Weir Group (Overseas Holdings) Limited

Report and Financial Statements

26 December 2008
Registered No: SC 054821

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Directors' report

The directors present their report and financial statements for the 52 weeks ended 26 December 2008.

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 £15,734,250 (2007: £3,496,317).

No dividend was paid during the year (2007: £nil).

Financial risk management objectives and policies

The Company's principal financial instruments comprise inter group loans, amounts due to and from the parent and other group companies and a bank overdraft. 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 have fixed rates of interest for a variety of periods from monthly to annual 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.

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

F McCaw
Secretary

1 June 2009

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 confirm that they have complied with the above requirements in preparing the financial statements.

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 26 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. 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 26 December 2008 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
Registered Auditor
Glasgow

1 June 2009

Profit and loss account

for the 52 weeks ended 26 December 2008

	Notes	2008 £	2007 £
Administrative expenses		(823,530)	(38,676)
Exchange (loss) gain		(540,100)	106,056
Operating (loss)/ profit	3	(1,363,630)	67,380
Gain on sale of investment		13,991,857	-
Dividends received		6,272,990	3,733,296
Interest receivable	4	10,076,682	4,246,908
Interest payable	5	(14,123,714)	(3,416,924)
Profit on ordinary activities before tax		14,854,185	4,630,660
Tax on profit on ordinary activities	6	880,065	(1,134,343)
Profit for the financial year	13	15,734,250	3,496,317

There are no material differences between the profit on ordinary activities before tax and the retained profit for the year stated above and their historical cost equivalents.

Statement of total recognised gains and losses

for the 52 weeks ended 26 December 2008

	2008 £	2007 £
Profit for the financial year	15,734,250	3,496,317
Exchange on retranslation of goodwill	320,409	35,276
Exchange loss on retranslation of foreign currency borrowings	(29,958,312)	(2,006,810)
Exchange loss on settlement of foreign currency derivatives	(8,673,836)	-
Exchange gain on retranslation of foreign currency derivatives	16,328	-
Exchange gain on retranslation of foreign equity investment	38,601,857	2,006,810
Total recognised gains and losses relating to the year	16,040,696	3,531,593

Balance sheet

at 26 December 2008

	Notes	2008 £	2007 £
Fixed assets			
Investments	7	228,150,985	187,475,672
Intangible assets	8	57,478,181	701,049
		285,629,166	188,176,721
Current assets			
Debtors	9	103,207,116	7,064,950
Cash at bank		-	5,311,705
		103,207,116	12,376,655
Creditors: amounts falling due within one year	10	(45,046,554)	(17,784,645)
Net current assets/(liabilities)		58,160,562	(5,407,990)
Total assets less current liabilities		343,789,728	182,768,731
Creditors: amounts falling due after more than one year	11	(227,930,120)	(82,949,819)
Net assets		115,859,608	99,818,912
Capital and reserves			
Called up share capital	12	11,141,857	11,141,857
Profit and loss account	13	104,717,751	88,677,055
Shareholders' funds	14	115,859,608	99,818,912

The financial statements of Weir Group (Overseas Holdings) Limited were approved by the directors on 1 June 2009 and were signed on its behalf by:

K Cochrane
Director

Notes to the financial statements

at 26 December 2008

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.

Cash flow statement

The Company has taken advantage of the provisions of FRS1 (revised) which exempts companies which are part of a group which has published a consolidated cash flow statement from preparing a cash flow statement. Accordingly, no cash flow statement for the company has been presented.

Derivative financial instruments

The company uses forward foreign currency contracts to manage its exposure to exchange rate movements. These forward foreign currency contracts are foreign currency transactions on which exchange differences arise and these exchange differences have been recognised in the profit and loss account, except where SSAP 20 has been applied, where the forward currency contracts have been used to reduce the exchange exposure of the foreign currency investments, in which case the exchange differences are recognised in reserves. The discount/premium on the forward foreign currency contracts is amortised over the period of the contracts in the profit and loss account.

Goodwill

Purchased 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 up to the date of settlement of the foreign currency borrowings. After date of settlement of foreign currency borrowings, the foreign equity investments are treated as a non-monetary asset with no retranslation arising until another foreign currency borrowing is taken out to provide a hedge.

Notes to the financial statements

at 26 December 2008

1. Accounting policies (continued)

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 2008 (2007 - none).

No directors received any emoluments for either 2008 or 2007 in respect of services to the company.

3. Operating profit

Operating profit is stated after charging (crediting):

	2008	*2007*
	£	£
Exchange (loss) gain	(540,100)	106,056
Amortisation of goodwill	(531,126)	(38,590)

4. Interest receivable

	2008	*2007*
	£	£
Interest receivable from ultimate parent undertakings	4,511,918	-
Interest receivable from group undertakings	3,007,378	4,201,231
Bank interest receivable	-	45,677
Amortisation of forward points on forward contracts	2,557,386	-
	10,076,682	4,246,908

5. Interest payable

	2008	*2007*
	£	£
Interest payable to parent undertakings	13,797,496	-
Interest payable to group undertakings	245,322	3,415,465
Bank interest payable	80,896	-
Other interest payable	-	1,459
	14,123,714	3,416,924

Notes to the financial statements

at 26 December 2008

6. Taxation

	2008	*2007*
	£	£
Current tax:		
Corporation tax	1,299,405	1,989,738
Double tax relief	(2,291,871)	(1,201,636)
Overseas tax charge	120,008	160,128
Adjustment to prior years	(7,607)	138,130
Total current tax	(880,065)	1,086,360
Deferred tax	-	47,983
Tax on profit on ordinary activities	(880,065)	1,134,343

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28.5% (2007: 30%). The actual tax charge for the current year is below (2007: below) the standard rate for the reasons set out in the following reconciliation.

	2008	*2007*
	£	£
Profit on ordinary activities before tax	14,854,185	4,630,660
Tax on profit on ordinary activities at standard rate 28.5% (2007: 30%)	4,233,443	1,389,198
Factors affecting charge for the period:		
Double tax relief	-	(452,571)
Grossing up of dividends	(1,640,227)	-
Gain on disposal of investment	(3,987,297)	-
Deferred tax asset not recognised	151,370	-
Group relief	306,292	-
Sundry disallowable expenses	63,961	11,603
Adjustment to prior year	(7,607)	138,130
Current tax (credit)/ charge	(880,065)	1,086,360

Notes to the financial statements

at 26 December 2008

7. Fixed asset investments

	Shares in group companies £	*Loans to group companies* £	*Joint ventures & associates* £	*Total* £
At 28 December 2007	111,635,899	70,612,169	5,227,604	187,475,672
Additions	72,690,640	-	-	72,690,640
Disposals	(5,015)	-	-	(5,015)
Exchange	38,601,857	-	-	38,601,857
Reclassification to current assets	-	(70,612,169)	-	(70,612,169)
At 26 December 2008	222,923,381	-	5,227,604	228,150,985

During the year, the company invested £52,026,212 in Weir Group African IP, £10,213,237 in Weir Warman Africa, £10,451,191 in Weir Warman Dubai in the form of cash consideration outstanding. It disposed of its investment in Strachan & Henshaw Australia Pty Limited for a cash consideration of £13,786,073 resulting in a gain on disposal of £13,781,058. The company also disposed of its investment in Beacon Weir Limited which was fully written down for a cash consideration of £210,799 resulting in a gain on disposal of £210,799.

At the year end, the company held an interest in the following companies:

	Country of incorporation	*Class of shares held*	*Percentage held*
Subsidiaries			
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
Weir Group African IP Limited	UK	Ordinary	100
Warman Africa (Pty) Limited	South Africa	Ordinary	100
Slurry Holdings Ltd	Malta	Ordinary	100
Warman Zimbabwe (Private) Limited	Zimbabwe	Ordinary	100
Joint venture			
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

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

Notes to the financial statements

at 26 December 2008

8. Intangible fixed assets

	Purchased Goodwill £
Cost	
At 28 December 2007	771,797
Exchange	352,744
Additions	56,987,849
As at 26 December 2008	58,112,390
Amortisation	
At 28 December 2007	70,748
Exchange	32,335
Charge for the year	531,126
As at 26 December 2008	634,209
Net Book Value	
At 28 December 2007	701,049
At 26 December 2008	57,478,181

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. At 26 December 2008, $950,000 has been paid with the balance of $450,000 being payable in annual instalments of $150,000, the final instalment being payable in 2011. During the year, purchased goodwill of £56,987,849 in relation to the acquisition of CH Warman was acquired at book value from Weir Group African IP Limited.

9. Debtors

	2008 £000	*2007* £000
Amounts due from ultimate parent company	94,961,973	6,603,735
Amounts due from fellow subsidiary undertakings	7,358,972	456,833
Accrued income	-	4,382
Corporation tax receivable	804,053	-
Forward foreign currency contracts	82,118	-
	103,207,116	7,064,990

Notes to the financial statements

at 26 December 2008

10. Creditors: amounts falling due within one year

	2008	*2007*
	£	£
Bank overdraft	38,985,674	-
Accruals	99,673	4,375
Bank interest payable	56,185	-
Deferred consideration	113,797	75,188
Forward foreign currency contract	211,177	16,883
Amounts owed to group companies	950,018	9,833,244
Amounts owed to parent undertaking	4,630,030	7,343,935
Corporation tax payable	-	511,020
	45,046,554	17,784,645

11. Creditors: amounts falling due after one year

	2008	*2007*
	£	£
Deferred consideration	227,593	225,564
Amounts owed to group companies	227,702,527	82,724,255
	227,930,120	82,949,819

12. Share capital

	2008	*2007*
	£	£
Authorised share capital:		
Ordinary shares of £1 each	14,000,000	14,000,000

	2008	*2007*
	£	£
Allotted, called up and fully paid:		
Ordinary shares of £1 each	11,141,857	11,141,857

Notes to the financial statements

at 26 December 2008

13. Profit and loss account

	2008	*2007*
	£	£
At 28 December 2007	88,677,055	85,145,462
Profit for the financial year	15,734,250	3,496,317
Exchange on retranslation of goodwill	320,409	35,276
Exchange loss on retranslation of foreign currency borrowings	(29,958,312)	(2,006,810)
Exchange loss on settlement of foreign currency derivatives	(8,673,836)	-
Exchange gain on retranslation of foreign currency derivatives	16,328	-
Exchange gain on retranslation of foreign equity investment	38,601,857	2,006,810
At 26 December 2008	104,717,751	88,677,055

14. Reconciliation of movements in shareholders' funds

	2008	*2007*
	£	£
Profit for the financial year	15,734,250	3,496,317
Exchange on retranslation of goodwill	320,409	35,276
Exchange loss on retranslation of foreign currency borrowings	(29,958,312)	(2,006,810)
Exchange loss on settlement of foreign currency derivatives	(8,673,836)	-
Exchange gain on retranslation of foreign currency derivatives	16,328	-
Exchange gain on retranslation of foreign equity investment	38,601,857	2,006,810
Net addition to shareholders' funds	16,040,696	3,531,593
Opening shareholders' funds	99,818,912	96,287,319
Closing shareholders' funds	115,859,608	99,818,912

15. 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 of the other companies party to these facilities at 26 December 2008 amounted to £41,991,000 (2007: net debt £4,874,000).

16. 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.

17. 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.