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THE BATLEY VALVE COMPANY LIMITED

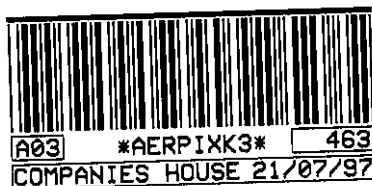
BRITANNIA WORKS

HUDDERSFIELD

ANNUAL

REPORT AND ACCOUNTS

PERIOD ENDED 27TH DECEMBER 1996



To be presented at the Annual General Meeting
of the Company to be held on 7th March 1997.


THE BATLEY VALVE COMPANY LIMITED

NOTICE IS HEREBY GIVEN

that the next Annual General Meeting of the Company will be held at the Registered Office of the Company, Britannia Works, Huddersfield on 7th March 1997.

1. To receive and adopt the Directors' Report and Accounts for the period ended 27th December 1996, and the Auditors' report thereon.
2. To re-elect a Director.
3. To confirm the Dividend for the year.
4. To authorise the Directors to fix the remuneration of the Auditors.
5. To re-appoint the Auditors.

By Order of the Board



Secretary.

13th February 1997
Britannia Works
Huddersfield.

In accordance with Section 372 of the Companies Act 1985, notice is hereby given that a member entitled to attend and vote at this meeting is entitled to appoint another person, whether a member or not, as his proxy to attend and on a poll to vote in his stead. (The instrument appointing a proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time appointed for holding the meeting).

THE BATLEY VALVE COMPANY LIMITED

DIRECTORS

J. STEELE

B. SPENCER

SECRETARY AND REGISTERED OFFICE

B. SPENCER

BRITANNIA WORKS, HUDDERSFIELD.

AUDITORS

ERNST & YOUNG

THE BATLEY VALVE COMPANY LIMITED

DIRECTORS' REPORT

The Directors have pleasure in submitting their Annual Report, together with the audited Accounts of the Company for the period ended 27th December 1996.

Results and Dividends

The profit for the period after taxation was £233,000 (1995 - £260,000).

The Directors confirm a final dividend of £295,000 (1995 - Nil) leaving a loss of £62,000 to be transferred to Reserves.

Review of the Business

The Company's principal activities are the manufacture of industrial valves.

On the 22nd April 1996, the whole of the Share Capital of The Batley Valve Company Limited was acquired by Hopkinsons Limited, a subsidiary of The Weir Group PLC.

There was an increase in turnover during the year and the Directors believe the Company is in a good position to take advantage of any opportunities which may arise in the future.

Product improvement and development is an important on-going process. Research and development costs are written off in the year in which they are incurred.

Future Developments

The directors aim to introduce management policies which have resulted in the parent company's growth in the last five years.

Employee Involvement

The company continues its policy of keeping all its employees informed on matters affecting them. This is carried out through meetings and briefing sessions with both management and trade union or employee representatives and these, together with newsletters, give information on orders, sales, cash, profits, pensions and capital expenditure. The interval between communications varies but is not longer than half-yearly depending on the media.

Full and fair consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes, abilities and suitability for employment in our industry. No special provision is made for their training or career development, but general facilities are adapted or arranged to meet the needs of the disabled, or employees who become disabled, to allow them to be employed or continue employment in their present or more suitable employment with regard to their disablement. Promotion opportunities are open to all employees irrespective of their disablement.

THE BATLEY VALVE COMPANY LIMITED

DIRECTORS' REPORT

Directors and their Interests

The Directors during the period were:-

M. Stead (Resigned 22nd April 1996)
J. Stead (Resigned 22nd April 1996)
J. Ward (Resigned 22nd April 1996)
A. Stead (Resigned 22nd April 1996)

J. Steele (Appointed 22nd April 1996)
B. Spencer (Appointed 22nd April 1996)

No Director at the year end had any interest in the shares of either The Batley Valve Company Limited or The Weir Group plc at any time during the period, except Mr. B. Spencer who held 10,340 ordinary shares in The Weir Group plc at the year end.

In accordance with the Articles of Association Mr. J. Steele retires as a director and, being eligible, offers himself for re-election.

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



Secretary.

7th March 1997
Britannia Works,
Huddersfield

THE BATLEY VALVE COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year 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 that period. In preparing those accounts, the directors are required to:

select suitable accounting policies and then apply them consistently;

state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the accounts;

make judgements and estimates that are reasonable and prudent; and

prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that the accounts comply with the above requirements.

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 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.

THE BATLEY VALVE COMPANY LIMITED

REPORT OF THE AUDITORS

To the members of The Batley Valve Company Limited.

We have audited the accounts on pages 7 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors.

As described on page 5 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.

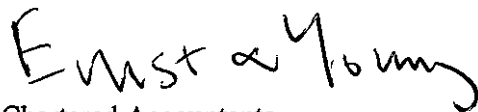
Basis of opinion.

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 consider 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 at 27th December 1996, and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditor
Leeds
7th March 1997.

THE BATLEY VALVE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 27TH DECEMBER 1996

		CONTINUING ACTIVITIES	
	notes	1996 £000	1995 £000
TURNOVER		3,870	3,469
Costs and overheads	2	<u>3,513</u>	<u>3,085</u>
OPERATING PROFIT	3	357	384
Interest and other income	4	<u>(11)</u>	<u>(17)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		346	367
Taxation charge	5	<u>113</u>	<u>107</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		233	260
Dividend proposed		<u>295</u>	<u>-</u>
(LOSS)/PROFIT TRANSFERRED TO RESERVES	10	<u>(62)</u>	<u>260</u>

Notes on pages 10 to 15 are to be read as part of the Accounts
Movements on reserves are shown in Note 10.

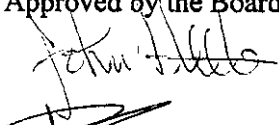

A statement of total recognised gains and losses is not presented since there are no recognised gains or losses in the period other than the profit on ordinary activities after taxation amounting to £233,000 (1995 £260,000).

THE BATLEY VALVE COMPANY LIMITED

BALANCE SHEET AT 27TH DECEMBER 1996

	notes	1996 £000	1995 £000
FIXED ASSETS			
Tangible assets	6	<u>248</u>	<u>264</u>
CURRENT ASSETS			
Stocks	7	378	320
Debtors	7	1,568	1,211
Cash at bank and in hand		<u>1</u>	<u>1</u>
		<u>1,947</u>	<u>1,532</u>
CREDITORS (due within one year)	8	<u>1,466</u>	<u>960</u>
NET CURRENT ASSETS		<u>481</u>	<u>572</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>729</u>	<u>836</u>
CREDITORS (due after more than one year)	8	3	10
PROVISION FOR LIABILITIES AND CHARGES			
Deferred tax	5	<u>-</u>	<u>38</u>
		<u>726</u>	<u>788</u>
CAPITAL AND RESERVES			
Called up share capital	9	10	10
Profit and loss account	10	<u>716</u>	<u>778</u>
EQUITY SHAREHOLDERS' FUNDS		<u>726</u>	<u>788</u>

Approved by the Board on the 7th March 1997

) - Directors

Notes on pages 10 to 15 are to be read as part of the accounts.

THE BATLEY VALVE COMPANY LIMITED

CASH FLOW STATEMENT FOR THE PERIOD ENDED 27TH DECEMBER 1996

	1996 £000	1995 £000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES (See below)	<u>333</u>	<u>(185)</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid	<u>(11)</u>	<u>(17)</u>
TAXATION - CORPORATION TAX PAID	<u>(100)</u>	<u>36</u>
INVESTING ACTIVITIES		
Sale of tangible assets	17	8
Purchase of tangible assets	<u>(26)</u>	<u>(17)</u>
	<u>(9)</u>	<u>(9)</u>
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	213	(175)
FINANCING		
Lease obligations repaid	<u>(4)</u>	<u>(6)</u>
NET CASH INFLOW/(OUTFLOW)	<u>209</u>	<u>(181)</u>
STATEMENT OF NET BORROWINGS		
At 31st December 1995	(503)	(322)
Inflow/(Outflow)	209	(181)
At 27th December 1996	<u>(294)</u>	<u>(503)</u>
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		
Profit before interest and tax	357	384
Depreciation	25	34
Increase in stocks	(58)	(98)
Increase in debtors	(95)	(566)
Increase in creditors	282	61
Amount owed to/by group companies	(178)	-
	<u>333</u>	<u>(185)</u>

Notes on pages 10 to 15 are to be read as part of the accounts.

THE BATLEY VALVE COMPANY LIMITED

NOTES ON ACCOUNTS

1. ACCOUNTING POLICIES

The principal accounting policies adopted by the Company are set out below.

Accounting Period

The accounts are for the period from 1st January 1996 to 27th December 1996 (1995 - year to 31st December 1995).

Accounting Convention

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

Government Grants

Grants related to expenditure on tangible assets are credited to profit at the same rate as the depreciation on the assets to which the grants relate.

Turnover

Turnover represents the value of goods sold and services supplied, excluding value added tax. An analysis of turnover by geographical market has not been disclosed. The Directors are of the opinion that to disclose such information could be seriously prejudicial to the interests of the company.

Depreciation

Depreciation is calculated to write off the cost of all assets, except freehold land and buildings, from the date of purchase by equal annual instalments over their estimated useful lives, which are principally as follows:

Freehold land and buildings	- 0%
Plant and machinery	- 5% to 25%.

In the opinion of the directors the residual value of the freehold property is considered to be greater than cost.

Research and Development

Expenditure, except capital expenditure on buildings and plant, on research and development, patents, and trade marks is written off in the year in which it is incurred.

THE BATLEY VALVE COMPANY LIMITED

NOTES ON ACCOUNTS

Stocks

Stocks are valued at the lower of cost including appropriate production overheads and estimated net realisable value.

Cost comprises direct materials on a first-in, first-out basis and direct labour plus attributable production overheads based on a normal level of activity. Net realisable value is based on estimated selling price less anticipated costs to disposal. Provision is made for all foreseeable losses and, in the case of stocks, due allowance is made for obsolete and slow moving items.

Foreign currencies

Monetary assets and liabilities stated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are converted at the rate ruling at the date of the transaction. Exchange differences are dealt with through the profit and loss account as they arise.

Deferred taxation

Provision is made for deferred taxation on the liability method, unless there is a reasonable probability that no payment will be made in the foreseeable future.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligation is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under other leases are charged to income on a straight line basis over the lease term.

Pension commitments

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

THE BATLEY VALVE COMPANY LIMITED

NOTES ON ACCOUNTS

	1996 £000	1995 £000
2 COSTS AND OVERHEADS		
Cost of sales	2,239	2,040
Distribution costs	113	178
Administration costs	1,161	867
	<u>3,513</u>	<u>3,085</u>
3 OPERATING PROFIT IS STATED AFTER CHARGING		
Auditors' remuneration - audit services	5	6
- non audit services	2	-
Depreciation - purchased assets	19	27
- leased assets	6	6
Research and development costs	28	24
Staff costs		
Wages and salaries	1,009	996
Social security costs	89	90
Other pension costs	399	47
	<u>1,497</u>	<u>1,133</u>
The following remuneration was paid to Directors		
Management remuneration	47	162
Pension contributions	350	-
	<u>397</u>	<u>162</u>
	1996 £000	1995 £000
Directors' emoluments excluding pension contributions		
Chairman for period to 22nd April 1996	19	60
Chairman for period from 23rd April 1996	-	-
Highest paid Director	19	60
Directors' emoluments fall in the following ranges:	Number	Number
Up to £ 5,000	2	-
£ 5,001 to £10,000	2	-
£10,001 to £15,000	1	-
£15,001 to £20,000	1	-
£25,001 to £30,000	-	2
£40,001 to £45,000	-	1
£55,001 to £60,000	-	1

Two directors of the Company including the Chairman, are employed and remunerated by Hopkinsons Limited.

The average number of employees during the year was 54 (1995 - 49) and they were based in the United Kingdom.

THE BATLEY VALVE COMPANY LIMITED

NOTES ON ACCOUNTS

		£000	£000
4	INTEREST AND OTHER INCOME		
	Bank interest paid	9	13
	Hire purchase interest	2	4
		<u>11</u>	<u>17</u>
5	TAXATION	£000	£000
	Profit and loss account		
	Based on profit on ordinary activities		
	for the year at 33% (1995 27%)	199	99
	Prior year adjustments	(2)	(1)
	Deferred tax	(84)	9
		<u>113</u>	<u>107</u>
Deferred Tax			
	The potential and actual liability for deferred taxation is as follows:		
	Capital allowances in advance of depreciation	40	29
	Other timing differences	(86)	9
		<u>(46)</u>	<u>38</u>
6	TANGIBLE FIXED ASSETS		
		Freehold Land & Buildings £000	Plant & Equipment £000
			Total £000
	COST		
	At 31.12.95	157	439
	Additions	-	26
	Disposals	-	(50)
	At 27.12.96	<u>157</u>	<u>415</u>
	DEPRECIATION		
	At 31.12.95	-	332
	Charge	-	25
	Disposals	-	(33)
	At 27.12.96	<u>-</u>	<u>324</u>
	Net book amount		
	At 27.12.96	<u>157</u>	<u>91</u>
	At 31.12.95	157	107

Included in the net book value of fixed assets of £248,000 shown above is an amount of £14,000 relating to assets acquired under hire purchase contracts.

THE BATLEY VALVE COMPANY LIMITED

NOTES ON ACCOUNTS

7	CURRENT ASSETS	1996 £000	1995 £000
	Stocks		
	Raw materials	184	160
	Work in progress	188	160
	Finished goods	6	-
		<u>378</u>	<u>320</u>
	Debtors		
	Amounts recoverable within one year		
	Trade debtors	1,266	1,172
	Amount owed by group companies	216	-
	Prepayments and other debtors	40	39
	Deferred tax	46	-
		<u>1,568</u>	<u>1,211</u>
8	CREDITORS - (due within one year)	1996 £000	1995 £000
	Obligations under hire purchase contracts	7	4
	Trade creditors	397	150
	Current corporation tax	199	102
	Other taxes and social security costs	45	62
	Accruals and other creditors	190	138
	Amount owed to group companies	38	-
	Proposed dividend	295	-
	Bank overdraft	295	504
		<u>1,466</u>	<u>960</u>
	CREDITORS - (due after more than one year)		
	Obligation under hire purchase contract	<u>3</u>	<u>10</u>
9	CALLED UP SHARE CAPITAL	£000	£000
	Ordinary Shares of £1 each		
	Authorised	40	40
	Allotted and fully paid	<u>10</u>	<u>10</u>
10	PROFIT AND LOSS ACCOUNT	£000	
	At 31st December 1995	778	
	Loss for the year	(62)	
	At 27th December 1996	<u>716</u>	

THE BATLEY VALVE COMPANY LIMITED

NOTES ON ACCOUNTS

11	RECONCILIATION OF SHAREHOLDERS FUNDS	1996	1995
		£000	£000
	At 31st December 1995	788	528
	Profit on ordinary activities after taxation	233	260
	Dividend proposed	(295)	-
	At 27th December 1996	<u>726</u>	<u>788</u>

12	OBLIGATIONS UNDER LEASES AND HIRE PURCHASE CONTRACTS	1996	1995
		£000	£000
	Hire purchase contracts are analysed as follows:		
	Current obligations	7	4
	Non current obligations	3	10
		<u>10</u>	<u>14</u>

There are no commitments under non-cancellable operating leases.

13. CONTINGENT LIABILITIES

The Company has given a guarantee in relation to the overdraft facilities extended to The Weir Group PLC and certain subsidiary companies. The net funds on hand of the other companies party to these facilities at 27th December 1996 amounted to £1,631,000.

The Company has also given guarantees/indemnities to customers amounting to £85,000 (1995 £103,000.)

14 PENSION COMMITMENTS

The Company operates defined contribution pension schemes, the assets of which are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds, and amounted to £49,000 (1995 - £47,000).

15. ULTIMATE PARENT COMPANY

The directors report that The Weir Group PLC 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 company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of The Weir Group PLC group. 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.