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Weir Heat Exchange Limited

DIRECTORS' REPORT

The directors submit their annual report together with the audited accounts for the 52 weeks ended 31 December 1999.

PRINCIPAL ACTIVITY

The principal activity of the company is heat exchange engineering and contracting.

RESULTS AND DIVIDENDS

The loss after taxation for the 52 weeks ended 31 December 1999 amounted to £152,000. The directors do not recommend a dividend, leaving £152,000 to be added to the deficit carried forward.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company has recorded a loss for the year. This is as a result of a provision for diminution in value of the investment in its associate. The company's market is currently highly competitive and this is likely to persist in the short term.

BOARD OF DIRECTORS

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

Sir R Garrick	(Chairman) (resigned 31 January 1999)
Mr K G A Gamble	(Chairman) (appointed 31 January 1999)
Mr W M Stewart	
Mr I M Boyd	
Mr W M Currie	
Mr P W Capell	
Mr W R McNinch	(resigned 29 October 1999)

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.

No director had any interest in the share capital of the company during the period.

The directors of the company at 31 December 1999 who had an interest in the shares of The Weir Group PLC were as follows:

At 31 December 1999

At 1 January 1999

BENEFICIAL INTERESTS

(i) Ordinary shares

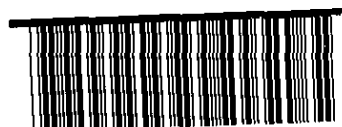
W M Stewart	-	33
W M Currie	1,534	3,034

(ii) Ordinary shares subject to option

P W Capell	93,140	93,140
W M Stewart	34,450	37,134
W M Currie	84,332	84,332

During the period Mr W M Stewart exercised options in respect of 2,684 shares.

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DIRECTORS' REPORT

DIRECTORS' INTERESTS (continued)

No directors had any interest in the debenture stock of The Weir Group PLC or in the shares or loan stock of any subsidiary of The Weir Group PLC.

Directors of the company at 31 December 1999 who were also directors of The Weir Group PLC, the ultimate holding company, and their interests in the ordinary shares of The Weir Group PLC at 31 December 1999 and at the end of the preceding period are listed in the report of the directors of The Weir Group PLC, for the 52 weeks ended 31 December 1999.

YEAR 2000

Although we are now in the year 2000, it is still necessary for the generic Year 2000 issue to be considered. This is because certain dates other than 1 January 2000 can cause difficulties in computer and digital storage systems.

Management are keeping under review their contingency plans designed to address the key threats to which the business might be exposed should a Year 2000 related issue arise. No significant problems have arisen to date.

SUPPLIER PAYMENT POLICY

It is the policy of the company to follow the CBI Prompt Payer's Code in the financial year to 29 December 2000. 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.

AUDITORS

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

On behalf of the Board



W M Currie
Director and Secretary

17 March 2000

Weir Heat Exchange 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, 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 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.

REPORT OF THE AUDITORS
to the members of Weir Heat Exchange Limited

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention and 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 in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

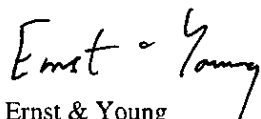
Basis of opinion

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 at 31 December 1999 and of its loss for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Glasgow

17 March 2000

Weir Heat Exchange Limited

PROFIT AND LOSS ACCOUNT

for the 52 weeks ended 31 December 1999

	<i>Notes</i>	<i>1999</i> <i>£000</i>	<i>1998</i> <i>£000</i>
TURNOVER	2	-	227
OPERATING LOSS	3	(152)	(41)
Taxation	5	-	21
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(152)	(62)
Deficit brought forward		(339)	(277)
Deficit carried forward		(491)	(339)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the 52 weeks ended 31 December 1999

There are no recognised gains or losses other than the loss after tax of £152,000 for the 52 weeks ended 31 December 1999 (1998 - £62,000).

Weir Heat Exchange Limited

BALANCE SHEET at 31 December 1999

	Notes	1999 £000	1998 £000
FIXED ASSETS			
Investments	6	-	152
CREDITORS: amounts falling due within one year	7	441	441
TOTAL ASSETS LESS CURRENT LIABILITIES		(441)	(289)
CAPITAL AND RESERVES			
Called up share capital	8	50	50
Profit and loss account		(491)	(339)
	9	(441)	(289)

P W Capell

W M Currie

17 March 2000


 Directors

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Weir Heat Exchange Limited

STATEMENT OF CASH FLOWS for the 52 weeks ended 31 December 1999

	<i>Notes</i>	<i>1998</i> <i>£000</i>	<i>1997</i> <i>£000</i>
CASH INFLOW FROM OPERATING ACTIVITIES			
Funds generated from operations	3(b)	-	68
Increase in working capital		-	(62)
		<u>-</u>	<u>6</u>
TAXATION			
Corporation tax paid		-	(6)
		<u>-</u>	<u>-</u>
Movement in cash		<u>-</u>	<u>-</u>

Weir Heat Exchange Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

1. ACCOUNTING POLICIES

Fundamental accounting concept

The accounts have been prepared under the going concern concept because the parent company has agreed to provide adequate funds for the company to meet its liabilities as they fall due.

Basis of preparation

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

Work in progress

Short term contract work in progress is stated at the lower of cost and net realisable value. Cost is accounted for as the cost of direct materials and labour plus attributable overheads based on normal level of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

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.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates ruling at the balance sheet date. Realised gains and losses on transactions and unrealised gains and losses on conversion at the period end are credited or debited to the cost of the contract to which they relate.

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 tax will be payable.

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 period. Turnover is attributable to the continuing activity of heat exchange engineering and contracting.

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.

Weir Heat Exchange Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

3. OPERATING LOSS

(a) Movement between turnover and operating loss:

	1999 £000	1998 £000
Turnover	-	227
Cost of sales	-	(159)
Gross profit	-	68
Other operating costs	(152)	(109)
Operating loss	(152)	(41)

Included in other operating costs are exceptional costs of £152,000 (1998 - £109,000) relating to the write down in the investment in Nuchem Weir Limited.

(b) Reconciliation of operating loss to net cash inflow from operating activities

	£000	£000
Operating loss	(152)	(41)
Provision for diminution in value	152	109
Funds generated from operations	-	68
Decrease in amounts owed to group companies	-	(62)
Increase in working capital	-	(62)
Net cash inflow/(outflow) from operating activities	-	6

4. DIRECTORS AND EMPLOYEES

The company has no employees and has therefore incurred no staff costs. No remuneration was paid to any director.

5. TAXATION

The taxation charge is made up as follows:

	1999 £000	1998 £000
Corporation tax at 30.25% (1998 - 31%)	-	21

No tax credit arises on the loss for 1999 as the write down of the investment is not an allowable expense for corporation tax. A tax charge arose in 1998 as the write down of the investment was not an allowable expense.

Weir Heat Exchange Limited

NOTES TO THE ACCOUNTS at 31 December 1999

6. INVESTMENTS

	<i>Associates £000</i>
Cost:	
At 2 January 1999 and 31 December 1999	261
Provision for diminution in value	
At 2 January 1999	109
Provided during the year	152
At 31 December 1999	261
Net book value at 31 December 1999	-

The company has an interest in the following company:

<i>Associates</i>	<i>Country of incorporation Activity</i>	<i>Holding</i>	<i>Proportion held</i>
Nuchem Weir Limited	India Engineering	Ordinary shares	33%

7. CREDITORS: amounts falling due within one year

	<i>1999 £000</i>	<i>1998 £000</i>
Corporation tax	-	21
Amount due to fellow subsidiary undertaking	441	420
	441	441

8. SHARE CAPITAL

	<i>1999 No.</i>	<i>Authorised 1998 No.</i>	<i>Allotted, called up and fully paid 1999 £000</i>	<i>1998 £000</i>
Ordinary shares of £1 each	50,000	50,000	50	50

9. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<i>1999 £000</i>	<i>1998 £000</i>
Loss for the period	(152)	(62)
Opening shareholders' funds	(289)	(227)
Closing shareholders' funds	(441)	(289)

Shareholders' funds are attributable entirely to equity interests.

Weir Heat Exchange Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

10. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS8 from disclosing transactions with related parties that are part of The Weir Group PLC group.

11. 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.