THE WEIR GROUP PLC

Report and Accounts 1984

CATHCART, GLASGOW,
29th April, 1985.

The Weir Group has three main Divisions and a number of Associated Companies.

The largest of the **Engineering Division** companies, and the largest company in the Group, is Weir Pumps Ltd. Its main products are pumps, with associated equipment and systems, for power stations, oil production, ships, water supply and many industrial uses. The company also provides a range of design and other technical services and has an engineering services network in the United Kingdom and overseas. The Division includes subsidiary companies in Canada, Australia and the Netherlands.

The **Foundries and Engineering Supplies Division** consists of a group of steel foundries and a fabrication company, in the North of England, which supply the earthmoving, heavy vehicle, oil, pump, valve and other industries, and a manufacturer of pattern equipment for metal forming and plastics moulding.

The **Desalination and Engineering Contracting Division** designs and supplies plant for producing fresh water from the sea or other saline sources, supplies power station heat exchange plant such as boiler feed-heaters and condensers and undertakes other engineering contracting work.

The **Associated Companies** cooperate closely with the Group's subsidiaries in related markets. They are prominent overseas in heat exchange plant and in the world-wide network of engineering service centres. Several of the Associated Companies are managed by Weir.

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Contents	*Page*

THE WEIR GROUP PLC

Directors and Officers

Directors	The Rt. Hon. The Viscount Weir, *Chairman* R. Garrick, *Managing Director and Chief Executive* R. D. D. Bertram I. M. Boyd J. Ferguson W. Harkness W. A. McLean D. J. MacLeod D. G. Milne J. J. de Raemy (Switzerland) D. H. Ruttenberg (USA) The Hon. G. A. Weir
Secretary	W. Harkness
Registered Office	149 Newlands Road, Cathcart, Glasgow G44 4EX
Registrars	The Royal Bank of Scotland plc Registrar's Department PO Box 27 34 Fettes Row Edinburgh EH3 6UT
Solicitors	Maclay Murray & Spens
Auditors	Arthur Young

THE WEIR GROUP PLC

Notice of Meeting

Notice is hereby given that the ninety-first annual general meeting of The Weir Group PLC will be held in the Merchants' Hall, 30 George Square, Glasgow, on Thursday 23rd May, 1985, at noon, for the following purposes:

as ordinary business:

1 to receive and adopt the statement of accounts for the 52 weeks ended 28th December, 1984 and the reports of the directors and auditors thereon;

2 to declare a dividend;

3 to re-elect the following as directors of the company:

The Rt. Hon. The Viscount Weir
I. M. Boyd
D. H. Ruttenberg

4 to re-appoint Arthur Young as auditors;

5 to authorise the directors to fix the remuneration of the auditors; and

as special business:

6 to consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

THAT where the directors of the company are generally authorised for the purposes of section 14 of the Companies Act 1980 to allot equity securities (as defined in Part II of the said Act), they be further authorised to allot such securities wholly for cash as if section 17(1) of the said Act did not apply to such allotment provided that such disapplication shall only apply to allotments made before the date for which the annual general meeting of the company shall be convened in 1986:

(i) in connection with an offer of such securities by way of rights to the holders of ordinary shares in proportion (as nearly as may be) to their respective holdings of such shares but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws of or the requirements of any recognised regulatory body in any territory; or

(ii) (otherwise than under sub-paragraph (i) above) up to an aggregate amount in nominal value of £400,320, being equal to five per cent of the present authorised ordinary share capital of the company.

By Order of the Board,
A. W. Harkness
Secretary

Cathcart, Glasgow,
29th April, 1985.

Notes:

1 This notice is being sent to all shareholders and, for information only, to debenture stockholders of the company. Ordinary shareholders are entitled to attend or be represented at the meeting and to vote on all resolutions. Preference shareholders and convertible preference shareholders are also entitled to attend or be represented at the meeting but may not vote. Debenture stockholders are not entitled to attend or vote at the meeting.

2 Every ordinary shareholder entitled to attend and vote at the meeting may appoint one or more proxies (who need not be shareholders) to attend and, on a poll, to vote instead of him. Every preference shareholder and every convertible preference shareholder entitled to attend the meeting may appoint one or more proxies (who need not be shareholders) to attend instead of him. A form of proxy for use at the meeting (white for ordinary shareholders and blue for preference shareholders and for convertible preference shareholders) is enclosed. To be effective, forms of proxy must be deposited at the registrars of the company, The Royal Bank of Scotland plc, P.O. Box 27, 34 Fettes Row, Edinburgh EH3 0EU, not less than 48 hours before the meeting.

3 The following documents will be available for inspection at the registered office of the company during normal business hours on any weekday (public holidays excepted) from the date of this notice until the date of the meeting and at the place of the meeting from 11.45 a.m. until the conclusion of the meeting:

(i) a register of directors' share interests kept pursuant to section 29 of the Companies Act 1967; and

(ii) copies of service contracts of more than one year's duration of the directors with the company and, where appropriate, with its subsidiaries.

THE WEIR GROUP PLC

Summary of Results

	1984	1983
	£'000	£'000
TURNOVER	131,612	119,826
PROFIT BEFORE INTEREST AND TAX	8,598	6,531
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	6,850	4,943
TAX	3,024	2,200
EARNINGS PER SHARE —Basic	8·6p	4·4p
—Fully diluted	5·6p	3·6p
NET ASSETS PER SHARE—Basic	117·5p	109·2p
—Fully diluted	71·4p	68·7p
	£'000	£'000
TRANSFER TO RESERVES	1,579	593
DEPRECIATION	2,075	2,004
EXPENDITURE ON TANGIBLE ASSETS (before grants)	1,570	788
SHAREHOLDERS' CAPITAL AND RESERVES	46,438	44,275

FINANCE ACT 1965

For Capital Gains Tax purposes, the market values of the ordinary shares and 6½ % Debenture Stock on 6th April 1965 were:

per 25p ordinary share	77½p
per £100 6½% Debenture Stock 1985/90	£96·50

THE WEIR GROUP PLC

Chairman's Statement

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GENERAL REVIEW

In our interim statement last August we forecast that results for the second half of the year would be broadly in line with those for the second half of 1983.

In the event, Group performance improved and profits advanced strongly as the year went on. The final outcome of £6·850m profit before tax represented an improvement of 39% over the figure for 1983.

In particular this result reflected better profits from the Engineering Division and a sharp recovery in the contribution from Associated Companies which had been abnormally low in the previous year.

Although these profits represented an encouraging improvement over 1983 the result was achieved in spite of the fact that neither the Foundries and Engineering Supplies Division nor the Desalination Division made a significant contribution to trading profits.

During the year net Group borrowings increased from £14·575m to £18·967m. This reflected the purchase of 28.2% of the share capital of Yarrow, at an overall cost of £3·503m, together with the impact of late payment by certain overseas trade debtors, which are however covered by credit insurance.

The Board is recommending a final dividend on the ordinary share capital of 2·125p per share (1983 1·75p). This will give a total ordinary dividend for the year of 2·5p per share (1983 2·125p), and will restore the dividend to that paid for 1982. At this level the cover for the combined dividends on the ordinary shares and convertible preference shares is 2·27 times.

OPERATING COMPANIES

Engineering

Weir Pumps were badly affected in the early part of the year by a strike lasting five weeks at the Cathcart plant, but managed to make up much of the lost ground in the second half of the year and finished with a slightly better profit than in 1983.

Activity in the North Sea picked up considerably and some useful orders were won for pumping equipment. During the year our Hydra-Jar oilfield tool business grew quickly and we are now the leading supplier in the North Sea for this type of device.

Last year we referred to the introduction of our downhole pump, which offers a radical solution to difficult problems in oil and geothermal wells. Market acceptance is promising and we now have downhole units on order or under installation in the major North Sea fields, Auk, Forties and Ninian. One of these units will operate at a depth of 8,000 ft. Other orders have been taken in South America, the United States, and the Middle East for both oilfield and geothermal service. This is a fine example of high-quality design and manufacture and is altogether a most encouraging venture.

Among other orders of particular interest were a major Middle East contract worth £5.5m, for power station pumps, and further contracts for hydraulic turbines used in mini-hydro projects. The latter is a promising new market for us.

We have recently decided to divide Weir Pumps into two independent operations. One will concentrate on manufacture of products. The other—Weir Engineering Services—will both undertake the servicing of Group products and have as an equally important objective the servicing of engineering equipment not manufactured by ourselves, with particular emphasis on rotating machinery of all kinds. We see this as having excellent potential for growth.

Our service companies—some wholly owned and some associates—made higher profits overall in 1984. In the U.K. demand picked up after a slow start and a wide range of business was undertaken, much of it for products other than those of the Weir Group. Weir-Warmtekracht in Holland improved its results. In Dubai we had an excellent year, although our associated company in Abu Dhabi experienced difficult trading conditions. In Saudi Arabia the heavy losses of 1983 were turned around to an encouraging profit in spite of poor demand from the oil industry.

We recently announced the formation, in China, of Nan Yan Weir, which will undertake offshore support services for oil companies operating from Shekou on the South China Sea. Here we are in partnership with three Chinese Government organisations in the oil industry.

In Australia Weir Engineering Pty had a more difficult year, reflecting both adverse market conditions and the costs of starting up a new service centre.

Peacock Inc. had an excellent year in spite of a generally difficult economy in Canada and doubled its profits in Sterling terms.

Weir Group Management Systems made further progress. In a demanding and competitive market they booked some £1m of business from customers outside the Weir Group and on their total operations made a profit of over £200,000.

Foundries and Engineering Supplies

1984 was a year of acute difficulty for the steel foundry industry. Demand was poor, prices were poor, and the market generally reflected continuing overcapacity.

The Catton and Jopling foundries both operated at a loss. In Jopling's case a difficult situation was aggravated by industrial action in mid-year. However, that company's result was better than in 1983 and this progress is continuing. O.H. Hi-Tec suffered from a shortage of work for its specialist facilities. Holbrook Precision Castings by contrast produced much improved profits despite the problems of operating with a very short order book, and Weir Fabrications had an encouraging year and also increased its profits.

One external factor that seriously affe[illegible] whole Division was the coal miners' strike, which lost us at least 1,[illegible] tonnes in output.

As I have said in the past, further structural rationalisation to reduce capacity within the steel castings industry is essential if it is to become once again a profitable, healthy and effective supplier to key sectors of manufacturing industry. In the present market only the fittest will survive. We intend to be one of those survivors.

Our high-precision pattern and mould company, G. Perry and Sons of Leicester, suffered from reduced demand and low prices. The decision to run down Ford's foundry operations in the U.K. was unhelpful to us. Profits were therefore well below the excellent results of 1983.

Desalination and Engineering Contracting

The most important development at Weir Westgarth was the award of a \$50m contract—taken in partnership with Daewoo of South Korea—to build a desalination plant using the reverse osmosis process at Ad Dur in Bahrain. This welcome success comes after a lean period during which Weir Westgarth did not gain any major desalination orders.

The company made a modest profit during 1984 and in addition to the Bahrain order won some smaller contracts for desalination plant. Encouraging progress was also made in developing other design and contracting business in the power generation and offshore oil markets.

ASSOCIATED COMPANIES

Our French associate Delas-Weir S.A.—which we own together with the Alsthom Atlantique Group—maintained its pre-eminent position as world leader in the power station heat exchanger field. Profits in 1984 improved substantially over the already satisfactory results of 1983. In spite of the world-wide dearth of power station projects the order book was maintained at a high level and the cash position remains very strong.

The company's new affiliate in the United States, C-E/Delas-Weir, made an excellent start to life by winning a major contract for replacement condensers for the Indian Point nuclear station in New York State. Other significant contracts included a most interesting order for special condensers for a new geothermal power station of Pacific Gas and Electric.

Worthington-Simpson increased its profit by 50% in difficult conditions in the standard pump market. Recently Dresser Industries of Dallas purchased the 50% share in Worthington-Simpson previously held by McGraw-Edison.

We have now sold our investment in Sowit S.p.A., our small heat exchange business in Italy.

Yarrow Public Limited Company

In the course of the year we purchased a 28.2% holding in Yarrow, the bulk of which was bought from Vosper at 300p per share. This important step in shifting the emphasis of our business into new areas was foreshadowed in my Statement last year.

EMPLOYEES

The improved results we are now showing were due to the team effort of all who work in the Weir Group, and I know that Shareholders would like me to express our sincere thanks and appreciation to them.

PROSPECTS

As has been the case for several years past, the world market for capital goods remains depressed and difficult in spite of a general improvement in economic activity, particularly in the United States. Capital investment in major projects remains very slack in the U.K. and Government still seems convinced that the use of unemployed resources of labour and plant capacity would have unacceptable inflationary consequences. Fluctuating interest rates and erratic foreign exchange markets do not make life very easy for exporters like ourselves.

I believe, however, that in many ways the Group is now much better placed to tackle these continuing problems. We have painfully tightened our costs, improved our manning levels and improved productivity and the flexibility of working methods. From the table showing the geographical breakdown of our turnover it will be seen that the emphasis is moving away from the U.K. towards more promising markets overseas, and this in itself is encouraging.

The best measure of what we are doing is the improvement shown in our profits. It must be borne in mind, moreover, that this improvement was made without any significant contribution from our important steel foundry and desalination activities. Accordingly we must maintain our efforts to improve performance in both these Divisions so that they can once again make a major contribution to the Group's profits. In this context Weir Westgarth's better order position for desalination plant is very welcome.

During the year we also hope to make further progress in the important task of shifting more of our resources and skills into those areas of the engineering industry where prospects for growth are better.

In particular we aim to expand our various service operations during the year.

As always, forecasting is hazardous. Nevertheless I am confident that during this year we shall maintain and build on the progress we made in 1984.

Chairman.

Cathcart, Glasgow
3rd April, 1985

THE WEIR GROUP PLC

Directors' Report

The directors submit their ninety-first annual report, together with the audited statement of accounts, for the 52 weeks ended 28th December, 1984.

RESULTS

The profit for the 52 weeks ended 28th December, 1984 after charging taxation was		£3,826,000
Dividends paid and proposed:		
dividend of 5p per £1 preference share paid on 31st October, 1984	£500,000	
dividend of 5p per £1 preference share to be paid on 30th April, 1985	500,000	
dividend of 1.25p per 25p convertible preference share paid on 31st October, 1984	300,000	
dividend of 1.25p per 25p convertible preference share to be paid on 30th April, 1985	300,000	
interim dividend of 0·375p per 25p ordinary share paid on 21st November, 1984	97,000	
proposed final dividend of 2·125p per 25p ordinary share	550,000	2,247,000
Transfer to reserves		£1,579,000

Subject to the approval of members at the forthcoming annual general meeting, the final dividend on the ordinary shares will be paid on 24th May 1985 to ordinary shareholders whose names are on the company's register at close of business on 1st May, 1985.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

There is included in the chairman's statement, which is set out in pages 9 to 12, a review of the development of the business of the company and its subsidiaries and associates during the year. The principal activities of the group companies as at 28th December, 1984 are set out on page 35.

FUTURE DEVELOPMENTS

The company's policy is to shift the emphasis of its business into areas where there are good prospects of growth. In the chairman's statement examples of action being taken towards this end are given, including: the formation of Weir Engineering Services and a general expansion of service activities; the continuing development of Weir Group Management Systems Limited; the introduction of new products such as the downhole pump; new markets such as mini-hydro schemes and oilfield tools; and the investment in Yarrow Public Limited Company.

DIRECTORS

The directors of the company during the 52 weeks ended 28th December 1984 were those whose names appear on page 5, together with Mr J. A. Lumsden who retired on 24th May 1984.

The directors who retire this year by rotation are The Rt. Hon. The Viscount Weir, Mr I. M. Boyd and Mr D. H. Ruttenberg, who, being eligible, offer themselves for re-election. There exists between the company and Mr Boyd a service contract which is terminable on the company's giving not less than three years' prior notice of termination.

ACQUISITIONS AND FORMATIONS

During the year, as was reported in the interim statement of 29th August, 1984, the company acquired 28.2% of the issued ordinary share capital of Yarrow Public Limited Company.

At the beginning of 1985 the operational structure of Weir Pumps Limited was altered to the effect that the service centres of Weir Pumps Limited have been formed into a new organisation known as Weir Engineering Services which will operate as a distinct entity and separate from the continuing manufacturing and selling activities of Weir Pumps Limited.

In January, 1985 Weir Engineering Services, jointly with Chinese government organisations, established a new company, Nan Yan Weir Engineering Services Company Limited, in the People's Republic of China to provide engineering services to the oil industry in the South China Sea.

DISPOSALS

During the year, Weir Pumps Limited disposed of its 50% interest in Hargill Weir Engineering Services Pte Limited of Singapore and Weir BV disposed of its 50% interest in Sowit SpA of Italy.

SHARE AND LOAN CAPITAL

During 1984 holders of 5,458 convertible preference shares exercised their rights to convert their holdings into ordinary shares in accordance with the company's articles of association.

At the forthcoming annual general meeting shareholders will be invited to extend for a further year the authority conferred on the directors at the last annual general meeting not to apply section 17 of the Companies Act 1980. The terms of the resolution to be proposed as a special resolution are set out at agenda item No 6 in the notice of the meeting. The proposed resolution provides that section 17 will not apply either to an allotment of equity securities for cash in a rights issue proportionate to the holdings of ordinary shareholders or to any other allotment of equity securities for cash up to a maximum not exceeding 5% of the authorised ordinary share capital.

TANGIBLE ASSETS

Details of the tangible assets of the company and its subsidiaries as at 28th December, 1984 and changes in the assets during 1984 are set out on page 26.

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.

According to the register kept by the company pursuant to section 29 of the Companies Act 1967:

(i) the interests of the directors in the ordinary and convertible preference shares of the company as at 28th December, 1984 and at the end of the preceding financial year were as follows:

	ordinary shares		convertible preference shares		ordinary shares subject to options granted by the company	
The Rt. Hon. The Viscount Weir	288,007	288,007	—	73,200*	250,000	—
R. D. D. Bertram	—	—	—	—	—	—
I. M. Boyd	—	—	500	500	82,758	69,512
J. Ferguson	1,000	1,000	—	—	60,000	60,000
R. Garrick	4,425	4,425	1,175	1,175	262,758	122,785
W. Harkness	—	—	2,749	2,749	72,758	69,512
W. A. McLean	500	500	—	—	70,000	60,000
D. J. MacLeod	1,000	1,000	1,000	1,000	—	—
	—	—	50,000*	123,200*	—	—
D. G. Milne	—	—	—	—	—	—
J. J. de Raemy	9,250	9,250	—	—	—	—
D. H. Ruttenberg	500	500	2,666,600	2,666,600	—	—
The Hon. G. A. Weir	50,203	150,203	—	—	—	—
	626,000*	626,000*	—	—	—	—

* denotes non-beneficial interest

(ii) as at 28th December, 1984 The Rt. Hon. The Viscount Weir, Mr R. Garrick and Mr I. M. Boyd also had interests in 250,000 ordinary shares, 100,000 ordinary shares and 50,000 ordinary shares respectively by reason of options which had been granted to them under The Weir Group Executive (No. 2) Share Option Scheme 1984 by an existing shareholder in the company;

(iii) the interests of the directors in the share capital of the company have remained unchanged since 28th December, 1984;

(iv) no director had an interest in the preference shares of the company, in the debenture stocks of the company, or in the share capital or debenture or loan stocks of any subsidiary;

(v) included in the non-beneficial interests of The Rt. Hon. The Viscount Weir and Mr D. J. MacLeod at the end of 1983 was a common holding of 73,200 convertible preference shares.

SHARE OPTION SCHEMES

During the year, the rules of The Weir Group Savings Related Share Option Scheme 1982 were amended so as to enable employees to take advantage of the increased monthly savings limit of £100 introduced by the Finance Act 1984.

Also during 1984, the company established two new share option schemes: The Weir Group Executive Share Option Scheme 1984 and The Weir Group Executive (No 2) Share Option Scheme 1984. These schemes were established in order to take advantage of the Finance Act 1984 which provided for the approval by the Inland Revenue of certain executive share option schemes subject to their satisfying certain conditions as prescribed in that Act. Consequent upon the establishment of these two new schemes it is unlikely that any further options will be granted under The Weir Group Executive Share Option Scheme 1983 which is not an approved scheme.

SUBSTANTIAL SHAREHOLDERS

Funds which are managed or advised by M. & G. Investment Management Limited hold 3,800,000 ordinary shares in the company, being approximately 14·67% of the issued ordinary share capital. So far as is known to the directors, there is no other person (individual or corporate) holding or beneficially interested in 5% or more of the ordinary shares in the company.

A subsidiary of J. Rothschild Holdings plc (of which company Viscount Weir is vice chairman), holds 10,308,212 convertible preference shares in the company, being approximately 43% of that class of share capital.

RESEARCH AND DEVELOPMENT

A substantial effort is devoted to research and development to produce new products and to improve the performance and cost effectiveness of existing lines. Group companies maintain first class modern facilities for this purpose. The downhole pump to which further reference is made in the chairman's statement is one recent example of the results of this activity.

POLITICAL AND CHARITABLE CONTRIBUTIONS

During the year, the company made the following contributions:

The Weir Group Educational Trust	£30,000
Other charitable and educational purposes	£3,636

No contribution was made for political purposes.

CLOSE COMPANY

So far as is known, the company is not a 'close company' under the terms of the Income and Corporation Taxes Act 1970.

AUDITORS

nur Young have intimated their willingness to continue in office as auditors the company and resolutions dealing with their re-appointment and authorising the directors to fix their remuneration will be submitted to the annual general meeting.

By Order of the Board
W. H. ...
Secretary.

Cathcart, Glasgow
3rd ...il, 1985.

Auditors' Report

To The Members of

THE WEIR GROUP PLC

We have audited the accounts on pages 19 to 31 and on page 35 in accordance with approved auditing standards.

In our opinion these accounts, which have been prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings, subsidiary and associated companies, give a true and fair view of the state of affairs of the company and the group at 28th December, 1984 and of the profit and source and application of funds of the group for the 52 weeks then ended and comply with the Companies Acts 1948 to 1981.

We have also examined the supplementary current cost accounts on pages 32 to 34. In our opinion these accounts have been properly prepared, in accordance with the methods described in the notes, to give the information required by Statement of Standard Accounting Practice No. 16.

Arthur Young

ARTHUR YOUNG
Chartered Accountants

Glasgow,
3rd April, 1985.

THE WEIR GROUP PLC AND SUBSIDIARY COMPANIES

Accounting Policies

(a) Group Accounts

The group accounts consolidate the accounts of the company and subsidiaries made up to a date co-terminous with the financial year of the company. The results of subsidiaries acquired during the year are consolidated from the date of acquisition and the results of subsidiaries disposed of are consolidated up to the date of sale. Goodwill on acquisition of subsidiaries consisting of the net excess of cost of investment in subsidiaries over the fair value at date of acquisition of subsidiaries' net assets acquired is deducted from the revaluation reserve.

(b) Associated Companies

Associated companies are those in which the group has an equity interest of not less than 20% nor more than 50%. Such companies are also related companies as defined in the Companies Act 1981 and there are no other related companies. The profits or losses of such companies attributable to the group are included in the accounts after providing for tax. The amounts are derived from the latest audited or reliable unaudited accounts made up to dates either co-terminous with or within six months prior to the company's reporting date. Positive goodwill on acquisition of associated companies consisting of the excess of cost of investment in associated companies over the fair value at date of acquisition of the attributable net assets acquired is deducted from the revaluation reserve. Negative goodwill, consisting of the excess of fair value at date of acquisition of the attributable net assets acquired over the cost of investments in associated companies, is not included in the reserves.

(c) Tangible Assets

Freehold land and buildings are stated at valuation with subsequent additions at cost. Other tangible assets are stated at cost. United Kingdom government grants are deducted from the cost of related tangible assets. Depreciation is calculated to write off the net cost or valuation of each asset over its estimated useful life by equal annual instalments at the following rates:

Freehold land	Nil
Freehold buildings	2·5%
Plant and machinery	5% to 25%

The surplus arising on revaluation of buildings included in the revaluation reserve is amortised over the estimated useful lives of these buildings by transfer to the profit and loss account reserve in equal annual instalments.

(d) Stocks

Stocks are stated at the lower of cost and net realisable value. A long term contract is defined as the supply of a single substantial entity where the supply will extend for a period exceeding one year. Long term contract work in progress is stated at cost together with a proportion of profit appropriate to the stage of completion of each contract. Claims for progress payments are deducted from the value of work in progress, or to the extent that they exceed this value, are disclosed as payments received on account.

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.

(e) Research and Development Expenditure

Research and development expenditure is written off in the year in which it is incurred.

(f) Deferred Tax

Provision for deferred tax is made on the basis of the liability method in respect of significant timing differences except to the extent that such tax is not expected to become payable or recoverable in the foreseeable future. Advance corporation tax is written off except to the extent that it is expected to become recoverable in the foreseeable future.

(g) Foreign Currencies

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 other than those on contracts which are incorporated into the contract assessment. The accounts of overseas subsidiaries and associated companies, monetary assets and liabilities in foreign currencies and the company's interest in the equity of overseas associates, are translated at the rates ruling at the balance sheet date. Exchange differences on consolidation, after adjusting for differences on foreign currency net borrowings, are treated as adjustments to reserves.

(h) Pensions

The company and its major subsidiaries operate retirement benefit schemes. The various schemes and funds are set up under separate trusts or through insurance companies and their assets are completely separate from the assets of the companies. It is the policy to fund pension liabilities by the payment of contributions, charged to profit and loss account, based on the advice of independent actuaries.

(i) Leasing

Leasing costs are written off to profit and loss account as incurred.

THE WEIR GROUP PLC AND SUBSIDIARY COMPANIES

Consolidated Profit and Loss Account
for the 52 weeks ended 28th December 1984

	Notes	GROUP 1984 £'000	1983 £'000
TURNOVER	1	131,612	110,826
Profit before interest and tax	2		
Group		5,0[illegible]1	5,024
Associated companies		3,587	1,507
		8,598	6,531
Interest	2	1,748	1,588
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	2	6,850	4,943
Tax on profit on ordinary activities	3	3,024	2,200
PROFIT ON ORDINARY ACTIVITIES AFTER TAX	4	3,826	2,743
Dividends	5	2,247	2,150
Transfer to reserves	16	1,579	593
EARNINGS PER SHARE: Basic	6	8·6p	4·4p
Fully diluted	6	5·6p	3·6p

THE WEIR GROUP PLC AND SUBSIDIARY COMPANIES

Balance Sheets
at 28th December 1984

		GROUP		COMPANY	
	Notes	1984 £'000	1983 £'000	1984 £'000	1983 £'000
FIXED ASSETS					
Tangible assets	8	28,989	28,856	56	74
Investments	9	17,145	11,930	69,439	63,526
CURRENT ASSETS					
Stocks	10	17,791	15,294	—	—
Debtors	11	45,636	43,158	3,164	5,631
Investments		—	2,072	—	—
Cash at bank and in hand		692	431	1	2
		64,119	60,955	3,165	5,633
CREDITORS falling due within one year:					
Bank loans and overdrafts	12	8,096	1,588	3,810	1,101
Loan capital current portion	14	27	2,033	—	—
Other creditors	13	43,525	41,834	4,078	3,639
		51,648	45,455	7,888	4,740
NET CURRENT ASSETS (LIABILITIES)		12,471	15,500	(4,723)	893
TOTAL ASSETS LESS CURRENT LIABILITIES		58,605	56,286	64,772	64,493
Less					
CREDITORS falling due after more than one year:					
Loan capital	14	11,536	11,385	18,334	20,218
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred tax	3	631	626	—	—
		46,438	44,275	46,438	44,275
CAPITAL AND RESERVES					
Called up share capital	15	22,468	22,468	22,468	22,468
Share premium account		3,539	3,539	3,539	3,539
Revaluation reserve	16	6,722	6,720	15,416	10,906
Profit and loss account	16	13,709	11,548	5,015	7,362
		46,438	44,275	46,438	44,275

Approved by the Board of Directors
on 3rd April, 1985

WEIR, *Director*

R. GARRICK, *Director*

THE WEIR GROUP PLC AND SUBSIDIARY COMPANIES

Source and Application of Funds
for the 52 weeks ended 28th December 1984

	Notes	1984 £'000	1983 £'000
SOURCE OF FUNDS			
Funds generated by operations	17	5,999	5,344
Sale of tangible assets		162	250
Sale of investments		2,418	2,824
Government grants		160	80
		8,739	8,498
APPLICATION OF FUNDS			
Purchase of tangible assets		1,570	738
Purchase of investments		4,705	2,688
Dividends paid		2,150	2,148
Tax paid		1,020	1,421
Increase in working capital	17	3,184	1,415
		12,629	8,460
NET CASH (OUTFLOW) INFLOW		(3,890)	[illegible]
STATEMENT OF BORROWINGS			
Net borrowings at 31st December 1983		(14,575)	(14,214)
Net cash (outflow) inflow		(3,890)	38
Exchange differences		(502)	(399)
Net borrowings at 28th December 1984	17	(18,967)	(14,575)

THE WEIR GROUP PLC AND SUBSIDIARY COMPANIES

Notes to the Accounts

1. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

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.

Turnover and profit on ordinary activities before tax were contributed as follows:

	GROUP	
	1984	1983
	£'000	£'000
Turnover:		
Engineering	93,573	82,642
Foundries and Engineering Supplies	33,685	33,931
Desalination and Engineering Contracting	5,053	4,415
	132,311	120,988
Less: Inter-divisional sales	699	1,162
	131,612	119,826
Profit on ordinary activities before tax:		
Engineering	5,154	4,280
Foundries and Engineering Supplies	24	705
Desalination and Engineering Contracting	261	378
Operating profit	5,439	5,363
Associated companies	3,587	1,507
Unallocated central costs	(428)	(339)
	8,598	6,531
Interest	1,748	1,588
Profit on ordinary activities before tax	6,850	4,943

	1984	1983
An analysis of turnover by geographical market is as follows:		
United Kingdom	72,921	74,240
Rest of Europe	7,870	5,034
Americas	26,395	18,917
Africa	3,964	4,608
Asia	14,239	12,110
Australasia	6,223	4,917
	131,612	119,826

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

	GROUP	
	1984	1983
	£'000	£'000
(a) Profit on ordinary activities before tax is after charging:		
Hire and lease of plant and machinery	2,195	2,331
Depreciation	2,075	2,004
Auditors' remuneration and expenses:		
Company	25	30
Subsidiary companies	170	162
Operating lease rentals	2,004	1,568
of which hire of plant and machinery	1,040	790

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX—*continued*

(b) Movement between turnover and profit on ordinary activities before tax:

	GROUP 1984 £'000	GROUP 1983 £'000
Turnover	131,612	119,826
Cost of sales	(108,530)	(98,044)
Gross profit	23,082	21,782
Distribution costs	(9,441)	(8,025)
Administrative expenses	(9,370)	(10,165)
Other operating income	740	1,432
	5,011	5,024
Share of results of associated companies	3,587	1,507
Profit before interest and tax	8,598	6,531
Interest receivable	558	717
Interest payable		
On bank loans and overdrafts and loans wholly repayable within 5 years	(992)	(918)
On other loans	(1,314)	(1,387)
Interest payable (net)	(1,748)	(1,588)
Profit on ordinary activities before tax	6,850	4,943

3. TAX

	GROUP 1984 £'000	GROUP 1983 £'000
(a) Profit and Loss Account:		
Charge based on the results of the year		
Corporation tax at 46.25% (1983 50.5%)	51	13
Double tax relief	(51)	(13)
Overseas tax	556	442
Deferred tax	(58)	152
Associated companies	1,720	819
	2,218	1,413
Advance corporation tax	845	828
Adjustments to previous years	(39)	(41)
	3,024	2,200

No corporation tax is payable for the year, due principally to stock relief of £55,000 (1983 £562,000) and the utilisation of net tax losses forward of £677,000 (1983 £69,000).

(b) Deferred Tax:

	GROUP 1984 £'000	GROUP 1983 £'000
Accelerated capital allowances	2,528	2,569
Short-term timing differences	(386)	(521)
	2,142	2,048
Off-set by:		
Unutilised tax losses	(1,511)	(1,422)
	631	626

(c) Potential Tax Benefits:

There are further unutilised tax losses the benefit of which would at 35% amount to £3,805,000 (1983 £3,788,000) and advance corporation tax of £5,498,000 previously written-off (1983 £4,940,000), which may be used to reduce future corporation tax liabilities.

4. PROFIT ON ORDINARY ACTIVITIES AFTER TAX

	GROUP 1984 £'000	1983 £'000
The Weir Group PLC	(100)	7,774
Subsidiary companies	2,184	(4,802)
Associated companies	1,742	(229)
	3,826	2,743

5. DIVIDENDS

	GROUP 1984 £'000	1983 £'000
On ordinary shares:		
Paid	97	97
Proposed, payable	550	453
	647	550
On preference shares:		
Paid		
10% redeemable cumulative participating convertible	300	300
10% redeemable cumulative	500	500
Payable		
10% redeemable cumulative participating convertible	300	300
10% redeemable cumulative	500	500
	1,600	1,600
Total dividends	2,247	2,150

6. EARNINGS PER SHARE

The basic earnings per share calculation is based on earnings of £2,226,000 (1983 £1,143,000) and on the weighted average of 25,895,553 ordinary shares in issue (1983 25,709,196). Earnings for this calculation is profit on ordinary activities after tax of £3,826,000 (1983 £2,743,000) less dividends of £1,600,000 (1983 £1 600,000) on both classes of Preference Shares.

The fully diluted earnings per share calculation is based on adjusted earnings of £2,864,000 (1983 £1,781,000) and on the weighted average of 51,445,921 ordinary shares in issue (1983 49,873,882) assuming full conversion of 10% redeemable cumulative participating convertible preference shares, and full exercise of the share options granted by the company under the rules of the schemes referred to in the directors' report, on date of issue. Adjusted earnings for this calculation is profit on ordinary activities after tax of £3,826,000 (1983 £2,781,000) plus an adjustment of £38,000 relating to the exercise of share options (1983 £nil) less dividends of £1,000,000 (1983 £1,000,000) on the 10% redeemable cumulative preference shares.

7. DIRECTORS AND EMPLOYEES

	GROUP 1984 Number	1983 Number
Average number of persons employed by the company and its subsidiaries:		
Engineering	2,845	3,232
Foundries and Engineering Supplies	1,282	1,311
Other	55	73
	4,182	4,616
	£'000	£'000
Staff costs:		
Wages and salaries	41,806	38,511
Social security costs	3,179	3,120
Other pension costs	2,704	2,736
	47,689	44,367
Directors' remuneration:		
Fees	22	30
Other emoluments (including pension contributions)	394	442
Compensation for loss of office	—	51

One director waived the right to receive fees for 1984 amounting to £5,000 (1983, no fees waived).

7. DIRECTORS AND EMPLOYEES *continued*

The number of directors principally employed in the U.K. who received emoluments (excluding pensions contributions) in the following ranges were:	GROUP 1984 Number	1983 Number
Not more than £5,000	6	8
£5,001—£10,000	—	—
£10,001—£15,000	—	—
£15,001—£20,000	—	—
£20,001—£25,000	—	—
£25,001—£30,000	—	—
£30,001—£35,000	—	3
£35,001—£40,000	2	2
£40,001—£45,000	2	
£45,001—£50,000	—	1
£50,001—£55,000	1	1
£55,001—£60,000	1	—

	1984	1983
The directors' remuneration disclosed above (excluding pension contributions) includes amounts paid to:	£'000	£'000
Chairman—from 31st December 1983 to 28th December 1984	53	—
from 1st January 1983 to 30th April 1983	—	5
from 1st May 1983 to 30th December 1983	—	33
Highest paid director	59	51

8. TANGIBLE ASSETS

GROUP	*Freehold Land and Buildings* £'000	*Plant and Machinery* £'000	*Total* £'000
At 31st December 1983			
Cost	2,240	22,213	24,453
Valuation 1978	18,805	—	18,805
Valuation 1981	3,573	—	3,573
Additions before grants	437	1,133	1,570
Grants	(3)	(157)	(160)
Disposals—cost	(5)	(374)	(379)
—valuation	(28)	—	(28)
Exchange and other adjustments	752	549	1,301
At 28th December 1984	25,771	23,364	49,135
Whereof:			
Cost	2,767	23,364	26,131
Valuation 1978	18,778	—	18,778
Valuation 1981	4,226	—	4,226
	25,771	23,364	49,135
Aggregate depreciation			
At 31st December 1983	2,629	15,346	17,975
Charge for year	569	1,506	2,075
Disposals	(2)	(304)	(306)
Exchange and other adjustments	78	324	402
At 28th December 1984	3,274	16,872	20,146
Net book value at 28th December 1984	22,497	6,492	28,989

The value of freehold land included in freehold land and buildings amounted to £157,000 at cost and £3,817,000 at valuation (1983 £63,000 at cost and £3,664,000 at valuation).

No provision has been made for the liability to tax from capital gains amounting to £2,711,000 (1983 £2,745,000) which would arise if land and buildings were to be sold at their revalued amounts.

On a historical cost basis, freehold land and buildings would have been included at a cost of £13,957,000 (1983 £13,894,000) less a cumulative provision for depreciation of £5,259,000 (1983 £4,830,000).

The net book value of fixed assets held by the company at 28th December 1984 amounted to £56,000 (1983 £74,000) and consisted of freehold land and buildings of £45,000 (1983 £46,000) and plant and machinery of £11,000 (1983 £28,000)

9. INVESTMENTS

	GROUP		
	Associated Companies £'000	*Other Investments* £'000	*Total* £'000
At 31st December 1983			
Cost			
Valuation	—	1,934	1,934
Additions	9,996	—	9,996
Disposals—cost	4,463	117	4,580
—valuation	—	(2)	(2)
Increase in net assets	131	—	131
Amounts written off	312	—	312
Exchange and other adjustments	—	(233)	(233)
	400	27	427
At 28th December 1984	15,302	1,843	17,145
Whereof:			
Cost	—	1,843	1,843
Valuation	15,302	—	15,302

Listed investments are included at a cost of £162,000 (1983 £89,000) under the heading of 'Other Investments' and at a value of £3,567,000 (1983 £nil) under the heading of 'Associated Companies'. These investments are listed on recognised stock exchanges and had a market value at 28th December 1984 amounting to £4,397,000 (1983 £[illegible]13,000).

Investments in associated companies are held at valuation representing cost to the Group less positive goodwill on acquisition plus the Group's share of post acquisition reserves. As at 28th December 1984 the cost of these investments amounted to £12,970,000 (1983 £8,646,000) and the negative goodwill attributable to Yarrow Public Limited Company not included in the reserves amounted to £1,430,000.

Dividends of £727,000 (1983 of £521,000) were received during the year from associated companies. The results of the associated companies shown in the profit and loss account are substantially those of Delas-Weir SA, and Worthington-Simpson Ltd.

	COMPANY				
	Subsidiaries				
	Shares £'000	*Loans* £'000	*Associated Companies* £'000	*Other Investments* £'000	*Total* £'000
At 31st December 1983					
Cost	—	—	—	1,212	1,212
Valuation	22,198	34,463	5,653	—	62,314
Advances/additions	—	1,709	3,503	—	5,212
Repayments	—	(3,538)	—	—	(3,538)
Increase (decrease) in net assets	4,573	(271)	(63)	—	4,239
At 28th December 1984	26,771	32,363	9,093	1,212	69,439
Whereof:					
Cost	—	—	—	1,212	1,212
Valuation	26,771	32,363	9,093	—	68,227
	26,771	32,363	9,093	1,212	69,439

Investments in subsidiaries are held at valuation representing the amount of attributable underlying net assets at the balance sheet date. Investments in associated companies are held at valuation representing cost to the company less positive goodwill on acquisition plus the company's share of post acquisition reserves. As at 28th December 1984 the cost of the investment in the subsidiaries amounted to £60,678,000 (1983 £62,507,000) and the cost of the investment in associated companies amounted to £9,862,000 (1983 £6,359,000).

The principal subsidiaries and associated companies of the Group are listed on page 35.

10. STOCKS

	GROUP	
	1984	1983
	£'000	£'000
Long term work in progress	8,151	4,982
Less: progress payments received and receivable	7,774	4,484
	377	498
Raw materials	7,560	6,339
Work in progress	11,501	10,122
Finished goods	2,422	2,657
	21,483	19,118
Less: progress payments received and receivable	4,069	4,322
	17,414	14,796
Total stocks	17,791	15,294

Profit is included in long term contracts in accordance with Statement of Standard Accounting Practice No. 9 and amounts to £69,000 (1983 £178,000).

11. DEBTORS

	GROUP		COMPANY	
	1984	1983	1984	1983
	£'000	£'000	£'000	£'000
Trade debtors	32,844	31,753	—	—
Amounts owed by subsidiaries	—	—	2,960	5,418
Amounts owed by associated companies	1,151	1,379	2	55
Other debtors	1,967	1,568	16	77
Prepayments and accrued income	9,674	8,458	186	81
	45,636	43,158	3,164	5,631

12. BANK LOANS AND OVERDRAFTS

Bank loans and overdrafts amounting to £7,048,000 (1983 £822,000) advanced to the company and certain U.K. subsidiaries were secured by floating charges over the whole property and undertaking of the company and certain U.K. subsidiaries. Bank advances of £545,000 (1983 £487,000) utilised by certain overseas subsidiaries were secured over local assets.

13. OTHER CREDITORS

	GROUP		COMPANY	
	1984	1983	1984	1983
	£'000	£'000	£'000	£'000
Payments received on account	4,013	975	—	—
Trade creditors	17,945	18,880	—	—
Amounts owed to subsidiaries	—	—	1,016	668
Amounts owed to associated companies	86	100	—	—
Tax and social security costs	4,583	4,365	985	1,021
Other creditors	4,975	5,947	—	—
Accruals and deferred income	10,573	10,314	727	697
Proposed dividend	1,350	1,253	1,350	1,253
	43,525	41,834	4,078	3,639

14. LOAN CAPITAL

	Notes	GROUP 1984 £'000	GROUP 1983 £'000	COMPANY 1984 £'000	COMPANY 1983 £'000
Secured					
6·5% Debenture Stock 1985/90	(1)	345	345	345	345
10% Debenture Stock 1988/94	(1)	287	287	287	287
Bank loan		—	2,012	—	—
Investors in Industry plc loan 1994/98	(2)	9,766	9,766	9,766	9,766
10·5% Mortgage Loan 1988	(3)	696	600	—	—
11·25% Mortgage Loan 1990	(3)	469	408	—	—
		11,563	13,418	10,398	10,398
Unsecured					
Loans from subsidiaries		—	—	7,936	9,820
Total loans		11,563	13,418	18,334	20,218
Loan capital matures as follows:					
not wholly repayable within five years					
by instalments		10,235	10,774	9,766	9,766
otherwise		632	632	632	632
wholly repayable within five years		696	2,012	7,936	9,820
		11,563	13,418	18,334	20,218
Amounts due are repayable as follows:					
later than five years		10,771	11,275	10,398	10,398
between two and five years		734	86	7,936	9,820
between one and two years		31	24	—	—
		11,536	11,385	18,334	20,218
Loan capital current portion		27	2,033	—	—
		11,563	13,418	18,334	20,218

(1) The 6·5% Debenture Stock 1985/90 and the 10% Debenture Stock 1988/94 are secured by floating charges over the whole undertaking of the company and of certain U.K. subsidiaries. The 6.5% Debenture Stock 1985/90 is redeemable in part during its life by the application of a non cumulative sinking fund on which the payments amount to not less than £56,250 per annum in aggregate.

(2) The loan from Investors in Industry plc is on the following basis:

(a) The loan is secured by floating charges over the whole undertaking of the company and certain U.K. subsidiaries.

(b) The loan is repayable in eight equal half-yearly instalments of £1,221,000 commencing on 31st December 1994.

(c) Tranche A of the loan bears interest at a fixed rate of 15·5% per annum and the balance at a rate of 1·5% over London inter-bank rate. The nominal value of Tranche A is £928,000 and reduces to nil on 30th June 1985.

(d) £4,000,000 of this loan is subject to a droplock provision which would result in the interest rate being changed onto a fixed rate basis. The droplock provision is operative up to 31st December 1985.

(3) The 10·5% Mortgage Loan of $Can 1,066,000 is secured by a first charge over the land and buildings of Peacock Inc. located at Toronto, Canada, capital and interest being repayable in equal monthly instalments until December 1988.

The 11·25% Mortgage Loan of $Can 718,000 is secured by a first charge over the land and buildings of Peacock Inc. located at Calgary, Canada, capital and interest being repayable in equal monthly instalments until March 1990.

15. SHARE CAPITAL

	1984 £'000	1983 £'000
Authorised share capital:		
Ordinary shares of 25p each	8,006	8,005
10% redeemable cumulative participating convertible preference shares of 25p each	5,994	5,995
10% redeemable cumulative preference shares of £1 each	10,000	10,000
	24,000	24,000

15. SHARE CAPITAL continued

	1984 £'000	1983 £'000
Allotted, called up and fully paid:		
Ordinary shares of 25p each	6,474	6,473
10% redeemable cumulative participating convertible preference shares of 25p each	5,994	5,995
10% redeemable cumulative preference shares of £1 each	10,000	10,000
	22,468	22,468

Any holder of convertible preference shares is entitled to convert on 31st May and 30th November in each year all or any of those shares into a like number of ordinary shares. Ordinary shares resulting from the exercise of this option during 1984 totalled 5,458 (1983 426,252) amounting to £1,365 (1983 £106,563).

Holders of convertible preference shares are entitled to participate *pari passu* with holders of ordinary shares in profits which, after provision for all preference dividends, are distributed at a rate in excess of 10% on the capital for the time being paid up on ordinary shares.

The company is entitled to redeem at par all convertible preference shares in issue at any time upon giving not less than one month's and not more than two month's notice, and is obliged to redeem all convertible preference shares outstanding as at 30th April 1991.

The company is obliged to redeem the redeemable preference shares by five equal annual instalments on 30th April in each of the years 1987 to 1991 inclusive.

In terms of the rules of The Weir Group Savings Related Share Option Scheme 1982, 479,594 ordinary shares are subject to option at an exercise price of 56p per share, 157,311 at 41p per share and 628,951 at 29p per share. 415,000 ordinary shares are subject to option at an exercise price of 40p per share in terms of the rules of The Weir Group Executive Share Option Scheme 1983 ('the 1983 Executive Scheme') and 1,020,000 ordinary shares are subject to option at an exercise price of 30p per share in terms of the rules of The Weir Group Executive Share Option Scheme 1984 ('the 1984 Executive Scheme'). However, of the 1,020,000 shares subject to option under the rules of the 1984 Executive Scheme, 415,000 have been allocated subject to the condition that they are linked to the options granted under the rules of the 1983 Executive Scheme and, consequently, to the extent that an option is exercised under either the 1983 Executive Scheme or under the 1984 Executive Scheme the linked option under the other scheme is automatically surrendered.

16. RESERVES

	Associated Companies £'000	Profit and Loss Account £'000	Revaluation Reserve £'000	Total £'000
GROUP				
At 31st December 1983	4,786	6,762	6,720	18,268
Amortisation of property revaluation surplus	—	299	(299)	—
Revaluation surplus on assets sold	—	—	(11)	(11)
Profit retained in year	1,742	(215)	52	1,579
Exchange differences	191	972	245	1,408
Goodwill	(393)	—	15	(378)
Deferred tax adjustment	(435)	—	—	(435)
At 28th December 1984	5,891	7,818	6,722	20,431
COMPANY				
At 31st December 1983		7,362	10,906	18,268
Surplus on revaluation of investment in subsidiaries		—	4,945	4,945
Deficit for year		(100)	—	(100)
Dividends		(2,247)	—	(2,247)
Deferred tax adjustment		—	(435)	(435)
At 28th December 1984		5,015	15,416	20,431

The deferred tax adjustments of £435,000 arise from changes to the deferred tax liability of an associated company at 31st December 1983 resulting from the Finance Act 1984.

In accordance with the concession granted under section 149(5) of the Companies Act 1948 the profit and loss account of The Weir Group PLC has not been separately presented in these accounts.

Group reserves include £6,680,000 (1983 £4,655,000) held in the accounts of overseas subsidiaries. Distribution of these reserves to The Weir Group International SA and by that company to Weir Group (Overseas Holdings) Limited would require deduction of withholding tax levied by overseas governments at rates then current, giving rise to claims for double tax relief against U.K. corporation tax liability

17. SOURCE AND APPLICATION OF FUNDS

	GROUP 1984 £'000	GROUP 1983 £'000
(a) Funds generated by operations:		
Profit on ordinary activities before tax	6,850	4,943
Adjustments for items not involving the use of working capital and net liquid funds:		
Depreciation	2,075	2,004
Profit before tax of associated companies	(3,587)	(1507)
Surplus on disposal of fixed assets	(66)	(617)
Dividends from associated companies	727	521
	5,999	5,344

17. SOURCE AND APPLICATION OF FUNDS *continued*

	GROUP 1984 £'000	GROUP 1983 £'000
(b) Increase (decrease) in working capital:		
Stocks	2,497	1,867
Debtors	2,572	2,431
Other creditors	(1,320)	(2,624)
Exchange differences	(565)	(259)
	3,184	1,415
(c) Net borrowings:		
Loan capital	(11,536)	(11,385)
Short term	(7,431)	(3,190)
	(18,967)	(14,575)

18. CAPITAL COMMITMENTS

	GROUP 1984 £'000	GROUP 1983 £'000	COMPANY 1984 £'000	COMPANY 1983 £'000
At 28th December 1984 outstanding capital commitments, before deduction of government grants, were as follows:				
Contracted but not provided	385	165	—	—
Authorised but not contracted	32	502	—	—

19. LEASING COMMITMENTS

	GROUP 1984 £'000	GROUP 1983 £'000	COMPANY 1984 £'000	COMPANY 1983 £'000
(a) Finance Leases: As at 28th December 1984 the net obligations under finance leases amounted to	3,556	4,088	145	211
of which payable during 1985	1,183	1,397	82	66
1986 to 1989	2,277	2,562	63	145
after 1989	96	129	—	—
	3,556	4,088	145	211
(b) Operating Leases: As at 28th December 1984 committed payments under operating leases for 1985 amounted to				
Land and Buildings	975	912	—	—
Other	868	669	30	31
	1,843	1,581	30	31
of which payable in respect of operating leases ending in 1985	360	267	9	6
1986 to 1989	1,184	1,018	21	25
after 1989	299	296	—	—
	1,843	1,581	30	31

20. OTHER COMMITMENTS

The Group's steel foundry companies are participating in both the High Alloy and General Sector Schemes ('the Lazard Schemes') for the rationalisation of capacity in the UK Steel Castings Industry. This participation requires these subsidiaries to pay a levy based upon historical turnover for a period of 5 years from 1982. As at 28th December 1984 the unprovided portion of levy payable under these schemes amounted to £778,000 (1983 £773,000).

21. CONTINGENT LIABILITIES

	GROUP 1984 £'000	GROUP 1983 £'000	COMPANY 1984 £'000	COMPANY 1983 £'000
Maximum guarantee obligations relating to bank and other borrowings of subsidiary and associated companies	704	2,159	2,464	1,964

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

THE WEIR GROUP PLC AND SUBSIDIARY COMPANIES

Current Cost Profit and Loss Account
for the 52 weeks ended 28th December 1984

	Note	GROUP 1984 £'000	GROUP 1983 £'000
TURNOVER		131,612	119,826
Profit before interest and tax on the historical cost basis		8,598	6,531
Current cost operating adjustments:			
Depreciation		(611)	(551)
Cost of sales		(976)	(872)
Monetary working capital		(390)	(327)
Current cost operating profit		6,621	4,781
Interest		(1,748)	(1,588)
Gearing adjustment		653	524
CURRENT COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		5,526	3,717
Tax		3,024	2,200
CURRENT COST PROFIT ON ORDINARY ACTIVITIES AFTER TAX		2,502	1,517
Dividends			
Preference dividend		(1,000)	(1,000)
Convertible preference dividend		(600)	(600)
Ordinary dividend		(647)	(550)
Current cost transfer to (from) reserves	3	255	(633)
CURRENT COST EARNINGS (LOSS) PER SHARE: Basic		3·5p	(0·3p)
Fully diluted		3·0p	1·1p

THE WEIR GROUP PLC AND SUBSIDIARY COMPANIES

Current Cost Balance Sheet
at 28th December 1984

	Notes	GROUP 1984 £'000	GROUP 1983 £'000
FIXED ASSETS			
Tangible assets	2	30,700	30,581
Investments		17,941	12,714
CURRENT ASSETS			
Stocks		17,883	15,425
Debtors		45,636	43,158
Investments		—	2,072
Cash at bank and in hand		692	431
		64,211	61,086
CREDITORS falling due within one year.			
Loan capital current portion		27	2,033
Bank loans and overdrafts		8,096	1,588
Other creditors		43,525	41,834
		51,648	45,455
NET CURRENT ASSETS		12,563	15,631
TOTAL ASSETS LESS CURRENT LIABILITIES		61,204	58,926
Less			
CREDITORS falling due after more than one year:			
Loan capital		11,536	11,385
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax		631	626
		49,037	46,915
CAPITAL AND RESERVES			
Called up share capital		22,468	22,468
Share premium account		3,539	3,539
Current cost reserve	3	8,506	6,826
Other reserves	3	14,524	14,082
		49,037	46,915
CURRENT COST NET ASSETS PER SHARE: Basic		127·6p	119·4p
Fully diluted		76·4p	74·0p

THE WEIR GROUP PLC AND SUBSIDIARY COMPANIES

Notes to the Current Cost Accounts

1. ACCOUNTING POLICIES

The current cost accounts set out on pages 32 and 33 have been prepared in accordance with U.K. Statement of Standard Accounting Practice No. 16.

Except as set out below policies used in the current cost accounts are those used in the historical cost accounts.

(a) **Restatement of assets at current cost**

(i) Indices have been used to restate assets at their net current replacement cost where appropriate. Where there has been a permanent diminution of recoverable amount to below net current replacement cost, assets are stated at recoverable amount.

Recoverable amount is the greater of the net realisable value of an asset and, where applicable, the amount recoverable from its further use.

(ii) U.K. companies have used indices supplied by the Central Statistical Office in accordance with the appropriate standard industrial classification.

Overseas companies have used appropriate local indices.

(iii) The current cost of land has been estimated by directors based on amounts disclosed by the latest revaluation of land and buildings.

(iv) The directors consider that the latest valuation of certain buildings and the historical cost net book value of foundry plant and machinery represents the best available guide to their present value to the business, having regard to recoverable amount.

(b) **Depreciation adjustment**

Depreciation under the current cost convention is calculated to write off the current cost of tangible assets over their estimated useful lives in equal annual instalments.

Estimated asset lives remain identical to those used under the historical cost convention.

(c) **Working capital operating adjustments**

To allow for the impact of price changes on working capital, operating costs under the historical cost convention are adjusted by:

(i) A cost of sales adjustment to charge revenues with value to the business of goods sold at date of sale; and

(ii) A monetary working capital adjustment representing the amount of additional finance needed for monetary working capital as a result of changes in the input prices of goods and services used and financed by the business.

(d) **Gearing adjustment**

Since a proportion, called the gearing proportion, of the net operating assets of the group is financed by net borrowings which are fixed in monetary amount, it is unnecessary to provide for the impact of price changes on that proportion when determining current cost profit attributable to shareholders. The gearing adjustment represents the appropriate abatement of total current cost operating adjustments by reference to the gearing proportion.

(e) **Other profit and loss account adjustments**

Gains and losses on asset disposals, extraordinary items, prior year adjustments, results of associated companies, group consolidation adjustments and the translation of foreign currencies are restated on a current cost basis.

2. TANGIBLE ASSETS

			GROUP	
			1984	1983
	Gross	*Depreciation*	*Net book value*	*Net book value*
	£'000	£'000	£'000	£'000
Land and buildings	26,319	3,363	22,956	22,360
Plant and machinery	48,116	40,372	7,744	8,221
Total	74,435	43,735	30,700	30,581

3. RESERVES

	GROUP	
	Current cost reserve	*Other reserves*
	£'000	£'000
At 31st December 1983	6,826	14,082
Revaluation surplus on assets sold	—	(11)
Goodwill	—	(378)
Deferred tax adjustment	—	(435)
Current cost profit retained in year	—	255
Exchange differences	471	1,033
Revaluation surpluses reflecting price changes:		
Tangible assets	313	—
Stocks	787	—
Investments	541	—
Monetary working capital adjustment	390	—
Gearing adjustment	(653)	—
Current cost reserve realised	(169)	(22)
At 28th December 1984	8,506	14,524

Principal Companies of the Group
and their activities

Companies whose shares are owned directly by The Weir Group PLC are marked with an asterisk (*)
Companies incorporated in Scotland or England operate principally in the United Kingdom
Overseas companies operate principally in their country of incorporation

PRINCIPAL SUBSIDIARY COMPANIES	*Country of Incorporation*	*% of Equity owned at 28.12.84*
ENGINEERING		
Pumps, marine and power plant auxiliaries, hydraulic equipment, electric motors, and computer services		
WEIR PUMPS LTD.*	Scotland	100
WEIR GROUP MANAGEMENT SYSTEMS LTD.*	Scotland	100
WEIR ENGINEERING PTY. LTD.	Australia	100
WEIR-WARMTEKRACHT B.V †	Netherlands	100
PEACOCK INC.	Canada	100
FOUNDRIES AND ENGINEERING SUPPLIES		
Carbon and alloy steel castings, fabrications, metal pattern equipment and precision moulds		
WEIR FOUNDRIES LTD.*	Scotland	100
CATTON & COMPANY LTD.	England	100
E. JOPLING & SONS LTD.	England	100
HOLBROOK PRECISION CASTINGS LTD.	England	100
WEIR ALLOY PRODUCTS LTD.	England	100
O. H. HI-TEC LTD.	England	100
WEIR FABRICATIONS LTD.	England	100
G. PERRY & SONS LTD.*	England	100
DESALINATION AND ENGINEERING CONTRACTING		
Water desalination, heat exchange plant and engineering contracting		
WEIR WESTGARTH LTD.*	England	100
WEIRITAM S.A.†	France	100

PRINCIPAL ASSOCIATED COMPANIES	*Activities*	*Period end*	*Country of Incorporation*	*Total share capital*	£'000	*% owned at 28.12.84*
WORTHINGTON-SIMPSON LTD.*	Pumps	31.12.84	England	Ordinary	1,872	50
				Preference	99	50
DELAS-WEIR S.A.†	Heat exchange	31.12.84	France	Ordinary	1,011	35
WEIR-HOUSTON ENGINEERS LTD.	Service centre	31.12.84	Scotland	Ordinary	100	50
WESCO	Service centre	31.12.84	Abu Dhabi	Partners' equity	N/A	49
SAIHATI WEIR ENGINEERING SERVICES COMPANY LTD.	Service centre	31.12.84	Saudi Arabia	Ordinary	2,771	49
YARROW PUBLIC LIMITED COMPANY*ø	Maritime and engineering consultancy, ticketing machines and systems	31.12.84	England	Ordinary	2,000	28

øThese accounts include a proportion of Yarrow's interim figures to 31st December, 1984.

†The results of these companies have been included on the basis of reliable unaudited management accounts.

THE WEIR GROUP PLC AND SUBSIDIARY COMPANIES

Group Five Year Summary

	1980	1981	1982	1983	1984
	£'000	£'000	£'000	£'000	£'000
TURNOVER	165,627	152,220	136,901	119,826	131,612
PROFIT (LOSS) BEFORE INTEREST AND TAX	(906)	13,071	10,136	6,531	8,598
INTEREST	7,346	4,773	2,456	1,588	1,748
PROFIT (LOSS) ON ORDINARY ACTIVITIES BEFORE TAX	(8,252)	8,298	7,680	4,943	6,850
TAX	1,695	3,179	3,181	2,200	3,024
PROFIT (LOSS) ON ORDINARY ACTIVITIES AFTER TAX	(9,947)	5,119	4,499	2,743	3,826
MINORITY INTERESTS	194	94	—	—	—
PROFIT (LOSS) ON ORDINARY ACTIVITIES	(10,141)	5,025	4,499	2,743	3,826
EARNINGS (LOSS) PER SHARE: Basic	(40·7p)	15·9p	11·5p	4·4p	8·6p
Fully diluted	-	10·7p	7·0p	3·6p	5·6p
ORDINARY DIVIDENDS PER SHARE	Nil	1·85p	2·5p	2·125p	2·5p
	£'000	£'000	£'000	£'000	£'000
TOTAL ASSETS LESS CURRENT LIABILITIES					
Tangible assets	31,680	30,514	29,837	28,856	28,989
Investments	8,334	11,234	13,243	11,930	17,145
Net current assets (liabilities)	(999)	17,247	14,797	15,500	12,471
	39,015	58,995	57,877	56,286	58,605
FINANCED BY					
Shareholders' capital	23,311	42,381	43,481	44,275	46,438
Loan capital	14,495	16,309	13,970	11,385	11,536
Minority interest	991	42	—	—	—
Deferred tax	218	263	426	626	631
	39,015	58,995	57,877	56,286	58,605

Printed by David J. Clark Limited, Cadogan Street, Glasgow.