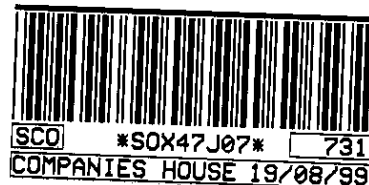


Weir Group (Overseas Holdings) Limited

DIRECTORS' REPORT



The directors submit their annual report together with the audited accounts of the company for the 53 weeks ended 1 January 1999.

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 £7,809,903. It is recommended that no dividend be paid leaving £7,809,903 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 1 January 1999 and at the end of the preceding financial year are given in the report of the directors of The Weir Group PLC for the 53 weeks ended 1 January 1999.

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.

YEAR 2000 COMPLIANCE

The Year 2000 issues impacts not only our own computer systems but also those of our suppliers and customers. A company wide programme designed to address the impact of the Year 2000 issue on the business was initiated by the board in 1997. Resources have been allocated and the board receives regular reports on progress. The company's systems have been reviewed by either the company's own personnel or external specialists as considered appropriate.

The board believe that the company will achieve an acceptable state of readiness and that all issues will have been adequately addressed by mid 1999. However, there is a remaining risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The total cost of modifications to our computer hardware and software will be subsumed in to the recurring activities of the departments involved. It is estimated that the capital and revenue costs being incurred in this project will be immaterial with regard to the financial performance and position of the company.

Weir Group (Overseas Holdings) Limited

DIRECTORS' REPORT

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

14 May 1999

Weir Group (Overseas Holdings) Limited

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 5 to 11, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 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.

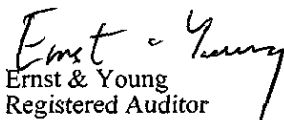
Basis of opinion

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 1 January 1999 and of its profit for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young
Registered Auditor
Glasgow

14 May 1999

Weir Group (Overseas Holdings) Limited

PROFIT AND LOSS ACCOUNT for the 53 weeks ended 1 January 1999

	Notes	1998 £	1997 £
Exchange gains		21,732	3,949
Sundry expenses		(3,308)	(10,905)
Dividends received		6,883,644	1,718,477
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAX		6,902,068	1,711,521
Interest receivable		25,680	347,886
Interest payable		(576,468)	(572,278)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		6,351,280	1,487,129
Tax credit on profit on ordinary activities	3	(1,458,623)	(892,809)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		7,809,903	2,379,938
Retained profit brought forward		8,640,046	6,260,108
Retained profit carried forward		16,449,949	8,640,046

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the 53 weeks ended 1 January 1999

There are no recognised gains or losses other than the profit on ordinary activities after tax of £7,809,903 in the 53 weeks ended 1 January 1999 and £2,379,938 in the 52 weeks ended 26 December 1997.

Weir Group (Overseas Holdings) Limited

BALANCE SHEET at 1 January 1999

	Notes	1998 £	1997 £
FIXED ASSETS			
Investments	4	29,253,016	50,621,743
CURRENT ASSETS			
Amounts owed by group companies		314,593	318,399
Sundry debtors	5	1,870,513	1,255,538
Cash at bank and in hand		281,867	68,249
		2,466,973	1,642,186
CREDITORS: amounts falling due within one year	6	6,503,200	3,100
NET CURRENT (LIABILITIES)/ASSETS		(4,036,227)	1,639,086
TOTAL ASSETS LESS CURRENT LIABILITIES		25,216,789	52,260,829
CREDITORS: amounts falling due after more than one year			
Loan from parent company		-	28,289,219
Loan from group companies		8,766,740	15,331,464
		16,450,049	8,640,146
CAPITAL AND RESERVES			
Called up share capital	7	100	100
Profit and loss account		16,449,949	8,640,046
	8	16,450,049	8,640,146

W Harkness

I M Boyd

14 May 1999

) Directors

Weir Group (Overseas Holdings) Limited

STATEMENT OF CASH FLOWS for the year ended 1 January 1999

	Notes	1998 £	1997 £
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES	9(a)		
Funds absorbed by operations		(3,308)	(10,905)
Decrease in working capital		100	3,100
		<u>(3,208)</u>	<u>(7,805)</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	9(b)	6,336,422	3,209,956
TAXATION		843,648	(848,348)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	9(b)	24,171,874	11,193,925
CASH FLOW BEFORE LIQUID RESOURCES AND FINANCING		<u>31,348,736</u>	<u>13,547,728</u>
MANAGEMENT OF LIQUID RESOURCES		-	976,331
FINANCING - group loan capital repaid		(31,135,034)	(14,499,698)
INCREASE IN CASH		<u>213,702</u>	<u>24,361</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1998 £	1997 £
Increase in cash	213,702	24,361
Cash flow from debt repaid	31,135,034	14,499,698
Cash flow from management of liquid resources	-	(976,331)
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	<u>31,348,736</u>	<u>13,547,728</u>
Exchange	21,972	3,144
MOVEMENT IN NET DEBT	<u>31,370,708</u>	<u>13,550,872</u>
Net debt at 27 December 1997	(43,189,634)	(56,740,506)
NET DEBT AT 1 JANUARY 1999	<u>(11,818,926)</u>	<u>(43,189,634)</u>

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

Weir Group (Overseas Holdings) Limited

NOTES TO THE ACCOUNTS

at 1 January 1999

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.

2. DIRECTORS AND EMPLOYEES

The company had no employees in 1998 (1997 - Nil).

No directors received any emoluments for either 1998 or 1997 in respect of services to the company.

3. TAXATION

	1998 £	1997 £
Credit based on the results of the year:		
UK taxation		
Corporation tax at 31% (1997 - 31.5%)	1,477,477	(151,000)
Double tax relief	(2,970,767)	(725,551)
Overseas withholding tax suffered	-	25,899
	<u>(1,493,290)</u>	<u>(850,652)</u>
Adjustment to prior years	34,667	(42,157)
	<u>(1,458,623)</u>	<u>(892,809)</u>

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 1 January 1999

4. FIXED ASSET INVESTMENTS

	Group companies Shares £	Other group interests Capital £	Loans £	Associates £	Total
At 27 December 1997	33,482,222	16,712,636	362,800	64,085	50,621,743
Additions	24,171,000	-	2,781,091	-	26,952,091
Exchange	-	-	22,056	-	22,056
Disposals	(48,342,000)	-	-	(874)	(48,342,874)
At 1 January 1999	9,311,222	16,712,636	3,165,947	63,211	29,253,016

The company has an interest in the following:

	Country of incorporation	Class of shares held	Percentage held
<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
Envirotech Weir SRL	Italy	Equity	100
TWG Investments (No. 1) Limited	Scotland	Equity	59

Associate

Howden Weir Pty Limited	South Africa	Equity	50
-------------------------	--------------	--------	----

	Country of registration	Investment interest	Percentage interest
<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. DEBTORS

	1998 £	1997 £
Corporation tax recoverable	1,870,513	1,255,538

Weir Group (Overseas Holdings) Limited

NOTES TO THE ACCOUNTS at 1 January 1999

6. CREDITORS: amounts falling due within one year

	1998 £	1997 £
Accruals	3,200	3,100
8.8% unsecured loan note 1999	6,500,000	-
	<u>6,503,200</u>	<u>3,100</u>

7. SHARE CAPITAL

	1998 £	1997 £
Authorised share capital: Ordinary shares of £1 each	14,000,000	100
	<u>14,000,000</u>	<u>100</u>
Allotted, called up and fully paid: Ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial period	7,809,903	2,379,938
Net addition to shareholders' funds	7,809,903	2,379,938
Opening shareholders' funds	8,640,146	6,260,208
Closing shareholders' funds	<u>16,450,049</u>	<u>8,640,146</u>

Shareholders' funds are entirely attributable to equity interests.

9. STATEMENT OF CASH FLOWS

	1998 £	1997 £
(a) Reconciliation of profit on ordinary activities before interest and tax to net cash outflow from operating activities:		
Profit on ordinary activities before interest and tax	6,902,068	1,711,521
Dividends	(6,602,266)	(1,718,477)
Dividends from associates	(281,378)	-
Exchange gain	(21,732)	(3,949)
Funds absorbed by operations	<u>(3,308)</u>	<u>(10,905)</u>
Increase in creditors	100	3,100
Decrease in working capital	100	3,100
Net cash outflow from operating activities	<u>(3,208)</u>	<u>(7,805)</u>

Weir Group (Overseas Holdings) Limited

NOTES TO THE ACCOUNTS

at 1 January 1999

9. STATEMENT OF CASH FLOWS (continued)

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

	1998 £	1997 £
Returns on investments and servicing of finance:		
Interest received	3,417	31,236
Interest paid	-	(277)
Group interest received	21,361	1,768,913
Group interest paid	(572,000)	(572,000)
Dividends received	6,883,644	1,982,084
	<u>6,336,422</u>	<u>3,209,956</u>
Capital expenditure and financial investment:		
Purchase of investments	(24,171,000)	(6,696,941)
Sale of investments	48,342,874	17,890,866
	<u>24,171,874</u>	<u>11,193,925</u>

(c) Analysis of net debt:

	At 26/12/97 £	Cash flow £	Exchange £	At 1/1/99 £
Cash at bank and in hand	68,249	213,702	(84)	281,867
Group loan capital	(43,257,883)	31,135,034	22,056	(12,100,793)
	<u>(43,189,634)</u>	<u>31,348,736</u>	<u>21,972</u>	<u>(11,818,926)</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 1 January 1999 amounted to £8,183,000 (1997 - £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.