

Weir Group Holdings Limited

Report and Financial Statements

28 December 2012

Registered No SC187227

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Directors' report

The directors present their annual report together with the audited financial statements of Weir Group Holdings Limited ("the Company") (Registered Number SC187227) for the 52 weeks ended 28 December 2012.

Results and dividends

The profit for the period after taxation amounted to £49,061,000 (2011: £1,159,000).

A dividend of £57,834,000 was paid during the year (2011: £nil).

Principal activities

The Company is principally engaged in the acquisition and retention of investments, rights or interests in other companies.

Financial risk management objectives and policies

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

Foreign currency risk

The Company has inter group loans receivable in currencies other than its functional currency. The Company has investments in overseas companies and receives dividends in currencies other than its functional currency. As a result, the Company's non sterling income, assets, and cashflows can be affected by movements in exchange rates. The Company seeks to minimise its transaction exposure by maintaining a policy that forward foreign currency contracts are used to eliminate exposures on material committed transactions. It is Company policy not to engage in any speculative transaction of any kind.

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 receivable, cash at bank and a bank overdraft which are subject to variable rates of interest. Interest rate risk is regularly monitored and is not considered to be material.

Directors' report (continued)

Going Concern

The Company is ultimately owned by The Weir Group PLC and it participates in the Group's centralised treasury arrangements and so shares banking facilities with its parent companies and fellow subsidiaries. As a consequence, the Company depends, in part, on the ability of the Group to continue as a going concern. The directors have considered the Company's funding relationship with The Weir Group PLC to date and have considered available relevant information relating to The Weir Group PLC's ability to continue as a going concern. In addition, the directors have no reason to believe that The Weir Group PLC will not continue to fund the Company, should it become necessary, to enable it to continue in operational existence.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements.

Board of directors

The directors during the period were:

A W F Mitchelson resigned 15 June 2012

L I McCall

J A Stanton

K A Ruddock appointed 15 June 2012

M J Kelly appointed 15 June 2012

Directors Indemnities

The Company's Articles of Association contain a provision that every director or other officer shall be indemnified against all losses and liabilities which they may incur in the course of acting as directors (or officers as the case may be) permitted by the Companies Act 2006. These indemnities are uncapped in amount. The Company's holding company maintained directors and officers liability insurance throughout 2012 in respect of the Company's directors and officers.

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.

Annual General Meeting

There was no annual general meeting held in the year, as permitted by the Companies Act 2006.

Auditors

The auditors, Ernst & Young LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006. Ernst & Young LLP have indicated their willingness to continue in office.

By order of the board



C J Stead
Secretary
28 May 2013

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 accounting 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 auditor's report to the members of Weir Group Holdings Limited

We have audited the financial statements of Weir Group Holdings Limited for the 52 weeks ended 28 December 2012 which comprise the Profit and Loss Account, the Statement of Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 December 2012 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

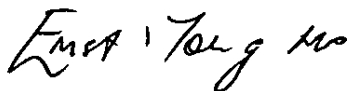
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Weir Group Holdings Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



James Nisbet (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Glasgow
28 May 2013

Profit and loss account

for 52 weeks ended 28 December 2012

	Notes	2012 £000	2011 £000
Other expenses		(5,911)	(318)
Operating loss	3	(5,911)	(318)
Deferred consideration		-	1,056
Interest payable	4	(3,773)	(1,133)
Interest receivable	5	2,071	1,864
Dividends received		57,057	-
Profit on ordinary activities before tax		49,444	1,469
Tax on profit on ordinary activities	6	(383)	(310)
Profit for the period	12	49,061	1,159

The Company's results for the period and the prior period were earned from continuing operations.

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

Statement of total recognised gains and losses

for the 52 weeks ended 28 December 2012

	2012 £000	2011 £000
Profit for the period	49,061	1,159
Exchange gain/(loss) on retranslation of foreign equity investment	477	(808)
Exchange gain on retranslation of foreign currency derivatives	26	181
Exchange (loss)/gain on retranslation of deferred consideration	(556)	711
Total recognised gains and losses	49,008	1,243

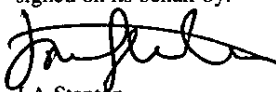
Weir Group Holdings Limited

Balance Sheet

at 28 December 2012

	Notes	2012 £000	2011 £000
Fixed assets			
Investments	7	<u>443,738</u>	<u>325,926</u>
Current assets			
Debtors	8	124,012	47,544
Cash at bank		<u>184</u>	<u>1,766</u>
		<u>124,196</u>	<u>49,310</u>
Creditors: amounts falling due within one year	9	<u>(112,061)</u>	<u>(64,679)</u>
Net current assets/ (liabilities)		<u>12,135</u>	<u>(15,369)</u>
Creditors: amounts falling due after more than one year	10	<u>(24,477)</u>	<u>(15,501)</u>
Net assets		<u>431,396</u>	<u>295,056</u>
Capital and reserves			
Called up share capital	11	352,672	207,506
Profit and loss account	12	<u>78,724</u>	<u>87,550</u>
Shareholders' funds	13	<u>431,396</u>	<u>295,056</u>

The financial statements of Weir Group Holdings Limited were approved by the directors and were signed on its behalf by:



J A Stanton
Director

28 May 2013

Notes to the financial statements

for the 52 weeks ended 28 December 2012

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 400 of the Companies Act 2006, 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.

Foreign currencies

Transactions in foreign currencies are converted at the rate ruling at the date of the 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.

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.

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.

Notes to the financial statements (continued)

for the 52 weeks ended 28 December 2012

2. Directors and employees

The Company had no employees during the period (2011: nil).

No directors received any emoluments during the period in respect of services to the Company (2011: nil).

3. Operating loss

	2012 £000	2011 £000
Operating loss is stated after charging		
Exchange loss	121	318
Uplift in contingent consideration	5,790	-

4. Interest payable

	2012 £000	2011 £000
Interest payable to ultimate parent company	495	225
Interest payable to fellow subsidiary undertaking	22	17
Bank interest payable	678	2
Unwind of discount on contingent consideration	2,578	759
Amortisation of forward points on forward contracts	-	130
	3,773	1,133

5. Interest receivable

	2012 £000	2011 £000
Interest receivable from ultimate parent undertaking	157	122
Interest receivable from fellow subsidiary undertakings	1,545	1,739
Bank interest receivable	-	3
Amortisation of forward points on forward contracts	369	-
	2,071	1,864

6. Tax on profit on ordinary activities

	2012 £000	2011 £000
Based on the results for the period:		
UK corporation tax	383	310
Adjustment to prior year	-	-
Total current tax charge	383	310

Notes to the financial statements (continued)

for the 52 weeks ended 28 December 2012

6. Tax on profit on ordinary activities (continued)

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 24.5% (2011: 26.5%). The actual tax charge for the current period is below (2011: below) the standard rate for the reasons set out in the following reconciliation.

	2012 £000	2011 £000
Profit on ordinary activities before tax:	49,444	1,469
Tax on profit on ordinary activities at standard rate of 24.5% (2011: 26.5%)	12,114	390
Factors affecting charge for the period:		
Deferred consideration	-	(281)
Unwind of discount on and uplift in contingent consideration	2,052	201
Non-taxable dividend income	(13,979)	-
Adjustment to prior year	196	-
Total current tax charge/ (credit)	383	310

Factors Affecting Tax Charge

A number of changes to the UK Corporation tax system were announced in the June 2012 Budget and Autumn statement. The Finance Act 2012 enacted legislation to reduce the UK corporate rate of taxation from 24% to 23% from 1 April 2013. A further reduction in the UK rate has been announced reducing the corporation tax main rate to 21% from April 2014. This further change has not been substantively enacted at the balance sheet date and therefore, is not reflected in the results for the 52 weeks ended 28 December 2012. We expect that these reductions will not have a material effect on the effective tax rate or on the result for the year in future periods.

7. Fixed asset investments

	Shares in Group Companies £000	Loans to Group Companies £000	Total £000
At 31 December 2011	289,158	36,768	325,926
Additions	154,103	-	154,103
Exchange	477	(776)	(299)
Transfer	-	(35,922)	(35,992)
At 28 December 2012	443,738	-	443,738

On 4 January 2012, the Company acquired GEMA Industrigummi AB and GEMA Industri AB for an initial cash consideration of £6,464,000. The Company acquired 100% of GEMA Industrigummi AB and is in the process of acquiring the remaining voting shares of GEMA Industri AB in accordance with Swedish Company law which has resulted in a further cash consideration of £857,000.

On 26 March 2012, the company made a further capital injection into TWG South America Holdings of £145,166,000.

Notes to the financial statements (continued)

for the 52 weeks ended 28 December 2012

7. Fixed asset investments (continued)

On 13 August and 17 December 2012, the Company made two further capital injections into Shengli Oilfield Weir Highland Pump Co Ltd totalling £1,513,000.

On 15 June 2012, the Company made a capital injection into Weir Minerals Columbia SAS of £103,000.

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

Subsidiary	Country of Incorporation	Class of shares held	Percentage Held
Weir Gabbioneta Srl	Italy	Equity	100
Weir BV	Netherlands	Equity	100
Weir France SA	France	Equity	100
Weir Norge A/S	Norway	Equity	100
EnviroTech (Pty) Ltd	South Africa	Equity	100
Weir SOS Ltd	The Bahamas	Equity	100
Weir Minerals Mexico, SA de CV	Mexico	Equity	100
Ynfiniti Engineering Services SL	Spain	Equity	76
Linatex Consolidated Holdings Ltd	British Virgin Isles	Equity	100
TWG South America Holdings Ltd	Scotland	Equity	100
Weir SPM do Brasil Comércio, Locação e Instalação de Bombas e Equipamentos Geradores de Pressão Ltda	Brazil	Equity	100
Shengli Oilfield Weir Highland Pump Co Ltd	China	Equity	60
Weir Flow Control Hong Kong Ltd	China	Equity	75
Weir International Co. Ltd (South Korea)	South Korea	Equity	60
Weir Minerals GEHO China Co. Ltd	China	Equity	100
Weir Gabbioneta Poland Sp	Poland	Equity	100
Weir Minerals Columbia SAS	Columbia	Equity	100
Gema Industriegummi AB	Sweden	Equity	100
Gema Industri AB	Sweden	Equity	99

Loans to group companies included a EURO 44,000,000 loan to Weir Gabbioneta Srl which was granted until 30 September 2012 and automatically renewed at maturity for a period of a year therefore this loan has been transferred to current assets.

The Company also indirectly owns a number of subsidiary undertakings. The Company has taken advantage of the exemption under Section 410 (2) of the Companies Act 2006 and a complete list of subsidiary and associated undertakings will be attached to the next annual return of the Company to be filed at Companies House.

Notes to the financial statements (continued)

for the 52 weeks ended 28 December 2012

8. Debtors

	2012 £000	2011 £000
Amounts owed from ultimate parent company	75,005	40,531
Interest receivable from ultimate parent company	21	-
Amounts due from fellow subsidiary undertakings	48,380	5,243
Interest receivable from fellow subsidiary undertakings	515	1,103
Forward foreign currency contracts	-	592
Other debtors	91	75
	<u>124,012</u>	<u>47,544</u>

Amounts due from fellow subsidiary undertakings include a EURO 44,000,000 loan to Weir Gabbioneta Srl. Interest is charged on this loan at 3 month Euro London Interbank Offer Rate (EURIBOR) plus 300 basis points.

9. Creditors: amounts falling due within one year

	2012 £000	2011 £000
Bank overdraft	74,300	46,208
Interest payable to ultimate parent undertaking	28	-
Amounts due to ultimate parent undertaking	-	17,667
Interest payable to fellow subsidiary undertaking	35	-
Amounts due to fellow subsidiary undertaking	36,494	410
Corporation tax payable	583	312
Bank interest payable	312	23
Forward foreign currency contracts	309	9
Forward foreign currency contracts interest accrual	-	50
	<u>112,061</u>	<u>64,679</u>

10. Creditors: amounts falling due after more than one year

	2012 £000	2011 £000
Contingent consideration	<u>24,477</u>	<u>15,501</u>

Notes to the financial statements (continued)

for the 52 weeks ended 28 December 2012

11. Share capital

	2012 £000	2011 £000
Allotted, called up and fully paid:		
Ordinary shares of £1 each	<u>352,672</u>	<u>207,506</u>

The total number of ordinary £1 shares issued in prior years was 207,505,911. The number of ordinary shares issued at par value during the period totalled 145,165,516, bringing the total number of £1 ordinary shares in issue to 352,671,427 at 28 December 2012.

12. Profit and loss account

	2012 £000	2011 £000
At the beginning of the period	87,550	86,307
Profit for the period	49,061	1,159
Exchange gain/(loss) on retranslation of foreign equity investment	477	(808)
Exchange gain on retranslation of foreign currency derivatives	26	181
Exchange (loss)/gain on retranslation of deferred consideration	(556)	711
Dividend paid	<u>(57,834)</u>	<u>-</u>
At the end of the period	<u>78,724</u>	<u>87,550</u>

13. Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Opening shareholders' funds	295,056	251,431
Profit for the period	49,061	1,159
Exchange gain/(loss) on retranslation of foreign equity investment	477	(808)
Exchange gain on retranslation of foreign currency derivatives	26	181
Exchange (loss)/gain on retranslation of deferred consideration	(556)	711
Dividend paid	<u>(57,834)</u>	<u>-</u>
Increase in share capital during the period	<u>145,166</u>	<u>42,382</u>
Closing shareholders' funds	<u>431,396</u>	<u>295,056</u>

Notes to the financial statements (continued)

for the 52 weeks ended 28 December 2012

14. Transactions with related parties

The Company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are wholly owned by The Weir Group PLC group. There have been no transactions with related parties that are non wholly owned by The Weir Group PLC group in the current or previous financial year.

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 subsidiary companies. The net funds of the other companies party to these facilities at 28 December 2012 amounted to £84,820,000 (2011: £45,892,000).

16. 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.