

Weir Group (Overseas Holdings) Limited

Report and Financial Statements

28 December 2007

Registered No 54821 (Scotland)

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Directors' report

The directors present their report and financial statements for the 52 weeks ended 28 December 2007

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 £3,496,317 (2006 – £3,607,798)

No dividend was paid during the year (2006 £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
MJ Kelly

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

By order of the board

P McCaw
Secretary

1 October 2008

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 28 December 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 15. 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 28 December 2007 and of its profit for the period 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
[210] 2008

Profit and loss account

for the 52 weeks ended 28 December 2007

	Notes	2007 £	2006 £
Sundry expenses		(86)	(267)
Exchange gain		106,056	642,218
Operating profit		105,970	641,951
Loss on sale of investment			(70,731)
Dividends received		3,733,296	1,559,076
Interest receivable from group undertakings		4,201,231	3,689,691
Bank interest receivable		45,677	
Interest payable	3	(3,416,924)	(745,238)
Amortisation of goodwill		(38,590)	(30,625)
Profit on ordinary activities before tax		4,630,660	5,044,124
Tax on profit on ordinary activities	4	(1,134,343)	(1,436,326)
Profit for the financial year	9	3,496,317	3,607,798

Statement of total recognised gains and losses

for the 52 weeks ended 28 December 2007

	2007 £	2006 £
Profit for the financial year	3,496,317	3,607,798
Exchange on retranslation of goodwill	35,276	(62,823)
Exchange loss on retranslation of foreign currency borrowing	(2,006,810)	
Exchange gain on retranslation of foreign equity investment	2,006,810	
Total recognised gains and losses relating to the year	3,531,593	3,544,975

Balance sheet

at 28 December 2007

	Notes	2007 £	2006 £
Fixed assets			
Investments	5	187,475,672	103,371,093
Intangible assets	6	701,049	704,363
		<u>188,176,721</u>	<u>104,075,456</u>
Current assets			
Amounts owed by parent undertaking		6,603,735	6,581,425
Amounts owed by group companies		456,833	105,956
Accrued income		4,382	
Cash at bank		5,311,705	1,849,510
		<u>12,376,655</u>	<u>8,536,891</u>
Creditors amounts falling due within one year	7	(18,010,209)	(10,713,813)
		<u>(5,633,554)</u>	<u>(2,176,922)</u>
Net current liabilities			
		<u>182,543,167</u>	<u>101,898,534</u>
Total assets less current liabilities			
Creditors amounts falling due after more than one year		(82,724,255)	(5,611,215)
Loans from group companies			
		<u>99,818,912</u>	<u>96,287,319</u>
Net assets			
Capital and reserves			
Called up share capital	8	11,141,857	11,141,857
Profit and loss account	9	88,677,055	85,145,462
		<u>99,818,912</u>	<u>96,287,319</u>
Shareholders' funds	10		



K Cochrane
Director
1 October 2008

Notes to the financial statements

at 28 December 2007

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 with the following exception

The company has foreign equity investments which have been financed by foreign currency borrowings. In accordance with SSAP20, exchange on the foreign currency borrowings which were used to finance the acquisition is matched with the exchange movement on the equivalent portion of the foreign currency investment and is recognised in reserves

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 2007 (2006 None)

No directors received any emoluments for either 2007 or 2006 in respect of services to the company

3. Interest payable

	2007	2006
	£	£
Interest payable to group undertakings	3,415,465	661,049
Bank interest payable		84,189
Other interest payable	1,459	
	<u>3,416,924</u>	<u>745,238</u>

Notes to the financial statements

at 28 December 2007

4. Taxation

	2007 £	2006 £
<i>Current tax</i>		
Corporation tax	1,989,738	1,593,932
Double tax relief	(1,201,636)	
Overseas tax charge	160,128	
Overseas withholding tax suffered		(43,627)
Adjustment to prior years	138,130	(65,996)
Total current tax	1,086,360	1,484,309
Deferred tax	47,983	(47,983)
Tax on profit on ordinary activities	1,134,343	1,436,326

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2006 30%). The actual tax charge for the current year is below (2006 below) the standard rate for the reasons set out in the following reconciliation

	2007 £	2006 £
Profit on ordinary activities before tax	4,630,660	5,044,124
Tax on profit on ordinary activities at standard rate	1,389,198	1,513,237
Factors affecting charge for the period		
Double tax relief	(452,571)	
Grossing up of dividends		43,627
Sundry disallowable expenses	11,603	(6,559)
Adjustment to prior year	138,130	(65,996)
Current tax	1,086,360	1,484,309

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 29 December 2006	27,531,320	70,612,169	5,227,604	103,371,093
Additions	82,097,769			82,097,769
Exchange	2,006,810			2,006,810
At 28 December 2007	111,635,899	70,612,169	5,227,604	187,475,672

During the year, the company invested an additional £80,717,445 in Weir Group Inc, £1,001,620 in Weir Minerals China Co Limited and £378,704 in Weir Valves & Controls (Suzhou) Co Ltd

Notes to the financial statements

at 28 December 2007

5. Fixed asset investments (continued)

At the year end, the company held 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
TWG Ingenieria de Mexico S A de C V (formerly Strachan & Henshaw de Mexico SA)	Mexico	Ordinary	75
TWG Engineering South Africa (Pty) Limited (formerly 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
Weir Group Trading (Shanghai) Co Ltd	China	Ordinary	100
Weir Minerals China Co Limited	China	Ordinary	100
Weir Valves & Controls (Suzhou) Co Ltd	China	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 29 December 2006	734,988
Exchange	36,809
Additions	
As at 28 December 2007	771,797
<i>Amortisation</i>	
At 29 December 2006	30,625
Exchange	1,533
Charge for the year	38,590
As at 28 December 2007	70,748
<i>Net Book Value</i>	
At 29 December 2006	704,363
At 28 December 2007	701,049

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\$1.4 million. Of this amount, \$650,000 was paid during 2006 with the balance of \$750,000 being payable in annual instalments of \$150,000, the final instalment being payable in 2011.

Notes to the financial statements

at 28 December 2007

7. Creditors' amounts falling due within one year

	2007	2006
	£	£
Accruals	4,375	4,373
Deferred consideration	300,752	382,206
Forward foreign currency contract	16,883	35,434
Amounts owed to group companies	9,833,244	8,882,686
Amounts owed to parent undertaking	7,343,935	
Corporation tax payable	511,020	1,409,114
	<u>18,010,209</u>	<u>10,713,813</u>

8. Share capital

	2007	2006
	£	£
Authorised share capital		
Ordinary shares of £1 each	14,000,000	14,000,000
	<u>14,000,000</u>	<u>14,000,000</u>

	2007	2006
	£	£
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

	2007	2006
	£	£
At 29 December 2006	85,145,462	81,600,487
Profit for the financial year	3,496,317	3,607,798
Exchange on retranslation of goodwill	35,276	(62,823)
At 28 December 2007	<u>88,677,055</u>	<u>85,145,462</u>

Notes to the financial statements

at 28 December 2007

10. Reconciliation of movements in shareholders' funds

	2007	2006
	£	£
Profit for the financial year	3,496,317	3,607,798
Exchange on retranslation of goodwill	35,276	(62,823)
Exchange loss on retranslation of foreign currency borrowing	(2,006,810)	
Exchange gain on retranslation of foreign equity investment	2,006,810	
Net addition to shareholders' funds	3,531,593	3,544,975
Opening shareholders' funds	96,287,319	92,742,344
Closing shareholders' funds	99,818,912	96,287,319

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 debt of the other companies party to these facilities at 28 December 2007 amounted to £4,874,000 (2006 – net funds £1,528,000)

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 inter group loans which are fixed for a year and cash at bank which is subject to variable rates of interest. Interest rate risk is regularly monitored and is not considered to be material at present.

13. Subsequent events

On 18 March 2008, following receipt of regulatory clearance from the South African competition authorities, the company acquired 100% of the CH Warman Pump Group "Warman", a specialist pump business primarily focused on serving the mining and minerals processing industry throughout Africa. The total cash consideration paid by the company was £27.9m.

On 21 April 2008, the company disposed of its interest in Strachan & Henshaw Australia Pty Limited which had a carrying value of £5,015. This was part of the overall disposal by The Weir Group PLC of Weir Strachan & Henshaw for a net cash consideration of £63.7m as disclosed in The Weir Group PLC Interim Report 2008. This transaction will result in the recognition of a gain in the financial statements of the company for the 2008 financial year.

Notes to the financial statements

at 28 December 2007

14. 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

15. 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.