

Weir Group (Overseas Holdings) Limited

DIRECTORS' REPORT

The directors submit their annual report together with the audited accounts of the company for the 52 weeks ended 27 December 1996.

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 £628,531. During the year a dividend of £510,000 was paid. It is recommended that no final dividend be paid leaving £118,531 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 27 December 1996 and at the end of the preceding financial year are given in the report of the directors of The Weir Group PLC for the 52 weeks ended 27 December 1996.

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.

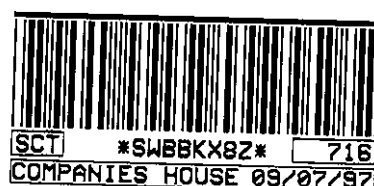
AUDITORS

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

2 June 1997



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; 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.

REPORT OF THE AUDITORS
to the members of Weir Group (Overseas Holdings) Limited

We have audited the accounts on pages 4 to 9, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 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.

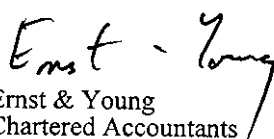
Basis of opinion

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 27 December 1996 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

2 June 1997

Weir Group (Overseas Holdings) Limited

PROFIT AND LOSS ACCOUNT for the 52 weeks ended 27 December 1996

	Notes	1996 £	1995 £
Exchange (losses)/gains		(6,872,552)	739,761
Sundry (expenses)/income		(13,186)	7,478
Dividends receivable		1,100,018	1,596,283
(Losses)/gains on disposal		(5,391)	695,636
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAX		(5,791,111)	3,039,158
Interest receivable		7,009,300	4,229,118
Interest payable		(572,000)	(572,000)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		646,189	6,696,276
Tax on profit on ordinary activities	3	17,658	1,751,900
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		628,531	4,944,376
Ordinary dividend		510,000	5,650,000
Retained profit brought forward		118,531 6,141,577	(705,624) 6,847,201
Retained profit carried forward		6,260,108	6,141,577

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the 52 weeks ended 27 December 1996

There are no recognised gains or losses other than the profit for the period.

Weir Group (Overseas Holdings) Limited

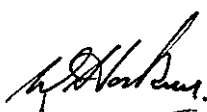

BALANCE SHEET at 27 December 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Investments	4	69,243,872	157,146,129
CURRENT ASSETS			
Amounts owed by group companies		1,770,741	1,768,893
Dividends receivable		262,723	1,023,963
Sundry debtors		377,223	888,011
Cash at bank and in hand		991,389	1,036,521
		<u>3,402,076</u>	<u>4,717,388</u>
CREDITORS: amounts falling due within one year			
Tax payable		862,841	1,729,594
		<u>862,841</u>	<u>1,729,594</u>
NET CURRENT ASSETS		<u>2,539,235</u>	<u>2,987,794</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>71,783,107</u>	<u>160,133,923</u>
CREDITORS: amounts falling due after more than one year			
Loan from parent company	5	47,989,213	135,596,985
Loan from group company		17,533,686	17,349,000
		<u>65,522,900</u>	<u>152,945,985</u>
PROVISION FOR LIABILITIES AND CHARGES			
Deferred tax	6	-	1,046,261
		<u>6,260,208</u>	<u>6,141,677</u>
CAPITAL AND RESERVES			
Called up share capital	7	100	100
Profit and loss account		6,260,108	6,141,577
		<u>6,260,208</u>	<u>6,141,677</u>
	8	<u>6,260,208</u>	<u>6,141,677</u>

W Harkness

I M Boyd

2 June 1997

)
) Directors

Weir Group (Overseas Holdings) Limited

STATEMENT OF CASH FLOWS for the year ended 27 December 1996

	Notes	1996 £	1995 £
OPERATING ACTIVITIES			
Funds (absorbed)/generated by operations	9(a)	(13,186)	7,271
Decrease in working capital		-	17,625
		(13,186)	24,896
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		7,230,698	3,461,335
Interest paid		(580,512)	(572,000)
Dividends received		1,733,654	815,191
Dividends paid		(510,000)	(5,650,000)
		7,873,840	(1,945,474)
TAXATION - corporation tax			
		(1,507,118)	(94,016)
INVESTING ACTIVITIES			
Acquisition of subsidiaries		-	(11,030,000)
Disposal of subsidiaries		15,223	988,735
		15,223	(10,041,265)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING			
		6,368,759	(12,055,859)
FINANCING			
Loans received	9(b)	81,885,836	60,771,280
Loans paid	9(b)	(88,210,181)	(47,734,171)
NET CASH INFLOW			
		44,414	981,250
STATEMENT OF NET CASH			
Net cash at 30 December 1995		1,036,521	-
Net cash inflow		44,414	981,250
Exchange		(89,546)	55,271
Net cash at 27 December 1996		991,389	1,036,521

Weir Group (Overseas Holdings) Limited

NOTES TO THE ACCOUNTS

at 27 December 1996

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.

Deferred tax

Deferred taxation is provided 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. Advance Corporation Tax is written off except where recovery is assured beyond reasonable doubt.

2. DIRECTORS AND EMPLOYEES

The company had no employees in 1996 (1995 - Nil).

No directors received any emoluments for either 1996 or 1995 in respect of services to the company.

3. TAX

	1996 £	1995 £
Charge based on the results of the year:		
UK Taxation		
Corporation tax at 33% (1995 - 33%)	1,381,082	1,217,749
Deferred tax	(831,261)	599,786
Less: double tax relief	(390,270)	(86,438)
Overseas withholding tax suffered	71,270	38,823
	<hr/> 230,821	<hr/> 1,769,920
Adjustment to prior years	(213,163)	(18,020)
	<hr/> 17,658	<hr/> 1,751,900

Weir Group (Overseas Holdings) Limited

NOTES TO THE ACCOUNTS at 27 December 1996

4. FIXED ASSET INVESTMENTS

	<i>Subsidiaries</i>			
	<i>Shares</i>	<i>Loans</i>	<i>Associates</i>	<i>Total</i>
	£	£	£	£
At 30 December 1995	61,336,615	95,672,647	136,867	157,146,129
Repayments	-	(81,059,713)	-	(81,059,713)
Exchange	-	(6,821,930)	-	(6,821,930)
Amounts written off	-	-	(5,391)	(5,391)
Disposals	-	-	(15,223)	(15,223)
At 27 December 1996	61,336,615	7,791,004	116,253	69,243,872

The principal subsidiaries and associates of the company are:

	<i>Country of incorporation</i>	<i>Class of shares held</i>	<i>% held</i>
<i>Subsidiaries</i>			
The Weir Group International S.A.	Switzerland	Equity	100
Weir Group Inc.	USA	Equity	100
Strachan & Henshaw Australia Pty Limited	Australia	Equity	100
Weir Holdings (Jersey) Limited	Jersey	Equity	100
Weir Holdings BV	Netherlands	Equity	100
Envirotech Weir SRL	Italy	Equity	100
TWG Investments (No. 1) Limited	Scotland	Equity	59
<i>Associate</i>			
Weir Houston Engineers Limited	Scotland	Equity	50

5. LOAN FROM PARENT COMPANY

This is an interest free unsecured loan which is wholly repayable within five years.

6. DEFERRED TAX

	<i>1996</i>	<i>1995</i>
	£	£
Short term timing differences	-	1,046,261

7. SHARE CAPITAL

	<i>1996</i>	<i>1995</i>
	£	£
Authorised, allotted, called up and fully paid:		
Ordinary shares of £1 each	100	100

Weir Group (Overseas Holdings) Limited

NOTES TO THE ACCOUNTS

at 27 December 1996

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Profit for the financial period	628,531	4,944,376
Dividend	510,000	5,650,000
Net addition/(reduction) to shareholders' funds	118,531	(705,624)
Opening shareholders' funds	6,141,677	6,847,301
Closing shareholders' funds	6,260,208	6,141,677
Shareholders' funds are entirely attributable to equity interests.		

9. STATEMENT OF CASH FLOWS

	1996 £	1995 £
(a) Reconciliation of (loss)/profit on ordinary activities before interest and tax to net cash (outflow)/inflow from operating activities:		
(Loss)/profit on ordinary activities before interest and tax	(5,791,111)	3,039,158
Dividends	(1,100,018)	(1,596,283)
Exchange	6,872,552	(739,968)
Loss/(gain) on disposal of subsidiary	5,391	(695,636)
Funds (absorbed)/generated by operations	(13,186)	7,271
Decrease in debtors	-	17,625
Decrease in working capital	-	17,625
Net cash (outflow)/inflow from operating activities	(13,186)	24,896
(b) Analysis of changes in financing:		
	Loans	
	1996 £	1995 £
At 30 December 1995	57,273,338	44,931,055
Cash inflow from financing	81,885,836	60,771,280
Cash outflow from financing	(88,210,181)	(47,734,171)
Exchange	6,782,902	(694,826)
At 27 December 1996	57,731,895	57,273,338

10. 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.

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.