DIRECTORS' REPORT

The directors present their report and accounts for the 53 weeks ended 1 January 1999.

RESULTS AND DIVIDENDS

The profit for the year after tax amounted to £925,000. The directors recommend the payment of a dividend amounting to £614,000 leaving the retained profit for the year of £311,000 to be transferred to reserves.

PRINCIPAL ACTIVITIES

The principal activities during the period were the design and installation of liquid gas storage and handling systems both for marine and land use.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Although turnover has remained at a lower than desired level the results for the year have been satisfactory. Tendering activity remains reasonable but often with significant intervals between initial tender and final project award. It is expected that both tendering activity and turnover will continue at present levels during 1999. The company continues to seek suitable opportunities in both the marine and land sectors of the gas handling industry worldwide.

BOARD OF DIRECTORS

The directors of the company who served during the year are:

R Garrick	Chairman
J L Whyte	Deputy Chairman
J L Coutts	Managing Director
E J March	
D W Catchpole	
K J Swan	
P Capell	

On 31 January 1999, Sir R Garrick resigned from the board and Mr K Gamble was appointed as Chairman.

DIRECTORS' INTERESTS

No director had during or at the end of the period any material interest in any contract of significance in relation to the company's business. Particulars of the interests of the directors (excluding those directors who were also directors of the company's holding company, The Weir Group PLC) in the shares, debentures and loan notes of The Weir Group PLC and its subsidiaries are set out in note 19 to the accounts.

SUPPLIER PAYMENT POLICY

It is the policy of the company to follow the CBI Prompt Payer's Code in the financial year to 1 January 1999. Copies of the Code, which promotes the agreement with and communication to suppliers of clear payment terms, are available from the Confederation of British Industry, Centre Point, 103 New Oxford Street, London, WC1A 1DU.

YEAR 2000

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

YEAR 2000 (continued)

A company-wide programme, commissioned by the Board, designed to address the impact of the Year 2000 on our business is underway with appropriate resources being allocated. Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and will provide adequate resources to deal promptly with any significant subsequent failures or issues that might arise.

Much of the cost of implementing the action plans will be subsumed into 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.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the annual general meeting.

On behalf of the Board

K J Swan
K J Swan
Director and Secretary

15 March 1999

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 that 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, state 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 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 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.

ERNST & YOUNG

REPORT OF THE AUDITORS
to the members of Liquid Gas Equipment Limited

We have audited the accounts on pages 5 to 16 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 mis-statement, 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

Ernst & Young
Registered Auditor
Glasgow

15 March 1999

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

	Notes	1998 £000	1997 £000
TURNOVER	2	10,072	11,830
PROFIT BEFORE INTEREST AND TAX	3	1,066	1,037
Net interest receivable	5	271	146
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		1,337	1,183
Tax on profit on ordinary activities	6	412	358
PROFIT FOR THE FINANCIAL PERIOD		925	825
Dividend		614	561
RETAINED PROFIT FOR THE FINANCIAL PERIOD	15	311	264

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 for the financial period of £925,000 (1997 - £825,000).

BALANCE SHEET
at 1 January 1999

	Notes	1998 £000	1997 £000
FIXED ASSETS			
Tangible assets	7	159	122
Investment in subsidiaries	8	14	14
Other investments	8	35	35
		49	49
		208	171
CURRENT ASSETS			
Debtors	9	2,368	4,060
Amounts owed by group companies	10	2,038	38
Cash at bank and in hand		2,409	4,625
		6,815	8,723
CREDITORS: amounts falling due within one year:			
Other creditors	11	4,742	6,977
Amounts owed to group companies	12	32	32
Proposed dividend		614	561
		5,388	7,570
NET CURRENT ASSETS		1,427	1,153
TOTAL ASSETS LESS CURRENT LIABILITIES		1,635	1,324
CAPITAL AND RESERVES			
Called up share capital	13	10	10
Profit and loss account	14	1,625	1,314
		1,635	1,324

D W Catchpole   Director

K J Swan   Director

15 March 1999

ERNST & YOUNG

STATEMENT OF CASH FLOWS
for the 53 weeks ended 1 January 1999

	Notes	*1998* *£000*	*1997* *£000*
Cash inflow from operating activities			
Funds generated by operations	16(a)	1,082	1,040
(Increase)/decrease in working capital		(2,561)	1,794
		(1,479)	2,834
Returns on investments and servicing of finance	16(b)	260	146
Taxation	16(b)	(358)	(320)
Capital expenditure and financial investment	16(b)	(78)	(25)
Equity dividends paid	16(b)	(561)	(406)
(Decrease)/increase in cash		(2,216)	2,229

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	1998 *£000*	*1997* *£000*
(Decrease)/increase in cash	(2,216)	2,229
Net funds at 26 December	4,625	2,396
Net funds at 1 January	2,409	4,625

ERNST & YOUNG

NOTES TO THE ACCOUNTS
at 1 January 1999

1. ACCOUNTING POLICIES

Basis of preparation
The accounts are prepared under the historical cost convention. The accounts are prepared in accordance with applicable accounting standards. The company is exempt from the obligation to prepare and deliver group accounts under Section 228 of the Companies Act 1985.

Tangible assets
Fixed assets are stated at cost.

Depreciation is provided on all fixed assets, excluding freehold land. Depreciation is calculated to write off the net cost of each tangible asset over its estimated useful life as follows:

Freehold properties	-	2% of cost straight line
Motor vehicles	-	25% of written down value
Office equipment	-	20% and 25% of written down value
Computers	-	25% of cost straight line

Long term contracts
A long term contract is defined as the supply of a single substantial entity where the supply extends into different accounting periods. Turnover recorded on long term contracts is the value of work done and this is calculated to be cost together with a proportion of profit appropriate to the stage of completion of each contract. Provision is made for all foreseeable losses. Claims for progress payments are deducted from amounts recoverable on long term contracts, or to the extent that they exceed this value are disclosed as payments received on account.

Goodwill
Goodwill is written off on acquisition against reserves.

Foreign currencies
Assets and liabilities in foreign currency are translated into sterling at the rates ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate ruling on the date of the transaction. All differences are taken to the profit and loss account.

Deferred taxation
Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that the tax will be payable.

Leasing commitments
Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Pensions
The company and other major group companies operate defined benefit pension schemes which are set up under separate trusts or through insurance companies. The funding policy adopted is to ensure that there are sufficient assets to cover future liabilities for benefits and the payment of contributions is based on the advice of an independent qualified actuary. Pension costs are charged to profit and loss accounts over the service lives of employees in the scheme and are assessed in accordance with the advice of the actuary. The excess of accumulated pension costs over the contributions paid is shown as either a prepayment or a pension provision in the balance sheet. In each year interest is added to the provision and charged through the profit and loss account.

NOTES TO THE ACCOUNTS
at 1 January 1999

2. TURNOVER

Turnover represents the amount invoiced to third parties in respect of goods sold and services provided excluding value added tax. In the case of long term contracts, it represents the value of work done during the year.

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.

3. PROFIT BEFORE EXCEPTIONAL ITEM, INTEREST AND TAX

	1998 *£000*	*1997* *£000*
(a) Movement between turnover and profit before exceptional item, interest and tax:		
Turnover	10,072	11,830
Cost of sales	(7,663)	(10,007)
Gross profit	2,409	1,823
Administrative costs	(1,343)	(786)
Profit before exceptional item, interest and tax	1,066	1,037

(b) Profit before exceptional item, interest and tax is after charging/(crediting):

	1998 *£000*	*1997* *£000*
Auditors' remuneration and expenses - audit	16	15
- non audit services	2	1
Depreciation of owned fixed assets	41	22
Operating lease rentals:		
- plant and machinery	54	53
- land and buildings	110	110
Rental income	(28)	(28)

4. INTEREST

	1998 *£000*	*1997* *£000*
Interest receivable	274	148
Less: Interest payable:		
On bank loans and overdrafts and loans wholly repayable within five years	(3)	(2)
	271	146

5. TAXATION

	1998 *£000*	*1997* *£000*
Charge based on the profit for the year:		
Corporation tax payable at 31% (1997 - 31.5%)	412	357
Underpayment from previous year	-	1
	412	358

At 1 January 1999 no provision has been made for deferred taxation. If full provision had been made for deferred taxation for the year, the taxation charge would have been decreased by £7,000 (1997 - increased by £1,000), as follows:

	£000	*£000*
Accelerated capital allowances	-	1
Other timing differences	7	-
	7	1

6. DIRECTORS AND EMPLOYEES

	1998 *No.*	*1997* *No.*
The average weekly number of employees during the year was made up as follows:		
Design and installation	12	13
Office and management	16	15
	28	28

Staff costs during the year amounted to:	*£000*	*£000*
Wages and salaries	873	801
Social security costs	82	81
Other pension costs	53	51
	1,008	933

	£000	£000
Directors' remuneration:		
Fees	16	10
Other emoluments (including pension contributions)	329	267
	345	277

The company, together with other companies in The Weir Group, operate a group scheme which is a defined benefit pension scheme under which a common group rate applies in respect of contributions payable by all sponsoring employers. Details of the actuarial valuation of the group scheme are contained in the accounts of The Weir Group PLC.

NOTES TO THE ACCOUNTS
at 1 January 1999

6. **DIRECTORS AND EMPLOYEES** (continued)

	1998	*1997*
	No.	*No.*
Number of directors to whom retirement benefits are accruing under:		
(i) Money purchase schemes	-	-
(ii) Defined benefit schemes	4	4
	£000	*£000*
Highest paid director:		
Emoluments	97	80
Company contributions to money purchase pension scheme	-	-
Total accrued pension at 1 January 1999	36	32

7. **FIXED ASSETS**

	Freehold land and buildings £000	*Plant and machinery £000*	*Total £000*
Cost:			
At 27 December 1997	108	237	345
Additions	-	78	78
At 1 January 1999	108	315	423
Depreciation:			
At 27 December 1997	47	176	223
Provided during the year	2	39	41
At 1 January 1999	49	215	264
Net book amounts:			
At 1 January 1999	59	100	159
At 26 December 1997	61	61	122

The value of freehold land included in freehold land and buildings amounted to £2,000 at cost (1997 - £2,000).

8. INVESTMENTS

	Subsidiary undertakings £000	*Associated undertakings £000*	*Total £000*
At 1 January 1999 and 26 December 1997	14	35	49

The company holds 20% of the equity of the following company:

Name of company	*Country of incorporation*	*Holding*	*Proportion held*	*Activity*
L.G.E. Japan	Japan	Ordinary shares	20%	Liquid gas storage and handling systems

The company holds more than 50% of the equity of the following companies:

Name of company	*Country of incorporation*	*Holding*	*Proportion held*	*Activity*
L.G.E. Italia S.R.L.	Italy	Ordinary shares	51%	Liquid gas storage and handling systems
Metcalfe and Evans International Limited	England	Ordinary shares	80%	Liquid gas storage and handling systems

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings and associated undertakings is not less than the aggregate amount included in the balance sheet.

9. DEBTORS

	1998 £000	*1997 £000*
Amounts recoverable on long term contracts	354	1,052
Trade debtors	1,820	2,566
Other debtors	67	290
Prepayments	56	106
Pension costs	71	46
	2,368	4,060

10. AMOUNTS OWED BY GROUP COMPANIES

	1998 £000	*1997 £000*
Fellow subsidiary undertaking	2,000	-
Subsidiary undertaking	38	38
	2,038	38

NOTES TO THE ACCOUNTS
at 1 January 1999

11. CREDITORS: amounts falling due within one year

	1998 £000	1997 £000
Payments received on account	2,028	1,211
Trade creditors	1,923	4,987
Current corporation tax	412	358
Other taxes and social security costs	25	24
Other creditors	241	312
Accruals	113	85
	4,742	6,977

12. AMOUNTS OWED TO GROUP COMPANIES

	1998 £000	1997 £000
Parent undertaking	22	22
Fellow subsidiary undertaking	10	10
	32	32

13. SHARE CAPITAL

	1998 £000	1997 £000
Authorised: 40,000 ordinary shares of £1 each	40	40
Allotted, issued and fully paid: 10,000 ordinary shares of £1 each	10	10

14. RESERVES

	Profit and loss account £000
At 26 December 1997	1,314
Retained profit for the period	311
At 1 January 1999	1,625

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £000	1997 £000
Profit for the financial period	925	825
Dividend	(614)	(561)
Net addition to shareholders' funds	311	264
Opening shareholders' funds	1,324	1,060
Closing shareholders' funds	1,635	1,324

Shareholders' funds are entirely attributable to equity interests.

NOTES TO THE ACCOUNTS
at 1 January 1999

16. CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	1998	*1997*
	£000	*£000*
Operating profit	1,066	1,037
Depreciation	41	22
Pension provision	(25)	(19)
Funds generated by operations	1,082	1,040
Decrease/(increase) in debtors	1,728	(1,266)
(Decrease)/increase in creditors	(2,289)	3,098
Increase in amounts owed by group companies	(2,000)	(38)
(Increase)/decrease in working capital	(2,561)	1,794
Net cash inflow from operating activities	(1,479)	2,834

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

	£000	*£000*
Returns on investments and servicing of cash flows:		
Interest received	263	148
Interest paid	(3)	(2)
	260	146
Taxation		
Corporation tax paid	358	320
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	78	25

17. OTHER FINANCIAL COMMITMENTS

At 1 January 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		*Other*	
	1998	*1997*	*1998*	*1997*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
within one year	-	-	4	11
between two to five years	-	-	43	33
over five years	110	110	-	-
	110	110	47	44

NOTES TO THE ACCOUNTS
at 1 January 1999

18. CONTINGENT LIABILITIES

As at 1 January 1999 the contingent liabilities outstanding were as follows:

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 1 January 1999 amounted to £10,276,000 (1997 overdraft - £5,284,000).

The company had other contingent liabilities in the normal course of business including counter indemnities for performance and tendering bonds.

19. DIRECTORS' INTERESTS

According to the register kept by the company pursuant to Section 325 of the Companies Act 1985:

(i) no director had any interest in the share capital of the company.

(ii) the interests of the directors of the company at 1 January 1999 (except those directors who were also directors of The Weir Group PLC) in the ordinary shares of 12.5p each in The Weir Group PLC were as follows:

	Ordinary shares		*Ordinary shares Subject to options*	
	1998	*1997*	*1998*	*1997*
J L Whyte	20,000	20,000	-	-
J L Coutts	26,400	26,400	-	-
E J March	68,060	57,560	-	-
D W Catchpole	50,000	50,000	-	-
K J Swan	-	-	9,175	9,175
P Capell	-	-	93,140	93,140

(iii) the interests of the directors of the company at 1 January 1999 (except those directors who were also directors of The Weir Group PLC) in Loan Notes 1989/98 and Loan Notes 1991/98 in The Weir Group PLC were as follows:

	Loan Notes 1989/98		*Loan Notes 1991/98*	
	1998	*1997*	*1998*	*1997*
	£	*£*	*£*	*£*
J L Whyte	-	-	-	-
J L Coutts	-	-	-	91,084
E J March	-	22,500	-	62,052
D W Catchpole	-	-	-	8,042
K J Swan	-	-	-	-
P Capell	-	-	-	-

(iv) no director had any interest in the debenture stocks of The Weir Group PLC or in the shares or loan stock of any other subsidiary of The Weir Group PLC.

NOTES TO THE ACCOUNTS
at 1 January 1999

20. RELATED PARTY DISCLOSURES

During the year the company received payments of £601 on behalf of its 80% subsidiary Metcalfe & Evans International Limited.

At the year end the total balance of funds owed by Metcalfe & Evans International Limited was £ 157,945 (1997 - £158,546) of which £120,000 has been written off by the company.

Other than the above, 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.

21. 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.