

Directors' Report

The directors submit their 110th annual report, together with the audited statement of accounts, for the 52 weeks ended 26 December 2003.

Results

	£'000	£'000
The profit for the 52 weeks ended 26 December 2003 after charging taxation was		42,884
Dividends on ordinary shares:		
Interim paid on 7 November 2003	6,853	
Proposed final	18,525	25,378
Transfer to reserves		17,506

Subject to the approval of members at the forthcoming annual general meeting, the proposed final dividend of 9.05p per ordinary share will be paid on 1 June 2004 to shareholders whose names are on the company's register at close of business on 30 April 2004.

Principal activities, business review and future developments

A review of the year's operations and future developments is contained in the Chairman's Statement, Chief Executive's Review, the Operational Review and the Financial Review on pages 6 to 21.

The principal companies of the Group and their activities as at 26 December 2003 are set out on page 70.

Other reports

The annual report includes a separate Corporate Governance Statement, which is on pages 25 to 27, Audit Committee Report on page 28, Nomination Committee Report on page 29, Report of the Bonus and Remuneration Committee on pages 30 to 35 and Corporate Social Responsibility Report on pages 36 to 38.

Directors

The names of the current directors of the company are set out on pages 22 and 23. C J Rickard and Lord Robertson were appointed to the Board on 19 January and 1 February 2004 respectively. D B Newlands and Dr C E Fay retired from the Board at the annual general meeting on 15 May 2003. The directors who retire this year by rotation are Sir Robert Smith and A W F Mitchelson. In accordance with article 97 of the Articles of Association of the company, C J Rickard and Lord Robertson also retire at the forthcoming general meeting, and, being eligible, offer themselves for election. Sir Robert Smith and A W F Mitchelson offer themselves for re-election. Sir Robert Smith and Lord Robertson do not have service contracts with the company or any of its subsidiaries.

Share capital

During the year, options were exercised by participants in the company's share option schemes as a consequence of which 518,000 ordinary shares of 12.5p each were allotted and issued. Details of the options outstanding under each of the company's share option schemes at the end of the year are set out in note 19 to the accounts.

Substantial shareholders

The company has been notified of the following interests representing 3% or more of the issued ordinary share capital of the company as at 16 March 2004: –

	Number of shares	Percentage Holding
Newton Investment Management Limited	20,030,202	9.79%
Standard Life Investments Limited	8,601,638	4.21%
AXA Investment Managers Limited	8,233,624	4.03%
Legal & General Investment Management Limited	7,228,261	3.53%
Royal London Asset Management Limited	6,346,033	3.10%
M&G Investment Managements Limited	6,213,902	3.03%

Annual general meeting

The annual general meeting will be held on 12 May 2004. A separate letter has been sent to all shareholders containing the Notice of Meeting and the resolutions to be proposed.

Auditors

A resolution to re-appoint Ernst & Young LLP as the company's auditors will be put to the forthcoming annual general meeting.

Glasgow
16 March 2004

By order of the Board
Alan W F Mitchelson
Secretary



Corporate Governance Statement

The Combined Code

The company remains committed to the highest standards of corporate governance and manages the affairs of the company in accordance with the Principles of Good Governance and Code of Best Practice (the 'Combined Code') issued by the Financial Services Authority as an appendix to its Listing Rules.

During the 52 weeks ended 26 December 2003, the company complied with the detailed provisions of the Combined Code with the exception that the notice period for I M Boyd and M W Selway was in excess of one year for the period up until 6 January 2003 as set out in last year's Bonus and Remuneration Committee Report.

Following publication of the Higgs Review – The Role and Effectiveness of Non-Executive Directors and the Smith Report – Combined Code Guidance for Audit Committees in January 2003, the Financial Reporting Council issued the new Combined Code on 23 July 2003 (the 'new Code') which comes into effect for reporting years beginning on or after 1 November 2003. The principles and provisions of the new Code have been considered and adopted by the Board.

The Board

The Board is headed by a chairman and now comprises the Group chief executive, finance director, two further executive directors and five non-executive directors. The Board meets regularly throughout the year with ad hoc meetings as necessary. In the year to 26 December 2003 the Board met eight times. Meetings are held at the head office in Glasgow, as well as in London at the time of the company's annual and interim announcements and at operating locations.

Directors appointed to the Board other than at an annual general meeting of the company are required to retire at the following annual general meeting when they may offer themselves for election. One third of the remaining members of the Board (or, where that number is not a whole number, the nearest lower whole number) are required to retire by rotation subject to all directors requiring to submit themselves for re-election at least once every three years.

On joining the Board, directors are provided with documentation on the company and its activities. New directors are provided with an appropriate induction programme and site visits are arranged to major business units. Ongoing training is provided as necessary. A formal process for evaluating the performance of the Board has been introduced which in 2003 was conducted internally by means of a detailed questionnaire completed by each director. Additionally, there was a one-to-one appraisal of all Board members, including the chairman, whose appraisal was carried out by the senior non-executive director. The evaluation examined the balance of skills of the directors, the operation of the Board in practice including its corporate governance and the operation and content of its meetings. The findings will be used to assist the Board in its consideration of the opportunities for improvement in the performance of directors generally.

There is an agreed procedure for directors to take independent professional advice on any matter at the company's expense. No such advice was sought in the year. The company secretary is responsible for ensuring that Board procedures are followed and all directors have direct access to the advice and services of the company secretary. The company secretary is also responsible for facilitating the induction and professional development of the Board members and information flows within the Board, its committees and between the non-executive directors and senior management.

There is an agreed list of matters which requires to be authorised by the Board, such as the approval of the Group strategic plan, Group budget and risk management strategy. Major acquisitions and disposals, as well as major capital spend, are authorised by the Board and are subsequently monitored by the Board after execution. The Board also approves the issue of final and interim accounts.

All directors bring their own independent judgement to all major matters affecting the Group. Each of the non-executive directors is considered by the company to be independent. The views of executive directors are not limited to those operational or functional areas for which directors have prime responsibility. Board and committee papers are sent to directors in sufficient time before meetings and any further back-up papers and information are readily available to all directors on request to the company secretary. The chairman ensures that non-executive directors are properly briefed on any issue arising at Board meetings and non-executive directors have access to the chairman at any time.

The following table identifies the number of Board and Committee meetings held during the past year and the attendance record of individual directors.

No. of meetings in year	Board Meetings	Committee Meetings		
		Audit	Remuneration	Nomination
	8	3	5	1
Sir Robert Smith	8			1
M W Selway	7			1
I M Boyd	8			
C A Clarke	7	3	5	
J M Cox	7	3	5	
M B Dearden ¹	5		3	
A W F Mitchelson	8			
Prof J P Percy	7	3	5	1
Dr C E Fay ²	2	1	2	
D B Newlands ²	1	1	1	

¹ Appointed on 17 February 2003

² Retired on 15 May 2003

Corporate Governance Statement (Continued)

The roles of chairman and chief executive are separated. The chairman's primary role is to ensure that the Board is effective in its task of setting and implementing the company's direction. The chief executive is responsible for management of the business and developing the appropriate organisational structure for a global organisation. The chief executive chairs the Group Operations Executive Committee.

During the year some of the chairman's other commitments changed. He was appointed to the boards of the BBC Children in Need Appeal and Scottish and Southern Energy plc, subsequently becoming deputy chairman. He also ceased his involvement with Railtrack (now Network Rail). The Board has reviewed the chairman's current obligations and is satisfied that he has sufficient time available to meet all his commitments.

The non-executive directors are independent of management. None of the non-executive directors has any material business or other relationship with the company. Each member of the Board has considerable experience at senior level in other companies, which allows for well informed and broadly based debate. The Board structure ensures that no individual or group dominates the decision-making process. Prof J P Percy has been designated the senior independent non-executive director to whom any concerns can be conveyed.

The executive directors have contracts of service with one year's notice whilst non-executive directors are appointed for periods of three years.

Board committees

Where appropriate, matters are delegated to Board committees, all of which have written constitutions. During the year, the Board reviewed the terms of reference of each of the principal Board committees. The current terms of reference are available on the company's website. The company secretary acts as secretary to all these committees.

The principal Board committees are the Audit Committee, the Nomination Committee and the Bonus and Remuneration Committee (details of which are explained on pages 28 to 35).

Other committees:

General Administration Committee

The principal duties of the General Administration Committee are to allot shares under the various share option schemes and other routine matters. The Committee comprises executive members of the Board and meets as required.

Executive direction and control

The Group Operations Executive Committee is responsible for ensuring that each of the Group's businesses is managed effectively and that the operational objectives of the Group, as approved by the Board, are achieved. Its role includes the preparation of the Group budget for approval by the Board, management of business performance to achieve the Group budget, establishing and maintaining reporting systems providing clear and consistent

information on all aspects of business performance, managing and minimising corporate risk and ensuring that the necessary mechanisms are in place to achieve effective inter-divisional co-ordination, in areas such as purchasing, branding and career development planning. It also approves major items of capital expenditure within limits authorised by the Board. The Group Operations Executive Committee meets each month. Its membership comprises the chief executive, finance director, the finance director designate, company secretary and the five divisional managing directors. In the year to 26 December 2003 the Group Operations Executive Committee met 12 times.

Shareholders

The company maintains regular dialogue with its shareholders. The investor relations programme includes formal presentations of full year and interim results. Feedback from these presentations is reported to the Board. Attendees at the results presentation will include the chairman, the executive directors and the senior independent non-executive director. The company also encourages communication with private shareholders throughout the year and welcomes their participation at shareholder meetings. In addition to the chairman's statement at the annual general meeting, a trading presentation to shareholders is given and details of the company's trading activities are on display at the annual general meeting. The Board members attend the annual general meeting and, in particular, the chairmen of the Audit, Bonus and Remuneration and Nomination Committees are available to answer questions.

Notice of the annual general meeting is sent to shareholders at least 20 working days before the meeting. Details of the proxy votes for and against each resolution are announced after the result of the votes of the members present and, in future, will be published on the website after the annual general meeting.

Communications

The Board considers that the annual report and accounts and interim statements present a balanced and understandable assessment of the Group's performance and prospects. In addition to information which any company is under a legal or regulatory requirement to publish, the Group frequently publicises other business developments through the national or specialised press or in its own newspapers and bulletins which have wide circulation.

The company's website at www.weir.co.uk provides additional company information, is regularly updated and includes the presentations to shareholders given at the announcements of the final and interim results. The website also contains an online version of the notice of the annual general meeting, the annual report and accounts and the interim report.

Internal control

Responsibility

Throughout 2003 and up until the date of this report, the Group has continued to operate procedures which were established to enable the Group to implement in full the Turnbull Committee's Final Guidance on Internal Control issued in 1999.

Risk management

As part of these procedures, which are designed to serve as ongoing processes for identifying, evaluating and managing the significant risks faced by Group companies, senior executives at each of the Group operating companies and business units prepared Risk and Control Frameworks for their respective businesses. Those frameworks were then considered and approved by the chief executive, the finance director and the Group Operations Executive Committee. In addition, a Group Risk and Control Framework was prepared, taking account of the significant risks identified by the individual units together with other Group-wide risks. The Group Risk and Control Framework has been considered and adopted by the Board which is responsible for the risk management strategy. It should however be noted that the system of internal control can only manage, rather than eliminate, the risk of failure to achieve business objectives and provide reasonable, but not absolute, assurance against material misstatement or loss.

The managing director, or his equivalent in overseas companies, and the principal finance officer of each operating company assess the effectiveness of the internal control environment and procedures in their units. They are responsible for the operation of key internal controls. A peer review process monitors and evaluates the system of internal control. The process covers the areas of most significant risk to the Group and the annual review programme is developed from feedback from both the external audit risk assessment planning process and the internal risk assessment priorities. The results of these reviews are reported to the Audit Committee. The Audit Committee considers and determines relevant action in respect of any control issues raised by the external auditors.

Each year, the operating companies prepare a report identifying the relative probability and severity of the risks identified, the process for managing and mitigating these risks and the means by which management might be assured that the processes are effective. The reports are reviewed by the Group Operations Executive Committee and the chief executive reports to the Board on any control issues arising from these processes.

Additionally, any issues or incidents are considered at the respective operating company's board meetings on an ongoing basis. These are reviewed by the relevant divisional managing director with significant or recurring matters being considered by the Group Operations Executive Committee and, where appropriate, by the Board.

The Board has monitored the effectiveness of the Group's system of internal control during the year. In particular, the Board has reviewed the Group Risk and Control Framework in the light of experience following its introduction and has made such amendments as it thought appropriate.

In addition to the Risk and Control Framework, other procedures which are fundamental to the Group's system of internal control are as follows:

– Control environment

There is a clearly defined organisational structure within which individual responsibilities are identified and can be monitored. Business units operate to well understood procedures and are required to comply with them.

– Main control procedures

The Group has identified a number of key areas which are subject to regular reporting to the Board. These controls include procedures for seeking and obtaining approval for major transactions.

– Group-wide standards

There is, for universal application throughout the Group, a Group standards manual which sets out Group policies with which all Group companies are required to comply. The manual is communicated to all Group operating companies through the Group Intranet. The managing directors are responsible for ensuring that each company observes and implements the policies and procedures set out in the manual.

– Information systems

There is a comprehensive budgeting system in place with an annual budget approved by the Board. Management information systems provide directors with relevant and timely reports that identify significant deviations from approved plans and include regular re-forecasts for the year.

The Group's internal control procedures described in this section have not been extended to cover its interests in joint ventures and associates. The Group has board representation on each of its joint venture and associate companies where separate systems of internal control have been adopted.

Going concern

With regard to the basis on which the accounts of the Group have been prepared, the directors state that, after making all due enquiries, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, in preparing the accounts they continue to adopt the going concern basis.

Audit Committee Report

The Audit Committee is charged with responsibility to the Board for satisfying itself, on behalf of the Board as a whole, that the financial affairs of the Group are conducted with openness, integrity and accountability, and in accordance with such existing statutory and regulatory provisions and codes as are applicable to the Group and to report on these matters to the Board.

Its duties are to:

- consider the appointment, resignation or dismissal of the auditors and the level of audit fee;
- discuss with the auditors the nature and scope of the audit;
- review the draft interim and annual financial statements before submission to the Board for approval;
- discuss any problems and reservations arising from the annual audit and any matters the auditors may wish to raise;
- discuss with the auditors the Group's system of internal financial controls and any auditors' recommendations for improvement;
- consider the findings of internal investigations and management's response;
- to oversee the implementation of systems for financial control and risk management;
- to pre-approve non-audit services provided by the auditor;
- to review the internal audit programme;
- to review treasury policy.

The chairman of the Committee is Prof J P Percy. The other members of the Committee are C A Clarke and M B Dearden. M B Dearden joined the Committee after the annual general meeting in May 2003. J M Cox served on the Committee until 3 February 2004. C E Fay and D B Newlands were members of the Committee until their retirement at the annual general meeting in 2003. The secretary to the Committee is A W F Mitchelson.

The Board remains satisfied that Prof J P Percy, formerly chairman of The Accounts Commission and Audit Scotland and president of the Institute of Chartered Accountants of Scotland and presently chairman of Companies House, has recent and relevant financial experience.

The Committee has the ability to call on the Group's staff to assist in their work and also has access to independent advice. The chairman of the Committee receives additional remuneration for his duties, details of which are set out on page 33.

The Committee meets each February, March and August and at other times as appropriate. During the March meeting the Committee undertakes a full review of the audit and meets the Group's auditors. There were three meetings in 2003.

In the course of 2003, the Committee discussed the following matters:

- the effect on retirement benefits of the implementation of FRS17;
- auditor independence;
- the contingencies contained within the annual report and accounts;
- the Internal Control and Monitoring Programme (including the Risk and Control Framework);
- the effect on corporate governance of the changes to the Combined Code;
- the Ernst & Young fees for 2003.

In compliance with the Turnbull Report a review of the function of internal auditor is carried out annually. The current method of peer group review is considered adequate and effective.

The Committee has introduced a policy on the appointment and role of the auditors. This includes guidelines on their appointment which is subject to review at least every five years and on their ongoing work to ensure that the independence of the Group's auditors is not threatened, particularly by the provision of non-audit services. Prior approval of the Audit Committee is required where the expected cost of non-audit services is in excess of £75,000.

The day-to-day maintenance of the Committee's policy is delegated to the Group finance director who in turn monitors the business units to ensure that all engagements fall within the Committee's guidelines. During 2003, fees payable to Ernst & Young in respect of taxation advice of £1.2m and audit and assurance services of £0.8m were approved by the Committee.

There is a "whistle blowing" policy in line with the Public Interest Disclosure Act 1998 to enable employees, on a confidential basis, to raise concerns internally in cases where they believe they have discovered malpractice or impropriety.

Complaints can be made either to line managers or directly to the company secretary who will appoint an investigating officer. Action will be taken in cases where the complaint is shown to be justified and at all times the complainant is informed of progress and outcomes. In addition, the auditors Ernst & Young can be brought in to review procedures if appropriate.

Prof J P Percy
Chairman of the Audit Committee
Signed and approved for and on behalf of the Board.
16 March 2004

Nomination Committee Report

During 2003, the members of the Nomination Committee were Sir Robert Smith (chairman), Prof J P Percy and M W Selway. On 3 February 2004, M B Dearden and Lord Robertson were also appointed to the Committee. The company secretary acts as secretary to the Committee. The Committee meets at least annually and at other times when necessary. The Committee uses external search consultants to assist it in its work.

The Committee primarily monitors the composition and balance of the Board and its committees and identifies and recommends to the Board the appointment of new directors. The Committee's terms of reference establish a framework through which it can work to ensure the selection process of Board candidates is conducted in a formal, disciplined and objective manner.

When considering candidates, the Committee evaluates the balance of skills, knowledge and experience of the Board and prepares a description of the role and capabilities required for the particular appointment. The Committee also reviews the succession planning and leadership needs of the organisation and ensures that, on appointment, all directors receive a formal contract or letter of appointment as appropriate.

Appointments to the Board are approved by the Board as a whole. However, it is the role of the Committee to make recommendations to the Board in respect of the appointment of new executive or non-executive directors. The process by which the Committee brings candidates to the Board has been agreed by the Board. In the case of executive directors, the Committee has recommendations presented to it by the chief executive and thereafter nominates candidates for consideration by the Board. The procedure for non-executive directors is that the Committee identifies and nominates candidates for consideration by the Board to fill vacancies as and when they arise.

In the case of the appointment of Lord Robertson, due to the fact that it was generally known his appointment with NATO was coming to an end and as his attributes were well known to the Board, external consultants were not engaged.

Sir Robert Smith

Chairman of the Nomination Committee

Signed and approved for and on behalf of the Board.

16 March 2004

Report of the Bonus and Remuneration Committee

Committee membership

The chairman of the Bonus and Remuneration Committee is J M Cox. The other members of the Committee are C A Clarke and M B Dearden. Prof J P Percy served on the Committee until 3 February 2004. C E Fay and D B Newlands served on the Committee until their retirement at the annual general meeting in May 2003. The Committee consists exclusively of non-executive directors who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. No member of the Committee has any personal financial interest, other than as a shareholder, in the matters decided by the Committee.

On 4 February 2003, the Committee appointed New Bridge Street Consultants LLP ("NBSC") to provide external advice in formulating remuneration policy and its implementation. This appointment was renewed in 2004. NBSC do not undertake any other work for the Group other than remuneration work. In carrying out its tasks the Committee consults with the Group chairman and the chief executive as appropriate.

Committee responsibilities

The responsibilities of the Committee are as follows:

- to determine the policy on the remuneration and performance of executive directors of the company;
- to determine the conditions of employment, including levels of salary, pension arrangements, bonuses, incentives and share options of executive directors of the company;
- to determine targets for any performance-related pay schemes;
- to recommend to the Board the remuneration of the chairman of the Board;
- to review succession planning for the Group Operations Executive Committee.

The Committee met five times in 2003. The Committee is constituted, and operated throughout the year, in accordance with the relevant provision of the Combined Code. This report complies with the Directors' Remuneration Report Regulations 2002.

Executive directors' remuneration policy

The objective of the company's remuneration policy is to attract, motivate and retain executive directors with the necessary abilities to manage and develop the Group's activities successfully to the benefit of shareholders.

Accordingly, the Committee sets remuneration packages for the executive directors to reflect both the size and complexity of the business and individual responsibilities. It also takes into consideration the remuneration practices adopted by other companies of similar size and international spread of operations.

For all senior executives, the Group policy is to provide a significant part of their total potential reward through performance based incentive plans (annual bonus and long-term incentives) as described below.

Executive directors' remuneration comprises the following:

- a) a basic salary, which is set by the Committee for each executive director by reference to individual and company performance through a formal appraisal system. When setting base salaries, the Committee's policy is that they should be competitive having regard to companies of a similar size and industry practice;
- b) an annual performance-related bonus. Bonus payments are intended to reflect the achievement of agreed business objectives and positive contribution to stretching the performance of the Group. The targets used are based primarily on normalised pretax profits and are set at the beginning of the financial year. The bonus for the Group's executives has been structured so that targets reflect Group and divisional performance. In 2003, the bonus payable for on-target performance is 20% of salary on entry with a maximum of 60%. For 2004, the maximum potential bonus receivable by the chief executive has been raised from 60% to 85% of salary and for the other executive directors from 60% to 75% of salary. The chief executive, however, will be required to invest compulsorily 25% of any bonus earned into shares for three years as part of the proposed new Long-Term Incentive Plan ("L-TIP"). Other executive directors will be required to invest 20% of any bonus earned into shares. These shares will be subject to forfeiture if the director leaves the Group within three years. The Committee reviews the bonuses on an annual basis. The bonuses are non-contractual and non-pensionable.
- c) participation in the executive share option scheme (up to its expiry at the annual general meeting in 2004), details of which are set out on the following pages;
- d) participation in the L-TIP (subject to its adoption at the annual general meeting in 2004), details of which are set out on the following pages;
- e) participation in the company's pension plan (C J Rickard and M W Selway are not members), details of which are set out below; and
- f) other benefits-in-kind, which are the provision of a car and fuel or car allowance, participation in a Group health care scheme, travel allowance, death in service insurance and scholarship awards from The Weir Group Educational Trust. The Committee believes that the level and provision of benefits-in-kind is consistent with that provided by other comparable companies.

Pensions

With the exception of C J Rickard and M W Selway, executive directors are members of the company's 1972 pension and life assurance plan for senior executives in terms of which a member (subject to Inland Revenue rules) can become entitled, after 20 years' service with the Group, to a maximum pension equal to two thirds of final basic salary payable on normal retirement date, which is 60 years of age.

The plan provides life assurance cover of five times pensionable salary for death in service. It also provides for a surviving spouse's pension of one half of the member's pension and, in certain circumstances, for a dependent child's pension until the child attains the age of 18 years (or 25 years if in full time further education). Pensions in payment and deferred pensions increase by an amount equal to retail price inflation up to 5% per annum.

The plan is a defined benefit contributory plan with the members contributing 8% of basic salary (6% until April 2003), the balance of the funding of the plan being met by the company having taken account of the funding recommendations of the plan's independent actuary. Where life assurance benefits under the plan are restricted in respect of any executive director by reason of the statutory capping limit of pensionable salary (currently £99,000), the company pays for such additional life cover as is necessary to make good the shortfall.

Share option schemes

The company operates a discretionary executive share option scheme ("the Executive Scheme") under which options may be granted to those senior executives of the Group whose skills and experience the Committee believes to be important to the success of the Group. The Executive Scheme operates worldwide. The Executive Scheme, which was approved in 1994, expires in May 2004.

Under the rules of the Executive Scheme, share options may be granted up to a maximum value of four times a participant's earnings although most grants are in the range of 50% to 75% of basic salary. Options are granted at the mid market price of a share at the date of grant. The right to exercise an Executive Scheme option is subject to performance conditions as determined by the Committee at the date of grant.

The performance criteria applicable in 2003 were for the growth in the company's normalised earnings per share over a three year period, to either exceed by nine per cent the growth in the retail price index of the UK over that three year period, or exceed the weighted average growth during that three year period of the normalised earnings per share of those companies in the FTSE All-Share Engineering and Machinery sector. Under the terms of the Scheme, this is re-tested every year from the third anniversary of the grant of the option to the date the option lapses. The performance criteria in 2004 will remain unchanged from 2003 as the Committee feels the criteria are sufficiently stretching and relevant to the company's financial goals at this time. No options were granted under the Executive Scheme in 2003.

In addition, the company operated a Savings Related Share Option Scheme in the UK, which the executive directors were eligible to participate in on the same terms as all other employees and which was not subject to performance criteria.

Long-Term Incentive Plan (L-TIP)

The Group's existing long-term incentive, the 1994 Executive Scheme Option Scheme expires in May 2004. To replace the Scheme, shareholder approval is being sought at the annual general meeting for a new plan, the L-TIP. This plan has been designed following guidance from NBSC and takes into account shareholders' guidelines on best practice. It is proposed that two types of awards can be made to senior executives under the L-TIP:

- i) Performance Shares – it is the Committee's intention in 2004 to make conditional awards of performance shares worth 70% of salary to the chief executive and 45% of salary to other executive directors;
- ii) Matching Shares – as noted above, executive directors will be required to compulsorily invest an element of any bonus earned for the 2004 financial year onwards into shares. They will also be allowed to voluntarily invest the balance of the bonus (subject to any cap imposed by the Committee). Investment of bonus is entirely voluntary in relation to the 2003 bonus only. In return, the executive directors receive a conditional award of matching shares worth a maximum of 2.5 times the pretax value of the bonus invested.

The conditional awards of performance and matching shares are only receivable if a highly demanding performance condition is achieved. For awards granted in 2004, the performance condition will be based on the growth in the company's Total Shareholder Return ("TSR") over a single three-year performance period relative to the growth in the TSR of a comparator group, to comprise the following 20 companies: AGA Foodservice Group, Bodycote International, Cookson Group, Domnick Hunter Group, Enodis, FKI, Halma, IMI, Kidde, Meggitt, Mitie Group, Morgan Crucible Company, Rolls-Royce, Rotork, Senior, Smiths Group, Spirax-Sarco Engineering, Tomkins, Wood Group and WS Atkins.

Only if the company's TSR ranks in the upper quintile of this group will the full awards be receivable. This reduces on a sliding scale so that for median performance, 25% of the awards will be receivable. For below median performance, none of the awards will be receivable. TSR has been selected as the performance criteria by the Committee to clearly align the interests of the senior executives with those of shareholders. The TSR calculation will be performed independently for the Committee. In addition, for any of the performance and matching shares to vest, the growth in the company's earnings per share over the performance period must be equal to or greater than the growth in the UK Retail Prices Index over the same period. Full details of the proposed L-TIP are contained in the shareholders' circular.

Report of the Bonus and Remuneration Committee

(Continued)

Directors' contracts / terms of appointment

The details of the service contracts in relation to the executive directors and letters of appointment in relation to the non-executive directors who served during the year are:

Director	Date of current Contract/Letter	Unexpired Term/Next re-election	Notice Period by company
Sir Robert Smith	18 August 2003	12 May 2004	6 months
M W Selway	6 January 2003	12 months	12 months
I M Boyd	6 January 2003	8 months	8 months
C A Clarke	5 August 2003	May 2006	6 months
J M Cox	5 August 2003	May 2005	6 months
M B Dearden	6 February 2003	May 2006	6 months
A W F Mitchelson	6 January 2003	12 months	12 months
Professor J P Percy	5 August 2003	May 2006	6 months
Dr C E Fay	6 February 2001	n/a	n/a
D B Newlands	22 July 1997	n/a	n/a

Executive directors' service contracts

To recruit the best executives, the Committee has in the past and may in the future, agree contractual notice periods which initially exceed 12 months. From 6 January 2003, the contractual notice period for both M W Selway and I M Boyd reduced to 12 months in the case of notice given by the company, with a minimum period of notice of six months when given by the individual. This change to their contracts was effected voluntarily and without compensation.

A W F Mitchelson and C J Rickard also have service contracts with the company that provide for a minimum period of notice of six months by the individual and 12 months by the company.

In the event that the company terminated an executive director's service contract other than in accordance with its terms, the Committee, when determining what compensation, if any, should properly be paid by the company to the departing director, will give full consideration to the obligation of that director to mitigate any loss which he may suffer as a result of the termination of his contract.

In the event of a change of status of the company, each of M W Selway, I M Boyd, A W F Mitchelson and C J Rickard has the option, for a period of six months, of giving the company three months' notice of termination of his service contract and, in that event, the executive director will become entitled to a severance payment of 12 months' gross basic salary together with enhanced pension benefits. If the director's 60th birthday (being his normal retirement date) falls within the 12 month period following termination, the severance entitlement will be reduced to reflect the number of months to the director's normal retirement date.

Executive directors' external appointments

The executive directors are permitted, with Board agreement, to take up non-executive appointments with other companies provided that there is no conflict of interest and that the time spent would not impinge on their work. I M Boyd is a director of Glasgow Income Trust plc. The remuneration received by I M Boyd in respect of this role is retained by him and is as follows:

Directorship	Received	Retained
I M Boyd Glasgow Income Trust plc	£10,000	£10,000

Remuneration from all future external appointments will however be passed to the company.

Non-executive directors

The chairman and all the non-executive directors do not have service contracts, but, instead, have letters of appointment. The letters of appointment do not contain any contractual entitlement to a termination payment and the directors can be removed in accordance with the company's Articles of Association. Non-executive directors are not members of the company's pension plans and do not participate in any of the bonus, option or incentive schemes. All non-executive directors are subject to re-election by shareholders at least every three years.

The remuneration of the non-executive directors and the chairman of the company is determined by the Board, the non-executive directors taking no part in that determination. The remuneration of the chairman of the Board is determined by the Board on the recommendation of the Committee, the chairman taking no part in that determination.

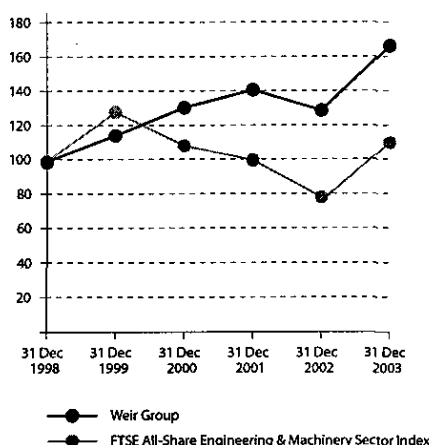
Non-executive directors' fees were reviewed and remained unchanged in 2003. The basic fee is £27,000 per annum. In addition each of the chairmen of the Audit Committee (Prof J P Percy) and the Bonus and Remuneration Committee (J M Cox) are paid an additional fee of £5,000.

Performance graph

The graph below compares the company's total shareholder return performance over a five year period against the FTSE All-Share Engineering and Machinery Sector Index. The Committee considers this to be an appropriate index for making such a comparison, as the company is a constituent of this index as are the majority of companies in the comparator group used for the TSR calculation in the proposed L-TIP.

Total Shareholder Return

Source: Datastream



This chart shows the value, at the end of 2003 financial year, of £100 invested in The Weir Group over the last five financial years compared with the value of £100 invested in the FTSE All-Share Engineering & Machinery Sector Index. The other points plotted are values at intervening financial year-ends.

Directors' remuneration

	Notes	Salary & Fees £	Bonus £	Benefits (see note v) £	Total 2003 £	Total 2002 £
Chairman and non-executive directors:						
Sir Robert Smith	i	130,000	–	342	130,342	75,176
C A Clarke		27,000	–	–	27,000	25,750
J M Cox	ii	32,000	–	–	32,000	30,015
M B Dearden	iii	23,430	–	–	23,430	–
Professor J P Percy	iv	32,000	–	–	32,000	30,500
Dr C E Fay		11,250	–	–	11,250	25,750
D B Newlands		11,250	–	–	11,250	30,500
		266,930	–	342	267,272	217,691
Executive directors:						
I M Boyd		230,684	73,145	14,227	318,056	283,205
A W F Mitchelson		173,187	55,394	19,445	248,026	210,179
M W Selway		464,230	143,373	5,024	612,627	544,420
2002 retiree		–	–	–	–	59,405
		1,135,031	271,912	39,038	1,445,981	1,314,900
Previous year comparatives		1,100,193	166,895	47,812		

- (i) Sir Robert Smith was appointed chairman on 1 July 2002.
- (ii) The fees for J M Cox include £5,000 for services as chairman of the Bonus and Remuneration Committee (2002: £4,265 for services as chairman of the two pension plan trustee companies).
- (iii) M B Dearden joined the Board on 17 February 2003.
- (iv) The fees for Professor J P Percy include £5,000 for services as chairman of the Audit Committee (2002: £4,000).
- (v) Benefits include, as appropriate, a car and fuel or car allowance, participation in a Group health care scheme, travel allowance, unapproved death in service insurance and scholarship awards from The Weir Group Educational Trust.

Directors' pension benefits

The undernoted directors were members of the defined benefit plan provided by the Group during the year. Pension entitlements and corresponding transfer values were as follows during the year:

Name of Director	General Notes	Specific Notes	Disclosures under Directors' Remuneration Report Regulations 2002						Listing Rules		
			Accrued pension			Transfer value of accrued pension			Increase in accrued pension during the year (net of inflation)	Transfer value of increase (net of inflation)	
			At year start	Increase during the year	At year end	At year start	Change during the year net of directors' ordinary contributions	Directors' ordinary contributions			At year end
Contributing members:			(note 1)			(note 2)			(note 3)		
I M Boyd	4		141,652	7,981	149,633	2,249,094	419,620	16,836	2,685,886	3,880	64,345
A W F Mitchelson	4	5	8,869	3,094	11,963	113,000	47,164	7,398	167,562	2,807	33,817

Audited

Report of the Bonus and Remuneration Committee

(Continued)

1. The pension entitlement shown is that which would be paid annually on normal retirement, prior to any cash commutation, based on pensionable service to the end of the year.
2. The change in the amount of the transfer value over the year is made up of the following elements:
 - a. transfer value of the increase in accrued pension (net of inflation)
 - b. transfer value of the increase in accrued pension (due to inflation)
 - c. increase in the transfer value of accrued pension at year start due to ageing
 - d. impact of any change in the economic or mortality assumptions underlying the transfer value basis
 - e. less the director's ordinary contributions.

The change in the amount of the transfer value over the year includes the effect of fluctuations in the transfer value due to factors beyond the control of the Group and directors, such as stockmarket movements; which will be reflected within d. above.

3. The transfer value of the increase in accrued pension has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 and includes an allowance for the risk cost of death in service benefits less the director's ordinary contributions over the year.
4. Directors have the option to pay voluntary contributions. Neither the contributions nor the resulting benefits are included in the above table.
5. The figures for Mr Mitchelson allow for the impact of the earnings cap. Mr Mitchelson does not have an entitlement to an unapproved pension from the Group.

Directors' interests

The interests of the directors in the ordinary shares of the company as at 26 December 2003 and at the end of the preceding financial year (or, in the case of M B Dearden, at the date of appointment to the Board) were as follows:—

	As at 26 December 2003		As at 27 December 2002	
	shares	shares under option	shares	shares under option
Sir Robert Smith	50,000	—	50,000	—
M W Selway	21,798	603,497	11,211	600,000
I M Boyd	57,548	365,036	57,548	365,036
C A Clarke	10,000	—	10,000	—
J M Cox	50,000	—	50,000	—
M B Dearden	10,000	—	—	—
A W F Mitchelson	34,000	135,094	34,000	135,094
Professor J P Percy	—	—	—	—
Dr C E Fay	5,000	—	5,000	—
D B Newlands	10,000	—	10,000	—

- (i) At the date of this report the interests of the directors in the shares of the company remain as stated above;
- (ii) No director had, during or at the end of the year, any material interest in any contract of any significance in relation to the company's business, in any debenture stocks of the company, or in the share capital or debenture or loan stocks of any subsidiary.

Directors' options[#]

An analysis of the directors' shares under options as at 26 December 2003 is as follows:

Director	Scheme	Shares subject to options at 27/12/02	Shares subject to options granted (exercised) during year	Shares subject to options at 26/12/03	Exercise price	Earliest date normally exercisable	Date option normally lapses
I M Boyd	Exec 1984	100,000	–	100,000	261p	4.10.97	4.10.04
	Exec 1994	40,000	–	40,000	234p	31.3.98	31.3.05
	Exec 1994	25,000	–	25,000	239p	25.3.00	25.3.07
	Exec 1994	55,350	–	55,350	246.5p	29.3.02	29.3.09
	Exec 1994	25,000	–	25,000	197.5p	5.4.03	5.4.10
	SAYE 1991	4,286	–	4,286	226p	1.7.04	1.1.05
	Exec 1994	85,400	–	85,400	251.5p	26.3.04	26.3.11
	Exec 1994	30,000	–	30,000	262.5p	27.8.05	27.8.12
A W F Mitchelson	Exec 1994	43,750	–	43,750	197.5p	27.3.03	27.3.10
	Exec 1994	32,800	–	32,800	251.5p	26.3.04	26.3.11
	SAYE 1991	8,544	–	8,544	197.5p	1.7.05	1.1.06
	Exec 1994	50,000	–	50,000	262.5p	27.8.05	27.8.12
M W Selway	Exec 1994	150,000	–	150,000	282.5p	3.9.04	3.9.11
	Exec 1994	450,000	–	450,000	262.5p	27.8.05	27.8.12
	SAYE 2001	–	3,497	3,497	201p	1.7.06	1.1.07

- (i) The closing market price of the shares at 26 December 2003 was 269.5p and the range for the year was 289.5p to 175p. The price on the date of grant of the SAYE scheme in 2003 was 238p and the range from that date to the year end was 231.5p to 289.5p.
- (ii) Since 2000, the exercise of options granted under the 1994 Executive Share Option Scheme is subject to the growth of the company's normalised earnings per share over a three year period, either exceeding by nine per cent the growth in the retail price index of the UK over that three year period, or exceeding the weighted average growth during that three year period of the normalised earnings per share of those companies in the FTSE All-Share Engineering and Machinery sector. Between 1994 and 1999, the growth in the retail price index was required to be exceeded by six per cent.

Audited

J M Cox

Chairman of the Bonus and Remuneration Committee
Signed and approved for and on behalf of the Board
16 March 2004

Corporate Social Responsibility Report

Our approach

The Weir Group is a global organisation, working in sectors and industries that have a significant impact on human and natural resources. As an organisation, our core values include integrity, self-determination and valuing people. These values ensure we remain focused on meeting our responsibilities to our customers, suppliers, employees and shareholders, as well as to the communities where we work.

By ensuring that corporate social responsibility is an inherent part of leadership that crosses all boundaries in our organisation, we seek to combine business success with support for people, communities and the environment.

We recognise that corporate social responsibility requires us first and foremost to listen to our external and internal customers in everything we do and to respond to their needs through the enduring excellence of our policies and processes.

Environment

- Weir Group is committed to the protection of the environment in which all its companies operate.
- Each Weir company will comply with the relevant regulatory requirements applicable to its businesses.
- Each Weir company will ensure that it is seen to be a good citizen in the community in which it operates and adopt practices aimed at minimising the environmental impact of its operations.

The Group's environmental policy is the responsibility of the Board, while its implementation is the responsibility of divisional managing directors. Each Weir division is required to report on environmental performance and maintain environmental management practices.

During 2003, we committed to achieving ISO 14001 accreditation for all companies by the end of 2004. Our progress in 2003 has been substantial with the gap audit now complete for all divisions and the full audit two-thirds finished in 2003. We are on plan for completion in 2004.

ISO 14001 ensures that a business is legally compliant in all its practices. A significant number of major clients specify ISO 14001 accreditation or, as a minimum, working towards accreditation, as a pre-qualification requirement in the selection of suppliers.

At Weir, we recognise the wider benefits that accreditation can bring. The three processes of ISO 14001 - to set objectives, implement the programme and monitor progress - are cyclical and continuous and ensure best environmental practice. ISO 14001 creates a culture where environmental considerations are actively managed rather than merely observed or avoided. An effective environmental management system certified to ISO 14001 helps the Group operate in a safer, more cost-efficient and environmentally responsible manner while also complying with relevant environmental legislation.

The key benefits associated with implementing a certified environmental management system are:

- demonstrating conformance;
- management confidence;
- approved management of environmental risk;
- independent assessment;
- compliance with legislative and other requirements;
- continual performance improvement;
- cost reductions;
- supply chain benefits.

In practice, the accreditation process is encouraging each of our divisions to consider the environmental implications of its products and management systems, identifying opportunities both for improvement and cost reductions.

Initiatives undertaken by Weir Group companies include:

- action to reduce paper purchased by 40% during the next five years;
- reduction in sand and minerals usage by our materials and foundries businesses;
- reduction in water usage in test facilities in our Valves & Controls Division;
- optimisation of our road transport usage across a number of Weir Group companies;
- safeguarding of company supplier bases through regular auditing and questionnaires.

This process has been led by Weir Westgarth who achieved accreditation to ISO 14001 in April 2003. The lessons learnt by Weir Westgarth during the process towards certification have benefited the other companies within the Techna Division and they have also been disseminated to other companies across the Group through the environmental and health and safety forum. Weir Westgarth have, for some time, been developing cleaning methods for membranes that have reduced and, in some cases, cut out entirely, harmful chemicals that were originally used in the cleaning of membranes. Weir Envig have also been in the forefront in South Africa of developing processes to reduce and in many cases cut out environmental hazards, especially in the mining and power industries. The nature of the various processes dictate that in many cases we already exceed specific requirements laid down in the environmental legislation as we find better ways of doing things. Weir Envig are in the process of applying for a patent that will cut out the use of some chemicals altogether in certain types of plant.

Health and safety

Safety remains a very high priority within Weir. The Group's policy on health and safety requires that all our companies take a responsible attitude to the protection of their employees' health and safety.

All companies carefully evaluate risks to personnel wherever they are working and take appropriate steps to minimise such risks. These include ensuring that project design engineers consider design factors that minimise or eliminate the risk of accidents to personnel during site installation and commissioning.

All Group companies are required to comply with the legislation governing health and safety at work and to conduct regular formal health and safety reviews at plant and site level. These reviews are undertaken by nominated managers and employees to ensure that risks may be properly evaluated, events leading to accidents may be examined and appropriate remedial or avoidance action may be initiated and subsequently monitored. Formal reporting procedures have been implemented so that we can monitor the safety performance of individual companies and peer-to-peer audits are conducted in order to provide a critical assessment of each company's performance.

At Weir Warman in the UK, the health and safety policy was revised significantly in August 2003 to create a pan-European policy, which was then communicated to all Weir Warman sites in Europe and Russia. In May 2003, a new policy of wearing gloves whilst manual handling was introduced, which has resulted in hand injuries accounting for 33% of injuries in 2003, compared to 53% in 2002 (39 fewer injuries). A new accident investigation procedure was launched in July 2003, which involves both the injured person and supervisory management when there is a lost time accident, serious incident or near miss. Other safety initiatives launched in 2003 include a new quarterly safety newsletter to notify the whole workplace of serious issues and the introduction of an award scheme.

Across the Group, a major focus has been on reducing lost time incidents with strict targets being set on reductions and every accident being thoroughly investigated.

Research and development

Research and development has a vital role to play in meeting our corporate social responsibilities. The development of new products that are more environmentally benign in both manufacture and operation and the substitution of harmful materials, offer competitive advantage to ourselves and to our customers.

Weir Entropie's innovative high performance chillers are specifically designed to use waste heat as the energy source for process cooling and air conditioning. This enables our customers to increase their energy efficiency and meet their own emissions targets. We are also running an international research programme to assess the potential of solar energy in drinking water production and we make the heat pumps that are a key component in the most efficient flue gas cleaning units for *biomass and waste incineration plants*.

We recognise that many of our products are themselves contributors to environmental protection in critical areas such as power generation, nuclear handling and subsea oil and gas exploration. We are therefore investing in research and development to continuously improve their performance.

The alliance between Weir Services and VA Tech continues to grow, with the award in October 2003 of three refurbishment projects valued at over £11 million from Scottish and Southern Energy, the largest operator of hydro-electric power in the UK. The projects are an important part of Scottish and Southern's £250 million programme to improve the efficiency and extend the life of its hydro-electric power stations, contributing to the UK government's renewable energy targets. Environmental considerations include conversion of the turbine to an 'oil free' design and site activities managed to comply with the division's ISO 14001 environmental procedures.

Earlier in 2003, Weir Services and Scottish and Southern Energy formed a joint venture company, Renewable Technology Ventures Ltd. The purpose of the joint venture is to stimulate new technologies for wave and tidal energy and other related technologies. Its launch followed the publication of the Government's Energy White Paper, which said that the key to realising the full potential of renewables over time is the generation of innovative ideas which will bring on new technologies as well as improving existing ones.

2004 will see increased investment in design, research and development, in which our corporate social responsibility and business objectives are closely aligned.

Corporate Social Responsibility Report

(Continued)

Community involvement

During the year, Group companies were involved in numerous community, social and cultural initiatives. Causes, events and charities are often nominated and driven by our employees, reflecting their own interests and social engagement. We participate in a range of educational and training initiatives, including a programme to raise industrial awareness in schools, engineering support for the Young Enterprise scheme, work experience placements for school children and an accessible and well-respected apprenticeship scheme.

Weir Envig, market leaders in the South African effluent treatment market, has made a concerted effort to improve and conserve the famous natural beauty of the Western Cape of South Africa. Factory staff from Membratek, Weir Envig's membrane manufacturing plant, cleaned the 14km stretch of road between Antoniesvlei and Tweede Tol on the Bain's Kloof pass which was declared a national monument in the 1980's. In May 2003, a team from Weir Strachan & Henshaw took part in the 2003 Care International Three Peaks Challenge. In addition to completing this tough annual challenge with the fastest time, the team also secured several thousand pounds of charitable donations for Care International – a charity working hard to maintain utilities in troubled areas of the world. In the United States, Weir Floway encourages employees to participate in community volunteer work. The company's employees have, on a regular basis, been helping out at an organisation that serves the hungry, the homeless and the destitute of Fresno, California. In Chile, Weir Vulco is a very active member of the community of San Bernardo where the plant is situated. Staff provide assistance with a good neighbour programme and give help to the local children who live in poverty.

Employee involvement

Corporate social responsibility demands that we involve and inform our employees as much as possible. Weir has established many channels for employee involvement, including an open and ongoing dialogue with trades unions. Given the diverse nature and geographical spread of our operations, it would be inappropriate and impractical to apply uniform procedures Group-wide. Each company is therefore responsible for achieving and maintaining appropriate consultation and communication with their employees.

We encourage wider, more general employee involvement through the production and distribution on a regular basis of printed and electronic newspapers and bulletins for employees to promote awareness of current progress and developments within the Group.

Employment of disabled persons

The Group gives full and fair consideration to employment applications from disabled persons. Where an employee becomes disabled, arrangements are made wherever practicable to continue employment by identifying an available job suited to that person's capabilities and providing any necessary retraining. The Group's career development programme encourages disabled employees to reach their full potential.

Charitable contributions

During the year Group companies made the following contributions:

The Weir Group Educational Trust £30,000

Other charitable (being specifically health, heritage, educational and community) purposes £88,516

The Group made no political contributions during the year.

Our suppliers

We recognise that our corporate social responsibility also reflects in the way we behave towards our suppliers. The Group does not operate a standard policy in respect of payments to suppliers. Each operating company is responsible for agreeing the terms and conditions under which business transactions are conducted, including the terms of payment. It is Group policy that payments to suppliers are made in accordance with the agreed terms. At 26 December 2003, the Group had an average of 59 days' purchases outstanding in trade creditors.

Many Weir companies are collaborating closely with suppliers to address environmental impacts throughout the supply chain, particularly in areas such as raw materials, packaging and recycling, to our mutual benefit.

Directors' Responsibilities

Directors' responsibilities

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 Group and of the profit or loss of the Group for the period. In preparing these accounts, the directors are required to select suitable accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent and state whether or not applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group 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 any reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

Independent auditors' report to the members of The Weir Group PLC

We have audited the Group's accounts for the 52 weeks ended 26 December 2003 which comprise the Accounting Policies, Consolidated Profit & Loss Account, Balance Sheets, Cash Flow Statement, Reconciliation of Net Cash Flow to Movement in Net Funds, Statement of Total Recognised Gains & Losses, Reconciliation of Movements in Shareholders' Funds, the related notes 1 to 26 and Principal Companies of the Group. These accounts have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Report of the Bonus and Remuneration Committee that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Report of the Bonus and Remuneration Committee and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Directors' Responsibilities statement.

Our responsibility is to audit the accounts and the part of the Report of the Bonus and Remuneration Committee to be audited in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Report of the Bonus and Remuneration Committee to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises the Financial Highlights 2003, Key Achievements, Our business at a glance, Our chosen markets, Chairman's Statement, Chief Executive's Review, Operational Review, Financial Review, Board of Directors, Directors' Report,

Corporate Governance Statement, Audit Committee Report, Nomination Committee Report, unaudited part of the Report of the Bonus and Remuneration Committee, the Corporate Social Responsibility Report and the Group Five Year Summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

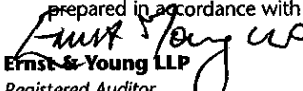
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Report of the Bonus and Remuneration Committee to be audited. 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 Group'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 and the part of the Report of the Bonus and Remuneration Committee to be audited 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 and the part of the Report of the Bonus and Remuneration Committee to be audited.

Opinion

In our opinion:

- the accounts give a true and fair view of the state of affairs of the company and of the Group as at 26 December 2003 and of the profit of the Group for the 52 weeks then ended; and
- the accounts and the part of the Report of the Bonus and Remuneration Committee to be audited have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
Glasgow
16 March 2004

Accounting Policies

a) Group accounts

The Group accounts consolidate the accounts of the company and subsidiary undertakings made up to a date co-terminous with the financial year of the company. References to 'subsidiaries' are to be taken as references to subsidiary undertakings unless otherwise stated. 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.

Entities in which the Group holds an interest on a long term basis and are jointly controlled by the Group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the Group accounts, joint ventures are accounted for using the gross equity method as defined in FRS9.

Entities, other than subsidiaries or joint ventures, in which the Group has a participating interest and over whose operating and financial policies the Group exercises a significant influence are treated as associates. In the Group accounts, associates are accounted for using the equity method. References to 'associates' are to be taken as references to associated undertakings unless otherwise stated. The amounts are derived from the latest audited or reliable unaudited accounts made up to the company's reporting date.

The accounts are prepared in accordance with applicable accounting standards.

b) Goodwill

Goodwill on acquisition of subsidiaries, associates or businesses prior to 27 December 1997 was deducted directly from reserves and has not been reinstated on implementation of FRS10. Positive goodwill arising on acquisitions since then is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that was deducted directly from reserves or that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

c) Tangible assets

Freehold land and buildings are stated at valuation in 1978 and 1981 with subsequent additions at cost. Other tangible assets are stated at cost. Except for land, the cost or valuation of tangible assets is depreciated over the estimated useful life by equal annual instalments at rates of 2.5% for buildings and 5% to 33.33% for plant and equipment. 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) Government grants

Grants related to expenditure on tangible assets are credited to profit at the same rate as the depreciation on the assets to which the grants relate. The amounts shown in the balance sheet in respect of grants consist of the total grants receivable to date, less the amounts so far credited to profit. Grants of a revenue nature are credited to income in the period to which they relate.

e) Stocks

Stocks are stated at the lower of cost and net realisable value. 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 due allowance is made for obsolete and slow moving items. 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 receivable on account.

f) Long term contracts

A long term contract is defined as the supply of a single substantial project where the supply normally extends into different accounting periods. Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Depending on the nature of each contract, turnover is either calculated to be cost together with a proportion of profit appropriate to the stage of completion of each contract, or is ascertained by reference to the valuation of individual elements of work completed with separately ascertainable sales values. 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 receivable on account.

g) Research & development expenditure

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

h) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, joint ventures and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

i) Foreign currencies

Transactions in foreign currencies are converted at the rate ruling at the date of the transaction or at the contract rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities in foreign currencies are translated at the closing rate or, if appropriate, at the forward contract rate. The accounts of overseas subsidiaries, joint ventures and associates are translated using the average rate for the year for the profit and loss account and cash flow statements and the closing rate for the balance sheet. The Group's interest in the equity of overseas joint ventures and associates are translated at the closing rate. Exchange differences on consolidation, after adjusting for differences on foreign currency net borrowings, are treated as adjustments to reserves and other 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.

j) Retirement benefits

The company and its major subsidiaries operate defined benefit pension plans which are set up under separate trusts or through insurance companies. On the advice of an independent qualified actuary, contribution payments are made to the plans to ensure that the plans' assets are sufficient to cover future liabilities. Pension plan assets are measured using market values. Pension plan liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of the liabilities of the Group's defined benefit pension plans expected to arise from employee service in the period is charged against operating profit. The expected return on the plans' assets and the increase during the period in the present value of the plans' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Unfunded unapproved pension promises and obligations to provide certain additional post retirement benefits to a number of overseas employees are accorded the same accounting treatment as applies to defined benefit pension plan liabilities.

Contributions to defined contribution pension plans are charged to the profit and loss account when they become payable.

k) Leasing

Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Consolidated Profit & Loss Account

for the 52 weeks ended 26 December 2003

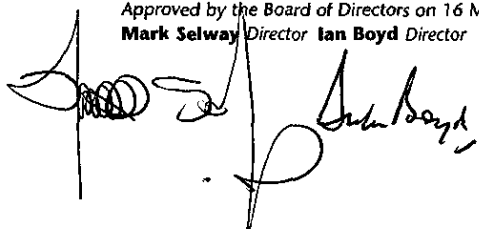
		<i>Group</i>					
	Notes	Before amortisation of goodwill & exceptional items 2003 £'000	Amortisation of goodwill & exceptional items 2003 £'000	Total 2003 £'000	Before amortisation of goodwill & exceptional items 2002 £'000	Amortisation of goodwill & exceptional items 2002 £'000	Total 2002 £'000
Turnover							
Group	1						
– continuing operations		690,718	–	690,718	685,246	–	685,246
– discontinued operations		–	–	–	15,964	–	15,964
		690,718	–	690,718	701,210	–	701,210
Share of							
– joint ventures		9,211	–	9,211	9,814	–	9,814
– associates		93,488	–	93,488	91,631	–	91,631
– discontinued associate		–	–	–	39,051	–	39,051
		793,417	–	793,417	841,706	–	841,706
Operating profit							
Group	2a, 3						
– continuing operations		53,234	–	53,234	50,056	(4,289)	45,767
– discontinued operations		–	–	–	2,699	–	2,699
– goodwill amortisation		–	(6,927)	(6,927)	–	(6,671)	(6,671)
		53,234	(6,927)	46,307	52,755	(10,960)	41,795
Share of							
– joint ventures		1,662	–	1,662	1,813	–	1,813
– associates		8,628	(183)	8,445	5,870	(182)	5,688
– discontinued associate		–	–	–	1,797	–	1,797
		63,524	(7,110)	56,414	62,235	(11,142)	51,093
Exceptional items							
	3						
Profit on disposal of land		–	1,663	1,663	–	–	–
Profit on disposal of discontinued operations		–	–	–	–	10,539	10,539
Interest & other income							
	2b						
Net interest & other income		(3,855)	–	(3,855)	(3,984)	–	(3,984)
Other finance (costs) / income		(2,969)	–	(2,969)	1,779	–	1,779
Profit on ordinary activities before tax							
	2c	56,700	(5,447)	51,253	60,030	(603)	59,427
Tax on profit on ordinary activities	4a	13,051	(4,696)	8,355	13,822	(4,796)	9,026
Profit on ordinary activities after tax							
		43,649	(751)	42,898	46,208	4,193	50,401
Minority interest		14	–	14	245	–	245
Profit attributable to The Weir Group PLC							
	21	43,635	(751)	42,884	45,963	4,193	50,156
Dividends	5	25,378	–	25,378	24,500	–	24,500
Transfer to reserves	20	18,257	(751)	17,506	21,463	4,193	25,656
Earnings per share							
	6	21.4p	(0.4p)	21.0p	22.6p	2.1p	24.7p
Diluted earnings per share							
	6			21.0p			24.6p

Balance Sheets

at 26 December 2003

	Notes	Group		Company	
		2003 £'000	2002 £'000	2003 £'000	2002 £'000
Fixed assets					
Intangible assets – goodwill	8	113,933	105,509	-	-
Tangible assets	9	102,557	97,676	99	135
Investments	10				
Joint ventures – share of gross assets		9,029	9,343	-	-
– share of gross liabilities		2,724	3,199	-	-
		6,305	6,144	-	-
Associates		16,337	13,468	16,264	13,334
Other		445	539	410,139	353,678
		23,087	20,151	426,403	367,012
Total fixed assets		239,577	223,336	426,502	367,147
Current assets					
Stocks	11	99,671	95,034	-	-
Debtors	12	179,888	186,090	16,323	8,689
Cash at bank & in hand		117,898	153,056	17,880	71,031
		397,457	434,180	34,203	79,720
Creditors falling due within one year					
Borrowings	13	115,238	11,898	45,279	39,089
Other creditors	14	178,198	186,331	20,985	29,055
		293,436	198,229	66,264	68,144
Net current assets / (liabilities)		104,021	235,951	(32,061)	11,576
Total assets less current liabilities		343,598	459,287	394,441	378,723
Less					
Creditors falling due after more than one year					
Loans	15	428	137,237	157,710	196,086
Obligations under finance leases	16	1,211	1,542	-	-
Provisions for liabilities & charges	17	34,490	33,114	1,887	1,885
Deferred income					
Grants not yet credited to profit		26	147	-	-
Minority interest		567	560	-	-
Net assets excluding retirement benefits		306,876	286,687	234,844	180,752
Retirement benefits – liability	18	72,691	106,594	659	659
Net assets including retirement benefits		234,185	180,093	234,185	180,093
Capital & reserves					
Called up share capital	19	25,587	25,522	25,587	25,522
Share premium account	20	21,258	20,219	21,258	20,219
Capital redemption reserve	20	531	531	531	531
Revaluation reserve	20	-	-	(54,944)	(112,754)
Special reserve	20	-	-	1,840	1,840
Profit & loss account	20	186,809	133,821	239,913	244,735
		234,185	180,093	234,185	180,093

Approved by the Board of Directors on 16 March 2004
Mark Selway Director **Ian Boyd** Director



Cash Flow Statement

for the 52 weeks ended 26 December 2003

	Notes	Group			
		2003 £'000	2003 £'000	2002 £'000	2002 £'000
Cash inflow from operating activities	22a				
- funds generated by operations		56,796		59,739	
- decrease in working capital		569		9,658	
- cash spent on exceptional items		(1,480)		(1,325)	
			55,885		68,072
Dividends received from joint ventures			1,248		1,329
Dividends received from associates			2,626		1,811
Returns on investments & servicing of finance	22b		(4,172)		(3,510)
Taxation			(7,584)		(7,116)
Capital expenditure & financial investment					
- purchases	22b	(18,565)		(15,770)	
- sales	22b	5,856		5,573	
			(12,709)		(10,197)
Acquisitions & disposals					
- acquisitions	23b	(4,563)		(927)	
- disposals of businesses	23c	61		17,423	
- disposal of associate		-		19,517	
			(4,502)		36,013
Equity dividends paid			(24,718)		(23,766)
Cash inflow before liquid resources & financing			6,074		62,636
Management of liquid resources	22b		62,694		(35,516)
Financing					
- issue of shares	22b	1,104		4,054	
- new loans	22b	-		96	
- debt repaid	22b	(51,169)		(15,069)	
- foreign exchange hedging	22b	2,113		3,246	
			(47,952)		(7,673)
Increase in cash			20,816		19,447

Reconciliation of Net Cash Flow to Movement in Net Funds

for the 52 weeks ended 26 December 2003

	Group	
	2003 £'000	2002 £'000
Increase in cash	20,816	19,447
Cash flow from debt repaid	51,169	15,069
Cash flow from new loans	-	(96)
Cash flow from management of liquid resources	(62,694)	35,516
Change in net funds / (debt) resulting from cash flows	9,291	69,936
Leases - inceptions	(91)	(182)
Exchange	(10,620)	(1,859)
Movement in net funds / (debt) during the year	(1,420)	67,895
Net funds / (debt) at 28 December 2002	1,924	(65,971)
Net funds at 26 December 2003	504	1,924

The analysis of net funds is included in note 22 (c).

Additional Statements

for the 52 weeks ended 26 December 2003

Statement of Total Recognised Gains & Losses

	Notes	Group	
		2003 £'000	2002 £'000
Profit excluding share of profit for joint ventures & associates		35,815	43,409
Share of joint ventures' profit		1,591	1,681
Share of associates' profit		5,478	5,066
Profit attributable to The Weir Group PLC		42,884	50,156
Actuarial gain / (loss)	18	39,045	(129,832)
Tax thereon	4b	(11,569)	39,523
Exchange differences on foreign currency net investments		8,370	(8,703)
Tax thereon	4b	(364)	-
Total recognised gains / (losses)		78,366	(48,856)

Reconciliation of Movements in Shareholders' Funds

	Group	
	2003 £'000	2002 £'000
Total recognised gains / (losses)	78,366	(48,856)
Dividends	(25,378)	(24,500)
Other movements		
- new share capital subscribed	1,104	4,650
- cost of issuing shares	-	(596)
- goodwill reinstated on disposal	-	(725)
Net addition / (reduction) to shareholders' funds	54,092	(70,027)
Opening shareholders' funds	180,093	250,120
Closing shareholders' funds	234,185	180,093

Shareholders' funds are entirely attributable to equity interests.

Notes to the Accounts

1. Turnover & 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 shown in the table below. For comparative purposes 2002 figures for this note have been restated at the 2003 average exchange rates with the aggregate adjustment being made on the "Exchange adjustment – Group" line.

	Turnover 2003 £'000	Turnover 2002 £'000	Profit 2003 £'000	Profit 2002 £'000
Engineering Products:				
Group – continuing – excluding exceptionals	428,879	429,204	34,852	32,505
– operating exceptional items	–	–	–	(4,163)
– discontinued	–	3,316	–	183
	428,879	432,520	34,852	28,525
Share of associate	8	15	2	(1)
	428,887	432,535	34,854	28,524
Techna:				
Group	72,930	109,090	785	5,420
Share of joint venture	361	549	5	5
	73,291	109,639	790	5,425
Engineering Services:				
Group – continuing	188,909	153,401	20,597	15,338
– discontinued	–	12,505	–	2,525
	188,909	165,906	20,597	17,863
Share of joint ventures	8,850	9,265	1,657	1,808
Share of associate	93,480	91,616	8,626	5,871
Share of associate – discontinued	–	39,051	–	1,797
	291,239	305,838	30,880	27,339
Segmental totals				
Group	690,718	707,516	56,234	51,808
Joint ventures & associates	102,699	140,496	10,290	9,480
Goodwill amortisation				
– Engineering Products	–	–	(6,713)	(6,757)
– Engineering Services	–	–	(214)	(255)
– Associate	–	–	(183)	(182)
Unallocated costs	–	–	(3,000)	(2,900)
Exchange adjustment – Group	–	(6,306)	–	(101)
	793,417	841,706	56,414	51,093
Exceptional items				
– Engineering Products	–	–	1,663	(48)
– Engineering Services	–	–	–	10,587
Interest & other income	–	–	(6,824)	(2,205)
	793,417	841,706	51,253	59,427

The analysis of Group turnover before share of joint ventures and associates by geographical area of origin is as follows:

	Total 2003 £'000	Continuing operations 2002 £'000	Discontinued operations 2002 £'000	Total 2002 £'000
United Kingdom	280,423	311,568	3,964	315,532
Rest of Europe	65,109	56,403	5,330	61,733
Americas	234,683	229,328	6,387	235,715
Middle East & Africa	37,718	30,460	140	30,600
Asia	2,388	1,795	–	1,795
Australia	70,397	62,141	–	62,141
	690,718	691,695	15,821	707,516

1. Turnover & profit on ordinary activities before tax (continued)

The analysis of Group operating profit before unallocated costs, goodwill amortisation and share of joint ventures and associates by geographical area of origin is as follows:

	Total 2003 £'000	Continuing operations 2002 £'000	Discontinued operations 2002 £'000	Total 2002 £'000
United Kingdom	9,762	8,869	1,517	10,386
Rest of Europe	5,366	3,915	(42)	3,873
Americas	25,001	22,812	1,573	24,385
Middle East & Africa	4,225	2,788	(340)	2,448
Asia	240	225	–	225
Australia	11,640	10,491	–	10,491
	56,234	49,100	2,708	51,808

Group operating profit shown under the "Americas" heading is net of the operating exceptional cost of £nil (2002: £1,463,000).
Group operating profit shown under the "UK" heading is net of the operating exceptional cost of £nil (2002: £2,700,000).

The analysis of Group turnover by geographical area of destination is as follows:

	Total 2003 £'000	Continuing operations 2002 £'000	Discontinued operations 2002 £'000	Total 2002 £'000
United Kingdom	126,734	157,230	1,426	158,656
Rest of Europe	86,201	76,731	2,770	79,501
Americas	238,840	252,247	6,419	258,666
Middle East & Africa	111,711	89,955	5,186	95,141
Asia	69,284	64,652	19	64,671
Australia	57,948	50,880	1	50,881
	690,718	691,695	15,821	707,516

An analysis of engineering products by activity and an analysis of net assets by class of business and geographical origin have not been disclosed. The directors are of the opinion that to disclose such information would be seriously prejudicial to the interests of the Group.

2. Profit on ordinary activities before tax

(a) Movement between turnover & operating profit:

	Total 2003 £'000	Continuing operations 2002 £'000	Discontinued operations 2002 £'000	Total 2002 £'000
Turnover	690,718	685,246	15,964	701,210
Cost of sales	(488,525)	(497,279)	(12,117)	(509,396)
Gross profit	202,193	187,967	3,847	191,814
Distribution costs	(99,397)	(88,428)	(815)	(89,243)
Administrative expenses	(51,972)	(57,808)	(1,361)	(59,169)
Goodwill amortisation	(6,927)	(6,671)	–	(6,671)
Other operating income	2,410	4,036	1,028	5,064
Operating profit:				
– Group	46,307	39,096	2,699	41,795
– share of joint ventures	1,662	1,813	–	1,813
– share of associates	8,445	5,688	1,797	7,485
Total operating profit	56,414	46,597	4,496	51,093

Goodwill amortisation is classified as administrative expenses which therefore total £58,899,000 (2002: £65,840,000).
Administrative expenses includes the exceptional item of £nil (2002: £4,289,000).

Notes to the Accounts (Continued)

2. Profit on ordinary activities before tax (continued)

	2003 £'000	2002 £'000
(b) Interest & other income:		
Interest receivable on cash at bank	5,004	4,692
Income from associates	4	217
Interest payable on bank loans & overdrafts	(7,938)	(8,005)
Finance charges related to committed loan facilities	(445)	(465)
Finance charges payable under finance leases	(159)	(204)
Group interest & other income	(3,534)	(3,765)
Share of		
– joint ventures	43	34
– associates	(364)	(253)
Net interest & other income	(3,855)	(3,984)
Expected return on pension plan assets	25,936	31,829
Interest on retirement benefits liabilities	(28,905)	(30,050)
Other finance (costs) / income	(2,969)	1,779
(c) Profit on ordinary activities before tax is after charging / (crediting):		
Depreciation	15,374	16,961
Goodwill amortisation	6,927	6,671
Government grant credits	(127)	(122)
Auditors' remuneration		
The total fees payable by the Group to Ernst & Young LLP for work performed in respect of the audit and other services provided to the Group and its subsidiary companies during the period is disclosed below:		
Audit services		
Statutory audit *		
– UK	368	369
– Overseas	352	326
Audit related regulatory reporting – UK	34	-
Total audit services	754	695
Other fees		
Further assurance services	109	156
Tax services		
– compliance services	427	313
– advisory services	729	789
Total other fees	1,265	1,258
* £10,400 (2002: £10,400) of this relates to the company.		
Total fees paid in respect of work carried out for the company and its UK subsidiaries other than for the statutory audit totalled £675,000 (2002: £621,000). Fees not included in the disclosure above of £41,000 (2002: £43,000) were paid to the auditors in respect of their audit of the Group's pension schemes.		
Operating lease rentals		
Land & buildings	3,723	3,555
Plant & machinery	4,271	4,705
	7,994	8,260
Gross research & development	5,452	4,612
Reimbursable from third parties	(495)	(544)
Net cost	4,957	4,068

3. Exceptional Items

	2003 £'000	2002 £'000
Operating exceptional items	-	(4,289)

In 2002 provision was made to cover the net costs of closure (including tangible asset impairment losses) of the foundry activities at Hazleton Pumps Inc and the operations of Weir Pumps Limited at Girdlestone.

Profit on disposal of land	1,663	-
Profit on disposal of discontinued operations	-	2,066
Profit on disposal of associate company	-	8,473
Non operating exceptional items	1,663	10,539

The profit on disposal of land relates to the disposal of surplus land at the Manchester site of Weir Pumps Limited which was completed on 4 December 2003.

The comparative figures for the 52 weeks to 27 December 2002 relate to the disposals of the businesses of Molded Products, Actuators and the turbo-drilling operation of Neyrfor-Weir Limited which were completed on 28 June 2002, 1 July 2002 and 31 July 2002 respectively and the disposal of an associate company, First Engineering Limited, which was completed on 7 October 2002. The results of these businesses for the prior year to the dates of disposal have been shown in the profit and loss account as "discontinued".

4. Tax

(a) Profit & loss account – tax charge

	Before exceptional items 2003 £'000	Exceptional – previous year adjustments 2003 £'000	Total 2003 £'000
Current tax:			
UK corporation tax at 30%	916	-	916
UK tax adjustment to previous years	(1,446)	(4,634)	(6,080)
	(530)	(4,634)	(5,164)
Double tax relief	(1,768)	-	(1,768)
	(2,298)	(4,634)	(6,932)
Foreign tax	8,916	-	8,916
Foreign tax adjustment to previous years	323	-	323
Group current tax	6,941	(4,634)	2,307
Share of joint ventures' current tax	175	-	175
Share of associates' current tax	1,894	-	1,894
Total current tax	9,010	(4,634)	4,376
Deferred tax:			
Group deferred tax – origination & reversal of timing differences	3,331	-	3,331
Share of joint ventures' deferred tax	(61)	-	(61)
Share of associates' deferred tax	709	-	709
Total deferred tax	3,979	-	3,979
Tax on profit on ordinary activities	12,989	(4,634)	8,355

Foreign tax includes a £62,000 tax credit relating to amortisation of goodwill as disclosed on the face of the profit and loss account.

Notes to the Accounts (Continued)

4. Tax (continued)

(a) Profit & loss account – tax charge

	Before exceptional items 2002 £'000	On exceptional items 2002 £'000	Exceptional – previous year adjustments 2002 £'000	Total 2002 £'000
Current tax:				
UK corporation tax at 30%	2,089	(755)	–	1,334
UK tax adjustment to previous years	–	–	(2,072)	(2,072)
	2,089	(755)	(2,072)	(738)
Double tax relief	(635)	–	7	(628)
	1,454	(755)	(2,065)	(1,366)
Foreign tax	7,281	316	–	7,597
Foreign tax adjustment to previous years	–	–	(284)	(284)
	8,735	(439)	(2,349)	5,947
Group current tax	166	–	–	166
Share of joint ventures' current tax	2,061	–	–	2,061
Share of associates' current tax				
Total current tax	10,962	(439)	(2,349)	8,174
Deferred tax:				
Origination & reversal of timing differences	2,740	(962)	(1,046)	732
Effect of tax rate change on opening liability	15	–	–	15
	2,755	(962)	(1,046)	747
Group deferred tax	105	–	–	105
Share of associates' deferred tax				
Total deferred tax	2,860	(962)	(1,046)	852
Tax on profit on ordinary activities	13,822	(1,401)	(3,395)	9,026

The tax credit on exceptional items includes £810,000 relating to the operating exceptional items and £591,000 relating to the non operating exceptional items.

(b) Statement of total recognised gains & losses

	2003 £'000	2002 £'000
Tax charge on exchange differences on foreign currency net investments:		
Current tax – overseas	(364)	–
	(364)	–
Tax (charge) / credit on actuarial gain / loss on retirement benefits:		
Current tax on contributions in excess of costs through the profit & loss account	597	1,239
Deferred tax on contributions in excess of costs through the profit & loss account	(508)	1,525
Deferred tax – origination & reversal of timing differences	(11,658)	36,759
	(11,569)	39,523
	(11,933)	39,523

4. Tax (continued)

(c) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is less than the weighted average of standard rates of corporation tax across the Group of 31.2% (2002: 30.3%). The differences are reconciled below:

	2003 £'000	2002 £'000
Profit on ordinary activities before tax	51,253	59,427
Profit on ordinary activities multiplied by the weighted average rate of corporation tax across the Group of 31.2% (2002: 30.3%)	15,980	17,994
Expenses not deductible for tax purposes	988	983
Goodwill amortised / released not eligible for tax relief	2,061	1,785
Enhanced tax relief on expenditure	(152)	(577)
Benefit arising from fiscally efficient financing of global operations	(7,115)	(6,565)
Tax on overseas earnings repatriated to the UK	187	249
Increase in unrecognised deferred tax assets	1,686	2,039
Gains covered by unrecognised losses or exempt from tax	(479)	(3,485)
Decelerated capital allowances	906	1,603
Timing difference on goodwill eligible for tax relief	(1,571)	(1,707)
Other timing differences	(2,150)	(1,796)
Adjustments to tax charge in respect of previous periods – exceptional	(4,634)	(2,349)
– other	(1,331)	–
Total current tax (see note 4a)	4,376	8,174

(d) Factors that may affect future tax charges

Overseas deferred tax asset balances amounting to £12,812,000 (2002: £12,167,000) have not been recognised on the grounds that there is insufficient evidence that these assets will be recoverable. These assets will be recovered when future tax charges are sufficient to absorb the reversal of these tax benefits. Deferred tax asset balances for capital losses in the UK amounting to £13,158,000 (2002: £13,460,000) have not been recognised but would be available in the event of future capital gains being incurred by the Group.

The Group will continue to manage its future global tax charge with a view to delivering a continuing sub-standard tax rate.

No provision has been made for the liability to tax from capital gains amounting to £78,000 (2002: £77,000) which would arise if land and buildings were to be sold at their book amounts.

No provision has been made for any taxation which might arise on the distribution to the UK of retained overseas earnings of £194,702,000 (2002: £162,408,000).

(e) Balance sheet – deferred tax

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Included in debtors (note 12)	2,183	1,217	1,026	1,518
Included in provisions for liabilities & charges (note 17)	(17,533)	(16,672)	–	–
Included in retirement benefits (note 18)	32,747	47,257	282	283
	17,397	31,802	1,308	1,801
Accelerated capital allowances	(1,522)	(2,475)	2	(15)
Other timing differences	(13,828)	(12,980)	1,024	1,533
Retirement benefits	32,747	47,257	282	283
	17,397	31,802	1,308	1,801
At 28 December 2002	31,802		1,801	
Profit & loss account	(3,331)		(536)	
Statement of total recognised gains & losses	(12,166)		43	
Acquired	36		–	
Exchange	1,056		–	
At 26 December 2003	17,397		1,308	

Notes to the Accounts (Continued)

5. Dividends

	2003 £'000	2002 £'000
On ordinary shares:		
Interim 3.35p per share (2002: 3.25p)	6,853	6,635
Proposed final 9.05p per share (2002: 8.75p)	18,525	17,865
	25,378	24,500

6. Earnings per share

The earnings per share calculation is based on earnings of £42,884,000 being profits attributable to The Weir Group PLC (2002: £50,156,000) and on the weighted average of 204,365,086 shares in issue (2002: 203,400,997).

The earnings per share excluding goodwill amortisation and exceptional items is based on earnings of £43,635,000 (2002: £45,963,000), being profit attributable to The Weir Group PLC of £42,884,000 (2002: £50,156,000) as adjusted to exclude goodwill amortisation net of associated tax of £7,048,000 (2002: goodwill amortisation of £6,853,000) and the exceptional profit after tax of £6,297,000 (2002: £11,046,000) and on the weighted average of 204,365,086 shares in issue (2002: 203,400,997). The effect of excluding the goodwill amortisation and the exceptional items on the earnings per share is an increase of 0.4p per share (2002: a decrease of 2.1p). The figure for earnings per share excluding goodwill amortisation and the exceptional items has been presented as the directors consider that this figure gives a more meaningful measurement of earnings.

The diluted earnings per share calculation is based on earnings of £42,884,000, being profits attributable to The Weir Group PLC (2002: £50,156,000), and on the weighted average of 204,657,884 shares in issue (2002: 204,015,270). The weighted average shares in issue is based on the basic weighted average of 204,365,086 shares in issue (2002: 203,400,997) together with the dilutive potential ordinary shares of 292,798 (2002: 614,273) in respect of employee share options.

7. Directors & employees

	2003 Number	2002 Number	
Average number of persons employed by the company and its subsidiaries:			
Engineering Products	5,102	5,396	
Techna	707	739	
Engineering Services	1,833	1,751	
	7,642	7,886	
	2003	2002	
	£'000	£'000	
Staff costs:			
Wages & salaries	184,795	183,617	
Social security costs	22,408	22,100	
Other pension costs (see below)	10,482	11,761	
Other post retirement healthcare costs (see below)	50	(430)	
	217,735	217,048	
Pension costs are analysed as follows:			
Defined benefit pensions:			
Current service cost	UK	5,180	6,950
	North America	1,058	1,212
Past service cost	North America	-	42
Settlements / curtailments	UK	(495)	-
	North America	-	(954)
		5,743	7,250
Defined contribution pensions:			
	UK	342	115
	Overseas	4,397	4,396
		4,739	4,511
Post retirement healthcare costs are analysed as follows:			
Current service cost	North America	50	71
Settlements / curtailments	North America	-	(501)
		50	(430)

Details of directors' remuneration, pension benefits and share options are included in the Report of the Bonus and Remuneration Committee on pages 33 to 35.

8. Intangible assets – goodwill

	Group Total £'000
Cost:	
At 28 December 2002	127,362
Acquisitions	4,046
Exchange	13,790
At 26 December 2003	145,198
Amortisation:	
At 28 December 2002	21,853
Provided during the year	6,927
Exchange	2,485
At 26 December 2003	31,265
Net book value at 26 December 2003	113,933
Net book value at 28 December 2002	105,509

Goodwill is being amortised over the directors' estimate of useful economic life which is 20 years.

Notes to the Accounts (Continued)

9. Tangible assets

	Group			Company
	Freehold land & buildings £'000	Plant & machinery £'000	Total £'000	Plant & machinery £'000
At 28 December 2002				
Cost	50,703	152,820	203,523	274
Valuation 1978	8,947	–	8,947	–
Valuation 1981	1,473	–	1,473	–
Additions	2,411	18,125	20,536	15
Disposals	(1,307)	(17,246)	(18,553)	–
Exchange	1,479	2,344	3,823	–
At 26 December 2003	63,706	156,043	219,749	289
Whereof:				
Cost	53,166	156,043	209,209	289
Valuation 1978	8,947	–	8,947	–
Valuation 1981	1,593	–	1,593	–
	63,706	156,043	219,749	289
Aggregate depreciation:				
At 28 December 2002	18,137	98,130	116,267	139
Charge for year	1,919	13,455	15,374	51
Disposals	(419)	(14,912)	(15,331)	–
Exchange	103	779	882	–
At 26 December 2003	19,740	97,452	117,192	190
Net book value at 26 December 2003	43,966	58,591	102,557	99
Net book value at 28 December 2002	42,986	54,690	97,676	135

On a historical cost basis, freehold land and buildings would have been included at a cost of £59,401,000 (2002: £55,608,000) less a cumulative provision for depreciation of £18,276,000 (2002: £16,302,000).

At 26 December 2003, the net book value of tangible assets acquired under finance leases included in Group land and buildings amounted to £890,000 (2002: £879,000) and in company land and buildings, £nil (2002: £nil). Depreciation charged for the year on these assets amounted to £57,000 (2002: £53,000) and £nil (2002: £nil) respectively.

At 26 December 2003, the net book value of tangible assets acquired under finance leases included in Group plant and machinery amounted to £670,000 (2002: £854,000) and in company plant and machinery, £nil (2002: £nil). Depreciation charged for the year on these assets amounted to £318,000 (2002: £548,000) and £nil (2002: £nil) respectively.

The transition rules of FRS15 were adopted for freehold land and buildings which permitted the retention of the carrying values at the previously revalued amounts. These assets valued in 1978 and 1981 will not be subject to further revaluation.

10. Fixed asset investments

		Group			
		Joint ventures £'000	Associates £'000	Other Investments £'000	Total £'000
At 28 December 2002	– cost	–	–	539	539
	– equity basis	6,144	13,468	–	19,612
Additions		–	–	305	305
Disposals		–	–	(388)	(388)
Increase in net assets		288	2,850	–	3,138
Exchange		(127)	19	(11)	(119)
At 26 December 2003		6,305	16,337	445	23,087
Whereof:					
Cost		–	–	445	445
Equity basis		6,305	16,337	–	22,642
		6,305	16,337	445	23,087

		Group	
		2003 £'000	2002 £'000
The aggregate of the Group's share in the net assets of the associates is analysed as follows:			
Fixed assets		41,338	38,779
Current assets		17,236	17,860
Share of gross assets		58,574	56,639
Liabilities due within one year		30,677	31,562
Liabilities due after more than one year		11,560	11,609
Share of gross liabilities		42,237	43,171
Share of net assets		16,337	13,468

		Company				
		Subsidiaries		Associates	Other Investments £'000	Total £'000
		Shares £'000	Loans £'000	£'000		
At 28 December 2002	– cost	–	–	–	23	23
	– valuation	350,543	3,112	13,334	–	366,989
Additions		–	4,442	–	–	4,442
Disposals / repayments		–	–	–	(6)	(6)
Increase / (decrease) in net assets		16,621	(252)	2,930	–	19,299
Increase in net assets due to FRS17		35,431	–	–	–	35,431
Exchange		–	225	–	–	225
At 26 December 2003		402,595	7,527	16,264	17	426,403
Whereof:						
Cost		–	–	–	17	17
Valuation		402,595	7,527	16,264	–	426,386
		402,595	7,527	16,264	17	426,403

Investments in subsidiaries and associates are held at valuation representing the amount of attributable underlying net assets at the balance sheet date including related unamortised goodwill together with the unallocated pension liability relating to subsidiaries. As at 26 December 2003, a provision of £1,887,000 (2002: £1,885,000) has been made against the deficiency of underlying net assets in certain subsidiaries. On a historical cost basis, the investment in the subsidiaries would have been included at a cost of £510,792,000 (2002: £506,125,000) less a provision for diminution in value of £31,123,000 (2002: £28,043,000). On a historical cost basis, the investment in the associates would have been included at a cost of £1,661,000 (2002: £1,661,000). The principal subsidiaries, joint ventures and associates of the Group are listed on page 70.

Notes to the Accounts (Continued)

11. Stocks

	Group	
	2003 £'000	2002 £'000
Raw materials	17,177	17,233
Work in progress	42,981	41,703
Finished goods	44,960	43,808
	105,118	102,744
Less: progress payments received & receivable	5,447	7,710
	99,671	95,034

12. Debtors

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Amounts recoverable within one year:				
Amounts recoverable on contracts	29,297	37,792	-	-
Trade debtors	131,928	131,749	-	-
Amounts owed by subsidiaries	-	-	10,275	5,808
Amounts owed by joint ventures & associates	1,095	1,353	868	735
Tax recoverable	2,658	2,709	2,831	-
Deferred tax recoverable	2,183	1,217	1,026	1,518
Vat recoverable	1,201	1,166	140	77
Other debtors	6,868	5,885	989	551
Prepayments & accrued income	4,658	4,219	194	-
	179,888	186,090	16,323	8,689

13. Borrowings

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank overdrafts & short term debt	173	1,918	13,933	28,609
Loans - current portion				
- bank loans	115,065	9,980	31,346	9,900
- loans from subsidiaries	-	-	-	580
	115,238	11,898	45,279	39,089

14. Other creditors

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Payments received on account	12,291	18,851	-	-
Obligations under finance leases (note 16)	517	455	-	-
Trade creditors	74,726	74,596	-	-
Amounts owed to subsidiaries	-	-	710	599
Amounts owed to associates	183	9	-	-
Corporate tax	8,177	13,390	-	9,165
Other taxes & social security costs	9,401	8,277	223	278
Other creditors	5,834	6,727	18	109
Accruals & deferred income	48,544	46,161	1,509	1,039
Proposed dividends	18,525	17,865	18,525	17,865
	178,198	186,331	20,985	29,055

15. Loans

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Amounts due are repayable as follows:				
in more than two years but not more than five years:				
– bank loans	339	396	–	–
– loans from subsidiaries	–	–	157,710	129,129
in more than one year but not more than two years				
– bank loans	89	136,841	–	66,957
	428	137,237	157,710	196,086
Loans – current portion (included in borrowings – see note 13)				
– bank loans	115,065	9,980	31,346	9,900
– loans from subsidiaries	–	–	–	580
	115,493	147,217	189,056	206,566

Bank loans amounting to £513,000 (2002: £555,000) are secured over local assets.

16. Leasing commitments

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
(a) Finance leases:				
As at 26 December 2003 the net obligations under finance leases amounted to	1,728	1,997	–	–
of which payable during				
2004	517	455	–	–
2005	480	425	–	–
2006 to 2008	479	762	–	–
after 2008	252	355	–	–
	1,728	1,997	–	–
(b) Operating leases:				
As at 26 December 2003 committed payments under operating leases for 2004 amounted to:				
Land & buildings	3,652	3,067	–	–
Other	3,288	3,242	35	35
	6,940	6,309	35	35
of which payable in respect of operating leases ending in				
2004	984	1,252	16	–
2005 to 2008	5,014	3,984	19	35
after 2008	942	1,073	–	–
	6,940	6,309	35	35

Notes to the Accounts (Continued)

17. Provisions for liabilities & charges

	Group					Total £'000
	Deferred tax £'000	Warranties £'000	Rational- isation £'000	Deferred consideration £'000	Other £'000	
At 28 December 2002	16,672	6,195	3,124	-	7,123	33,114
Net movement in year	2,029	-	-	-	-	2,029
Arising during the year	-	4,174	162	1,873	880	7,089
Acquisitions	-	-	-	-	46	46
Released	-	(3,378)	(1,173)	-	(1,240)	(5,791)
- utilised	-	(440)	(462)	-	(192)	(1,094)
- unutilised	-	-	-	-	-	-
Exchange	(1,168)	4	(3)	92	172	(903)
At 26 December 2003	17,533	6,555	1,648	1,965	6,789	34,490

Warranty provisions include provisions for expected warranty and contract penalty claims on products sold and services provided. It is expected that all costs related to such claims will have been incurred within five years of the balance sheet date. Rationalisation provisions relate primarily to remaining lease obligations in the UK. It is expected that these costs will be incurred in the period up to 2010. Deferred consideration relates to the current year acquisitions (see note 23b). Other provisions relate principally to an environmental clean up programme in the United States, provisions held by Australian subsidiaries for employees' long service leave, severance provisions in South America and leaving indemnity provisions in France. It is expected that the environmental costs will be incurred in the period up to 2024.

	Company	
	Subsidiaries £'000	
At 28 December 2002		1,885
Net movement in year		2
At 26 December 2003		1,887

The provision for subsidiaries is made in respect of the deficiency of underlying net assets in certain subsidiaries (see note 10).

18. Retirement benefits

The Group operates defined benefit pension arrangements in the UK and North America of which The Weir Group Pension & Retirement Savings Scheme is predominant. The latest full actuarial assessment of this plan was at 31 December 2002 and, for the purposes of accounting for FRS17, this has been adjusted to reflect the position at the 2003 year end by a qualified independent actuary. For this closed scheme, the current service cost is expected to increase under the projected unit method as the members of the scheme approach retirement.

Resulting from the latest full actuarial assessment, on the advice of the actuary, the employer contribution rate increased from 10.5% to 12.5% of total contribution salaries with effect from 1 April 2003 and a special contribution of £10m was made in the first half of 2003. It is intended that the next full actuarial assessment of this plan for funding purposes will take place as at 31 December 2005.

The weighted averages of the major assumptions used by the actuaries for all defined benefit plans were (in nominal terms):

	UK		North America		UK		North America	
	2003 %	2003 %	2002 %	2002 %	2001 %	2001 %	2001 %	
Rate of increase in salaries	3.7	4.0	3.4	3.2	3.6	4.2		
Rate of increase in pensions in payment	2.6	n/a	2.3	n/a	2.5	n/a		
Discount rate	5.4	6.0	5.6	6.8	6.0	6.9		
Inflation assumption	2.6	2.5	2.3	2.5	2.5	3.0		
Discount rate - post retirement healthcare	n/a	5.8	n/a	6.3	n/a	6.8		
Healthcare cost increases	n/a	*	n/a	**	n/a	***		

*12.4% per annum decreasing to 5% per annum and remaining static at that level from 2008 onwards.

**12.2% per annum decreasing to 5% per annum and remaining static at that level from 2008 onwards.

***12.3% per annum decreasing to 5% per annum and remaining static at that level from 2007 onwards.

18. Retirement benefits (continued)

The assets and liabilities of the UK plans and the weighted average expected rates of return are:

	UK					
	2003 %	2003 £'000	2002 %	2002 £'000	2001 %	2001 £'000
Equities	7.8	306,793	7.5	248,119	7.4	325,837
Bonds	4.5	104,723	4.4	96,589	5.1	89,509
Property	7.3	9,183	7.0	13,910	6.9	14,988
Total market value of assets		420,699		358,618		430,334
Actuarial value of plan liabilities		(511,252)		(499,168)		(457,981)
Deficit in the plans		(90,553)		(140,550)		(27,647)
Related deferred tax asset		27,166		42,177		8,294
Net UK pension liability		(63,387)		(98,373)		(19,353)

The assets and liabilities of the North America plans and the weighted average expected rates of return are:

	North America					
	2003 %	2003 £'000	2002 %	2002 £'000	2001 %	2001 £'000
Equities	7.8	19,555	7.8	17,181	7.4	21,046
Bonds	4.7	12,312	4.7	9,364	4.2	12,237
Property	3.0	661	3.0	1,142	n/a	-
Total market value of assets		32,528		27,687		33,283
Actuarial value of plan liabilities		(40,376)		(33,998)		(33,382)
Deficit in the plans		(7,848)		(6,311)		(99)
Post retirement healthcare liability		(7,037)		(6,990)		(7,038)
Related deferred tax asset		(14,885)		(13,301)		(7,137)
Net North America retirement benefits' liability		5,581		5,080		2,840
Net North America retirement benefits' liability		(9,304)		(8,221)		(4,297)
Total retirement benefits' liability		(72,691)		(106,594)		(23,650)

The movement in the deficit during the year is analysed as follows:

	UK pensions 2003 £'000	North America pensions 2003 £'000	Post retirement healthcare 2003 £'000	UK pensions 2002 £'000	North America pensions 2002 £'000	Post retirement healthcare 2002 £'000
Deficit in plans at beginning of year	(140,550)	(6,311)	(6,990)	(27,647)	(99)	(7,038)
Movement in year:						
Current service costs (note 7)	(5,180)	(1,058)	(50)	(6,950)	(1,212)	(71)
Past service costs (note 7)	-	-	-	-	(42)	-
Settlements / curtailments (note 7)	495	-	-	-	954	501
Exceptional curtailment	-	-	-	-	-	172
Other finance (costs) / income (note 2b)	(2,022)	(510)	(437)	2,536	(263)	(494)
Profit before tax impact	(6,707)	(1,568)	(487)	(4,414)	(563)	108
Contributions	15,738	1,233	319	13,635	510	401
Actual return less expected return on pension plan assets	37,422	2,353	-	(103,203)	(3,859)	-
Experience gain / (loss) arising on retirement benefits' plan liabilities	30,633	(462)	(16)	344	(929)	33
Changes in financial assumptions underlying retirement benefits' plan liabilities	(27,089)	(3,161)	(635)	(19,265)	(1,761)	(1,192)
Variance between actuarial assumptions & actual experience	40,966	(1,270)	(651)	(122,124)	(6,549)	(1,159)
Exchange	-	68	772	-	390	698
Deficit in the plans at end of year	(90,553)	(7,848)	(7,037)	(140,550)	(6,311)	(6,990)

Notes to the Accounts (Continued)

18. Retirement benefits (continued)

The history of experience gains and losses is as follows:

	UK pensions		
	2003	2002	2001
Difference between expected & actual return on plan assets:			
Amount £'000	37,422	(103,203)	(77,081)
Percentage of plan assets	9%	29%	18%
Experience gains & losses on plan liabilities:			
Amount £'000	30,633	344	(4,423)
Percentage of present value of plan liabilities	6%	0.1%	1%
Total gross amount recognised in statement of total recognised gains & losses:			
Amount £'000	40,966	(122,124)	(81,504)
Percentage of present value of plan liabilities	8%	24%	18%
	North America pensions		
	2003	2002	2001
Difference between expected & actual return on plan assets:			
Amount £'000	2,353	(3,859)	(3,876)
Percentage of plan assets	7%	14%	12%
Experience gains & losses on plan liabilities:			
Amount £'000	(462)	(929)	1,541
Percentage of present value of plan liabilities	1%	3%	5%
Total gross amount recognised in statement of total recognised gains & losses:			
Amount £'000	(1,270)	(6,549)	(3,830)
Percentage of present value of plan liabilities	3%	19%	11%
	Post retirement healthcare		
	2003	2002	2001
Experience gains & losses on plan liabilities:			
Amount £'000	(16)	33	n/a
Percentage of present value of plan liabilities	0.2%	0.5%	n/a
Total gross amount recognised in statement of total recognised gains & losses:			
Amount £'000	(651)	(1,159)	n/a
Percentage of present value of plan liabilities	9%	17%	n/a

18. Retirement benefits (continued)

Company unapproved plan

The major assumptions used by the actuaries for the company unapproved plan were:

	Company		
	2003 %	2002 %	2001 %
Rate of increase in salaries	4.4	4.1	4.3
Rate of increase in pensions in payment	2.6	2.3	2.5
Discount rate	5.4	5.6	6.0
Inflation assumption	2.6	2.3	2.5

The liabilities of the company unapproved plan are:

	Company		
	2003 £'000	2002 £'000	2001 £'000
Actuarial value of plan liabilities	(941)	(942)	(1,140)
Related deferred tax asset	282	283	342
Net pension liability	(659)	(659)	(798)

The movement in the deficit during the year is analysed as follows:

	Company	
	2003 £'000	2002 £'000
Deficit in plan at beginning of year	(942)	(1,140)
Movement in year:		
Current service costs	-	(15)
Interest on pension liabilities	(51)	(67)
Profit before tax impact	(51)	(82)
Payments	181	51
Experience (loss) / gain arising on pension plan liabilities	(79)	256
Changes in financial assumptions underlying pension plan liabilities	(50)	(27)
Variance between pension fund actuarial assumptions & actual experience	(129)	229
Deficit in the plan at end of year	(941)	(942)

The history of experience gains and losses is as follows:

	Company		
	2003	2002	2001
Experience gains & losses on plan liabilities:			
Amount £'000	(79)	256	78
Percentage of present value of plan liabilities	8%	27%	7%
Total gross amount recognised in statement of total recognised gains & losses:			
Amount £'000	(129)	229	78
Percentage of present value of plan liabilities	14%	24%	7%

Notes to the Accounts (Continued)

19. Share capital

	2003 £'000	2002 £'000
Authorised share capital:		
Ordinary shares of 12.5p each	36,000	36,000
Allotted, called up & fully paid:		
Ordinary shares of 12.5p each	25,587	25,522

	Shares allotted			Consideration received £'000
	Number	Aggregate nominal value £'000	Share premium £'000	
Exercise of share options	518,000	65	1,039	1,104

At 26 December 2003, shares in the company subject to options under the company's share option schemes were as follows:

	First normal exercise date	Price per share	Number of shares
Executive Share Option Scheme 1984	1997	311.6268p	82,406
	1997	261.0000p	230,000
Savings Related Share Option Scheme 1991	2003	250.0000p	7,590
	2003	197.5000p	588
	2004	210.0000p	547,620
	2004	226.0000p	300,483
	2005	197.5000p	519,954
	2006	226.0000p	376,885
Executive Share Option Scheme 1994	1998	234.0000p	290,315
	1999	260.0000p	127,306
	1999	258.0000p	73,462
	2000	242.5000p	12,371
	2000	239.0000p	247,881
	2001	283.5000p	139,779
	2001	293.5000p	10,221
	2002	246.5000p	714,700
	2003	197.5000p	365,800
	2004	251.5000p	771,000
	2004	282.5000p	150,000
	2005	262.5000p	1,490,000
Savings Related Share Option Scheme 2001	2005	260.0000p	328,214
	2006	201.0000p	498,955
	2007	260.0000p	343,845
	2008	201.0000p	476,504

In accordance with Urgent Issues Task Force Abstract 17 "Employee Share Schemes", the company has taken advantage of the exemption contained therein in respect of the accounting for the discount arising on the grant of options in the company's Inland Revenue approved Savings Related Share Option Schemes 1991 and 2001.

20. Reserves

Group

	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Special reserve £'000	Profit and loss account £'000	Total £'000
At 28 December 2002	20,219	531	–	–	133,821	154,571
Premium on share issues	1,039	–	–	–	–	1,039
Profit retained in year	–	–	–	–	17,506	17,506
Actuarial gain net of deferred tax thereon	–	–	–	–	27,476	27,476
Exchange differences	–	–	–	–	8,370	8,370
Tax on exchange differences	–	–	–	–	(364)	(364)
At 26 December 2003	21,258	531	–	–	186,809	208,598

The profit and loss account above is stated after deducting an accumulated loss in respect of retirement benefits of £72,691,000 (2002: £106,594,000).

Company

	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Special reserve £'000	Profit and loss account £'000	Total £'000
At 28 December 2002	20,219	531	(112,754)	1,840	244,735	154,571
Premium on share issues	1,039	–	–	–	–	1,039
Surplus on revaluation of investments	–	–	22,379	–	–	22,379
Movement on revaluation of investments due to FRS17	–	–	35,431	–	–	35,431
Gain on foreign exchange contract	–	–	–	–	2,407	2,407
Exchange gain on group loan payable	–	–	–	–	64	64
Actuarial loss net of deferred tax thereon	–	–	–	–	(90)	(90)
Deficit for year	–	–	–	–	(7,203)	(7,203)
At 26 December 2003	21,258	531	(54,944)	1,840	239,913	208,598

The profit and loss account above is stated after deducting an accumulated loss in respect of retirement benefits of £659,000 (2002: £659,000).

The exchange differences adjustment to Group profit and loss account reserves includes exchange gains free of tax of £2,539,000 on foreign exchange contracts which partially hedge overseas net assets (2002: £3,096,000).

The cumulative amount of goodwill deducted directly from Group reserves net of goodwill relating to businesses disposed of as at 26 December 2003 is £138,785,000 (2002: £138,785,000).

21. Profit attributable to The Weir Group PLC

The profit dealt with in the accounts of The Weir Group PLC was £18,175,000 (2002: £24,451,000). In accordance with the concession granted under section 230 of the Companies Act 1985, the profit and loss account of The Weir Group PLC has not been separately presented in these accounts.

Notes to the Accounts (Continued)

22. Cash flow statement

	2003 £'000	2002 £'000
(a) Reconciliation of Group operating profit to net cash inflow from operating activities:		
Operating profit	46,307	41,795
Depreciation, goodwill amortisation & grant credits	22,174	23,510
Loss / (gain) on disposal of tangible assets & investments	49	(1,612)
Funding of pension & post retirement costs	(11,497)	(7,726)
(Decrease) / increase in provisions	(237)	3,772
Funds generated by operations	56,796	59,739
(Increase) / decrease in stocks	(2,104)	6,749
Decrease in debtors	9,551	2,131
(Decrease) / increase in creditors	(6,878)	778
Decrease in working capital	569	9,658
Cash spent on exceptional environmental provision	(421)	(1,029)
Cash (spent) / realised on exceptional closure costs	(864)	52
Cash spent on exceptional Warman reorganisation costs	(195)	(348)
Cash spent on exceptional items	(1,480)	(1,325)
Net cash inflow from operating activities	55,885	68,072
(b) Analysis of cash flows for headings netted in the cash flow statement:		
Returns on investments & servicing of finance:		
Interest received	5,373	4,059
Interest & finance charges paid	(9,386)	(7,365)
Interest element of finance lease rentals	(159)	(204)
	(4,172)	(3,510)
Capital expenditure & financial investment:		
Purchase of tangible fixed assets	(18,260)	(15,344)
Purchase of investments	(305)	(426)
	(18,565)	(15,770)
Sale of tangible fixed assets – continuing operations	5,338	3,030
Sale of tangible fixed assets – discontinued operations	-	2,040
Sale of investments	518	503
	5,856	5,573
	(12,709)	(10,197)
Management of liquid resources:		
Cash moved from / (to) deposit	62,694	(35,516)
Financing:		
Issue of shares	1,104	4,650
Cost of issuing shares to ESOT	-	(596)
New loans	-	96
Loans repaid	(45,986)	(10,069)
Short term bank loans	(4,677)	(4,549)
Lease obligations repaid	(506)	(451)
Foreign exchange hedging	2,113	3,246
	(47,952)	(7,673)

22. Cash flow statement (continued)

(c) Analysis of net funds:

	At 28.12.02 £'000	Cash flow £'000	Lease inception £'000	Exchange £'000	At 26.12.03 £'000
Cash on call at bank & in hand *	44,959				63,965
Overdrafts	(1,918)				(173)
	43,041	20,816	-	(65)	63,792
Cash on deposit at bank *	112,532	(62,694)	-	4,095	53,933
Short term debt *	(4,435)	4,677	-	(242)	-
Loans	(147,217)	45,986	-	(14,262)	(115,493)
Finance leases	(1,997)	506	(91)	(146)	(1,728)
	1,924	9,291	(91)	(10,620)	504

* These amounts represent 'cash at bank & in hand' per the balance sheet.

23. Acquisitions & disposals

(a) Current year acquisitions:

	Total 2003 £'000
Net assets acquired at fair value:	
Fixed assets	2,172
Working capital	
- stocks	281
- debtors	14
- creditors	(67)
Provisions	(46)
Deferred tax	36
Goodwill arising on acquisition	4,046
Acquisition consideration	6,436

During the year the Group acquired the trade and assets of Allen Gwynnes Pumps Limited on 13 May 2003 and G&S Machining PTY Limited and Offshore Containers International PTY Limited on 27 November 2003. Acquisitions have been accounted for using the acquisition method. Full settlement of the acquisition consideration is payable in cash. The contribution to the turnover, operating profit and cash flows of the year is not material.

(b) Cash outflow on acquisitions:

	Total 2003 £'000	Total 2002 £'000
Acquisition cost	6,436	-
Deferred consideration	(1,873)	-
Previous years' acquisition deferred consideration paid	-	927
	4,563	927

The deferred consideration has been provided in respect of Offshore Containers International PTY Limited. This is contingent on profitability over the next two years.

Notes to the Accounts (Continued)

23. Acquisitions & disposals (continued)

(c) Cash inflow on disposals:

	Total 2003 £'000	Total 2002 £'000
Net proceeds on disposals	–	18,271
Accrued costs & deferred proceeds	–	(528)
Prior year disposals' deferred proceeds & costs	61	(292)
	61	17,451
Cash transferred	–	(28)
	61	17,423

24. Derivatives & other financial instruments

An outline of the Group's objectives, policies and strategies in respect of financial instruments is set out in the Financial Review on page 21.

For the purposes of the disclosures which follow in this note, short term debtors and creditors which arise directly from the Group's operations have been excluded as permitted under FRS13. The disclosures focus on those financial instruments which play a significant medium to long term role in the financial risk profile of the Group. An analysis of the carrying value of all financial assets and liabilities is given in the fair value table in note 24(e).

(a) Interest rate management:

The interest rate profile of the financial liabilities of the Group at 26 December 2003 is set out in the table below:

Currency	Fixed rate financial liabilities		Fixed rate financial liabilities £'000	Floating rate financial liabilities £'000	Total £'000
	Weighted average interest rate %	Weighted average period for which rate is fixed Years			
Sterling	–	–	–	2,071	2,071
United States \$	8.50	1.00	52	26,105	26,157
Australian \$	–	–	–	83,660	83,660
Other	5.87	5.79	1,926	3,580	5,506
	5.94	5.66	1,978	115,416	117,394

The interest rate profile of the financial liabilities of the Group at 27 December 2002 is set out in the table below:

Currency	Fixed rate financial liabilities		Fixed rate financial liabilities £'000	Floating rate financial liabilities £'000	Total £'000
	Weighted average interest rate %	Weighted average period for which rate is fixed Years			
Sterling	–	–	–	44,298	44,298
United States \$	8.50	2.00	112	29,558	29,670
Australian \$	–	–	–	69,883	69,883
Other	6.38	6.42	2,390	7,721	10,111
Bank offset arrangements	–	–	–	(2,830)	(2,830)
	6.48	6.22	2,502	148,630	151,132

The floating rate financial liabilities comprise:

- sterling denominated bank loans that bear interest at rates based on bank base rate and / or LIBOR.
- United States dollar bank loans that bear interest at rates based on United States prime rate and / or LIBOR.
- Australian dollar bank loans that bear interest at rates based on the average bank bill swap bid rate (BBSY).

24. Derivatives & other financial instruments (continued)

The interest rate profile of the financial assets of the Group at 26 December 2003 is set out in the table below:

Currency	Fixed rate financial assets £'000	Floating rate financial assets £'000	Financial assets on which no interest is paid £'000	Total £'000
Sterling	165	40,925	102	41,192
United States \$	196	19,310	49	19,555
Australian \$	–	32,821	17	32,838
Other	5	24,299	454	24,758
	366	117,355	622	118,343

The interest rate profile of the financial assets of the Group at 27 December 2002 is set out in the table below:

Currency	Fixed rate financial assets £'000	Floating rate financial assets £'000	Financial assets on which no interest is paid £'000	Total £'000
Sterling	355	89,635	174	90,164
United States \$	93	20,916	31	21,040
Australian \$	–	26,710	20	26,730
Other	–	18,404	87	18,491
Bank offset arrangements	–	(2,830)	–	(2,830)
	448	152,835	312	153,595

The fixed rate financial assets comprise UK gilts and United States treasury bonds and based on carrying value the one year weighted average yields are 5.00% and 0.98% respectively (2002: 6.50% and 1.29%).

The floating rate financial assets comprise cash and short term deposits at call and short notice rates.

Financial assets on which no interest is paid comprise cash in hand and cash held at bank on non interest bearing accounts together with sundry unlisted investments.

Notes to the Accounts (Continued)

24. Derivatives & other financial instruments (continued)

(b) Exchange risk management:

The Group follows a policy of managing its exposure to foreign currencies by hedging all transaction exposures using the forward forex markets whenever possible. In addition, foreign currency monetary assets are utilised to manage currency exposure on future monetary liabilities arising in respect of existing contracts. The currency gains/losses on these monetary assets are matched against the exposure on the future monetary liability in the overall contract assessment. Accordingly, as at 26 December 2003 and at 27 December 2002, there are no material exposures on currency transactions that give rise to net currency gains and losses recognised in the profit and loss account.

(c) Maturity of financial liabilities:

The maturity profiles of the Group's financial liabilities as listed in the fair value table below, are disclosed in notes 15 and 16.

(d) Borrowing facilities:

The Group has various borrowing facilities available to it. The undrawn committed facilities available as at 26 December 2003 in respect of which all conditions precedent have been met at the date, were as follows:

	2003 £'000	2002 £'000
Expiring within one year	76,853	–
Expiring in more than one year but not more than two years	–	77,078
	76,853	77,078

(e) Fair value:

The estimated fair value of the Group's financial instruments are summarised below:

	Carrying amount 2003 £'000	Estimated fair value 2003 £'000	Carrying amount 2002 £'000	Estimated fair value 2002 £'000
Primary financial instruments held or issued to finance the Group's operations:				
Investments				
– UK gilts	165	166	355	357
– United States treasury bonds	196	196	93	93
– unlisted	84	84	91	91
Cash at bank & in hand	117,898	117,898	153,056	153,056
Bank overdrafts & short term debt	(173)	(173)	(1,918)	(1,918)
Loans	(115,493)	(115,493)	(147,217)	(147,217)
Finance leases	(1,728)	(1,728)	(1,997)	(1,997)
	949	950	2,463	2,465
Derivative financial instruments held to hedge the currency exposure on financial assets & liabilities:				
Unrecognised forward foreign currency contracts				
Gains	–	2,306	–	2,014
Losses	–	(693)	–	(1,136)
Asset	949	2,563	2,463	3,343

Market values have been used to determine the fair value of listed fixed asset investments. The fair value of forward foreign exchange contracts is the estimated amount the Group would expect to pay or receive on the termination of these contracts. The fair value of all other items has been calculated by discounting the expected future cash flows at prevailing interest rates.

24. Derivatives & other financial instruments (continued)

(f) Hedges:

Gains and losses on financial derivatives at 26 December 2003 which are being used for hedging purposes are as follows:

	Gains 2003 £'000	Losses 2003 £'000	Total 2003 £'000	Gains 2002 £'000	Losses 2002 £'000	Total 2002 £'000
Gains & losses unrecognised	2,306	(693)	1,613	2,014	(1,136)	878
Gains & losses deferred	78	(88)	(10)	254	(162)	92
	2,384	(781)	1,603	2,268	(1,298)	970
of which:						
Gains & losses expected to be recognised in the profit & loss account in the following year	2,345	(781)	1,564	2,205	(1,181)	1,024
Gains & losses included in the profit & loss account for the current year that arose in previous years	2,135	(1,163)	972	2,329	(292)	2,037

25. Capital commitments

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Outstanding capital commitments contracted but not provided	1,598	1,515	-	-

26. Contingent liabilities & guarantees

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Maximum guarantee obligations relating to bank and other borrowings of subsidiaries and a joint venture	-	-	4,054	3,661

Guarantees and indemnities have been given in respect of the performance of Devonport Royal Dockyard Limited. 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.

Principal Companies of the Group

	Activity	Country of registration or incorporation	% equity owned & voting rights at 26 December 2003
Engineering Products			
Subsidiaries			
EnviroTech Pumpsystems Inc.	Clear Liquid Pumps	USA	100
EnviroTech Pumpsystems S.A.S.	Minerals Pumps	France	100
Vulco S.A.	Minerals Pumps	Chile	100
Warman India Private Ltd.	Minerals Pumps	India	75
Weir do Brasil Ltda.	Minerals Pumps	Brasil	100
Weir-EnviroTech (Pty) Ltd.	Minerals Pumps	South Africa	100
Weir Floway Inc.	Clear Liquid Pumps	USA	100
Weir Hazleton Inc.	Minerals Pumps	USA	100
Weir Netherlands b.v.	Minerals Pumps	Netherlands	100
Weir Pumps Ltd. – Pump Division *	Clear Liquid Pumps	Scotland	100
Weir Slurry Group Inc.	Minerals Pumps	USA	100
Weir Valves & Controls Flowguard Ltd.	Flow Control Equipment	England	100
Weir Valves & Controls France S.A.S. (formerly SEBIM Holding S.A.S.)	Valves & Controls	France	100
Weir Valves & Controls UK Ltd. *	Valves & Controls	England	100
Weir Valves & Controls USA Inc.	Valves & Controls	USA	100
Weir Warman Ltd.	Minerals Pumps	Australia	100
Weir Warman Ltd.	Minerals Pumps	England	100
Techna			
Subsidiaries			
Entropie S.A.S.	Desalination & Thermal Processes	France	100
Liquid Gas Equipment Ltd.*	Liquid Gas Handling	Scotland	100
Strachan & Henshaw Ltd.	Mechanical Handling Equipment	England	100
Weir Envig (Pty) Ltd.	Water & Effluent Treatment	South Africa	100
Weir Westgarth Ltd.*	Desalination & Water Treatment	Scotland	100
Joint Venture			
European Nuclear Technologies Ltd	Marketing Joint Venture	England	50
Engineering Services			
Subsidiaries			
Peacock Inc.	Engineering Services	Canada	100
Weir Pumps Ltd.	Engineering Services	Scotland	100
– Engineering Services Division *			
Weir Services Australia Pty Ltd. (formerly Weir Engineering Pty Ltd.)	Engineering Services	Australia	100
Joint Ventures			
Renewable Technology Ventures Ltd.	Renewable Energy	Scotland	50
Weir-Houston Engineers Ltd.	Downhole Drilling Equipment	Scotland	50
Wesco Abu Dhabi L.L.C.	Engineering Services	U.A.E.	49
Associate			
Devonport Management Ltd.*‡ (holding company of Devonport Royal Dockyard Ltd.)	Refitting & Maintenance of Naval Vessels	England	24.5

Joint ventures' issued capital as follows: European Nuclear Technologies Ltd. £1,000; Renewable Technology Ventures Ltd. £1,000; Weir-Houston Engineers Ltd. £100,000; Wesco Abu Dhabi L.L.C. £521,779.

Associate's issued capital as follows: Devonport Management Ltd. £400.

* Companies whose shares are owned directly by The Weir Group PLC.

‡ The results of Devonport Management Ltd. have been included on the basis of the latest draft statutory accounts.

Group Five Year Summary

	1999 £'000	2000 £'000	2001 £'000	2002 £'000	2003 £'000
Group turnover	637,522	745,936	740,444	701,210	690,718
Operating profit before goodwill amortisation & exceptional items	56,891	72,875	62,742	62,235	63,524
Net interest & other income	(3,635)	(11,661)	(7,202)	(3,984)	(3,855)
Other finance income / (costs)	-	-	5,381	1,779	(2,969)
Profit before goodwill amortisation & exceptional items	53,256	61,214	60,921	60,030	56,700
Goodwill amortisation	(3,330)	(6,705)	(6,558)	(6,853)	(7,110)
Total exceptional items	(8,329)	2,317	(18,960)	6,250	1,663
Profit on ordinary activities before tax	41,597	56,826	35,403	59,427	51,253
Tax - charge pre exceptional items & goodwill	(14,163)	(15,276)	(14,942)	(13,822)	(13,051)
- credit on exceptional items & goodwill	1,753	-	6,775	4,796	4,696
Profit on ordinary activities after tax	29,187	41,550	27,236	50,401	42,898
Earnings per share excluding goodwill amortisation & exceptional items	19.6p	22.9p	22.8p	22.6p	21.4p
Ordinary dividends per share	10.4p	11.0p	11.6p	12.0p	12.4p
Total assets less current liabilities					
Intangible assets	146,010	124,988	115,150	105,509	113,933
Tangible assets	138,316	127,250	116,029	97,676	102,557
Investments	22,133	24,398	27,408	20,151	23,087
Net current assets	139,015	220,813	200,888	235,951	104,021
	445,474	497,449	459,475	459,287	343,598
Financed by					
Shareholders' capital	258,768	286,804	250,120	180,093	234,185
Creditors falling due after more than one year	148,185	167,390	149,306	138,779	1,639
Deferred tax	10,717	19,029	18,850	16,672	17,533
Pension costs' provision	2,477	2,081	-	-	-
Other provisions	24,447	21,204	16,851	16,442	16,957
Deferred income	506	494	276	147	26
Minority interest	374	447	422	560	567
Retirement benefits	-	-	23,650	106,594	72,691
	445,474	497,449	459,475	459,287	343,598

The figures for 1999 and 2000 have not been restated to reflect the impact of moving to average exchange rates or the changes introduced by FRS No 17 "Retirement Benefits" and FRS No 19 "Deferred Tax".

Shareholder Information

Financial Calendar

Ex-dividend date for final dividend

28 April 2004

Record date for final dividend*

30 April 2004

Annual general meeting

12 May 2004

Final dividend paid

1 June 2004

*shareholders on the register at this date will receive the dividend

Registered office and company number

149 Newlands Road, Glasgow G44 4EX

Registered in Scotland

Company Number 2934

Registrars

Computershare Investor Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH.

Shareholder enquiries relating to shareholding, dividend payments, change of address, loss of share certificate etc. should be addressed to Computershare Investor Services PLC at the above address.

The registrars provide an on-line service that enables shareholders to access details of their Weir Group shareholdings. A shareholder wishing to view the information, together with additional information such as indicative share prices and details of recent dividends, should visit www.uk.computershare.com.

Dividends – payment direct to banks

Dividends can be paid direct to your bank or building society account using the Bankers' Automated Clearing Service (BACS). This means that your dividend will be in your account on the same day the Company makes the payment. Your tax voucher will be posted directly to your own address. Shareholders who have not yet arranged to use this method of payment, can telephone the registrars on 0870 702 0010. The Company encourages you to have your dividends paid direct to a bank or building society.

Annual General Meeting

The Annual General Meeting will be held in the Lecture Room, The Burrell Collection, Pollok Park, Glasgow on 12 May 2004 at 12 noon. Details of the resolutions to be proposed at the Annual General Meeting are contained in the shareholders' circular.

Taxation

For the purpose of capital gains tax, the market value of The Weir Group PLC ordinary shares as at 31 March 1982 was 29.75p. Rights issues of ordinary shares took place in April 1987 at 157p per share on the basis of one new ordinary share for every seven ordinary shares held, in July 1990 at 250p per share on the basis of one new ordinary share for every five ordinary shares held and in September 1994 at 252p per share on the basis of one new ordinary share for every four ordinary shares held.

With effect from 28 June 1993, each ordinary share of 25p was sub-divided into two ordinary shares of 12.5p and the market value of an ordinary share as at 31 March 1982 takes account of the sub-division.

Shareholder communications

You can now register to receive shareholder communications (Annual Reports, Interim Reports and other company communications) electronically (and also appoint a proxy and vote electronically) provided you have internet access and a valid e-mail address. To register, you will need your Shareholder Reference Number, which is given on your Share Certificate or Tax Dividend Voucher. This service is provided in conjunction with our registrars, Computershare Investor Services PLC. To obtain more information and register for this service, please visit www.uk.computershare.com.

Website

You may wish to view the Company website containing details of Group activities and investor information including the Notice of the Annual General Meeting and the full Annual Report and Accounts. The address is: www.weir.co.uk.