

Weir Heat Exchange Limited

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDENDS

The profit after taxation for the 52 weeks ended 26 December 1997 amounted to £14,000. The directors do not recommend a dividend, leaving the entire amount to be carried to reserves.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company has recorded a loss for the year. This is against a background of a highly competitive market which 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)
Mr W M Stewart	
Mr I M Boyd	
Mr C G Gall	(resigned 23 June 1997)
Mr W M Currie	
Mr P W Capell	
Mr W R McNinch	(appointed 23 June 1997)

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 26 December 1997 who had an interest in the shares of The Weir Group PLC were as follows:

	<i>At 26 December 1997</i>	<i>At 27 December 1996 or date of appointment if later</i>
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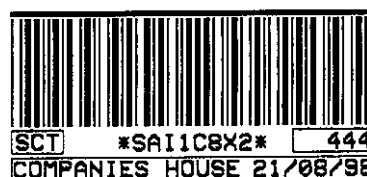
BENEFICIAL INTERESTS

(i) Ordinary shares

W M Stewart	33	33
W M Currie	4,534	6,534

(ii) Ordinary shares subject to option

P W Capell	93,140	89,975
W M Stewart	36,435	36,435
W M Currie	69,332	64,585



DIRECTORS' REPORT

DIRECTORS' INTERESTS (continued)

During the period, options were granted to Mr W M Currie in respect of 4,747 shares and to Mr P W Capell in respect of 3,165 shares.

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 26 December 1997 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 26 December 1997 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 26 December 1997.

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.

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

6 March 1998

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 10 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.

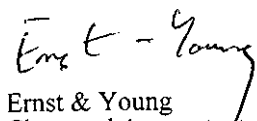
Basis of opinion

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 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

6 March 1998

Weir Heat Exchange Limited

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

	<i>Notes</i>	<i>1997 £000</i>	<i>1996 £000</i>
TURNOVER	2	26	8
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	3	20	(63)
Tax charge/(credit) on profit/(loss) on ordinary activities	5	6	(21)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		14	(42)
Deficit brought forward		(291)	(249)
Deficit carried forward		(277)	(291)

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 after tax of £14,000 for the 52 weeks ended 26 December 1997 and loss of £42,000 for the 52 weeks ended 27 December 1996.

Weir Heat Exchange Limited

BALANCE SHEET at 26 December 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Investments	6	261	261
CURRENT ASSETS			
Debtors	7	-	3
CREDITORS: amounts falling due within one year	8	488	505
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(227)</u>	<u>(241)</u>
CAPITAL AND RESERVES			
Called up share capital	9	50	50
Profit and loss account		(277)	(291)
	10	<u>(227)</u>	<u>(241)</u>

P W Capell

W M Currie

) Directors

6 March 1998

Weir Heat Exchange Limited

STATEMENT OF CASH FLOWS for the 52 weeks ended 26 December 1997

	<i>Notes</i>	<i>1997</i> <i>£000</i>	<i>1996</i> <i>£000</i>
CASH OUTFLOW FROM OPERATING ACTIVITIES			
Funds generated from/(applied in) operations	3(b)	20	(63)
(Increase)/decrease in working capital		(23)	63
		<u>(3)</u>	<u>-</u>
Taxation			
Corporation tax paid		3	-
		<u>-</u>	<u>-</u>
Movement in cash		<u>-</u>	<u>-</u>

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 26 December 1997

3. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAX

(a) Movement between turnover and (loss)/profit on ordinary activities before tax:

	1997 £000	1996 £000
Turnover	26	8
Cost of sales	(6)	(71)
Gross profit	20	(63)
Profit/(loss) on ordinary activities before tax	20	(63)

(b) Reconciliation of profit/(loss) on ordinary activities before taxation to net cash outflow from operating activities

	£000	£000
Profit/(loss) before interest and tax	20	(63)
Funds generated from/(applied in) operations	20	(63)
(Decrease)/increase in amounts owed to group companies	(23)	63
(Increase)/decrease in working capital	(23)	63
Net cash outflow from operating activities	(3)	-

4. DIRECTORS AND EMPLOYEES

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

5. TAX CHARGE/(CREDIT) ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The taxation charge/(credit) is made up as follows:

	1997 £000	1996 £000
Corporation tax at 31.5% (1996 - 33%)	6	(21)

6. INVESTMENTS

Cost:
At 27 December 1996 and 26 December 1997

Associates
£000

261

The company has an interest in the following company:

Associates	Country of incorporation Activity	Holding	Proportion held
Nuchem Weir	India Engineering	Ordinary shares	33%

Weir Heat Exchange Limited

NOTES TO THE ACCOUNTS at 26 December 1997

7. DEBTORS

	1997 £000	1996 £000
Tax recoverable	-	3

8. CREDITORS: amounts falling due within one year

	1997 £000	1996 £000
Corporation tax	6	-
Loan from fellow subsidiary undertaking	482	505
	<u>488</u>	<u>505</u>

The loan is repayable on demand, does not bear any interest and is unsecured.

9. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	1997 <i>No.000</i>	1996 <i>No.000</i>	1997 £000	1996 £000
Ordinary shares of £1 each	50	50	50	50

10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £000	1996 £000
Profit/(loss) for the period	14	(42)
Opening shareholders' funds	(241)	(199)
Closing shareholders' funds	<u>(227)</u>	<u>(241)</u>

Shareholders' funds are attributable entirely to equity interests.

11. 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.

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.