

Weir Group (Overseas Holdings) Limited

Report and Financial Statements

30 December 2005

Registered No: 54821 (Scotland)



Directors' report

The directors present their report and financial statements for the 52 weeks ended 30 December 2005.

Principal activities

The company is principally engaged in the acquisition and retention of investments, rights or interests in other companies outwith the United Kingdom.

Results and dividends

The profit for the year after taxation amounted to £2,218,715 (2004 - £66,196,005). No dividend was paid (2004 - £6,061,725) leaving £2,218,715 (2004 - £60,134,280) to be transferred to reserves.

Financial risk management objectives and policies

An explanation of the Company's financial risk management objectives and policies is set out in note 11 to the financial statements.

Review and future developments

The directors intend to seek out and pursue attractive opportunities in new areas of business where sustainable growth can be achieved.

Directors

The directors during the year were:

M Selway

A W F Mitchelson

C J Rickard

GW Adam (appointed 1 March 2005)

MJ Kelly (appointed 1 March 2005)

With effect from 1 January 2006 GW Adam was removed as a director.

Directors' interests

No director had during or at the end of the year any material interest in any contract of significance in relation to the company's business.

M Selway, A W F Mitchelson, and C J Rickard are also directors of The Weir Group PLC. The interests of these directors in the share capital of The Weir Group PLC as at 30 December 2005 and at the end of the preceding financial year are given in the report of the directors of The Weir Group PLC for the 52 weeks ended 30 December 2005.

No director had an interest in the loan notes of The Weir Group PLC or in the shares or loan stock of any subsidiary of The Weir Group PLC.

The interests of the directors, who were not also directors of the company's holding company, The Weir Group PLC, in the ordinary shares of 12.5p each of the holding company as at the 30 December 2005 and as at 31 December 2004 were as follows:

	Ordinary shares		Ordinary shares	
	Ordinary shares	Subject to option	Ordinary shares	Subject to option
	30 December 2005	30 December 2005	31 December 2004	31 December 2004
M Kelly	1,002	-	-	-
GW Adam	4,169	25,000	-	-

Directors' report

During 2005, a conditional award over 5,519 (2004 – Nil) shares was made to M Kelly and a conditional award of 23,030 (2004- 21,762) shares was made to GW Adam under The Weir Group PLC long term incentive plan (L-TIP). These shares represent the maximum entitlement and the actual number of shares (if any) will depend on the performance conditions being achieved in accordance with the rules of the plan.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

Frances McCaw
Secretary

2 June 2006

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the period. 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; and state whether applicable accounting standards have been followed and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Weir Group (Overseas Holdings) Limited

We have audited the company's financial statements for the 52 weeks ended 30 December 2005 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 13. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

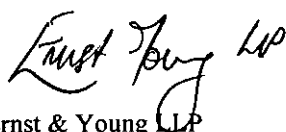
Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 December 2005 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Glasgow

2 June 2006

Profit and loss account

for the 52 weeks ended 30 December 2005

	Notes	2005 £	2004 £
Sundry expenses		(6,841)	-
Exchange loss		(122,378)	-
Operating loss		(129,219)	-
(Loss)/ gain on sale of investment		(837,475)	65,051,000
Dividends received		1,276,220	1,683,207
Interest receivable		3,834,854	316,087
Interest payable		(661,049)	(673,761)
Profit on ordinary activities before tax	3	3,483,331	66,376,533
Tax on profit on ordinary activities	4	(1,264,616)	(180,528)
Profit on ordinary activities after tax		2,218,715	66,196,005

Statement of total recognised gains and losses

for the 52 weeks ended 30 December 2005

There are no recognised gains or losses other than the profit on ordinary activities after tax of £2,218,715 in the 52 weeks ended 30 December 2005 and £66,196,005 in the 53 weeks ended 31 December 2004.

Balance sheet

at 30 December 2005

	Notes	2005 £	2004 £
Fixed assets			
Investments	5	101,064,471	99,052,821
Current assets			
Amounts owed by parent undertaking		7,990,649	-
Amounts owed by group companies		105,956	1,147,317
Sundry debtors	6	-	165,342
Cash at bank and in hand		1,983	2,091
Creditors: amounts falling due within one year	7	8,098,588 10,164,590	1,314,700 43,875
Net current (liabilities)/ assets		(2,066,002)	1,270,825
Total assets less current liabilities		98,998,469	100,323,646
Creditors: amounts falling due after more than one year			
Loans from group companies		6,256,125	9,800,017
		92,742,344	90,523,629
Capital and reserves			
Called up share capital	8	11,141,857	11,141,857
Profit and loss account		81,600,487	79,381,772
	9	92,742,344	90,523,629



C J Rickard
Director

2 June 2006

Notes to the financial statements

at 30 December 2005

1. Accounting policies

Basis of preparation

The Company financial statements have been prepared under UK GAAP and applicable accounting standards.

Group financial statements

Group financial statements are not prepared as the company is a wholly owned subsidiary of another body corporate. Unless otherwise stated, references to "subsidiaries" and "associates" are to be taken as references to subsidiary undertakings and associated undertakings respectively.

Foreign currency

Transactions in foreign currencies are converted at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Differences on exchange are dealt with through the profit and loss account as they arise.

Investments

Investments in subsidiaries, joint ventures and associates are held at historical cost less a provision for impairment.

Investment income

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

2. Profit on ordinary activities before tax

Auditors' remuneration for audit services for the year ended 30 December 2005 has been borne by the ultimate parent company.

3. Directors and employees

The company had no employees in 2005 (2004 - Nil).

No directors received any emoluments for either 2005 or 2004 in respect of services to the company.

4. Taxation

	2005 £	2004 £
Charge based on the results of the year:		
UK taxation		
Corporation tax at 30% (2004 - 30%)	1,304,420	643,896
Double tax relief		
Overseas withholding tax suffered	(39,804)	(504,962)
	1,264,616	138,934
Adjustment to prior years	-	41,594
	1,264,616	180,528

Notes to the financial statements

at 30 December 2005

4. Taxation (continued)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current year is below the standard rate for the reasons set out in the following reconciliation.

	2005 £	2004 £
Profit on ordinary activities before tax	3,483,331	66,376,523
Tax on profit on ordinary activities at standard rate	1,044,999	19,912,960
Factors affecting charge for the period:		
Loss/ (gain) on sale of Group Company	251,242	(19,515,300)
Grossing up of dividends	39,794	246,236
Utilisation of tax losses	(71,419)	-
	<u>1,264,616</u>	<u>643,896</u>

5. Fixed asset investments

	Group companies shares £	Loans £	Joint ventures & Associates £	Total £
At 31 December 2004	28,360,090	70,622,000	70,731	99,052,821
Additions	-	-	5,223,956	5,223,956
Disposals/ repayments	(3,202,475)	(9,831)	-	(3,212,306)
At 30 December 2005	<u>25,157,615</u>	<u>70,612,169</u>	<u>5,294,687</u>	<u>101,064,471</u>

Notes to the financial statements

at 30 December 2005

5. Fixed asset investments (continued)

The company has an interest in the following:

	<i>Country of incorporation</i>	<i>Class of shares held</i>	<i>Percentage held</i>
<i>Subsidiaries</i>			
Strachan & Henshaw Australia Pty Limited	Australia	Equity	100
Strachan & Henshaw de Mexico SA	Mexico	Equity	75
Strachan & Henshaw Pty Limited	South Africa	Equity	100
The Weir Group International S.A.	Switzerland	Equity	100
Weir Canada Inc *	Canada	Equity	100
Weir Group Inc	USA	Equity	100
Weir Holdings (Jersey) Limited	Jersey	Equity	100
<i>Joint venture</i>			
Wesco Abu Dhabi L.L.C.	UAE	Equity	49
Weir-Serba Engineering SDN.BDH	Malaysia	Equity	51
Weir Arabian Metals Company	Saudi Arabia	Equity	49
Beacon Weir Limited	India	Equity	40
<i>Associate</i>			
Howden Weir Pty Limited	South Africa	Equity	50

* Shares owned directly by The Weir Group International S.A.

6. Debtors

	<i>2005</i>	<i>2004</i>
	<i>£</i>	<i>£</i>
Corporation tax recoverable	-	165,342
	-	165,342

7. Creditors: amounts falling due within one year

	<i>2005</i>	<i>2004</i>
	<i>£</i>	<i>£</i>
Accruals	55,117	5,739
Amounts owed to group companies	8,884,503	38,136
Corporation tax payable	1,224,970	-
	10,164,590	43,875

Notes to the financial statements

at 30 December 2005

8. Share capital

	2005	2004
	£	£
Authorised share capital:		
Ordinary shares of £1 each	14,000,000	14,000,000

	2005	2004
	£	£
Allotted, called up and fully paid:		
Ordinary shares of £1 each	11,141,857	11,141,857

9. Reconciliation of movements in shareholders' funds

	2005	2004
	£	£
Profit for the financial year	2,218,715	66,196,005
Dividends	-	(6,061,725)
	2,218,715	60,134,280
New share capital	-	11,141,757
	2,218,715	71,276,037
Net addition to shareholders' funds	90,523,629	19,247,592
Opening shareholders' funds		
	92,742,344	90,523,629
Closing shareholders' funds		

Shareholders' funds are entirely attributable to equity interests.

10. Contingent liabilities

The company has given a guarantee in relation to the overdraft and loan facilities extended to the Weir Group PLC and certain subsidiaries. The net funds on hand of the other companies party to these facilities at 30 December 2005 amounted to £6,507,000 (2004 - £25,877,000).

Notes to the financial statements

at 30 December 2005

11. Financial risk management objectives & policies

The Company's principal financial instruments comprise inter group loans, amounts due to and from the parent and other group companies and cash at bank. The principal financial risks to which the Company is exposed are those relating to credit, liquidity and interest rate. These risks are managed in accordance with Board approved policies.

Credit risk

The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies. There is no credit risk associated with the company's inter group receivables.

Liquidity risk

The Company obtains funding for its operations via the Group's bank facilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases.

Interest rate risk

The Company has an inter group loan payable which is fixed for five years. The Company has an inter group loan receivable and cash at bank which are subject to variable rates of interest. Interest rate risk is regularly monitored and is not considered to be material at present. The associated cash flow risk, which can have a positive impact on the Company if interest rates increase as well as a negative impact if interest rates decrease, is also not considered to be material.

12. Transactions with related parties

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are a part of The Weir Group PLC group.

13. Ultimate parent company

The directors consider that The Weir Group PLC (registered in Scotland) is the company's ultimate parent company. This is the only parent undertaking for which group financial statements are drawn up and of which the company is a member. The address from which copies of these group financial statements are available to the public is: The Weir Group PLC, Clydesdale Bank Exchange, 20 Waterloo Street, Glasgow, G2 6BD.