WEIR GROUP AFRICAN IP LIMITED
Report and Financial Statements

31 December 2016

Registered No: SC333781

Company information

Registered No: SC333781

Directors

John Heasley
Christopher Morgan
Andrew Neilson

Company Secretary

Gillian Kyle

Auditors

PricewaterhouseCoopers LLP
141 Bothwell Street
Glasgow
G2 7EQ

Bankers

HSBC
2 Buchanan Street
Glasgow
G1 3LB

Registered office

10th Floor
1 West Regent Street
Glasgow
G2 1RW
Scotland

Country of incorporation

Scotland

Directors' report

The directors present their report and the audited financial statements of Weir Group African IP Limited (Registered Number SC333781) ('the Company') for the period ended 31 December 2016.

Results

The Company made a profit after tax amounting to $3,579,000 (2015: $4,620,000).

Dividends

No dividend was declared in the period (2015: $nil).

Principal activities and review of the business

The Company is principally engaged in the acquisition and retention of intellectual property rights in other companies.

Financial instruments

The Company's principal financial instruments are shown on the balance sheet. The principal financial risks to which the Company is exposed are listed below. These risks are managed in accordance with Board approved policies.

Foreign exchange risk

As a result of the Company's business activities it is exposed to transactional currency risk. Transactional currency exposure arises when the Company enters into transactions denominated in currencies other than its functional currency which is US dollars. Foreign currency exposures are identified and managed directly by the Company within the policies and guidelines established by the Company's ultimate parent, The Weir Group PLC. The parent company enters into foreign exchange hedging transactions on behalf of the Company in accordance with those policies and procedures. The Company makes limited use of derivative financial instruments to hedge balance sheet translation exposures. Transaction exposures are hedged with the use of forward exchange rate contracts where deemed appropriate and where they can be reliably forecast. It is policy not to engage in any speculative transaction of any kind. Hedge accounting is used when certain criteria is met as explained in note 2.

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and inter-company trading accounts.

Interest rate risk

The Company's borrowings consist of inter group loans and these are at variable rates of interest. Based on current levels of net debt, interest rate risk is not considered to be material.

Going concern

The Company is ultimately owned by The Weir Group PLC ('the Group') and it participates in the Group's centralised treasury arrangements and so shares banking facilities with its parent company 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.

Future developments
There are no significant plans to alter the business of the company in the future.

Directors
The directors of the company during the period and to the date of this report were:
John Heasley (appointed 3 October 2016)
Christopher Morgan
Andrew Neilson
Jon Stanton (resigned 3 October 2016)

Directors' liabilities
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 (as amended). These indemnities are uncapped in amount. The Company's ultimate parent company maintained directors and officers liability insurance throughout 2016 in respect of the Company's directors and officers and up to the date of approval of the financial statements.

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 they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors
PricewaterhouseCoopers LLP were appointed under section 485 of the Companies Act 2006 as the Company's auditor at the Annual General Meeting on 28 April 2016 replacing Ernst & Young LLP and have indicated their willingness to continue in office.

Statement of directors' responsibilities
The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial period. 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), comprising Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101). 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, comprising FRS 101, 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.

By order of the Board

Gillian Kyle

Gillian Kyle
Company Secretary

4 July 2017

Independent auditors' report to the members of Weir Group African IP Limited

Report on the financial statements

Our opinion

In our opinion, Weir Group African IP Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year 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.

What we have audited

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 December 2016;
- the Income statement for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 3-4, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Directors' Report, we consider whether this report includes the disclosures required by applicable legal requirements.

Mark Hoskyns-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
4 July 2017

Income statement
for the period ended 31 December 2016

	Notes	Period ended 31 December 2016 Total $000	Period ended 1 January 2016 Total $000
Revenue	3	**4,926**	6,382
Operating profit (loss)		**4,055**	4,920
Finance income	5	**79**	15
Profit (loss) on ordinary activities before tax		**4,134**	4,935
Tax on profit (loss) on ordinary activities	6	**(555)**	(315)
Profit (loss) for the period		**3,579**	4,620

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

The result reported above includes all income and expenses for the period.

Balance sheet
at 31 December 2016

	Notes	2016 $000	2015 $000
ASSETS			
Non-current assets			
Intangible assets	7	**82,995**	82,995
Total non-current assets		**82,995**	82,995
Current assets			
Trade & other receivables	8	**36,617**	5,589
Derivative financial instruments	12	**-**	574
Cash & short-term deposits	9	**2**	25,693
Total current assets		**36,619**	31,856
Total assets		**119,614**	114,851
LIABILITIES			
Current liabilities			
Financial liabilities	10	**(24)**	-
Trade and other payables	11	**(2,066)**	(1,366)
Derivative financial instruments	12	**(198)**	-
Total current liabilities		**(2,288)**	(1,366)
Non-current liabilities			
Deferred tax liabilities	6	**(4,745)**	(4,483)
Total non-current liabilities		**(4,745)**	(4,483)
Total liabilities		**(7,033)**	(5,849)
NET ASSETS		**112,581**	109,002
Capital & reserves			
Share capital	13	**82,995**	82,995
Retained earnings		**29,586**	26,007
TOTAL EQUITY		**112,581**	109,002

On behalf of the Board of Directors

John Heasley

John Heasley

Director

4 July 2017

Statement of changes in equity
for the period ended 31 December 2016

	Share capital $000	Retained earnings $000	Total equity $000
At 2 January 2015	82,995	21,387	104,382
Result for the period	-	4,620	4,620
At 1 January 2016	**82,995**	**26,007**	**109,002**
Result for the period	**-**	**3,579**	**3,579**
At 31 December 2016	**82,995**	**29,586**	**112,581**

Notes to the financial statements
for the period ended 31 December 2016

1. Authorisation of financial statements and statement of compliance with FRS 101
The financial statements of Weir Group African IP Limited for the period ended 31 December 2016 were authorised for issue by the Board of Directors on 4 July 2017 and the balance sheet was signed on the Board's behalf by John Heasley.

Weir Group African IP Limited is a limited company registered in Scotland.

The financial statements were prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The Company's financial statements are presented in US dollars and all values have been presented in thousands ($000) except where otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

Basis of preparation
The accounting policies which follow set out those policies which apply in preparing the financial statements for the period ended 31 December 2016 ('2016'), the comparative information is provided for the period ended 1 January 2016 ('2015'). The accounting policies are consistent with those of the previous period. The Company has adopted SI 2015/980 for presentational purposes in order to align with the financial statements of its ultimate parent company.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7 *Financial Instruments: Disclosures*;
- paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- IAS 7 *Statement of Cash Flows*;
- paragraph 38 of IAS 1 *Presentation of financial statements* comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1; paragraph 73(e) of IAS 16 *Property, Plant & Equipment*; and paragraph 118(e) of IAS 38 *Intangible Assets;*
- paragraph 17 of IAS 24 *Related Party Disclosures*; and
- IAS 24 *Related Party Disclosures* disclosure of related party transactions with a fellow wholly owned subsidiary in IAS 24 *Related Party Disclosures*.

There are no new accounting standards or interpretations which are considered to have a material impact on the financial statements.

Judgements and key sources of estimation uncertainty
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date, and the amounts reported for revenues and expenses during the year. These estimates and assumptions are based on historical experience, information available at the time and other factors considered relevant.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Taxation
The level of current and deferred tax recognised in the financial statements is dependent on subjective judgements as to the interpretation of complex tax regulations and, in some cases, the outcome of decisions by tax authorities, together with the ability of the Company to utilise tax attributes within the limits imposed by the relevant tax legislation.

In all cases, provisions for open tax issues are based on management's interpretation of tax law as supported where appropriate by the Company's external advisors, and reflect the single best estimate of likely outcome for each liability. The Company believes it has made adequate provision for such matters.

Impairment
The company carries out impairment testing on any assets that show indications of impairment as well as annually for goodwill and other intangible assets with indefinite lives and so not subject to amortisation. This testing includes exercising management judgement about future cash flows and other events which are, by their nature, uncertain.

Significant accounting policies
Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable, and to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is shown net of sales taxes and discounts.

Royalty income
Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Foreign currency translation
Transactions denominated in foreign currencies are translated into the Company's functional currency at the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at the exchange rate ruling at the balance sheet date. Currency translation differences are recognised in the income statement.

Intangible assets
Other intangible assets are stated at cost less accumulated amortisation and any recognised impairment losses.

Intangible assets acquired separately are measured at cost on initial recognition. An intangible asset with a finite life is amortised on a straight-line basis so as to charge its cost to the income statement over its useful life. An intangible asset with an indefinite life is not amortised but is tested at least annually for impairment and carried at cost less any recognised impairment losses.

The expected useful lives of acquired intangible assets are as follows:

Brand names	indefinite life

2. Accounting policies (continued)

Financial assets & liabilities
The Company's principal financial assets and liabilities, other than derivatives, comprise the following:
- loans and fixed rate notes
- cash and short-term deposits
- trade receivables
- trade payables

A financial asset is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Trade receivables
Trade receivables, which are generally of a short term nature, are recognised and carried at original invoice amount less an allowance for estimated irrecoverable amounts. Provision is made where there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand
Cash and short term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less. Bank overdrafts are presented as current liabilities to the extent that there is no right of offset with cash balances.

Derivative financial instruments & hedge accounting
The Company uses derivative financial instruments, principally forward foreign currency contracts and cross currency swaps, to reduce its exposure to exchange rate movements. The Company also uses foreign currency borrowings as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. Additionally, the Company uses interest rate swaps to manage its exposure to interest rate risk. The Company does not hold or issue derivatives for speculative or trading purposes.

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. The fair value of forward foreign currency contracts is calculated as the present value of the estimated future cash flows based on spot and forward foreign exchange rates and counterparty and the Company's own credit risk. Hedge accounting is applied in respect of hedge relationships where it is both permissible under IAS 39 and practical to do so. When hedge accounting is used, the relevant hedging relationships will be classified as fair value hedges, cash flow hedges or net investment hedges.

Taxation
Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the period.

Deferred tax is recognised on temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base with the following exceptions:

- Deferred tax arising from the initial recognition of goodwill, or of an asset or liability in a transaction that is not a business combination, that, at the time of the transaction, affects neither accounting nor taxable profit or loss, is not recognised;

- Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future; and

- A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax liabilities represent tax payable in future periods in respect of taxable temporary differences. Deferred tax assets represent tax recoverable in future periods in respect of deductible temporary differences, the carry forward of unutilised tax losses and the carry forward of unused tax credits. Deferred tax is measured on an undiscounted basis using the tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Current and deferred tax is recognised in the income statement except if it relates to an item recognised directly in equity, in which case it is recognised directly in equity.

3. Revenues & expenses

The following disclosures are given in relation to total continuing operations.

	2016 $000	2015 $000
A reconciliation of revenue to operating profit (loss) is as follows		
Revenue	**4,926**	6,382
Gross profit	**4,926**	6,382
Administrative expenses	**(871)**	(1,462)
Operating profit (loss)	**4,055**	4,920

	2016 $000	2015 $000
Exchange (gains) losses	**(122)**	448

Audit fees of £1,000 for the Company are borne by the ultimate parent company.

4. Staff costs & directors' remuneration

No management charges were paid to The Weir Group PLC during the period (2015: £nil) in connection with the services of the directors. No remuneration was paid to any director during the period (2015: £nil) in respect of their services to the Company. There were no employees during the period (2015: none).

5. Finance income

	2016 $000	2015 $000
Interest receivable on financial assets	**79**	15

6. Taxation

Tax charged in the income statement

	2016 $000	2015 $000
The tax charge (credit) is made up as follows		
Current income tax		
UK corporation tax	**164**	328
Adjustments in respect of previous years	**129**	23
Total current income tax	**293**	351
Origination & reversal of temporary differences	**664**	664
Impact of change in tax rate	**(402)**	(700)
Total deferred tax	**262**	(36)
Total income tax charge (credit) in the income statement	**555**	315

Factors affecting the tax charge for the period

The standard rate of tax for the period based on the UK standard rate of corporation tax is 20.00% (2015: 20.25%). The actual tax charge for the current period is set out in the following reconciliation.

	2016 $000	2015 $000
Result from continuing operations before income tax	**4,134**	4,935
Tax calculated at UK standard rate of corporation tax of 20.00% (2015: 20.25%)	**828**	1,000
Effect of		
Tax overprovided in previous periods	**129**	23
Change in tax laws and rate	**(402)**	(708)
Tax expense (income) in the income statement	**555**	315

Factors that may affect future tax charges

Legislation was enacted on 26 October 2015 such that the main rate of UK corporation tax will be 19% from 1 April 2017 and 17% from 1 April 2020. Consequently, deferred tax has been provided at the prevalent rates during the periods in which the temporary differences are expected to unwind. Consequently, deferred tax has been provided on temporary differences at 16.23% (2015: 17.3%).

The deferred tax included in the balance sheet is as follows

	2016 $000	2015 $000
Deferred income tax liabilities	**(4,745)**	(4,483)

7. Intangible assets

	Brand names $000	Total $000
Net book value at 1 January 2016 and 31 December 2016	82,995	82,995

8. Trade and other receivables

	2016 $000	2015 $000
Amounts receivable from group undertakings	36,617	5,589
	36,617	5,589

All amounts are recoverable within one year.

Amounts receivable from group undertakings include the following loan balances:

GBP 3,000 ($3,000) amount bearing interest at 3 month GBP LIBOR less 0.125%.
ZAR 69,000 ($5,000) amount bearing interest at 3 month JIBAR less 0.125%.
$30,150,000 amount bearing interest at 3 month USD less 0.125%.

The above are unsecured and repayable on demand.

9. Cash and short-term deposits

	2016 $000	2015 $000
Cash	2	25,693
	2	25,693

During the period, cash balances were transferred to pooled resources held at The Weir Group PLC and as a result are now reflected within amounts receivable from group undertakings.

10. Financial liabilities

	2016 $000	2015 $000
Amounts due are repayable as follows		
Current		
- loans from group undertakings	24	-
	24	-

Amounts owed to group undertakings are unsecured and repayable on demand and bearing interest at 3 month USD LIBOR plus 0.65%.

11. Trade and other payables

	2016 $000	2015 $000
Trade payables	**3**	3
Amounts owed to group undertaking	**1,770**	1,012
Tax payable	**293**	351
	2,066	1,366

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

12. Derivatives

	2016 $000	2015 $000
Current assets		
Forward foreign currency contracts	-	574
	-	574
Current liabilities		
Forward foreign currency contracts	**(198)**	-
	(198)	-

The figures in the above table are inclusive of derivative financial instruments where the counterparty is a subsidiary of The Weir Group PLC.

13. Share capital

Allotted, called up and fully paid	2016 $000	2015 $000
82,994,883 ordinary shares of $1.00 each	**82,995**	82,995
	82,995	82,995

14. Contingent liabilities

The Company is a member of a group UK cash pool arrangement and has jointly and severally given guarantee of the net overdraft amount of the pool up to a maximum of £5.0million (2015: £5.0million). At the year end, the net amount drawn under the facility was £nil (2015: £nil).

15. Related party disclosures

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

16. Ultimate group undertaking

The immediate parent undertaking is Weir Group (Overseas Holdings) Limited.

The ultimate parent undertaking and controlling party is The Weir Group PLC. The Company is only consolidated into these group financial statements which are available to the public and may be obtained from The Weir Group PLC, 1 West Regent Street, Glasgow, G2 1RW.