

Weir Group (Overseas Holdings) Limited

Report and Financial Statements

29 December 2006

Registered No 54821 (Scotland)

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Directors' report

The directors present their report and financial statements for the 52 weeks ended 29 December 2006

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 £3,638,423 (2005 – £2,218,715)

No dividend was paid during the year (2005 – £Nil)

Financial risk management objectives and policies

An explanation of the Company's financial risk management objectives and policies is set out in note 12 to the financial statements

Directors

The directors during the year were

M Selway

A W F Mitchelson

K Cochrane (appointed 3 July 2006)

MJ Kelly

C Rickard (resigned 30 June 2006)

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

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

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

F McCaw
Secretary

25 October 2007

Statement of directors' responsibilities in respect of the financial statements

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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 to 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 29 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. These financial statements have been prepared under 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 preparing the Annual Report and 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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition, we report to you 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 judgments 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 29 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Glasgow

25 Oct 2007

Profit and loss account

for the 52 weeks ended 29 December 2006

	Notes	2006 £	2005 £
Sundry expenses		(267)	(6,841)
Exchange gain/ (loss)		642,218	(122,378)
Operating profit / (loss)		641,951	(129,219)
Loss on sale of investment		(70,731)	(837,475)
Dividends received		1,559,076	1,276,220
Interest receivable from group undertakings		3,689,691	3,834,854
Interest payable	3	(745,238)	(661,049)
Amortisation of Goodwill		(30,625)	
Profit on ordinary activities before tax		5,044,124	3,483,331
Tax on profit on ordinary activities	4	(1,436,326)	(1,264,616)
Profit for the financial year	9	3,607,798	2,218,715

Statement of total recognised gains and losses

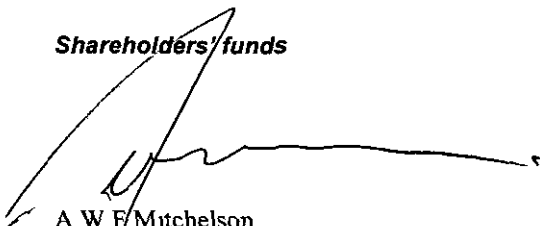
for the 52 weeks ended 29 December 2006

	2006 £	2005 £
Profit for the financial year	3,607,798	2,218,715
Exchange on retranslation of goodwill	(62,823)	
Total recognised gains and losses relating to the year	3,544,975	2,218,715

Balance sheet

at 29 December 2006

	Notes	2006 £	2005 £
Fixed assets			
Investments	5	103,371,093	101,064,471
Intangible assets	6	704,363	
		<u>104,075,456</u>	<u>101,064,671</u>
Current assets			
Amounts owed by parent undertaking		6,581,425	7,990,649
Amounts owed by group companies		105,956	105,956
Cash at bank and in hand		1,849,510	1,983
		<u>8,536,891</u>	<u>8,098,588</u>
Creditors amounts falling due within one year	7	10,713,813	10,164,590
		<u>(2,176,922)</u>	<u>(2,066,002)</u>
Net current liabilities			
Total assets less current liabilities		<u>101,898,534</u>	<u>98,998,469</u>
Creditors amounts falling due after more than one year			
Loans from group companies	7	5,611,215	6,256,125
Net assets		<u>96,287,319</u>	<u>92,742,344</u>
Capital and reserves			
Called up share capital	8	11,141,857	11,141,857
Profit and loss account	9	85,145,462	81,600,487
Shareholders' funds	10	<u>96,287,319</u>	<u>92,742,344</u>


 A W F Mitchelson
 Director
 [25/10] 2007

Notes to the financial statements

at 29 December 2006

1. Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

Group financial statements

In accordance with section 228 of the Companies Act 1985, group financial statements are not prepared as the company is a wholly owned subsidiary of another body corporate which publishes consolidated accounts

Goodwill

Positive goodwill arising on acquisitions of businesses since 1 January 1998 is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

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 are held at historical cost less a provision for impairment where required

Investment income

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

2 Directors and employees

The company had no employees in 2006 (2005 None)

No directors received any emoluments for either 2006 or 2005 in respect of services to the company

3. Interest payable

	2006	2005
	£	£
Interest payable to group undertakings	661,049	661,049
Bank interest payable	84,189	
	<u>745,238</u>	<u>661,049</u>

Notes to the financial statements

at 29 December 2006

4. Taxation

	2006 £	2005 £
<i>Current tax</i>		
Corporation tax at 30% (2005 30%)	1,593,932	1,304,420
Double tax relief		
Overseas withholding tax suffered	(43,627)	(39,804)
Adjustment to prior years	(65,996)	
Total current tax	1,484,309	1,264,616
Deferred tax	(47,983)	
Tax on profit on ordinary activities	1,436,326	1,264,616

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 (2005 above) the standard rate for the reasons set out in the following reconciliation

	2006 £	2005 £
Profit on ordinary activities before tax	5,044,124	3,483,331
Tax on profit on ordinary activities at standard rate	1,513,237	1,044,999
Factors affecting charge for the period		
Loss on sale of investment		251,242
Grossing up of dividends	43,627	39,794
Utilisation of tax losses		(71,419)
Sundry disallowable expenses	(6,559)	
Adjustment to prior year	(65,996)	
Current tax	1,484,309	1,264,616

5. Fixed asset investments

	<i>Shares in group companies</i> £	<i>Loans to group companies</i> £	<i>Joint ventures & associates</i> £	<i>Total</i> £
At 30 December 2005	25,157,615	70,612,169	5,294,687	101,064,471
Additions	2,373,705			2,373,705
Disposals/ repayments			(67,083)	(67,083)
At 29 December 2006	27,531,320	70,612,169	5,227,604	103,371,093

Notes to the financial statements

at 29 December 2006

5. Fixed asset investments (continued)

The company has an interest in the following companies

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

* Shares owned directly by The Weir Group International S A

6. Intangible fixed assets

	<i>Goodwill £</i>
<i>Cost</i>	
At 30 December 2005	
Additions	734,988
As at 29 December 2006	734,988
<i>Amortisation</i>	
At 30 December 2005	
Charge for the year	30,625
As at 29 December 2006	30,625
<i>Net Book Value</i>	
At 29 December 2006	704,363
At 30 December 2005	

The above goodwill relates to the purchase of the business of Loftyman Engineering Limited, a company registered in Hong Kong for an amount of US\$1.4million. Of this amount, \$650,000 was paid during the year with the balance of \$750,000 (£382,206) being payable in annual instalments of \$150,000, the final instalment being payable in 2011.

Notes to the financial statements

at 29 December 2006

7. Creditors: amounts falling due within one year

	2006	2005
	£	£
Accruals	4,373	55,117
Deferred consideration	382,206	
Foreign exchange liability	35,434	
Amounts owed to group companies	8,882,686	8,884,503
Corporation tax payable	1,409,114	1,224,970
	<u>10,713,813</u>	<u>10,164,590</u>

8. Share capital

	2006	2005
	£	£
Authorised share capital		
Ordinary shares of £1 each	14,000,000	14,000,000
	<u>14,000,000</u>	<u>14,000,000</u>

	2006	2005
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	11,141,857	11,141,857
	<u>11,141,857</u>	<u>11,141,857</u>

9 Profit and loss account

	2006	2005
	£	£
At 30 December 2005	81,600,487	79,381,772
Profit for the financial year	3,607,798	2,218,715
Exchange on retranslation of goodwill	(62,823)	
	<u>85,145,462</u>	<u>81,600,487</u>
At 29 December 2006		

Notes to the financial statements

at 29 December 2006

10. Reconciliation of movements in shareholders' funds

	2006	2005
	£	£
Profit for the financial year	3,607,798	2,218,715
Exchange on retranslation of goodwill	(62,823)	
Net addition to shareholders' funds	3,544,975	2,218,715
Opening shareholders' funds	92,742,344	90,523,629
Closing shareholders' funds	96,287,319	92,742,344

11. 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 29 December 2006 amounted to £1,528,000 (2005: £6,507,000).

12. 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 and bank loans.

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.

13. 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.

14. Ultimate parent company

The directors consider that The Weir Group PLC (registered in Scotland) is the company's ultimate parent company and ultimate controlling party. 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 6DB.