclosure of related party transactions with wholly owned subsidiaries as required by IAS 24 'Related party disclosures'; and
- vi) Paragraph 10(d), paragraph 10(f), and paragraphs 134-136, of IAS 1 'Presentation of financial statements'.

The Company is the parent of the Weir Group PLC. Its principal activity is to act as a holding company for the Group and perform the head office function.

#### Use of estimates & judgements

The Company's significant accounting policies are set out below. The preparation of the Company financial statements, in conformity with FRS 101, requires management to make judgements that affect the application of accounting policies and estimates that impact the reported amounts of assets, liabilities, income and expense.

Management base these judgements and estimates on a combination of past experience, professional expert advice and other evidence that is relevant to each individual circumstance. Actual results may differ from these judgements and estimates which 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.

The area where management consider the more complex judgements and estimates are required is in respect of retirement benefits. The assumptions underlying the valuation of retirement benefit assets and liabilities include discount rates, inflation rates and mortality assumptions which are based on actuarial advice. Changes in these assumptions could have a material impact on the measurement of the Company's retirement benefit obligations. Sensitivities to changes in key assumptions are provided in note 8.

#### Foreign currency translation

The presentational and functional currency of the Company is Sterling. Transactions denominated in foreign currencies are translated into the Company'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.

#### Property, plant & equipment

Property, plant & equipment is presented at historical cost.

Depreciation of property, plant & equipment is provided on a straight-line basis so as to charge the cost less residual value to the Income Statement over the expected useful life of the asset concerned, and is in the following ranges:

Long leasehold land & buildings	20 years
Office & computer equipment	3 – 10 years

#### Intangible assets

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

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

Purchased software	4 – 8 years
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## **Investments**

Investments in subsidiaries are held at cost less accumulated impairment losses. Loans and receivables are carried at amortised cost using the effective interest method.

## **Post-employment benefits**

Post-employment benefits comprise pension benefits provided to certain current and former employees in the UK.

For defined benefit pension plans, the annual service cost is calculated using the projected unit credit method and is recognised over the future service lives of participating employees, in accordance with the advice of qualified actuaries. Current service cost and administration expenses are recognised in operating costs and net interest on net pension liability is recognised in finance costs.

The finance cost recognised in the Income Statement in the year reflects the net interest on the net pension liability. This represents the change in the net pension liability resulting from the passage of time, and is determined by applying the discount rate to the opening net liability, taking into account employer contributions paid into the plan, and hence reducing the net liability, during the year.

Past service costs resulting from enhanced benefits are recognised immediately in the Income Statement. Actuarial gains and losses, which represent differences between interest on the plan assets, experience on the benefit obligation and the effect of changes in actuarial assumptions, are recognised in full in Other Comprehensive Income in the year 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 yields at the balance sheet date on appropriate high quality corporate bonds that have maturity dates approximating the terms of the Company's obligations and are denominated in the currency in which the benefits are expected to be paid, minus the fair value of the plan assets, if any, at the balance sheet date. The Balance Sheet amount recognised is limited to the present value of economic benefits which the Company expects to recover by way of refunds or a reduction in future contributions. In order to calculate the present value of economic benefits, consideration is also given to any minimum funding requirements.

For defined contribution plans, the cost represents the Company's contributions to the plans and these are charged to the Income Statement in the year in which they fall due.

## **Share-based payments**

Equity settled share-based incentives are provided to employees under the Group's Long Term Incentive Plan (LTIP) and as a consequence of occasional one-off conditional awards made to employees.

The fair value of the LTIP 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 or performance conditions.

## **Financial assets & liabilities**

The Company's principal financial assets and liabilities, other than derivatives, comprise bank overdrafts, short-term borrowings, loans and fixed rate notes, commercial paper, cash and short-term deposits. The Company 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 de-recognition 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.

## **Derivative financial instruments**

The Company uses derivative financial instruments, principally forward foreign currency contracts, to reduce its exposure to exchange rate movements. The Company does not hold or issue derivatives for speculative or trading purposes.

Derivative financial instruments are recognised as assets or 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, spot foreign exchange rates and counterparty and own credit risk. Changes in their fair values have been recognised in the Income Statement.

## Notes to the Company Financial Statements continued

### 1. Accounting policies continued

#### Treasury shares

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

#### Taxation

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

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

- i) Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future; and
- ii) A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax liabilities represent tax payable in future periods in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future periods in respect of deductible temporary differences, the carry forward of unutilised tax losses and the carry forward of unused tax credits. Deferred tax is measured on an undiscounted basis using the tax rates and 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.

## 2. Profit (loss) attributable to the Company

The profit dealt with in the accounts of the Company was £85.0m (2016: loss of £13.5m). The corporate tax credit dealt with in the accounts of the Company was £11.0m (2016: £12.4m).

	2017 £m	2016 £m
Dividends paid & proposed		
Declared & paid during the year		
Equity dividends on ordinary shares		
Final dividend for 2016: 29.0p (2015: 29.0p)	<b>63.1</b>	62.0
Interim dividend for 2017: 15.0p (2016: 15.0p)	<b>33.6</b>	32.5
	<b>96.7</b>	94.5
Proposed for approval by shareholders at the Annual General Meeting		
Final dividend for 2017: 29.0p (2016: 29.0p)	<b>65.0</b>	63.1

In 2016 and 2017, shareholders on record were provided the opportunity to receive dividends in the form of new fully paid ordinary shares through The Weir Group PLC Scrip Dividend Scheme. Participation in the Scheme resulted in a final dividend for 2016 of £6.4m share issue and a cash dividend of £56.7m (final dividend for 2015: £29.6m share issue; £32.4m cash). The interim dividend for 2017 was split £16.1m share issue and £17.5m cash dividend (interim dividend for 2016: £19.1m share issue; £13.4m cash).

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 this Annual Report and Financial Statements and the record date for the final dividend.

	2017 £m	2016 £m
<b>Employee benefits expense</b>		
Wages & salaries	<b>13.3</b>	14.5
Social security costs	<b>2.5</b>	2.3
Pension costs		
Defined benefit plans (note 8)	<b>0.1</b>	0.2
Defined contribution plans	<b>0.4</b>	0.4
Share-based payments – equity settled transactions	<b>7.0</b>	4.1
	<b>23.3</b>	21.5

At 31 December 2017, the average number of people employed by the Company was 102 (2016: 89).

### Directors

Details of Directors' remuneration, benefits and LTIP awards are included in the Remuneration report on pages 95 to 115, and in note 29 to the Group Financial Statements.

### Auditors' remuneration

The total fees payable by the Company to PricewaterhouseCoopers LLP (PwC) for work performed in respect of the audit of the Company were £20,000 (2016: £20,000). Fees paid to PwC for non-audit services to the Company itself are not disclosed in these accounts as the Group's Consolidated Financial Statements, in which the Company is included, are required to disclose such fees on a consolidated basis.

## Notes to the Company Financial Statements continued

### 3. Intangible assets

	Purchased software total £m
<b>Cost</b>	
At beginning and end of the year	<b>1.1</b>
<b>Aggregate amortisation</b>	
At beginning and end of the year	<b>0.9</b>
Net book value at 31 December 2016	0.2
<b>Net book value at 31 December 2017</b>	<b>0.2</b>

Outstanding commitments entered into on behalf of a subsidiary contracted but not provided for relating to intangible assets amounted to £nil (2016: £0.9m).

### 4. Property, plant & equipment

	Long leasehold land & buildings £m	Office & computer equipment £m	Total £m
<b>Cost</b>			
At 31 December 2016	<b>4.2</b>	<b>1.7</b>	<b>5.9</b>
Additions	<b>0.1</b>	–	<b>0.1</b>
At 31 December 2017	<b>4.3</b>	<b>1.7</b>	<b>6.0</b>
<b>Aggregate depreciation</b>			
At 31 December 2016	<b>0.3</b>	<b>1.4</b>	<b>1.7</b>
Charge for year	<b>0.2</b>	<b>0.1</b>	<b>0.3</b>
At 31 December 2017	<b>0.5</b>	<b>1.5</b>	<b>2.0</b>
Net book value at 31 December 2016	3.9	0.3	4.2
<b>Net book value at 31 December 2017</b>	<b>3.8</b>	<b>0.2</b>	<b>4.0</b>

Outstanding capital commitments entered into on behalf of a subsidiary contracted but not provided for relating to property, plant & equipment amounted to £nil (2016: £2.0m).

## 5. Investments in subsidiaries

	Subsidiaries shares	Loans £m	Total £m
<b>Cost</b>			
At 31 December 2016	<b>1,738.9</b>	<b>1,369.4</b>	<b>3,108.3</b>
Additions	–	<b>420.6</b>	<b>420.6</b>
Settlement	–	<b>(187.9)</b>	<b>(187.9)</b>
Exchange	–	<b>(63.3)</b>	<b>(63.3)</b>
At 31 December 2017	<b>1,738.9</b>	<b>1,538.8</b>	<b>3,277.7</b>
<b>Impairment</b>			
At 31 December 2017 and 31 December 2016	<b>1.3</b>	<b>5.4</b>	<b>6.7</b>
Net book value at 31 December 2016	<b>1,737.6</b>	<b>1,364.0</b>	<b>3,101.6</b>
<b>Net book value at 31 December 2017</b>	<b>1,737.6</b>	<b>1,533.4</b>	<b>3,271.0</b>

The subsidiaries and joint ventures of the Company are listed on pages 202 to 209.

## 6. Deferred tax

	2017 £m	2016 £m
<b>Deferred income tax assets</b>		
Retirement benefits	<b>21.3</b>	20.6
Deferred income tax assets	<b>21.3</b>	20.6
<b>Deferred income tax liabilities</b>		
Other timing differences	<b>(2.4)</b>	(3.4)
Retirement benefits	<b>21.3</b>	20.6
	<b>18.9</b>	17.2

## 7. Trade & other receivables

Trade & other receivables presented as non-current on the face of the Company balance sheet of £42.6m (2016: £42.5m) are in respect of a prepayment recognised as a result of the pension funding partnership structure. Further information pertaining to this arrangement can be found in note 8.

	2017 £m	2016 £m
Amounts recoverable within one year		
Amounts owed by subsidiaries	<b>158.8</b>	128.6
Tax receivable	<b>15.3</b>	12.9
Other debtors	<b>3.6</b>	3.8
Prepayments & accrued income	<b>0.3</b>	0.2
	<b>178.0</b>	145.5

## Notes to the Company Financial Statements continued

### 8. Retirement benefits

The Company has two funded defined benefit plans (the Main Plan and the Executive Plan) and an unfunded retirement benefit plan for retired directors. The Company also operates a defined contribution plan. Contributions to the defined contribution arrangement are in addition to those set out below and are charged directly to the income statement.

For the defined benefit plans, benefits are related to service and final salary. The Main Plan closed to future accrual of benefits effective from 30 June 2015.

The weighted average duration of the expected benefit payments from the Main Plan is around 17 years and from the Executive Plan it is around 14 years.

The current funding target for the UK plans is to maintain assets equal to the value of the accrued benefits. The Main Plan holds insurance policies in respect of a significant proportion of deferred and retired pensioners. The Executive Plan entered into an insurance contract in 2017 which will match the liabilities of the plan in full.

The regulatory framework in the UK requires the Trustees and Company to agree upon the assumptions underlying the funding target, and then to agree upon the necessary contributions required to recover any deficit at the valuation date. There is a risk to the Company that adverse experience could lead to a requirement for the Company to make considerable contributions to recover any deficit. This risk is significantly reduced for the Main Plan through the insurance policies held by the Plan.

#### Assumptions

The significant actuarial assumptions used for accounting purposes reflect prevailing market conditions and are as follows:

	2017	2016
Significant actuarial assumptions:		
Discount rate (% pa)	<b>2.4</b>	2.6
Retail Prices Inflation assumption (% pa)	<b>3.2</b>	3.3
Post-retirement mortality (life expectancies in years):		
Current pensioners at 65 – male	<b>22.1</b>	22.2
Current pensioners at 65 – female	<b>24.0</b>	24.3
Future pensioners at 65 – male	<b>23.5</b>	24.0
Future pensioners at 65 – female	<b>25.5</b>	26.2
Other related actuarial assumptions:		
Rate of increases for pensions in payment (% pa)		
Pre 6 April 2006 service	<b>3.1</b>	3.1
Post 5 April 2006 service	<b>2.1</b>	2.1
Consumer Prices Inflation assumption (% pa)	<b>2.1</b>	2.2

The assumptions used to determine end-of-year benefit obligations are also used to calculate the following year's cost.

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 a member retiring in 2038 (in 20 years' time).

The assets and liabilities of the plans are as follows.

	2017 £m	2016 £m
Plan assets at fair value		
Equities (quoted)	<b>190.3</b>	206.9
Diversified Growth Funds (primarily quoted)	<b>56.8</b>	51.5
Corporate bonds (quoted)	<b>75.4</b>	82.3
Government bonds (quoted)	<b>74.7</b>	97.2
Insurance policies (unquoted)	<b>414.1</b>	379.2
Cash (quoted)	<b>0.4</b>	1.6
Fair value of plan assets	<b>811.7</b>	818.7
Present value of funded obligations	<b>(935.3)</b>	(938.4)
Net funded obligations	<b>(123.6)</b>	(119.7)
Present value of unfunded obligations	<b>(1.5)</b>	(1.6)
Net liability	<b>(125.1)</b>	(121.3)
Plan in surplus	–	9.8
Plan in deficit	<b>(125.1)</b>	(131.1)

The government bonds held in 2017 are all index-linked. The pension plans have not directly invested in any of the Company's own financial instruments, or in properties or other assets used by the Company.

The investment strategy for the UK is to hold equities and other return-seeking assets such as diversified growth funds and a mixture of bonds to meet the assessed value of the benefits promised for the non-insured deferred pensioners. For the remaining deferred pensioners and the bulk of pensioners currently receiving their benefit, the liabilities are backed by insurance policies and suitable bonds.

The change in net liabilities recognised in the Balance Sheet is comprised as follows.

	2017 £m	2016 £m
Opening net liabilities	<b>(121.3)</b>	(68.1)
Expense charged to profit & loss	<b>(3.3)</b>	(2.6)
Amount recognised in Statement of Comprehensive Income	<b>(2.6)</b>	(53.1)
Employer contributions	<b>2.1</b>	2.5
Closing net liabilities	<b>(125.1)</b>	(121.3)

## Notes to the Company Financial Statements continued

### 8. Retirement benefits continued

The amounts recognised in the income statement and in the statement of comprehensive income for the year are analysed as follows.

	2017 £m	2016 £m
<b>Recognised in the Income Statement</b>		
Administrative expenses	<b>(0.1)</b>	(0.2)
Included in operating profit (loss)	<b>(0.1)</b>	(0.2)
Interest on net pension liability	<b>(3.2)</b>	(2.4)
Total expense charged to profit & loss	<b>(3.3)</b>	(2.6)
<b>Recognised in the Statement of Comprehensive Income</b>		
Actual return on plan assets	<b>33.8</b>	133.7
Less: interest on plan assets	<b>(20.7)</b>	(25.9)
	<b>13.1</b>	107.8
Other actuarial (losses) gains due to		
Changes in financial assumptions	<b>(32.9)</b>	(171.6)
Changes in demographic assumptions	<b>17.2</b>	10.7
Actuarial losses recognised in the Statement of Comprehensive Income	<b>(2.6)</b>	(53.1)

Current service cost and administration expenses are recognised in operating costs and interest on net pension liability is recognised in other finance costs.

Pension contributions are determined with the advice of independent qualified actuaries on the basis of regular valuations using the projected unit method. The Company made special contributions of £2.0m in 2017 (2016: £2.4m) in addition to the Company's regular contributions.

The most recent actuarial funding valuation of the Main Plan was as at 31 December 2014 when the funding shortfall was £65.0m. Under the recovery plan agreed with the Trustees, the Company entered into a pension funding partnership structure under which it contributed interests in a Scottish Limited Partnership (SLP) for the Main Plan. The Main Plan's interests in the SLP will reduce the deficit on a funding basis, although the agreement will not affect the position directly on a FRS 101 accounting basis as the investments held do not qualify as assets for FRS 101 purposes. As a partner in the SLP, the Main Plan is entitled to receive a share of the profits of the SLP once a year for 15 years. The profits to be shared with the Plan will be reflected in the Company's financial statements as a pension contribution.

The Executive Plan actuarial valuation at 31 December 2013 included a funding shortfall of £10.6m with agreed recovery contributions of £2.4m per annum to 31 December 2017. The Trustees of the UK Executive Scheme entered into a full buy-in transaction in the third quarter of 2017, meaning all of the benefit payments due from the Executive Scheme are now covered by an insurance policy. There remains an outstanding premium payment (estimated to be £1.2m), which is expected to be paid in 2018 following a data cleanse process to finalise the insurance policy. The FRS 101 Balance Sheet at the 2017 year end reflects this expected payment due.

The Company has taken legal advice regarding its UK arrangements to confirm the accounting treatment under IFRIC 14 and the current exposure draft of the revised IFRIC 14 with regard to recognition of a current surplus and also recognition of a minimum funding requirement. This confirmed that there is no requirement to adjust the Balance Sheet and that recognition of a current surplus is appropriate on the basis that the Company has an unconditional right to a refund of a current (or projected future) surplus at some point in the future. For the same reason, there is no requirement for the Company to adjust the Balance Sheet to recognise the future agreed deficit recovery contributions. Having considered the position, taking account of the legal input received and noting that the Trustees of the UK arrangements do not have discretionary powers to unilaterally wind up the schemes without cause, the Directors of the Company have concluded that the Company has an unconditional right to a refund of any surplus. Amendments to the current version of IFRIC 14 are currently being considered.

The total Company contributions for 2018 (including those expected from the SLP) are expected to be £4.3m.

## Sensitivity analysis

Changes in key assumptions can have a significant effect on the reported net retirement benefit obligation and the income statement expense for 2018. The effects of changes in those assumptions are set out in the table below.

	Increase 2017 £m	Decrease 2017 £m	Increase 2016 £m	Decrease 2016 £m
Discount rate				
Effect on defined benefit obligation of a 1.0% change	<b>144.5</b>	<b>(176.2)</b>	143.3	(174.3)
Effect on net liability of a 1.0% change	<b>103.0</b>	<b>(129.5)</b>	106.6	(133.3)
RPI inflation (and associated assumptions)				
Effect on defined benefit obligation of a 1.0% change	<b>(95.8)</b>	<b>87.3</b>	(90.3)	82.8
Effect on net liability of a 1.0% change	<b>(62.2)</b>	<b>56.0</b>	(64.2)	58.1
Life expectancy				
Effect on defined benefit obligation of a 1 year change	<b>(28.0)</b>	<b>28.0</b>	(28.1)	28.1
Effect on net liability of a 1 year change	<b>(12.8)</b>	<b>12.8</b>	(14.1)	14.1

The impact on the net liability is significantly reduced as a result of the insurance policies held. In the absence of such policies, the impact on the net liability would be much closer to the significantly higher impact on the defined benefit obligation shown in the table.

These sensitivities have been calculated to show the movement in the defined benefit obligation and net liability in isolation and assume no other changes in market conditions at the accounting date. In practice, for example, a change in discount rate is unlikely to occur without any movement in the value of the invested (non-insurance policy) assets held by the plans.

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

	2017 £m	2016 £m
Opening defined benefit obligations	<b>(940.0)</b>	(783.2)
Interest on benefit obligations	<b>(23.9)</b>	(28.3)
Benefits paid	<b>42.8</b>	32.4
Actuarial (losses) gains due to		
Changes in financial assumptions	<b>(32.9)</b>	(171.6)
Changes in demographic assumptions	<b>17.2</b>	10.7
Closing defined benefit obligations	<b>(936.8)</b>	(940.0)

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

	2017 £m	2016 £m
Opening plan assets	<b>818.7</b>	715.1
Interest on plan assets	<b>20.7</b>	25.9
Employer contributions	<b>2.1</b>	2.5
Administrative expenses	<b>(0.1)</b>	(0.2)
Benefits paid	<b>(42.8)</b>	(32.4)
Actual return on plan assets less interest on plan assets	<b>13.1</b>	107.8
Closing plan assets	<b>811.7</b>	818.7

## Notes to the Company Financial Statements continued

### 9. Derivative financial instruments

	2017 £m	2016 £m
<b>Non-current assets</b>		
Forward foreign currency contracts	<b>0.4</b>	0.1
	<b>0.4</b>	0.1
<b>Current assets</b>		
Forward foreign currency contracts	<b>28.0</b>	69.3
	<b>28.0</b>	69.3
<b>Current liabilities</b>		
Cross currency swaps	<b>(8.9)</b>	(6.3)
Forward foreign currency contracts	<b>(36.7)</b>	(36.8)
	<b>(45.6)</b>	(43.1)
<b>Non-current liabilities</b>		
Cross currency swaps	<b>(0.7)</b>	(14.7)
Forward foreign currency contracts	<b>(0.4)</b>	(0.1)
	<b>(1.1)</b>	(14.8)

The figures in the above table include derivative financial instruments where the counterparty is a subsidiary of The Weir Group PLC.

### 10. Trade & other payables

	2017 £m	2016 £m
Bank overdrafts & short-term borrowings	<b>387.7</b>	142.3
Loans from subsidiaries (note 11)	<b>1,421.2</b>	1,078.3
Amounts owed to subsidiaries	<b>25.4</b>	28.5
Other taxes & social security costs	<b>1.3</b>	1.1
Other creditors	<b>1.7</b>	3.9
Accruals & deferred income	<b>28.0</b>	28.8
	<b>1,865.3</b>	1,282.9

## 11. Interest-bearing loans & borrowings

	2017 £m	2016 £m
Amounts due are repayable as follows		
Less than one year		
– fixed rate notes	94.4	–
– commercial paper	293.3	142.1
– loans from subsidiaries	1,421.2	1,078.3
More than one year but not more than two years		
– fixed rate notes	155.0	100.2
– loans from subsidiaries	4.4	340.6
More than two years but not more than five years		
– bank loans	–	31.4
– fixed rate notes	435.8	171.7
– loans from subsidiaries	162.5	108.9
More than five years		
– fixed rate notes	147.8	645.6
	<b>2,714.4</b>	2,618.8
Less current instalments due on		
– fixed rate notes	(94.4)	–
– commercial paper	(293.3)	(142.1)
– loans from subsidiaries	(1,421.2)	(1,078.3)
	<b>905.5</b>	1,398.4

The loans from subsidiaries with a maturity date greater than one year and less than two years are repayable in 2018 and have an interest rate of 10.25%. The loans from subsidiaries with a maturity date greater than two years and less than five years are repayable in 2020 and have an interest rate of 5.43%.

Details of the interest and repayment terms of the bank loans, fixed rate notes and commercial paper can be found in note 20 to the Group Financial Statements.

## 12. Provisions

	Exceptional rationalisation £m
At 31 December 2016	0.2
Released – unutilised	(0.2)
<b>At 31 December 2017</b>	<b>–</b>

As at 31 December 2017, a provision of £nil (2016: £0.2m) has been made in respect of an onerous contract for leased premises over one year.

## Notes to the Company Financial Statements continued

### 13. Share capital & reserves

	2017 £m	2016 £m
<b>Allotted, called up &amp; fully paid</b>		
Ordinary shares of 12.5p each	<b>28.1</b>	27.3
The value of treasury shares is £0.1m, being 473,912 shares at 12.5p.		
<b>Shares allotted</b>	<b>2017 Number million</b>	2016 Number million
Issued during the year in respect of KOP acquisition	<b>5.1</b>	–
Issued during the year in respect of scrip dividends	<b>1.2</b>	3.7
<b>Treasury shares</b>		
At the beginning of the year	<b>0.7</b>	0.7
Utilised during the year in respect of LTIP awards	<b>(0.2)</b>	–
At the end of the year	<b>0.5</b>	0.7
<b>Equity settled share-based payments</b>		
LTIP awards outstanding at the end of the year	<b>1.9</b>	2.5

Further details of the equity settled share-based payments and the associated cost for the year can be found in note 28 to the Group Financial Statements.

#### Merger reserve

The merger reserve was created by the issue of new equity in relation to the acquisition of Delta Industrial Valves Inc. during 2015.

#### 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.

#### Special reserve

The premium of £1.8m arising on the issue of shares for the acquisition of the entire share capital of Liquid Gas Equipment Limited in 1988 has been credited to a special reserve in accordance with the merger relief provisions of the Companies Act 1985.

### 14. Operating lease commitments

The Company has entered into a commercial lease for a building which has a lease term of 20 years. Future minimum rentals payable under non-cancellable operating leases are shown in the table below.

	2017 £m	2016 £m
Less than 1 year	<b>0.1</b>	–
After 1 year but not more than 5 years	<b>3.0</b>	2.4
More than 5 years	<b>9.3</b>	10.0
	<b>12.4</b>	12.4

## 15. Contingent liabilities & legal claims

### Guarantees

The Company has given guarantees in relation to the bank and other borrowings of certain subsidiary companies amounting to £628.7m (2016: £616.6m). These guarantees are treated as contingent liabilities until it becomes probable they will be called upon. The likelihood of the guarantees being called upon is considered remote.

### 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. Provisions have been made where the Directors have assessed that a cash outflow is likely and they believe all other claims are remote.

## 16. Related party disclosures

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with related parties that are wholly owned by a subsidiary of The Weir Group PLC. The following table provides the total amount of transactions which have been entered into with non-wholly owned related parties for the relevant financial year and outstanding balances at the year end.

Related party		Group charges £m	Amounts due £m
Weir ABF LP	<b>2017</b>	–	<b>55.9</b>
	2016	–	56.3
Weir Minerals (India) Private Ltd	<b>2017</b>	–	<b>0.2</b>
	2016	0.1	0.1
Vulco SA	<b>2017</b>	<b>1.0</b>	<b>1.4</b>
	2016	–	0.1

## 17. Financial risk management objectives and policies

The description of the Group's financial risk management objectives and policies is provided in note 30 to the Group financial statements.

These financial risk management objectives and policies also apply to the Company.

## Subsidiary Undertakings

The subsidiary undertakings of the Company as at 31 December 2017 are noted below. Unless otherwise indicated, the Company's shareholdings are held indirectly.

<sup>A</sup> Directly held by The Weir Group PLC.

Name	Country of incorporation	Registered address	Class of shares	Percentage held	Name	Country of incorporation	Registered address	Class of shares	Percentage held
<b>Aislación Sísmica Perú SA</b>	Peru	Av. Separadora Industrial No. 2201 Urb Volcano Ate Lima Peru	Ordinary	<b>99.999%</b>	<b>Duhn Oil Tool, Inc.</b>	USA	3912 Gilmore Avenue Bakersfield California 93308 USA	Common	<b>100%</b>
<b>Aspir Pty Ltd</b>	Australia	1-5 Marden Street Artarmon NSW 2064 Australia	Ordinary	<b>100%</b>	<b>EnviroTech (Pty) Limited</b>	Republic of South Africa	31 Isando Road Isando Gauteng 1600 South Africa Republic of South Africa	Ordinary	<b>100%</b>
<b>Autotork Controls Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	<b>100%</b>	<b>EnviroTech Pumpsystems, LLC</b>	USA	Corporation Trust Center 1209 Orange St Wilmington New Castle Delaware 19801 USA	Common	<b>100%</b>
<b>Batley Valve Company Limited, (The)</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	<b>100%<sup>A</sup></b>	<b>EPIX Power System, LLC</b>	USA	Corporation Trust Centre 1209 Orange Street Wilmington Delaware 19801 USA	Units	<b>50%</b>
<b>Blakeborough Valves Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	<b>100%<sup>A</sup></b>	<b>Fabrica de Aisladores Sísmicos de Chile Limitada</b>	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	<b>100%</b>
<b>Capstead Systems Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	<b>100%</b>	<b>Fundición Vulco Ltda</b>	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	<b>100%</b>
<b>CH Warman Asia Limited</b>	Malta	93 Mill Street Qormi QRM3102 Malta	Ordinary	<b>100%</b>	<b>G. &amp; J. Weir, Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	<b>100%</b>
<b>Comercializadora TEP Limitada</b>	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	<b>100%</b>	<b>Hopkinsons Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	<b>100%<sup>A</sup></b>
<b>Cunnington and Cooper Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	<b>100%</b>	<b>Hurricane Investments Inc.</b>	USA	Corporation Trust Center 1209 Orange St Wilmington New Castle Delaware 19801 USA	Common	<b>100%</b>
<b>Dongying Weir O&amp;G Pump Products Co., Ltd</b>	China	No. 69 Dengzhou Road, Dongying Area, Dongying City, Shandong, China	n/a	<b>100%</b>	<b>Inversiones Linatec Chile (Holdings) Limitada</b>	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	<b>100%</b>
<b>Downhole Oiltools Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	<b>100%</b>	<b>JF (Jiangsu) Machinery Co. Ltd</b>	China	East 188 Hu Tai Road Liuhu Town Taicang China	n/a	<b>100%</b>

Name	Country of incorporation	Registered address	Class of shares	Percentage held	Name	Country of incorporation	Registered address	Class of shares	Percentage held
<b>KOP Surface Products (Services) Pte. Ltd</b>	Singapore	77 Science Park Drive ~04-01/08 Cintech 111 Building 118256 Singapore	Ordinary	<b>100%</b>	<b>Linatex UK Holding Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	<b>100%<sup>A</sup></b>
<b>KOP Surface Products (Services) UK Ltd</b>	Scotland	10th Floor 1 West Regent Street Glasgow G2 1RW Scotland	Ordinary	<b>100%</b>	<b>Metalúrgica Vulco Ltda</b>	Chile	San Jose 0815 San Bernardo Santiago Chile	n/a	<b>100%</b>
<b>KOP Surface Products Sdn Bhd</b>	Malaysia	Level 16 Integra Tower The Intermark 348 Jalan Tun Razak Kuala Lumpur	Ordinary	<b>100%</b>	<b>Multiflo Pumps Pty Limited</b>	Australia	1-5 Marden Street Artarmon New South Wales 2064 Australia	Ordinary	<b>100%</b>
<b>Linatex (H.K.) Limited</b>	Hong Kong	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong	Ordinary	<b>100%</b>	<b>Nuchem Weir India Limited</b>	India	E-46/12 Okhla Industrial Area Phase-II New Delhi 110020 India	Equity	<b>33%</b>
<b>Linatex Africa (Pty) Limited</b>	Republic of South Africa	5 Clarke Road Alrode 1541 PO Box 17872 Randhart 1457 South Africa	Ordinary	<b>100%</b>	<b>P.S.L. International Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	<b>100%</b>
<b>Linatex Asset Holdings Malaysia Sdn. Bhd.</b>	Malaysia	2nd Floor No. 2-4, Jalan Manau (PO Box 11379, 50744 K. Lumpur) Kuala Lumpur Wilayah Persekutuan 50460 Malaysia	Ordinary	<b>100%</b>	<b>PT KOP Surface Products</b>	Indonesia	Suite 701B 7th Floor Setiabudi Atrium Jl H.R. Rasuna Said Kav 62 Jakarta 12920 Indonesia	Ordinary A,B	<b>100%</b>
<b>Linatex Australia Pty. Limited</b>	Australia	1-5 Marden Street Artarmon New South Wales 2064 Australia	Ordinary A,B	<b>100%</b>	<b>PT Weir Minerals Contract Services Indonesia</b>	Indonesia	Jl Mulawarman RT. 20 Batakan Kecil Kelurahan Manggar East Kalimantan 76111 Indonesia	Ordinary	<b>100%</b>
<b>Linatex Chile Limitada</b>	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	<b>100%</b>	<b>PT Weir Minerals Indonesia</b>	Indonesia	Jl Mulawarman RT. 20 Batakan Kecil Kelurahan Manggar East Kalimantan 76111 Indonesia	Ordinary	<b>100%</b>
<b>Linatex Chile SPA</b>	Chile	Santa Catalina De Chena 850 San Bernardo Santiago Chile	n/a	<b>100%</b>	<b>PT Weir Oil &amp; Gas Indonesia</b>	Indonesia	Jl Mulawarman RT. 20 Batakan Kecil Kelurahan Manggar East Kalimantan 76111 Indonesia	Ordinary	<b>95%</b>
<b>Linatex Consolidated Holdings Limited</b>	British Virgin Islands	PO Box 173 Kingston Chambers Road Town Tortola British Virgin Islands	Ordinary Series 1, 2 Preference	<b>100%</b>	<b>Seaboard Canada Ltd.</b>	Canada	5233-49 Avenue Red Deer Alberta T4N 6G5 Canada	Common	<b>100%</b>
<b>Linatex Limited</b>	England and Wales	c/o Weir Minerals Europe Halifax Road Todmorden Lancashire OL14 5RT	Ordinary	<b>100%</b>	<b>Seaboard Holdings, Inc.</b>	USA	Corporation Trust Center 1209 Orange Street Wilmington County of New Castle Delaware 19801 USA	Common	<b>100%</b>
<b>Linatex Rubber Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	<b>100%</b>	<b>Seaboard International Holding Company (Hong Kong) Limited</b>	Hong Kong	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong	Ordinary	<b>100%</b>
<b>Linatex Rubber Products Sdn. Bhd.</b>	Malaysia	2nd Floor No. 2-4, Jalan Manau Kuala Lumpur Wilayah Persekutuan 50460 Malaysia	Ordinary	<b>100%</b>					

## Subsidiary Undertakings continued

Name	Country of incorporation	Registered address	Class of shares	Percentage held	Name	Country of incorporation	Registered address	Class of shares	Percentage held
<b>Seaboard International Inc.</b>	USA	CT Corporation System 1209 Orange Street Wilmington DE 19801 USA	Common	<b>100%</b>	<b>The Weir Group International S.A.</b>	Switzerland	c/o Daniel Schneuwly, Rue de Romont 35 Avocat 1700 Fribourg Switzerland	Ordinary	<b>100%</b>
<b>Seaboard Real Estate, LLC</b>	USA	Corporation Trust Center 1209 Orange Street Wilmington County of New Castle Delaware 19801 USA	Units	<b>100%</b>	<b>The Weir Group Pension Trust Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary Limited by Guarantee	<b>100%<sup>A</sup></b>
<b>Shanghai JF Engineering Equipment Co. Ltd</b>	China	No.572, Yonghe Road Jing'an District Shanghai China	n/a	<b>100%</b>	<b>Trio Engineered Products (Hong Kong) Limited</b>	Hong Kong	Level 54 Hopewell Centre 183 Queens Road East Hong Kong	Ordinary	<b>100%</b>
<b>Shanghai JF Industries Co. Ltd</b>	China	Building No. 1 1268 Shuang Zhu Road Huating Town Jiading District Shanghai China	n/a	<b>100%</b>	<b>Trio Engineered Products, Inc.</b>	USA	CT Corporation System 818 West Seventh Street Suite 930 Los Angeles, CA 90017 USA	Common	<b>100%</b>
<b>Shanghai JF Machinery Co. Ltd</b>	China	4918 Liuxiang Road Xuhang Town Jiading District Shanghai China	n/a	<b>100%</b>	<b>TWG Canada Holdings Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	<b>100%</b>
<b>Shanghai Vortex Engineering Machinery Co. Ltd</b>	China	Building No. 3 4918 Liuxiang Road Xuhang Town Jiading District Shanghai China	n/a	<b>100%</b>	<b>TWG Cayman Limited</b>	Cayman Islands	M&C Corporate Services Limited PO Box 309 Ugland House, South Church Street George Town Grand Cayman Cayman Islands	Ordinary, Preference	<b>100%</b>
<b>Slurry Holdings Limited</b>	Malta	93 Mill Street Qormi QRM3102 Malta	Ordinary	<b>100%</b>	<b>TWG Drilling Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	<b>100%</b>
<b>Specialised Petroleum Manufacturing Limited</b>	Scotland	SPM House Badentoy Crescent Badentoy Industrial Park Portlethen Aberdeen AB12 4YD	Ordinary	<b>100%</b>	<b>TWG Engineering (No.1) Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	<b>100%</b>
<b>SPM Flow Control de México, S. de R.L. de C.V.</b>	Mexico	Bosque De Cieluelos 180 Bosques De Las Lomas Bosque Hayas Y Bosque De La Reforma Miguel Hidalgo Distrrito Federal CP 11700 Mexico	Serie A	<b>100%</b>	<b>TWG Engineering (No.2) Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary <sup>A</sup>	<b>100%<sup>A</sup></b>
<b>SPM Flow Control Ltd.</b>	Canada	5233-49 Ave Red Deer Alberta T4N 6G5 Canada	A, B, C, D Common E, F Preferred	<b>100%</b>	<b>TWG Engineering (No.3) Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	<b>100%</b>
<b>S.P.M Flow Control, Inc.</b>	USA	1999 Bryan Street Dallas Texas 75201 USA	Common	<b>100%</b>	<b>TWG Engineering (No.4) Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	<b>100%</b>
<b>SPM UK Limited</b>	Cayman Islands	c/o Maples Corporate Services Limited PO Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands	Ordinary	<b>100%</b>	<b>TWG Engineering (No.5) Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	<b>100%</b>
<b>The Weir Group Insurance Company Limited</b>	Isle of Man	Rose House 51-59 Circular Road Douglas IM1 1RE Isle of Man	Ordinary	<b>100%</b>					

Name	Country of incorporation	Registered address	Class of shares	Percentage held	Name	Country of incorporation	Registered address	Class of shares	Percentage held
<b>TWG Engineering (No.7) Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	<b>100%</b>	<b>TWG US Holdings LLC</b>	USA	Corporation Trust Center 1209 Orange Street City of Wilmington County of New Castle Delaware 19801 USA	Units	<b>100%</b>
<b>TWG Finance, Inc.</b>	USA	Corporation Trust Center 1209 Orange Street City of Wilmington County of New Castle Delaware 19801 USA	Common	<b>100%</b>	<b>TWG Young Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	<b>100%<sup>A</sup></b>
<b>TWG Investments (No.3) Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary, Preference	<b>100%<sup>A</sup></b>	<b>Vulco Peru SA</b>	Peru	Av. Separadora Industrial No. 2201 Urb Volcano Ate Lima Peru	Ordinary	<b>100%</b>
<b>TWG Investments (No.4) Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary, Preference	<b>100%<sup>A</sup></b>	<b>Vulco SA</b>	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	<b>99%</b>
<b>TWG Investments (No.6) Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	<b>100%</b>	<b>W. Luff Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	<b>100%</b>
<b>TWG Investments (No.7) Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	<b>100%<sup>A</sup></b>	<b>W.P.R. Marks Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary, Ordinary B	<b>100%</b>
<b>TWG Investments (No.8) Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	<b>100%</b>	<b>Warman Pumps Ltd</b>	Australia	1-3 Marden Street Artarmon Sydney New South Wales 2064 Australia	Ordinary	<b>100%</b>
<b>TWG Investments (No.10) Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	<b>100%<sup>A</sup></b>	<b>Waterloo West Limited</b>	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	<b>100%<sup>A</sup></b>
<b>TWG Overseas Finance S.à.r.l.</b>	Luxembourg	20, Rue des Peupliers L-2328 Luxembourg	Ordinary, Preference	<b>100%</b>	<b>Weir ABF LP</b>	Scotland	1 West Regent Street Glasgow Scotland G2 1RW	Partnership	<b>100%</b>
<b>TWG South America Holdings Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary, Preference	<b>100%</b>	<b>Weir Arabian Metals Company</b>	Saudi Arabia	PO Box 2724 Makkah Street Dammam Second Industrial City Al Khobar 31952 Saudi Arabia	Common	<b>49%</b>
<b>TWG UK Forex Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	<b>100%</b>	<b>Weir B.V.</b>	The Netherlands	PO Box 249 5900 AE Venlo Netherlands	Ordinary	<b>100%</b>
<b>TWG UK Holdings Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	<b>100%</b>	<b>Weir Canada, Inc.</b>	Canada	2360 Millrace Court Mississauga ON L5N 1W2 Canada	Common, Preference – Class A	<b>100%</b>
<b>TWG US Forex Limited</b>	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	<b>100%</b>	<b>Weir Canadian Investments, Inc.</b>	Canada	2360 Millrace Court Mississauga ON L5N 1W2 Canada	Common	<b>100%</b>

## Subsidiary Undertakings continued

Name	Country of incorporation	Registered address	Class of shares	Percentage held	Name	Country of incorporation	Registered address	Class of shares	Percentage held
Weir Control Valves (Suzhou) Co., Ltd	China	Chun Wang Road Huangdai Town Xiangcheng District Suzhou Jiangsu Province China	n/a	100%	Weir Group Engineering Hong Kong Limited	Hong Kong	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong	Ordinary	100%
Weir do Brasil Ltda	Brazil	Av Jose Benassi, 2151 Condominio FAZGRAN – CEP 13213 085 Jundiai SP	Nominal	100%	Weir Group General Partner Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%
Weir Drilling Services Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary A, B, C	100%	Weir Group Holdings Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100% <sup>A</sup>
Weir Engineering Products (Shanghai) Co., Ltd	China	Room 318, Floor 3 No. 458, Fute North Road Shanghai China	n/a	100%	Weir Group Inc.	USA	Corporation Trust Center 1209 Orange Street City of Wilmington County of New Castle Delaware 19801 USA	Common, Preferred	100%
Weir Engineering Services Limited	Scotland	1st Floor Avondale House Phoenix Crescent Strathclyde Business Park Bellshill Scotland ML4 3NJ	Ordinary	100%	Weir Group Investments Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100% <sup>A</sup>
Weir Flow Control (Hong Kong) Limited	Hong Kong	Level 54 Hopewell Centre 183 Queen's Road East Hong Kong	Ordinary	75%	Weir Group IP Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100% <sup>A</sup>
Weir Floway, Inc.	USA	1105 North Market Street Suite 1300 Wilmington Delaware 19899 USA	Common	100%	Weir Group Management Services Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100% <sup>A</sup>
Weir France SA	France	106 Boulevard Paul Raphel Saint Victoret 13730 France	Ordinary	99.999%	Weir Group Trading (Shanghai) Co., Ltd.	China	Room 02,03, Longlife Level 14 No. 1566, West Yan'an Road, Shanghai, China	n/a	100%
Weir Gabbioneta Poland Sp Z.o.o	Poland	ul. Partyzantow, 4 42-300 Myszkow Poland	Ordinary	100%	Weir Group Trading Mexico, S.A. de C.V.	Mexico	Av. Nafta 775 Parque Industrial Stiva Aeropuerto Apocada 66600 Mexico	Nominative	100%
Weir Gabbioneta S.r.l.	Italy	Via M.G. Agnesi 1 20834 Nova Milanese (MB) Italy	Ordinary	100%	Weir HBF (Pty) Ltd	Republic of South Africa	Trollope Charles Private Bag X14 Northlands Gauteng 2116 South Africa	Ordinary	100%
Weir Group (Australian Holdings) Pty Limited	Australia	1-5 Marden Street Artarmon New South Wales 2064 Australia	Ordinary	100% <sup>A</sup>	Weir Heat Exchange Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100% <sup>A</sup>
Weir Group (Overseas Holdings) Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%	Weir Holdings B.V.	The Netherlands	PO Box 249 5900 AE Venlo The Netherlands	Ordinary	100%
Weir Group African IP Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%	Weir India Private Limited	India	Office Unit No 912 and 914 9th Floor DLF Tower- A, Plot No 10 Jasola District Centre New Delhi 110025 India	Ordinary	100%
Weir Group Energy Equipment (Suzhou) Co., Ltd.	China	No.22 Chunwang Road, Huangdai Town, Xiangcheng District, Suzhou, Jiangsu Province, China	n/a	100%					

Name	Country of incorporation	Registered address	Class of shares	Percentage held	Name	Country of incorporation	Registered address	Class of shares	Percentage held
Weir International Co. Ltd	South Korea	#151, Beomjigi-ro Danwon-gu Ansan City Gyeonggi-do 425-852 South Korea	Common	100%	Weir Minerals East Africa Limited	Tanzania	Plot No. 137 Capri Point Mwanza Tanzania	Ordinary	100%
Weir Investments One Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary, Preference	100% <sup>A</sup>	Weir Minerals Europe Limited	England and Wales	Halifax Road Todmorden Lancashire OL14 5RT	Ordinary	100%
Weir Investments Two Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary, Preference	100% <sup>A</sup>	Weir Minerals Finland OY	Finland	Askonkatu 9F Lahti Etela-Suomen Laani 15100 Finland	Ordinary	100%
Weir Investments Three Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%	Weir Minerals France SAS	France	7 Rue Edison Europarc du Chene 69500 Bron Cedex France	Ordinary	100%
Weir Investments Four Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100% <sup>A</sup>	Weir Minerals Germany GmbH	Germany	Lise-Meitner-Straße 12 Heilbronn D-74074 Baden-Württemberg Germany	Ordinary	100%
Weir Malaysia Sdn. Bhd.	Malaysia	Tingkat 2 2-4, Jalan Manau Kuala Lumpur Wilayah Persekutuan 50460 Malaysia	Ordinary, Preference	100%	Weir Minerals Hungary Kft	Hungary	Teleki László utca 11 1/3 Tábanya 2800 Hungary	Ordinary	100%
Weir Minerals Africa (Proprietary) Limited	Republic of South Africa	5 Clarke Road Airode 1541 PO Box 17872 Randhart 1457 South Africa	Ordinary	100%	Weir Minerals (India) Private Limited	India	Office Unit No 912 and 914 9th Floor DLF Tower – A Plot No 10 Jasola District Centre New Delhi – 110025 New Delhi India	Ordinary	97%
Weir Minerals Armenia LLC	Republic of Armenia	Index 0069, 16/35 Kamarak Str, Yerevan, Republic of Armenia	Ordinary	100%	Weir Minerals Italy Srl	Italy	Via F.lli Cervi 1/D 20063 Cernusco Sul Naviglio Milano Italy	Ordinary	100%
Weir Minerals Australia Ltd	Australia	1-3 Marden Street Artarmon New South Wales 2064 Australia	Ordinary	100%	Weir Minerals Kazakhstan LLP	Kazakhstan	134 Karagandinskoyeshosse str. Temirtau 101403 Kazakhstan	n/a	100%
Weir Minerals Botswana (Pty) Limited	Botswana	Plot 5039/5040 Somerset East Industrial Francistown Botswana	Ordinary	100%	Weir Minerals Mexico, S.A. de C.V.	Mexico	Av. Nafta 775 Parque Industrial Stiva Aeropuerto Apocada Nuevo Leon 66600 Mexico	Nominative	100%
Weir Minerals Caribe SRL	Dominican Republic	KK 22,5 Autopista Duarte Parque Industrial Duarte Parque de Naves Pid 4 Santo Domingo Dominican Republic	Ordinary	100%	Weir Minerals Mexico Servicios, S.A. de C.V.	Mexico	Av. Nafta 775 Parque Industrial Stiva Aeropuerto Apocada Nuevo Leon 66600 Mexico	Nominative	100%
Weir Minerals Central Africa Limited	Republic of Zambia	Plot 3655 Chimbuluma Road Kitwe Zambia	Ordinary	100%	Weir Minerals Mongolia LLC	Mongolia	205, 2nd Khoroo Bayangol District Ulaanbaatar Mongolia	Ordinary	100%
Weir Minerals China Co., Limited	China	Factory #27 158 Hua Shan Road Suzhou New District Suzhou 215011 China	n/a	100%	Weir Minerals Mozambique Ltd	Mozambique	Mozambique Maputo Cidade Distrito urban1 Bairro Central AV. Zedequias Manganhela	Ordinary	100%
Weir Minerals Colombia SAS	Colombia	Carrera 43 B # 16 41 Office 904 Building Staff Medellin Antioquia Colombia	Ordinary	100%					

## Subsidiary Undertakings continued

Name	Country of incorporation	Registered address	Class of shares	Percentage held	Name	Country of incorporation	Registered address	Class of shares	Percentage held
Weir Minerals Netherlands B.V.	The Netherlands	P.O.Box 249 5900 AE Venlo The Netherlands	Ordinary	100%	Weir Pump and Valve Solutions, Inc.	USA	The Corporation Company 40600 Ann Arbor Rd E Ste 201 Plymouth MI 48170-4675 USA	Common	100%
Weir Minerals North Africa SARL	Morocco	Boulevard Sidi Mohamed Ben Abdellad IM B 1ER Etage N 29.10160 Casablanca Morocco	Ordinary	100%	Weir Services Australia Pty Ltd	Australia	1-5 Marden Street Artarmon New South Wales 2064 Australia	Ordinary	100%
Weir Minerals Poland Sp. z.o.o.	Poland	ul. Ignacego Domeyki 2 30-066 Krakow Poland	Ordinary	100%	Weir Services Tanzania (Pty) Limited	South Africa	Plot No 137 Capri Point Mwanza Tanzania	Ordinary	100%
Weir Minerals Pump & Mining Solutions Namibia (Proprietary) Ltd	Namibia	54 Hidipo Hamutenya Ave Swakopmund 9000 Namibia	Ordinary	100%	Weir Slurry Group Inc.	USA	CT Corporation System 8020 Excelsior Drive Suite 200 Madison Wisconsin 53717 USA	Common, Preferred	100%
Weir Minerals RFW LLC (OOO)	Russia	Building 12 8 Marta Street 127083 Moscow Russia	n/a	100%	Weir Solutions Caspian LLC	Azerbaijan	Apt 77/77A House 29 Zarifa Aliyeva Street Sabail District Baku City AZ1095 Azerbaijan	Ordinary	99.99%
Weir Minerals Sweden AB	Sweden	Metallvagen 6 982 38 Gallivare Sweden	Class A, Class B	100%	Weir Solutions FZE	United Arab Emirates	Office no. W 312 West Side 1 Dubai Airport Free Zone Dubai United Arab Emirates	Ordinary	100%
Weir Minerals Taiwan Corp. Ltd	Taiwan	4F No. 431 Ruiguang Rd Neihu Dist Taipei City 11492 Taiwan	Ordinary	90%	Weir Solutions LLC	Oman	PO Box 168 Postal Code 1202 Muscat Sultanate of Oman	Common	100%
Weir Minerals Ukraine LLC	Ukraine	31 Blagoyeva Street Dnepropetrovsk 49054 Ukraine	Ordinary	100%	Weir SOS Limited	The Bahamas	Ocean Centre Montagu Foreshore East Bay Street Nassau New Providence The Bahamas	Ordinary	100%
Weir Minerals West Africa Limited	Ghana	No. 4, 3rd Close Airport Residential Area Post Box CT3170 Accra Ghana	Ordinary	100%	Weir SPM do Brasil Comércio, Locação e Instalação de Bombas e Equipamentos Geradores de Pressão Ltda.	Brazil	Rua Internacional s/n Granja dos Cavaleiros Macaé Rio de Janeiro CEP 27930-075 Brasil	Nominal	100%
Weir Oil & Gas Australia Pty Limited	Australia	1-5 Marden Street Artarmon New South Wales 2064 Australia	Ordinary	100%	Weir SPM Singapore Pte Limited	Republic of Singapore	15 Tukang Innovation Drive 618299 Singapore	Ordinary	100%
Weir Oil & Gas Technical Service (Tianjin) Limited	China	Room 312 Rongke Building No. 8 Zhaofa Xincun Tianjin Economic-Technological Development Area China	n/a	100%	Weir Sudamerica SA	Chile	San Jose 0815 San Bernardo Santiago Chile	Ordinary	99.99%
Weir Power & Industrial France SAS	France	106 Boulevard Paul Raphael Saint Victoret 13730 France	Ordinary	100%	Weir Support Services Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100% <sup>A</sup>
Weir Power & Industrial Singapore Private Limited	Republic of Singapore	77 Science Park Drive, #04-01/08, Cintech III Building, 118256, Singapore	Ordinary	100%	Weir Turkey Mineralleri Limited Sirketi	Turkey	Istanbul Tuzla Organize Sanayi Bolgesi 2. Cadde No. 12 Tepeoren Tuzla Istanbul 34959 Turkey	Bearer	100%
Weir Pumps Limited	Scotland	10th Floor 1 West Regent Street Glasgow Scotland G2 1RW	Ordinary	100%					

Name	Country of incorporation	Registered address	Class of shares	Percentage held	Name	Country of incorporation	Registered address	Class of shares	Percentage held
Weir US Holdings Inc.	USA	Corporation Trust Center 1209 Orange Street Wilmington County of New Castle Delaware 19801 USA	Common	100%	Weir YES Africa (Pty) Ltd	Republic of South Africa	5 Clarke Street Alrode Alberton Gauteng 1449 South Africa	Ordinary	100%
Weir USA Holdings, LLC	USA	29 Old Right Road Ipswich Massachusetts 01938 USA	Units	100%	Wesco LLC	United Arab Emirates	Bin Hamoodah Towers Floor 13 Khalifa Street Abu Dhabi United Arab Emirates	Ordinary	49%
Weir Valves & Controls UK Limited	England and Wales	Britannia House Huddersfield Road Elland Halifax West Yorkshire HX5 9JR	Ordinary	100% <sup>A</sup>	WHW Group, Inc.	USA	Corporation Trust Center 1209 Orange Street City of Wilmington County of New Castle Delaware 19801 USA	Common	100%
Weir Valves & Controls USA Inc.	USA	155 Federal Street Suite 700 Boston Massachusetts 02110 USA	Common, Preferred	100%	Wilkinmark Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100%
Weir Vulco Argentina S.A.	Argentina	Sarmiento 511 Sur 1º Piso A San Juan. CP 5400 Argentina	Ordinary	100%	Wokingham Finance Company Limited	England and Wales	Weir Power & Industrial – Emerging Markets Britannia House Huddersfield Road Elland West Yorkshire HX5 9JR	Ordinary	100% <sup>A</sup>
Weir Vulco Venezuela S.A.	Venezuela	Zona Industrial UD321 Calle 6 intersección Transversal 'E' Parcela 12-01 Puerto Ordaz Venezuela	Ordinary	100%	Weir Warman (U.K.) Limited	England and Wales	Lot 265 Wuxi-Singapore Industrial Park Wuxi City Jiangsu Province China	n/a	100%
Weir Warman (U.K.) Limited	England and Wales	Halifax Road Todmorden Lancashire OL14 5RT	Ordinary	100% <sup>A</sup>					

The Group has an interest in a partnership, the Weir ABF LP, which is fully consolidated into these statements. The Group has taken advantage of the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 and has, therefore, not appended the accounts of this qualifying partnership to these financial statements. Separate accounts for the partnership are not required to be, and have not been, filed at Companies House in the UK.

## Shareholder Information

### Company Secretary & Registered Office

Mr Christopher Morgan  
The Weir Group PLC  
1 West Regent Street  
Glasgow  
G2 1RW

Registered in Scotland.  
Company No. SC002934.

### Registrar

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol, BS99 6ZZ

Website: [www.investorcentre.co.uk](http://www.investorcentre.co.uk)

Telephone: 0370 707 1402

Shareholder enquiries relating to shareholding, dividend payments, change of name or address, lost share certificates or dividend cheques, transfer of shares etc. should be addressed to Computershare.

### Shareholder communications

#### Online Communications

Shareholders are encouraged to visit the Company's corporate website ([www.global.weir](http://www.global.weir)), which contains a wealth of information about the Weir Group. The website includes information about the markets in which we operate, our strategy and business performance, recent news from the Group and product information. The investor section is a key source of information for shareholders, containing details on the share price, our financial results, shareholder meetings and dividends, as well as a 'Shareholders FAQ' section.

#### E-Communications

We are encouraging our shareholders to receive their information by email and via our website. Not only is this quick, it helps to reduce paper, printing and costs.

To register for e-communications, log on to [www.investorcentre.co.uk/ecoms](http://www.investorcentre.co.uk/ecoms)

#### Follow us



#### Annual and Interim Reports

Our Annual Report is available online. You can view or download the full Annual Report and Interim Report from our website at [www.global.weir/investors/reporting-centre](http://www.global.weir/investors/reporting-centre). Current and past Annual and Interim Reports are also available to view and download.

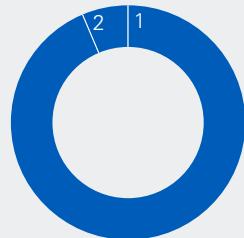
### Managing your shareholding online with Investor Centre

Investor Centre is a free, secure online service run by Computershare, giving you convenient access to information on your shareholdings. Manage your shareholding online and take advantage of all these features and more:

- View share balances and market values for all of your Computershare-managed holdings
- Update dividend mandate bank instructions and view dividend payment history
- Register to receive company communications online
- Cast your Proxy Vote online for forthcoming General Meetings
- Update personal details, such as your address

Registration is quick and easy. Just visit [www.investorcentre.co.uk](http://www.investorcentre.co.uk) with your Shareholder Reference Number (SRN) to hand.

After registering, you may be sent an activation code in the post, used to validate your account. Once activated, you will have full access to Investor Centre services.

**Ordinary shareholder analysis at 31 December 2017****By country**

1	UK shareholders	<b>93.87%</b>
2	Overseas shareholders	<b>6.13%</b>

**By holding size**

Range	No. of Shareholders	%	No. of Shares	%
1 – 1,000	2,941	57.78	1,175,218	0.52
1,001 – 5,000	1,338	26.29	2,909,897	1.30
5,001 – 10,000	243	4.77	1,756,935	0.78
10,001 – 100,000	347	6.82	11,358,895	5.06
100,001 – 500,000	138	2.71	33,008,161	14.69
500,001 – 1,000,000	38	0.75	27,233,284	12.12
1,000,001 – 999,999,999	45	0.88	147,248,638	65.53
<b>Total</b>	<b>5,090</b>	<b>100.00</b>	<b>224,691,028</b>	<b>100.00</b>

**By shareholder category**

	Holdings	%	Shares	%
Individuals	3,313	65.09%	4,780,710	2.13%
Bank or Nominees	1,666	32.73%	215,057,368	95.71%
Investment Trust	13	0.26%	32,244	0.01%
Insurance Company	23	0.45%	45,606	0.02%
Other Company	56	1.10%	1,542,355	0.69%
Pension Trust	1	0.02%	1	0.00%
Other Corporate Body	18	0.35%	3,232,744	1.44%
<b>Total</b>	<b>5,090</b>	<b>100.00%</b>	<b>224,691,028</b>	<b>100.00%</b>
		100.00%		100.00%

**Annual General Meeting 2018**

Our Annual General Meeting will be held at our Head Office, 1 West Regent Street, Glasgow, at 2.30pm on Thursday 26 April 2018. Further details are contained in the Notice of Annual General Meeting 2018 which is available to download from our website at [www.global.weir/shareholder-information/agm](http://www.global.weir/shareholder-information/agm)

**Voting**

Information on how you can vote electronically on the resolutions which will be put forward at our 2018 AGM can be obtained through our Registrar by visiting [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy). You will need details of the Control Number, your SRN and PIN which can be found on the Form of Proxy or email, if you have asked to be sent email communications.

## Shareholder Information continued

### Dividends

#### 2017 final dividend

The Directors have recommended a final dividend of 29.0 pence per share, for the year ended 31 December 2017. Payment of this dividend is subject to approval at the 2018 Annual General Meeting. Key dates relating to this dividend are given below.

Annual General Meeting	26 April 2018
Ex-dividend date	26 April 2018
Record date	27 April 2018
Final day for receipt of Scrip elections	23 May 2018
Payment date	4 June 2018

#### Dividend history – (pence per share)

	2013	2014	2015	2016	2017
Interim	8.8	15.0	15.0	15.0	15.0
Final	33.2	29.0	29.0	29.0	29.0
Total	42.0	44.0	44.0	44.0	44.0

#### IMPORTANT – Future Payment of Dividends – Mandatory Direct Credit

From 2019, the Company is simplifying the way in which it pays dividends to shareholders by only paying cash dividends directly into a shareholder's nominated bank account. This is known as Mandatory Direct Credit. The Company will no longer be issuing dividend cheques. Shareholders recorded on the register of members as receiving dividend payments by cheque will be contacted by Computershare. Those shareholders will need to take the required action by selecting the appropriate option as set out in the Computershare notification.

Shareholders on the register of members who already have their dividends paid by any of the options set out below are not required to take any action unless they choose to withdraw from the Company's Scrip Dividend Scheme (SCRIP).

#### Direct payment to your bank

The best way to ensure that dividends are received as quickly as possible is to have your dividends paid directly to a UK bank or building society account. This is more convenient and helps reduce the risk of cheques becoming lost or delayed in the post. To switch to this method of payment you can register online or download a Dividend Mandate Form by selecting Downloadable Forms at [www.investorcentre.co.uk](http://www.investorcentre.co.uk). The form can also be accessed via the FAQ section on the Company's website at [www.global.weir/investors/shareholder-information/shareholders-faq](http://www.global.weir/investors/shareholder-information/shareholders-faq). Alternatively, you can contact Computershare, who will also be able to assist with any questions you may have.

An Annual Dividend Confirmation detailing all payments made throughout the tax year will then be sent to you once a year either electronically or to your registered address. In 2018, the Dividend Confirmation will be dispatched with the November 2018 dividend payment and contain the payment information for dividends paid during the 2018/2019 tax year.

#### Global Payment Service

If you live overseas, Computershare offers a Global Payment Service which is available in certain countries. This may make it possible to receive dividends direct into your bank account in your local currency. Please note that the fees applied for this service will be automatically deducted from the proceeds before it is paid to you. For further details go to [www.investorcentre.co.uk](http://www.investorcentre.co.uk) then select the information tab followed by FAQs then select the Dividends and Payments tab and the Global Payment Service tab.

#### Scrip dividend scheme

Shareholders may elect to participate in the Company's Scrip Dividend Scheme (SCRIP). The SCRIP provides shareholders with the option to receive new fully paid ordinary shares in place of their cash dividend. Shareholders who participate in the SCRIP will be able to increase their shareholding in a simple, cost effective way without incurring dealing costs or stamp duty. All UK shareholders, including CREST members, can join the SCRIP, although certain restrictions apply to overseas shareholders. Holders of the Company's American Depository Receipts ("ADRs") are not eligible to join the SCRIP.

The price for the SCRIP dividend will be announced on 3 May 2018. The final date for receipt of SCRIP elections will be 23 May 2018. The 2017 final dividend will be paid on 4 June 2018.

## American Depository Receipt (ADR) programme

The Company has a sponsored level 1 ADR programme in the United States. Each ADR represents 2 ordinary shares of 12.5 pence each, in the Company. The Company's ADR programme is administered by Citibank, who were appointed in February 2016.

### ADR investor contact

Telephone: +1 781 575 4555  
Citibank representatives are available from 8:30am to 6:00pm US Eastern Standard Time (EST) Monday to Friday.  
Email:citibank@shareholders-online.com

### In writing

Citibank Shareholder Services  
P.O. Box 43077  
Providence,  
Rhode Island 029403077

### ADR broker contact

Telephone: +1 212 723 5435 /  
+44 207 500 2030  
E-mail: citiadr@citi.com

### Dividend tax allowance

Dividend tax credits were replaced in April 2016 by an annual £5,000 tax free allowance on dividend income across an individual's entire share portfolio. Above this amount, individuals will pay tax on their dividend income at a rate dependent on their income tax bracket and personal circumstances. We will continue to provide registered shareholders with confirmation of the dividends paid and this should be included with any other dividend income received when calculating and reporting total dividend income received. It is a shareholder's responsibility to include all dividend income when calculating any tax liability.

This provision is enshrined in the Finance Act 2016. If you have any tax queries, please contact a financial advisor.

### United Kingdom capital gains tax

For the purpose of capital gains tax, the market value of an ordinary share of The Weir Group PLC as at 31 March 1982 was 29.75p. This market value has been adjusted to take account of the subdivision of the share capital whereby each ordinary share of 25p was sub-divided into two ordinary shares of 12.5p each on 28 June 1993. Rights issues of ordinary shares took place in April 1987 at 157p per share on the basis of one new ordinary share for every seven ordinary shares held, in July 1990 at 250p per

share on the basis of one new ordinary share for every five ordinary shares held and in September 1994 at 252p per share on the basis of one new ordinary share for every four ordinary shares held.

### Share dealing services

Shareholders have the opportunity to buy or sell The Weir Group PLC shares using a share dealing facility operated by our Registrar, Computershare. You will need to register for this service prior to using it. To access this service, go to [www.computershare.trade](http://www.computershare.trade).

**Internet share dealing** – commission is 1% of the value of each sale or purchase of shares, subject to a minimum charge of £30. In addition, stamp duty, currently 0.5%, is payable on purchases. There is no need to open a trading account in order to deal. Real time dealing is available during market hours (08:00 to 16:30 Monday to Friday excluding bank holidays). In addition, there is a convenient facility to place your order outside of market hours. Up to 90 day limit orders are available for sales. To access the service, go to [www.computershare.trade](http://www.computershare.trade). Shareholders should have their SRN available. The SRN appears on share certificates and dividend documentation. Please note that, at present, this service is only available to shareholders in certain jurisdictions. Please refer to the Computershare website for an up-to-date list of these countries.

**Telephone share dealing** – commission is 1% of the value of each sale or purchase of shares, plus £35. In addition, stamp duty, currently 0.5%, is payable on purchases. You can contact Computershare on 0370 703 0084. Shareholders should have their SRN ready when making the call. The SRN appears on share certificates and dividend documentation. Detailed terms and conditions are available at [www.investorcentre.co.uk](http://www.investorcentre.co.uk) or by contacting Computershare. Please note this service is, at present, only available to shareholders resident in certain jurisdictions. Please refer to the Computershare website for an up-to-date list of these countries.

These services are offered on an execution only basis and subject to the applicable terms and conditions. Computershare Investor Services PLC is authorised and regulated by the Financial Conduct Authority.

This is not a recommendation to buy, sell or hold shares in The Weir Group PLC. Shareholders who are unsure of what action to take should obtain independent financial advice. Share values may go down as well as up which may result in a shareholder receiving less than he/she originally invested.

### Shareholder warning alert Unsolicited investment advice and fraud

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. Share scams are often run from 'boiler rooms' where fraudsters cold-call investors offering them worthless, overpriced or even non-existent shares.

These callers can be very persistent and extremely persuasive and their activities have resulted in considerable losses for some investors. Whilst usually by telephone, the high-pressure sales tactics can also come by email, post, word of mouth or at a seminar. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount, sell your shares at a premium or offers of free company reports.

If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation and take a note of any other details they provide, such as a telephone number or address.
- Check that the caller is properly authorised by the Financial Conduct Authority (FCA) by visiting [www.fca.org.uk](http://www.fca.org.uk).
- Report any approach from such organisations to the FCA using the share fraud reporting form at [www.fca.org.uk/consumers/report-scam-unauthorised-firm](http://www.fca.org.uk/consumers/report-scam-unauthorised-firm), where you can also find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.
- If calls persist, hang up.

Please note that if you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

## Glossary

<b>Additive manufacturing</b>	The process of joining materials to make objects from 3D model data (3D printing)
<b>AGM</b>	Annual General Meeting
<b>Board</b>	The Board of Directors of The Weir Group PLC
<b>bps</b>	Basis points
<b>brownfield</b>	A term used to describe current and expanding mine sites
<b>capex</b>	Capital expenditure
<b>CGU</b>	Cash generating unit
<b>Comminution</b>	Crushing, screening and grinding of materials in mining and sand and aggregates markets
<b>Company</b>	The Weir Group PLC
<b>DBP</b>	Deferred Bonus Plan
<b>Director</b>	A Director of The Weir Group PLC
<b>EBIT</b>	Earnings before interest and tax
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortisation
<b>emerging markets</b>	Asia-Pacific, South America, Africa and the Middle East
<b>EPCMs</b>	Engineering, Procurement and Construction Management companies
<b>EPS</b>	Earnings per share
<b>Estera EBT</b>	Employee benefit trust (Estera Trust (Jersey) Limited)
<b>Excellence Committees</b>	Weir Group Management Committees ensuring best practice
<b>External auditors</b>	PricewaterhouseCoopers LLP
<b>free cash flow</b>	Cash flow from operating activities adjusted for income taxes, net capital expenditures, net interest payments, dividends paid, settlement of derivatives, purchase of shares for LTIP and other awards and pension contributions
<b>GAAP</b>	Generally Accepted Accounting Practice
<b>greenfield</b>	A term used to describe new mine developments
<b>Group</b>	The Company together with its subsidiaries
<b>HR</b>	Human resources
<b>IAS</b>	International Accounting Standards
<b>IFRS</b>	International Financial Reporting Standards

<b>Input</b>	Orders received from customers
<b>Internet of Things (IoT)</b>	The network of physical objects (devices, vehicles, buildings and other items) that are embedded with electronics, software, sensors and network connectivity, which enables these objects to collect and exchange data
<b>ISO</b>	International Organisation for Standardisation
<b>KPI</b>	Key performance indicator
<b>Kleinwort EBT</b>	Employee benefit trust (SG Kleinwort Hambros Trust Company (CI) Ltd)
<b>Like-for-like</b>	On a consistent basis, excluding the impact of acquisitions
<b>LTIP</b>	Long Term Incentive Plan
<b>NPBTA</b>	Normalised profit before tax and amortisation
<b>operating margin</b>	Operating profit including our share of results of joint ventures divided by revenue
<b>ordinary shares</b>	The ordinary shares in the capital of the Company of 12.5p each
<b>PILON</b>	Payment in lieu of notice
<b>Registrar</b>	Computershare Investor Services plc
<b>R&amp;D</b>	Research and development
<b>ROCE (like-for-like)</b>	Continuing operations EBIT before exceptional items (excluding KOP EBIT and exceptional items) divided by average net assets (excluding KOP net assets) excluding net debt and pension deficit (net of deferred tax asset)
<b>RPI</b>	UK Retail Prices Index
<b>SHE</b>	Safety, Health and Environment
<b>SME</b>	Small and medium-sized enterprises
<b>subsidiary</b>	An entity that is controlled, either directly or indirectly, by the Company
<b>tCO<sub>2</sub>e</b>	Tonnes of carbon dioxide equivalent
<b>TIR</b>	Total Incident Rate (rate of any Incident that causes an employee, visitor, contractor or anyone working on behalf of Weir to require off site medical treatment per 200,000 hours worked)
<b>TSR</b>	Total Shareholder Return comprising dividends paid on ordinary shares and the increase or decrease in the market price of ordinary shares
<b>WACC</b>	Weighted average cost of capital
<b>WTI</b>	West Texas Intermediate

## Financial Calendar

### **Annual General Meeting**

26 April 2018

### **Ex-dividend date for final dividend**

26 April 2018

### **Record date for final dividend**

27 April 2018

Shareholders on the register at this date will receive the dividend.

### **Final day for receipt of SCRIP elections**

25 May 2018

### **Final dividend paid**

4 June 2018

### **Cautionary statement**

This Annual Report contains forward-looking statements with respect to the financial condition, operations and performance of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

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We are **WEIR**

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