

Weir Group (Overseas Holdings) Limited

DIRECTORS' REPORT

The directors submit their annual report together with the audited accounts of the company for the 52 weeks ended 26 December 1997.

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 DIVIDEND

The profit for the year after taxation amounted to £2,379,938. It is recommended that no dividend be paid leaving £2,379,938 to be transferred to reserves.

REVIEW AND FUTURE DEVELOPMENTS

The directors intend to seek out and pursue attractive opportunities in new areas of business where sustainable growth can be achieved.

DIRECTORS

The directors during the year were:

Sir Ronald Garrick
I M Boyd
W Harkness
DAM Dunbar

DIRECTORS' INTERESTS

No director had during or at the end of the year any material interest in any contract of significance in relation to the company's business.

No director had an interest in the share capital of the company during the year.

The interests of the directors in the share capital of The Weir Group PLC as at 26 December 1997 and at the end of the preceding financial year are given in the report of the directors of The Weir Group PLC for the 52 weeks ended 26 December 1997.

No director had an interest in the loan notes of The Weir Group PLC or in the shares or loan stock of any subsidiary of The Weir Group PLC.

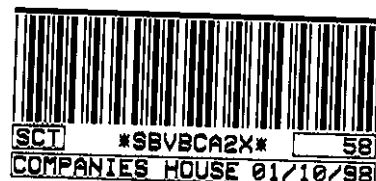
AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board


M J Kelly
Secretary

18 May 1998



IAM.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the period. In preparing those accounts, the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and whether applicable accounting standards have been followed and prepare the accounts 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 which enable them to ensure that the accounts 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.

REPORT OF THE AUDITORS
to the members of Weir Group (Overseas Holdings) Limited

We have audited the accounts on pages 4 to 10, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

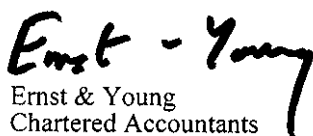
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 26 December 1997 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Chartered Accountants
Registered Auditor
Glasgow

18 May 1998

Weir Group (Overseas Holdings) Limited

PROFIT AND LOSS ACCOUNT for the 52 weeks ended 26 December 1997

	Notes	1997 £	1996 £
Exchange gains/(losses)		3,949	(6,872,552)
Sundry expenses		(10,905)	(13,186)
Dividends receivable		1,718,477	1,100,018
(Loss) on disposal		-	(5,391)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAX		1,711,521	(5,791,111)
Interest receivable		347,886	7,009,300
Interest payable		(572,278)	(572,000)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		1,487,129	646,189
Tax (credit)/charge on profit on ordinary activities	3	(892,809)	17,658
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		2,379,938	628,531
Ordinary dividend		-	510,000
Retained profit brought forward		2,379,938 6,260,108	118,531 6,141,577
Retained profit carried forward		<u>8,640,046</u>	<u>6,260,108</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the 52 weeks ended 26 December 1997

There are no recognised gains or losses other than the profit on ordinary activities after tax of £2,379,938 in the 52 weeks ended 26 December 1997 and £628,531 in the 52 weeks ended 27 December 1996.

Weir Group (Overseas Holdings) Limited

BALANCE SHEET

at 26 December 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Investments	4	50,621,743	69,243,872
CURRENT ASSETS			
Amounts owed by group companies		318,399	1,770,741
Dividends receivable		-	262,723
Sundry debtors		1,255,538	377,223
Cash at bank and in hand		68,249	991,389
		<u>1,642,186</u>	<u>3,402,076</u>
CREDITORS: amounts falling due within one year	5	3,100	862,841
		<u>1,639,086</u>	<u>2,539,235</u>
NET CURRENT ASSETS			
		<u>52,260,829</u>	<u>71,783,107</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year			
Loan from parent company	6	28,289,219	47,989,213
Loan from group companies		15,331,464	17,533,686
		<u>8,640,146</u>	<u>6,260,208</u>
CAPITAL AND RESERVES			
Called up share capital	7	100	100
Profit and loss account		8,640,046	6,260,108
	8	<u>8,640,146</u>	<u>6,260,208</u>

W Harkness

I M Boyd

18 May 1998

) Directors

Weir Group (Overseas Holdings) Limited

STATEMENT OF CASH FLOWS for the year ended 26 December 1997

	Notes	1997 £	1996 £
NET CASH (OUTFLOWS)/INFLOWS FROM OPERATING ACTIVITIES	9(a)		
Funds (absorbed by)/generated from operations		(10,905)	496,814
Decrease in working capital		3,100	-
		<u>(7,805)</u>	<u>496,814</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	9(b)	3,209,956	7,873,840
TAXATION		(848,348)	(1,507,118)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	9(b)	11,193,925	15,223
EQUITY DIVIDENDS PAID		-	(510,000)
CASH FLOW BEFORE LIQUID RESOURCES AND FINANCING		<u>13,547,728</u>	<u>6,368,759</u>
MANAGEMENT OF LIQUID RESOURCES		976,331	(976,331)
FINANCING - group loan capital repaid		(14,499,698)	(6,324,345)
INCREASE/(DECREASE) IN CASH		<u>24,361</u>	<u>(931,917)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1997 £	1996 £
Increase/(decrease) in cash	24,361	(931,917)
Cash flow from debt repaid	14,499,698	6,324,345
Cash flow from management of liquid resources	(976,331)	976,331
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	<u>13,547,728</u>	<u>6,368,759</u>
Exchange	3,144	(6,872,448)
MOVEMENT IN NET DEBT	<u>13,550,872</u>	<u>(503,689)</u>
Net debt at 28 December 1996	(56,740,506)	(56,236,817)
NET DEBT AT 26 DECEMBER 1997	<u>(43,189,634)</u>	<u>(56,740,506)</u>

The analysis of net funds is included in note 9(c).

Weir Group (Overseas Holdings) Limited

NOTES TO THE ACCOUNTS

at 26 December 1997

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Group accounts

Group accounts are not prepared as the company is a wholly owned subsidiary of another body corporate. Unless otherwise stated, references to "subsidiaries" and "associates" are to be taken as references to subsidiary undertakings and associated undertakings respectively.

Foreign currency

Transactions in foreign currencies are converted at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Differences on exchange are dealt with through the profit and loss account as they arise. Investments in subsidiaries are stated at original cost.

Investment income

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

Deferred tax

Deferred taxation is provided on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable. Advance corporation tax is written off except where recovery is assured beyond reasonable doubt.

2. DIRECTORS AND EMPLOYEES

The company had no employees in 1997 (1996 - Nil).

No directors received any emoluments for either 1997 or 1996 in respect of services to the company.

3. TAX

	1997 £	1996 £
(Credit)/charge based on the results of the year:		
UK taxation		
Corporation tax at 31.5% (1996 - 33%)	(151,000)	1,253,582
Deferred tax	-	(831,261)
Double tax relief	(725,551)	(390,270)
Overseas withholding tax suffered	25,899	71,270
	(850,652)	103,321
Adjustment to prior years	(42,157)	(213,163)
	(892,809)	(109,842)
Tax on UK distributions received	-	127,500
	(892,809)	17,658

The variation from the expected tax charge arises from the company's share of tax losses in the limited partnership, Weir Group LP and income from foreign sources fully covered by double tax relief.

Weir Group (Overseas Holdings) Limited

NOTES TO THE ACCOUNTS

at 26 December 1997

4. FIXED ASSET INVESTMENTS

	<i>Group companies Shares £</i>	<i>Other group interests Capital £</i>	<i>Loans £</i>	<i>Associates £</i>	<i>Total</i>
At 28 December 1996	61,336,615	-	7,791,004	116,253	69,243,872
Additions	6,696,941	-	50,000	-	6,746,941
Repayments	-	-	(7,452,518)	-	(7,452,518)
Exchange	-	-	(25,686)	-	(25,686)
Transfer	(16,712,636)	16,712,636	-	-	-
Disposals	(17,838,698)	-	-	(52,168)	(17,890,866)
At 26 December 1997	33,482,222	16,712,636	362,800	64,085	50,621,743

The company has an interest in the following:

	<i>Country of incorporation</i>	<i>Class of shares held</i>	<i>Percentage held</i>
<i>Subsidiaries</i>			
The Weir Group International S.A.	Switzerland	Equity	100
Strachan & Henshaw Australia Pty Limited	Australia	Equity	100
Weir Holdings (Jersey) Limited	Jersey	Equity	100
Weir Holdings BV	Netherlands	Equity	100
Envirotech Weir SRL	Italy	Equity	100
TWG Investments (No. 1) Limited	Scotland	Equity	59
<i>Associate</i>			
Howden Weir Pty Limited	South Africa	Equity	50
	<i>Country of registration</i>	<i>Investment interest</i>	<i>Percentage interest</i>
<i>Limited partnership *</i>			
Weir Group LP	USA	Partnership capital account	60

* The interest of Weir Group (Overseas Holdings) Limited in Weir Group LP is that of general partner.

5. CREDITORS: amounts falling due within one year

	<i>1997 £</i>	<i>1996 £</i>
Accruals	3,100	-
Corporation tax	-	862,841
	<u>3,100</u>	<u>862,841</u>

Weir Group (Overseas Holdings) Limited

NOTES TO THE ACCOUNTS

at 26 December 1997

6. LOAN FROM PARENT COMPANY

This is an interest free unsecured loan which is wholly repayable within five years.

7. SHARE CAPITAL

	1997 £	1996 £
Authorised, allotted, called up and fully paid: Ordinary shares of £1 each	100	100

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit for the financial period	2,379,938	628,531
Dividend	-	510,000
Net addition to shareholders' funds	2,379,938	118,531
Opening shareholders' funds	6,260,208	6,141,677
Closing shareholders' funds	8,640,146	6,260,208
Shareholders' funds are entirely attributable to equity interests.		

9. STATEMENT OF CASH FLOWS

	1997 £	1996 £
(a) Reconciliation of profit/(loss) on ordinary activities before interest and tax to net cash inflow from operating activities:		
Profit/(loss) on ordinary activities before interest and tax	1,711,521	(5,791,111)
Dividends	(1,718,477)	(1,100,018)
Dividends from associates	-	510,000
Exchange (gain)/loss	(3,949)	6,872,552
Loss on disposal of subsidiary	-	5,391
Funds (absorbed)/generated by operations	(10,905)	496,814
Increase in creditors	3,100	-
Decrease in working capital	3,100	-
Net cash (outflow)/inflow from operating activities	(7,805)	496,814

Weir Group (Overseas Holdings) Limited

NOTES TO THE ACCOUNTS

at 26 December 1997

9. STATEMENT OF CASH FLOWS (continued)

(b) Analysis of cash flow for headings netted in the cash flow statement

	1997 £	1996 £
Returns on investments and servicing of finance:		
Interest received	31,236	53,460
Interest paid	(277)	(8,512)
Group interest received	1,768,913	7,177,238
Group interest paid	(572,000)	(572,000)
Other dividends received	1,982,084	1,223,654
	<u>3,209,956</u>	<u>7,873,840</u>
Capital expenditure and financial investment :		
Purchase of investments	(6,696,941)	-
Sale of investments	17,890,866	15,233
	<u>11,193,925</u>	<u>15,223</u>

(c) Analysis of net debt:

	At 28/12/96 £	Cash flow £	Exchange £	At 26/12/97 £
Cash at bank and in hand	15,058	24,361	28,830	68,249
Cash on deposit at bank	976,331	(976,331)	-	-
Group loan capital	(57,731,895)	14,499,698	(25,686)	(43,257,883)
	<u>(56,740,506)</u>	<u>13,547,728</u>	<u>3,144</u>	<u>(43,189,634)</u>

10. CONTINGENT LIABILITIES

The company has given a guarantee in relation to the overdraft facilities extended to the Weir Group PLC and certain subsidiaries. The net funds on hand of the other companies party to these facilities at 26 December 1997 amounted to £6,188,000.

11. 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.

12. ULTIMATE PARENT COMPANY

The directors consider that The Weir Group PLC (registered in Scotland) is the company's ultimate parent company. This is the only parent undertaking for which group accounts are drawn up and of which the company is a member. The address from which copies of these group accounts are available to the public is: The Weir Group PLC, 149 Newlands Road, Cathcart, Glasgow, G44 4EX.