

GROWING AND DIVERSIFYING ARE FINNING

CRECIENDO Y
DIVERSIFICANDO
SOMOS FINNING

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On the Cover

The scope of Caterpillar's broad product line is illustrated by the world's largest mining truck, the 797, and a mini excavator that serves the building construction markets. Truck sales and compact equipment rentals were key to Finning International's growth in 2001.

Inside Cover

The geographic diversity of the countries Finning International serves is depicted in these scenes. From left, Mount Rundle in the Rockies of Western Canada, the Yorkshire Moors in Northern England and Easter Island west of Chile.

GROWING

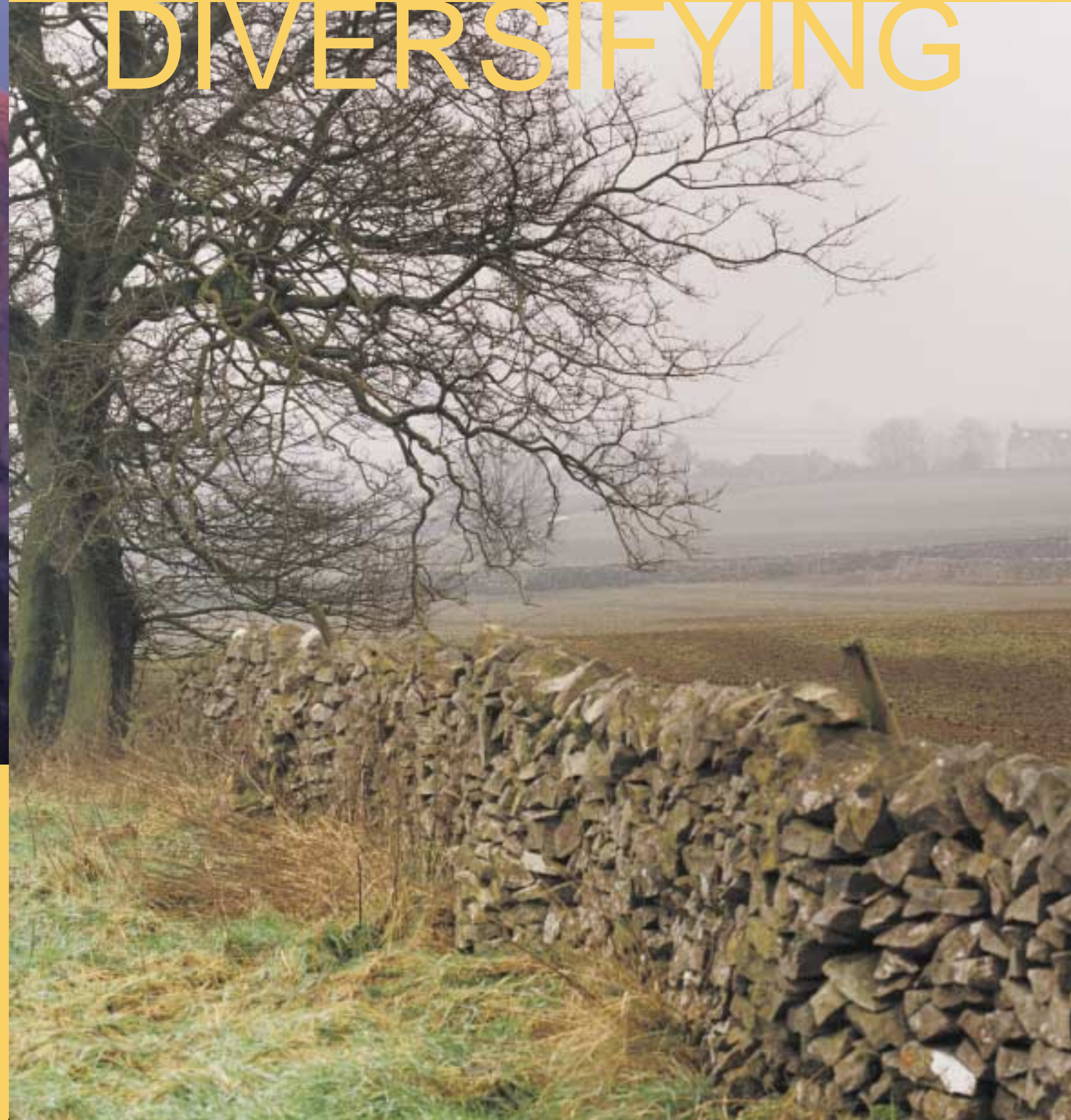
A strong record of growth and delivery of shareholder value:

Revenue growth of 32 percent to \$3.2 billion. Earnings growth of 46.2 percent to \$241.6 million EBIT. Reduction in debt: equity ratio. Profitable for 69 consecutive years. Five major acquisitions over the past 20 years. Outperformed the TSE 300 over the past 20 years.

Diversifying globally to better serve new and existing markets:

Increasing products and services as Caterpillar's best global business partner. Dramatic expansion to serve diverse industries in three countries. A leader in short term rentals for equipment and supplies. Less reliant on equipment sales to the cyclical resource industries. Over half of revenue and 80 percent of gross margin generated from more economically predictable sectors – rental services, customer support and finance. **Diverse, highly skilled workforce of 9,800.**

DIVERSIFYING



The Finning Commitment

To our Customers

We will be Caterpillar's best global business partner, providing unrivalled services that earn customer loyalty.

To our Shareholders

Industry leadership through:

- Continuous growth in shareholder value.
- The best solutions and value for our customers.
- Competitive advantage through innovation.
- Continuous growth in market share.

To our Employees

WE CARE.

- We depend on ourselves and each other for our safety and well being.

WE COMMUNICATE.

- We rely on open, honest, and effective communication to work together.
- All contributions have value.

WE TAKE RESPONSIBILITY.

- Responsibility and accountability are rewarded.
- Together, we shape the Finning of tomorrow.

WE EMPOWER.

- We expect the best of each other.
- We encourage and value learning, innovation, and personal growth.

WE TRUST.

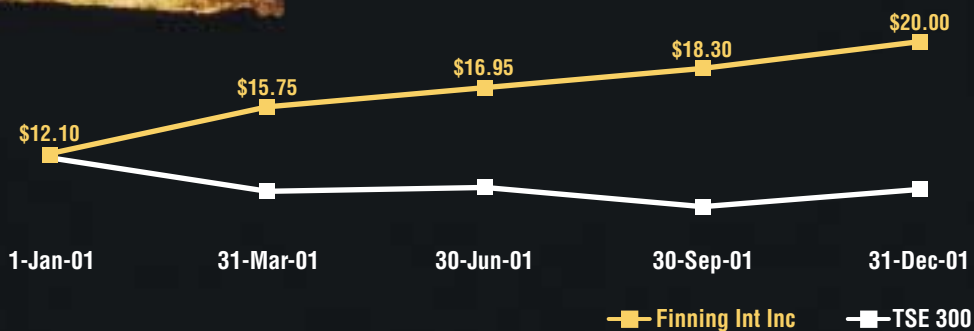
- We work at building honest, constructive relationships with customers, suppliers, and colleagues.

WE DO OUR BEST.

- We continuously strive to make Finning the best place to work.

Employee Commitment

“My job is to make our customers and our company successful”



2001

Finning Share Price Outperforms the TSE 300

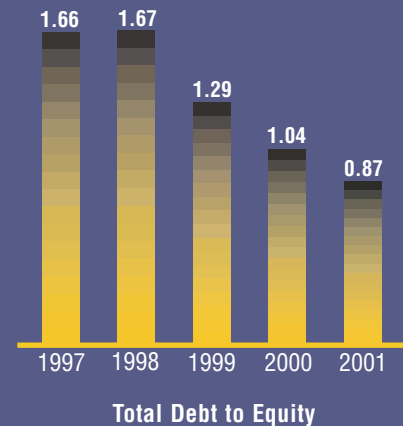
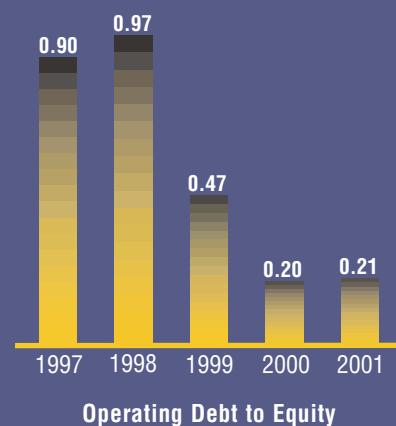
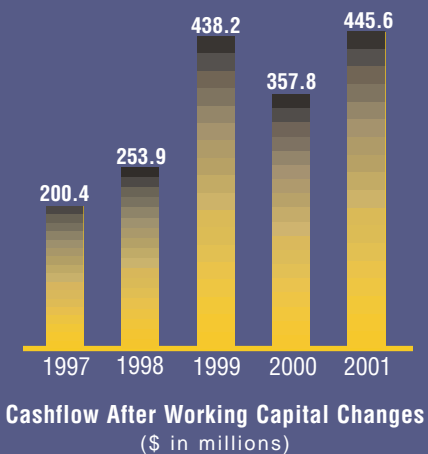
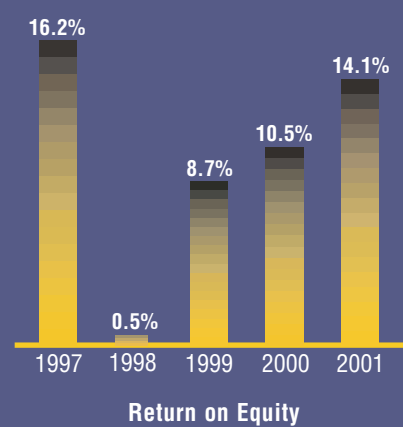
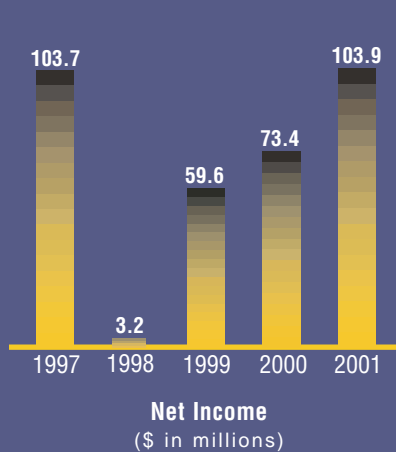
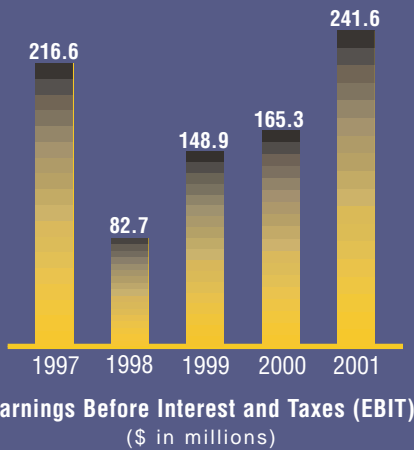
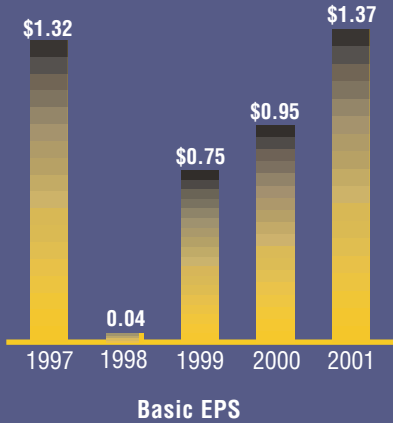
HIGHLIGHTS

12 Months Ended - December 31

(\$ in millions, except EPS data)

	2001	2000
Revenue	3,247.0	2,460.0
EBIT	241.6	165.3
Net Income	103.9	73.4
Cashflow After Working Capital Changes	445.6	357.8
Basic EPS	1.37	0.95
Diluted EPS	1.34	0.94

2001 Performance at a Glance



Corporate Profile

Finning International Inc. is a widely held public corporation based in Vancouver, British Columbia. Finning International is one of the world's largest Caterpillar equipment dealers, with extensive operations in Western Canada, the United Kingdom and Chile.

Finning (Canada)

Finning (Canada) sells, rents, leases and finances Caterpillar and complementary equipment and provides customer support services throughout British Columbia, Alberta, the Yukon Territory and the Northwest Territories.

It carries the complete line of Caterpillar products. Complementary equipment includes Svedala Reedrill rock drills, CompAir LeROI air compressors, Kaldnes Scandlog log handlers, Risley feller bunchers, Wagner log stackers and chip dozers, LeeBoy motor graders and paving products, Barber Greene, Gomaco and Rosco paving products, Amida light towers and John Henry rock drills.

Finning (Canada) based in Edmonton, Alberta is represented by 31 branches, 6 depots and 33 residencies. There are 2,629 employees in Canadian operations.

Finning (UK) Ltd.

Finning (UK) Ltd. sells and rents Caterpillar and complementary equipment and provides customer support services throughout England, Scotland, Wales and the Channel Islands, and through an agency agreement sells Caterpillar equipment and parts in the Falkland Islands.

Associated product lines include: materials handling equipment manufactured by Mitsubishi Caterpillar Forklift Europe B.V., Caterpillar branded warehouse equipment manufactured by Rocla of Finland and the Caterpillar Olympian power generating systems manufactured by F.G. Wilson in Ireland, business and distribution rights for Sabre Perkins marine power products and Bitelli paving machines.

Finning (UK) is headquartered in Cannock, Staffordshire. There are 15 branches, and 8 depots serving the United Kingdom. Finning (UK) has 1,553 employees.

Hewden Stuart

Hewden Stuart is the U.K. leader in equipment rental and associated services. It specializes in general hire, tool hire and lifting hire. Hewden supplies a wide range of make and models of equipment for rental customers, including the Caterpillar compact line of equipment.

Based in Glasgow, Scotland, Hewden operates from 350 locations in the U.K. and has 4,066 employees.

Finning Chile

Finning Chile sells and rents Caterpillar and complementary equipment and provides customer support services throughout Chile. Complementary product lines include Ingersoll Rand air compressors and drills and Denharco forestry equipment.

Finning Chile is headquartered in Santiago and has 1,516 employees. There are 7 branches and 33 depots throughout the country.



President's Report



Doug Whitehead visits the Cat Rental Store in Santiago, Chile. Finning International Inc. expanded its rental service operations globally in 2001.

“We achieved our objectives of record financial returns and growth in equipment rentals, customer support services and power systems.”

*Douglas W.G. Whitehead
President and Chief Executive Officer*

We surpassed expectations in 2001 as Finning International set new records for revenue, profits and cash flow. The successful acquisition of Hewden Stuart in the United Kingdom, which dramatically increased our equipment rental business, combined with greater productivity in all operations, powered us to new levels of success.

We showed significant financial improvement over 2000 with revenue growth of 32 percent to \$3.25 billion and an earnings increase of 41.6 percent to \$103.9 million.

We delivered on our commitment to be Caterpillar's best global business partner, by diversifying our sources of earnings, and by achieving market share growth.

Our focus on fast growing segments of our business resulted in a 22.9 percent jump in power systems revenue, a 13.5 percent improvement in parts and service revenue and a four-fold increase in equipment rental activity.

Both Finning (Canada) and Finning (UK) set new revenue records while Finning Chile improved operating earnings ensuring the company was profitable for the 69th consecutive year.

Economic Impact on Customers

These results were achieved in the face of a global economic decline that impacted many of our customers in the resource industries. Lumber, coal and gold prices were relatively weak throughout 2001, while pulp, newsprint and copper prices declined in the last half of the year.

Despite these challenges, we capitalized on our opportunities, particularly in the United Kingdom where government infrastructure spending generated major demand for heavy equipment and in Alberta where oil sands investment continued at a robust level.

Our pledge to earn our customers' loyalty by providing the best solutions for their equipment needs, was rewarded through the signing of several major customer service agreements. These contracts for the sales, servicing and maintenance of Caterpillar fleets were finalized or underway at all three country operations. These agreements added to the strategic alliances Finning International already enjoyed with customers across a broad range of industries.

Our commitment to customers could not have been achieved without the winning partnership between Finning and Caterpillar Inc., manufacturer of the world's best heavy equipment.

Cat Expands Lines

Caterpillar's commitment to expanded production of innovative mobile and power systems equipment enabled Finning to take advantage of market potential in such areas as the building construction industry, rental services, engines and related products. Our investment in Hewden Stuart was strengthened by the availability of Caterpillar compact machines that increased rental opportunities.

Versatile and productive in tight spaces, Caterpillar's mini rubber track excavator, owned by McDonald Trucking, works on residential site in West Vancouver, B.C.

Our strategy to increase our market share of the fast growing power systems business resulted in the formation of a separate international power systems group. Jack Carthy was appointed President, Power Systems, based in Vancouver. Jack is responsible for Power Systems operations in Canada, the U.K. and Chile, interfacing with Caterpillar and driving the growth of this business. Jack was replaced as Managing Director of Finning (UK) by Steve Mallett, formerly Vice-President of Customer Support Services for Canadian operations. With these appointments, we continued to build a talented group of internationally trained managers and executives.

Asset Reduction

Our ongoing focus on asset management and core business activity resulted in the disposition of surplus properties in Canada and the U.K. and the sale of our materials handling division in Western Canada. In the short run, the sale proceeds were used to reduce debt and fund our share repurchase program. In the long term, we have ensured financial flexibility as we pursue opportunities to grow our core business both domestically and internationally.

Late in the year, the company gifted 18.6 acres of its Great Northern Way property in Vancouver to four British Columbia post-secondary institutions. The BC Institute of Technology, Emily Carr Institute of Art and Design, University of BC and Simon Fraser University share equally in the land valued at \$33.8 million.

We believe in the need to reinvest in the community that has supported our growth over many decades. This gift assists these world-class institutions to educate many talented people and provide us with skilled employees in the future.

Teaming up on the Birmingham Northern Relief Road project in the U.K., a Caterpillar excavator loads a Cat articulated truck.



As the year closed, Finning completed its move from the Great Northern Way property to its international offices in downtown Vancouver. The balance of its Finning (Canada) employees relocated to our expanded Surrey facilities, now the largest branch in BC.

Improved Productivity

All employees contributed to our record financial results and improved safety performance. In fact, lost time accidents dropped by one third over the previous year. We are especially grateful to the Hewden Stuart employees who have embraced the Finning culture and performance expectations. Once again, our dedicated employees have shown their commitment to making Finning and our customers successful.

Although the economic outlook for 2002 is far from bright, we do expect to maintain the same level of profitability reached in 2001. The Finning management team will be moving ahead as we accelerate investment in the ever-growing power systems, rental and customer support businesses. We will shift resources from slower growth geographic locations to high growth areas. We will pursue acquisitions that will propel the company forward.

Bob Steinkey of Environmental Builders gets operating tips on a Caterpillar compact excavator from Florence Blais, manager of the Cat Rental Store in Grand Prairie, Alberta. Finning opened seven rentals facilities and has nine more planned.



Reporte del Presidente

“Logramos un récord de nuestros objetivos de retornos financieros y de crecimiento en arriendo de equipos, soporte al cliente y sistemas de potencia.”

*Douglas W.G. Whitehead
Presidente y Director Ejecutivo*

En 2001, excedimos las expectativas en la medida que Finning International logró nuevos récords de ventas, rentabilidad y flujo de liquidez. La exitosa adquisición de Hewden Stuart en el Reino Unido, que aumentó considerablemente nuestro negocio de arriendo de equipo, junto a una mayor productividad en todas las operaciones, nos llevó a obtener nuevos niveles de éxito.

Demostramos una significativa mejora financiera en comparación al año 2000 con un crecimiento de ventas del 32 por ciento a \$3,25 mil millones y un aumento en las ganancias de un 41,6 por ciento a \$103,9 millones.

Cumplimos con nuestro compromiso de ser el mejor socio en el negocio global de Caterpillar, diversificando nuestras fuentes de ganancias, y logrando un crecimiento en la participación de mercado.

Nuestro enfoque en segmentos de rápido crecimiento de nuestro negocio se tradujo en una alza del 22,9 por ciento en ventas de Sistemas de Potencia, una mejora del 13,5 por ciento en ventas de repuestos y servicios, y un incremento cuádruple en la actividad de arriendo de equipos.

Finning (Canadá) y Finning (Reino Unido) alcanzaron nuevos récords de venta en tanto que Finning Chile mejoró sus ganancias operacionales y aseguró la rentabilidad de la empresa por 69º año consecutivo.

Impacto Económico sobre Clientes

Estos resultados fueron alcanzados pese a una baja económica global que afectó a muchos de nuestros clientes de la industria primaria. Los precios de la madera de construcción, carbón y del oro fueron relativamente débiles durante el 2001, mientras que los precios de la pulpa, papel de prensa y del cobre, bajaron en la última mitad del año.

A pesar de estos desafíos, capitalizamos nuestras oportunidades, sobre todo en el Reino Unido donde los gastos en infraestructura del gobierno generaron una demanda importante para equipos pesados, y en Alberta donde la inversión en las arenas petrolíferas continuó a un gran nivel. Nuestro compromiso de ganar la lealtad de nuestros clientes proporcionando las mejores soluciones para sus necesidades de equipos fue recompensado con la firma de varios acuerdos importantes de soporte. Estos contratos, para la venta y mantenimiento de flotas Caterpillar fueron concluidos o en curso en las tres operaciones Finning. Estos acuerdos se suman a las alianzas estratégicas que Finning sostiene con un amplio rango de clientes en distintas industrias.

El compromiso con nuestros clientes no se habría podido alcanzar sin la sólida alianza entre Finning y Caterpillar Inc., fabricante del mejor equipo pesado del mundo.

Cat Expande su Línea

El compromiso de Caterpillar de ampliar su producción de equipos innovadores de sistemas de potencia ha permitido a Finning aprovechar el potencial de mercado en áreas tales como la industria de la construcción de edificios, servicios de arriendo, motores y productos relacionados. Nuestra inversión en Hewden Stuart fue afianzada por la disponibilidad de las máquinas compactas Caterpillar que aumentaron oportunidades de arriendo.

Nuestra estrategia para aumentar nuestra participación en el mercado creciente de sistemas de potencia dio lugar a la formación de un grupo independiente, internacional de sistemas de potencia. Jack Carthy fue designado como Presidente, Power Systems, basado en Vancouver. Jack es responsable de las operaciones de Power Systems en Canadá, Reino Unido y Chile, conduciendo el crecimiento de este negocio a través del nexo con Caterpillar. Jack fue reemplazado como Gerente Director de Finning (UK) por Steve Mallett, el anterior Vicepresidente de Servicios de Soporte al Cliente en Canadá. Con estos nombramientos, continuamos construyendo un grupo talentoso de gerentes y ejecutivos entrenados internacionalmente.

Reducción de los Activos

Nuestro constante enfoque en el manejo de activos y la actividad principal del negocio resultó en la disposición de propiedades de sobra en Canadá y el Reino Unido, y a la venta de nuestra división de manejo de materiales en Canadá occidental. En el corto plazo, los ingresos de estas ventas fueron utilizados para la reducción de deuda y para financiar nuestro programa de recompra de acciones. Al largo plazo, hemos asegurado una flexibilidad financiera mientras perseguimos oportunidades de hacer crecer nuestro principal negocio nacional e internacionalmente.

A fines de año, la empresa obsequió 18,6 acres (7.53 hectáreas) de su propiedad Great Northern Way, en Vancouver a cuatro instituciones de enseñanza superior. El British Columbia Instituto de Tecnología, Emily Carr Instituto de Arte y Diseño, la Universidad de British Columbia y la Universidad Simon Fraser comparten en partes iguales el terreno valorado en \$33,8 millones.

Creemos en la necesidad de invertir en la comunidad que ha apoyado nuestro crecimiento durante muchas décadas. Este obsequio asiste a estas instituciones de primer nivel en la educación de muchos individuos con talento para proveernos de personal capacitado en el futuro.

Hacia fin de año Finning terminó su traslado desde las instalaciones en Great Northern Way a sus oficinas Internacionales en el centro de Vancouver. El resto de sus empleados (Finning Canadá) fueron mudados a las amplias instalaciones de Surrey, la sucursal de mayor tamaño en British Columbia.

Productividad Mejorada

Todos los empleados contribuyeron al récord de nuestros resultados financieros y a la mejora en nuestra gestión de seguridad. De hecho, los accidentes con tiempo perdido bajaron en un tercio comparado con el año anterior. Estamos especialmente agradecidos de los empleados de Hewden Stuart, quienes han asumido la cultura Finning y las expectativas de gestión. Nuevamente, nuestros empleados han demostrado su compromiso de asegurar el éxito de Finning y sus clientes.

Aunque la perspectiva económica para 2002 está lejos de ser espectacular, esperamos mantener el mismo nivel de rentabilidad alcanzado en el 2001. El equipo gerencial de Finning seguirá adelante, en tanto aceleramos inversiones en los negocios de sistemas de potencia, arriendo y soporte al cliente. Trasladamos recursos desde regiones geográficas de lento crecimiento a áreas de mayor crecimiento. Buscaremos adquisiciones que impulsen a la compañía hacia adelante.

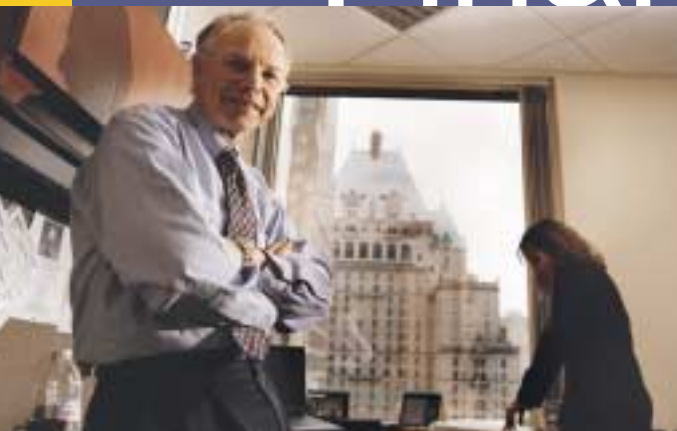
CAT 1368
RENT



Rental



Financial Highlights



Rick Mahler with Kelly Cardwell, Human Resources Manager, at new corporate headquarters in downtown Vancouver.

“Our financial performance showed significant improvements in all key segments.”

*Richard T. Mahler
Executive Vice President and Chief Financial Officer*

Revenues increased by 32 percent to \$3.2 billion, up from \$2.5 billion the previous year. Earnings before interest and tax was a record \$241.6 million, a jump of 46.2 percent. Net income reached a record high of \$103.9 million, up 41.6 percent.

We improved our overall debt: equity ratio to 0.87 from 1.04.

Earnings per share were \$1.37, up 44.2 percent compared to \$0.95.

Cash flow, after working capital charges, increased 24.5 percent to a historic high of \$445.6 million.

Key Finance Initiatives

We launched an innovative financing structure that added \$425 million in equity.

We disposed of \$100 million of non-core operating and under utilized real estate assets. The company completed a successful \$200 million Medium Term Note issue.

In early 2002, we concluded a \$79 million sale/leaseback agreement on our Canadian real estate properties.

Mechanic Javier León services a backhoe loader at the Cat Rental Store service shop in Santiago.

Hewden Stuart was fully integrated into Finning's financial control and reporting system.

We commenced implementation of the Khalix system that integrates planning and budgeting, corporate reporting and consolidation on a single server for global operational access.

Three of four of our operations saw the introduction of new finance directors, all of whom replaced directors who had moved on to operating roles within the company.

These financial improvements provided us with the ability to take advantage of future opportunities to enhance value for our shareholders.

Education leaders were on hand when Finning International announced it was gifting 18.6 acres of its Great Northern Way property in Vancouver to four post secondary institutions. From left, Martha Piper, University of BC; Michael Stevenson, Simon Fraser University; Doug Whitehead, Finning International; Tony Knowles, BC Institute of Technology; Ron Burnett, Emily Carr Institute of Art and Design.





Customer Support Services



Brian Bell with sophisticated testing equipment at Finning's scientific oil analysis facility in Surrey, B.C.

“Our programs led to lower operating costs and increased productivity for customers as we enhanced sales opportunities for our global operations.”

*Brian C. Bell
Executive Vice President Customer Support Services*

We accomplished our global objectives to improve safety performance, streamline key customer support functions and asset management, expand services through technology and upgrade employee training programs.

As a result of these achievements, our overall customer support business grew 13.5 percent.

Customer Satisfaction

We enhanced customer services throughout our operations by reducing warranty costs, ensuring faster delivery of parts, and improving turnaround times on rebuild and repair of equipment.

Customer satisfaction surveys, which measure overall customer satisfaction with our parts and service operations, show 95 percent of customers in Canada are either satisfied or very satisfied with Finning's service. In response to the data collected in these surveys, we restructured our customer service functions to respond even faster and more efficiently to the needs of our customers. The continued

Infra red spectrometer automatically tests equipment oil samples at Finning's S.O.S. laboratory. Customers can now review fluid test results online.

movement of the UK dealership to a regional hub-and-spoke distribution model is another example of the restructuring that we have conducted to improve customer service. Several other business process reviews were launched to improve our effectiveness in other support areas, such as warranty and transportation of parts and equipment.

Technology

Advances in technology assisted our customers by providing online reporting systems and faster and more efficient communication services. For example, in Canada, customers can view their invoices at our Canadian website as well as oil sample results from their equipment tested at our laboratory. A global satellite system, which enables Finning to upload information from customer machines and our rental fleet, gives access to equipment location, maintenance status and servicing needs. In the United Kingdom, a regional call center centralizes dispatch of field engineers, parts orders and complete machine information. The benefits were lower operating and maintenance costs, increased productivity, more sales opportunities and greater customer satisfaction.

Training

Caterpillar's expanding product line and Finning's growing service technology require constant training to meet our standards of customer support. We identified employee skills development and education as one of the key areas for improvement in order to increase customer satisfaction and loyalty. These training initiatives include a Caterpillar-sponsored program that identifies skill requirements of service technicians for specific job functions. It outlines educational programs and career paths to achieve these requirements. Along with this and other programs, the result will improve overall employee performance and establish high standards for our customer support.

Safety

Overall, lost time accidents decreased by 33 percent. Diligent adherence to safety standard and awareness programs has paid off throughout the company.



Power Systems



Jack Carthy (right) chats with customer Wes Vermeulen, President of West Bay SonShip Yachts Ltd. on Vancouver waterfront.

“New records were set and a unique global strategy developed to gain a greater share of the power systems business.”

Jack A. Carthy
President, Power Systems

A pivotal year for Power Systems was highlighted by record sales, products and service expansion and formation of an International organization that integrates all three country operations.

New prime power and energy systems volumes reached \$238 million, an increase of 22.8 percent over the previous year. Revenue from power generation, rentals, customer service and used equipment contributed an additional \$130 million.

Sales growth in both direct prime products and customer support services, dramatic increases in truck and marine engine market share, and new acquisitions were the major contributors to our global success.

Major activity in the oil and gas fields of Western Canada resulted in record demand for our core products. Our truck engine market share reached a record high of nearly 50 percent for heavy duty and 40 percent for mid-range models.

Rental activities in power generation grew substantially and our customer support services for power systems markets were up, partially as a result of additional revenues from the recently acquired MaK product line in the United Kingdom and CIPA Limitada, a former rental market competitor in Chile.

Added Value

We succeeded in selling marine engines to the tugboat and salmon fishing industries and provided high value added products for prime power in Chile.

The strong demand for Caterpillar power systems products worldwide created a major increase in our customer support revenues as Finning technical expertise was required for service and maintenance of engines and power generation installations.

Target Growth

The newly formed Finning International Power Systems Group met in September to develop a unique strategy and business plan aimed at capitalizing on Caterpillar's projected growth in engine and related markets.

The strategic plan establishes a market-focused international organization to leverage our expertise across the countries in which we operate and to double or triple Power Systems revenue in the next five years. As a leading provider of power and energy systems, we will also use our technical expertise, integrated support services, innovation and global reach to provide the highest value for our customers, opportunities for our employees and return for our shareholders.

Cutting through West Coast waters, this 58-foot motor yacht built by West Bay SonShip Yachts Ltd. of Delta is powered by Caterpillar 3406E marine engine rated at 800 horsepower.

Canada



Ian Reid (right) and production mechanic Derrick Bradley inspect wheel from a Cat 793 truck in Edmonton Service Shop.

“Big machine deliveries and compact equipment sales and rentals were the main contributors to our revenue and market share success.”

*Ian M. Reid
President and Chief Operating Officer*

High demand for Caterpillar's largest equipment, increased governmental sales and an aggressive penetration into the rental services business helped generate record revenues and overall market share for Finning (Canada).

We achieved \$1.4 billion in revenue from \$1.2 billion the previous year.

Unit deliveries of new equipment grew while overall market share exceeded 40 percent. Parts revenue increased 11.9 percent and service revenue by 11.7 percent.

Major investment in the Alberta oilsands, which continued to thrive in 2001, resulted in strong deliveries of equipment used in the petroleum industries.

Oilsands customers purchased 19 of Caterpillar's largest trucks, the 380-ton 797, bringing the total number of these off-highway vehicles working in northeast Alberta to 39, the heaviest concentration anywhere in the world. This number is expected to reach 60 when trucks on order are delivered in 2002. The oilsands, with over \$50 million of announced projects, presents a tremendous opportunity for us over the next several years.

Some 83 Caterpillar mid sized tractors, the D7R and D6M, equipped with environmentally sensitive low ground pressure tracks were supplied to oilpatch contractors.

Demand for Services

The demand for service and maintenance of these new and existing equipment fleets, which includes over 100 Cat 789 off-highway trucks, brought 80 additional Finning employees to Fort McMurray. The company expanded facilities in the oilsands and Edmonton to meet customer support needs.

In total, 151 machines valued at \$190 million were delivered to the mining industry, compared to 105 units at \$126 million the previous year.

Governmental sales also show dramatic growth with 150 machines valued at \$41.8 million delivered, compared to 107 units at \$27.6 million.

We delivered 333 Caterpillar compact machines, up from 260 the previous year. Some 190 skid steer loaders, an increase of 50 units, were supplied to the Cat Rental Stores and subdivision and utility contractors.

Excavator Sales Grow

Construction sales increased by 20 percent, due mainly to the success of the Cat 300 series excavators. Finning delivered 64 model 330B and 53 model 320 excavators to construction and oil and gas contractors. Sales of this series are anticipated to grow with the market entry of Cat's largest excavator, the 385 model, in 2002.

The Cat 535 skidder, introduced in 2000, gained wide acceptance with BC interior contractors, helping increase our forest industry market share to 30 percent despite lower unit sales. This skidder increases production while working in difficult terrain.

Lost time accidents dropped by 26 percent as employees continued their focus on safety.



A Caterpillar 320C works at a construction site for DeFord Contracting of Edmonton. Cat's 300 Series excavators helped Finning build construction market share.



Caterpillar 906 loader moves sawdust to conveyor belt at Edson, Alberta. North American Shavings Ltd. grades and packages shavings and sawdust from local mills for use at horse racing tracks and stables.

REVIEW OF OPERATIONS

United Kingdom



Steve Mallett joins apprentice mechanic Lance Armstrong in checking transmission components at Finning (UK) headquarters in Cannock.

“Revenues from quarrying, waste management, plant hire and materials handling equipment sales boosted our overall performance.”

*Stephen Mallett
Managing Director*

Increased activity in several leading markets and the government's accelerated spending on infrastructure projects contributed to improved results. Finning (UK) revenue increased 17.8% to \$804 million compared to \$682 million in 2000.

The construction and materials handling operations made significant gains in market share. New equipment grew 16.2 percent and used equipment revenue jumped by 34.8 percent. The rental market saw moderate growth of 6.6 percent. Customer support revenue grew by 15.8 percent, which included a 12 percent increase in part sales.

Revenue from the MaK and Sabre Perkins engine lines and the paving equipment operation Finnpave exceeded revenue expectations by over 40 percent. Finning (UK) acquired distribution rights for the engine operations, both subsidiaries of Caterpillar, and purchased the paving business in 2000.

Big Fleet Agreement

A major long-term fleet supply agreement between Finning (UK) and "Biffa, the UK's largest single supplier of integrated waste management services" generated \$5.7 million in sales and total customer service support. Another \$10 million in equipment will be delivered in 2002 as part of the six-year agreement valued at \$32 million. It provides for the supply, repair and maintenance of over 65 Caterpillar waste handler machines including 15 landfill compactors.

Equipment deliveries to the quarrying, plant hire and materials handling industries showed strong growth.

Quarrying business grew by 96.8 percent as the government initiated its 10-year, \$400 billion investment in improving roads and railways. This growth included a \$13 million equipment sale to a single aggregate producer.

Plant Hire Up

Plant hire deliveries were up by 60 percent, largely due to the Birmingham Relief Road infrastructure project in Northern England. This included a \$28 million delivery to a major plant hire customer. Deliveries to the Finning-owned Hewden Stuart, which rents equipment to its customers, contributed to the growth in this sector.

The market share of materials handling equipment jumped significantly with a 45 percent increase in deliveries. Many of those units were supplied to national accounts.

Our focus on increasing service revenues resulted in customer support agreements, which help reduce machine downtime and increase productivity, being sold on 43 percent of all new equipment. These agreements contract Finning (UK) as the supplier of parts and service.

Lost time accidents declined by 48 percent as employees continued their emphasis on workplace safety.



Caterpillar's largest tractor, the D11R, rips and dozes sand and gravel mix that contains extremely hard layers of sandstone. The machine, owned by Stokey Plant Hire Ltd., is working on contract at Tarmac's Croxden quarry at Cheadle, Staffordshire, the largest sand and gravel operation in Europe.



Clay drainage pipes frame a Caterpillar lift truck with 3,500 kg lifting capacity at Travis Perkins Trading Co. Ltd. builders merchant yard in Leicester, UK.

REVIEW OF OPERATIONS

Hewden Stuart



Paul Jarvis (foreground), and Peter Milo (left), Hewden Stuart depot manager at Redditch, meet with project manager Ian Kelly of the Birmingham Northern Relief Road, one of the UK government's major infrastructure initiatives.

“Our investment in Caterpillar’s compact equipment and acquisition of a new product line expanded our sales and support capabilities.”

*Paul J.C. Jarvis
Chief Executive*

Hewden Stuart contributed to Finning's financial success with revenue of \$587 million. Acquired in early 2001, Hewden Stuart adapted to Finning's strategic direction and business processes while remaining focused on its key markets and customer base.

As the UK leader in equipment rentals and associated services, Hewden continued to expand sales and support services, mainly to the construction, petro-chemical engineering and manufacturing industries.

Hewden developed its own strong partnership with Caterpillar. The Cat products acquired and rented to customers by Hewden were well received by the markets it serves. A significant investment in Caterpillar equipment during the year included the UK introduction of some 150 skid steer loaders.

Key Acquisition

Capital investments expansion included acquiring the materials handling equipment of Maxxiom Limited, comprising of 640 units.

Hewden took major internal initiatives through improved employee health and safety standards, strategies for growth, investment in new computer technology and aggressive management development programs. Synergies with Finning (UK) aimed at cost savings and improved customer service were explored and several productivity initiatives were launched.

Hewden retained strong focus on balance sheet management, generated a positive cash flow and increased productivity while many of its public ownership competitors struggled in the face of significantly reduced share prices.

A review of its 350 locations throughout the UK resulted in some restructuring of its depot network, with the closure of 15 depots and the opening of 7.

Hewden Stuart rental equipment, such as this Caterpillar telehandler that moves and lifts material, is transported quickly to meet customer job demands throughout the UK.



HEWDEN

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Chile



Nick Lloyd (right) watches as mechanic Daniel Bravo checks on newly inserted valve guides on a Caterpillar engine in Finning Chile's Santiago service department.

“The copper mine industry’s ongoing need for large Caterpillar trucks and our penetration into rental equipment markets were among the highlights of the year.”

*Nicholas B. Lloyd
President and Chief Executive Officer*

Finning Chile improved its market share in all major industries and moved rapidly to become a leader in the equipment rentals business, despite a slight decline in revenue to \$448 million from \$474 million in the previous year.

Our focus on major mining customer needs resulted in a gain in industry sales and increased market share. Service revenue grew by 13 percent while parts revenue dropped slightly as some customers made less use of their equipment fleets due to lower copper prices.

Caterpillar's largest mining truck, the 380-ton 797, is in growing demand by mining interests exploring and developing new sites. The number of these trucks now in operation or on order stands at 27. To date, sales and orders for these trucks and support equipment totals \$143 million.

Big Fleet Sales

In 2001, eleven 797s were delivered – six to Minera Escondida, three to Minera Los Pelambres and two units configured for high-altitude operation to Compañía Minera Dona Ines de Collahuasi SCM. This latter sale, the first to Collahuasi, generated revenues of \$9 million.

Minera Los Pelambres ordered another six 797s, valued at approximately \$32 million, for delivery in 2002.

An agreement was finalized with Compañía Minera Cerro Colorado (BHP- Billiton) for a \$48 million package consisting of 13 Caterpillar 789C mining trucks and auxiliary equipment that will work on the mine's expansion.

Unit Sales Up

Facing weak markets for both construction and forestry equipment, Finning Chile successfully increased unit sales while building market share for specific models, including medium and heavy-wheel loaders, medium-sized graders and excavators and small skid-steer loaders.

In general construction, market share decreased slightly but strong sales of compact machines, primarily skid steer loaders, raised market share for these products.

Rental Expansion

As the rental of equipment became an integral part of its business, Finning Chile planned the formation of a rentals equipment division, acquired an industrial supply company and relocated its flagship Cat Rental Store to new premises.

The purchase of "Yrarent", a local company, expands the Cat Rental Store capabilities and makes it the leader in work platform rentals. The acquisition provides exclusive distribution rights for Genie brand products in the Chilean market.

Two important agreements were formalised during 2001. A new four-year collective agreement with the company's two employee unions was signed in December of 2001. Additionally, Finning Chile and Caterpillar reached agreement on the establishment of a two-year, degree program being developed initially for service technicians. The project includes a purpose-built facility planned for 2002, with the first enrolment beginning in March of 2003.

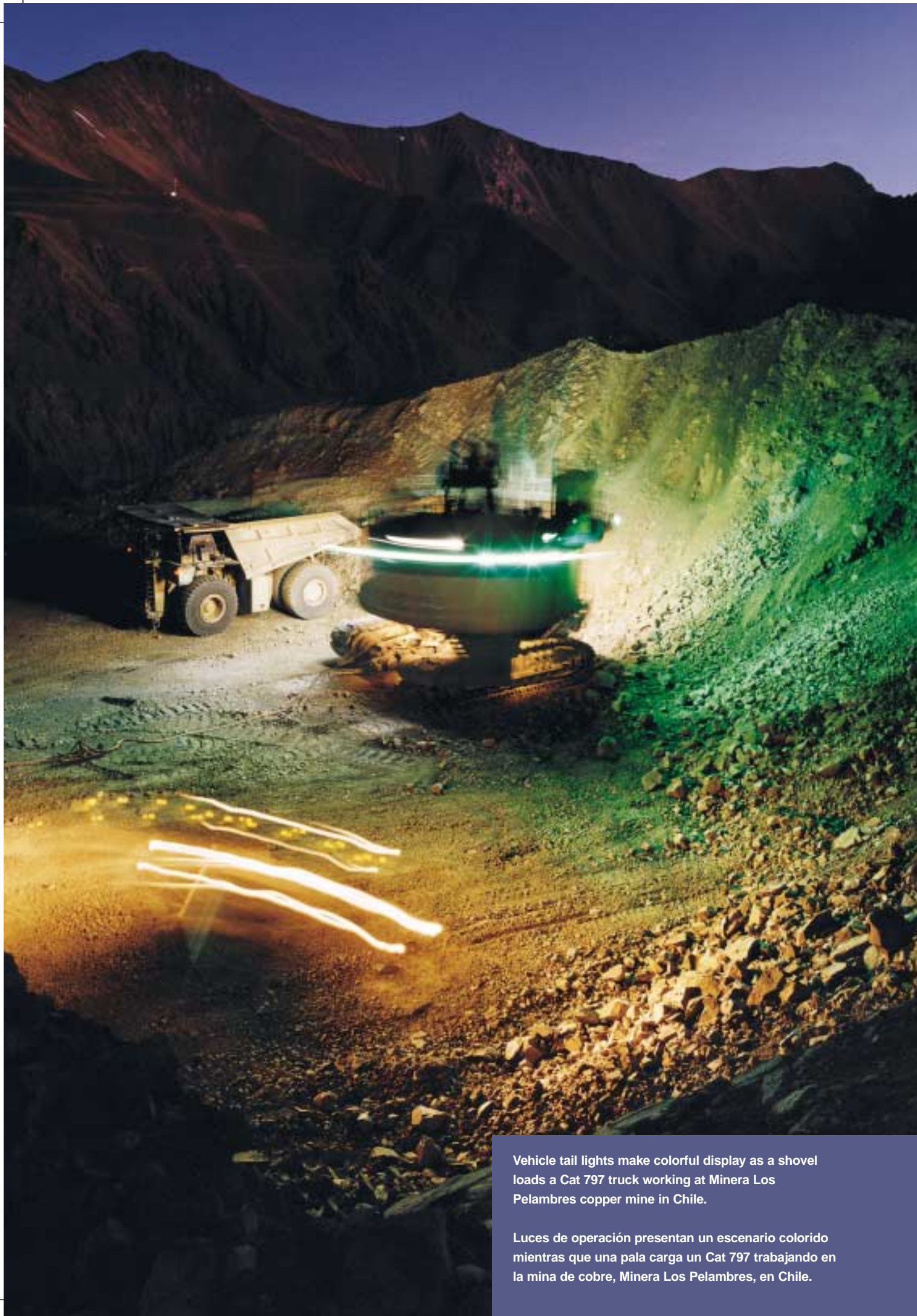
Lost time accidents figures showed modest improvement. Frequency rates rose slightly but the severity rate dropped by 21 percent.

This achievement brings Finning Chile to a world class standard of safety excellence.



Two Cat 797 trucks pass at the Minera Los Pelambres operation in northern Chile. The Chilean owned mine, located 3600 meters above sea level, has among the lowest cost production of any copper mine in the world. Some 80 Finning employees work at the on-site service facility.

Dos camiones Cat 797 se cruzan en Minera Los Pelambres, ubicada a 3.600 metros de altura en el norte de Chile, y cuyos propietarios son chilenos. La mina de cobre presenta uno de los costos de producción más bajos del mundo. Alrededor de 80 empleados Finning prestan servicio en esta faena.



Vehicle tail lights make colorful display as a shovel loads a Cat 797 truck working at Minera Los Pelambres copper mine in Chile.

Luces de operación presentan un escenario colorido mientras que una pala carga un Cat 797 trabajando en la mina de cobre, Minera Los Pelambres, en Chile.

Reseña de Chile

Chile

“La necesidad por parte de la industria minera por los grandes camiones Caterpillar y nuestra penetración en los mercados de arriendo de equipos fueron los hechos destacados del año.”

*Nicholas B. Lloyd
President and Chief Executive Officer*

Finning Chile mejoró su participación de mercado en todas las principales industrias y avanzó rápidamente para convertirse en líder del negocio de arriendos. Observamos una leve baja en las ventas de \$474 millones en el año anterior a \$448 millones.

Nuestro enfoque en las necesidades de nuestros principales clientes mineros nos llevó a un aumento en las ventas a esa industria y a una mayor participación de mercado. Las ventas por concepto de servicio técnico crecieron en 13 por ciento, mientras que las ventas de repuestos disminuyeron levemente debido a que algunos clientes utilizaron menos sus flotas de equipos a causa de los deprimidos precios de cobre.

La demanda por el camión más grande de Caterpillar, el 797 con una capacidad de 380 toneladas, está creciendo por el interés del sector minero explorando y desarrollando depósitos nuevos. Actualmente, existen 27 de estos camiones solicitados o en operación. A la fecha, las ventas y encargos por estos camiones y equipos de apoyo alcanzan los \$143 millones.

Ventas de Flotas Mayores

En el 2001 once 797s fueron entregados – seis a Minera Escondida, tres a Minera Los Pelambres y dos unidades configuradas para operación a gran altitud a Compañía Minera Doña Inés de Collahuasi SCM. Esta última venta, la primera a Collahuasi, generó ingresos de \$9 millones.

Minera Los Pelambres solicitó otros seis 797, valorados en aproximadamente \$32 millones, para ser entregados en el 2002.

Se concluyó un acuerdo con la Compañía Minera Cerro Colorado (BHP-Billiton) por un grupo de 13 camiones mineros 789C y equipo auxiliar, valorado en \$48 millones, que serán utilizados en la expansión de la mina.

Suben las Ventas por Unidad

Enfrentando mercados débiles para equipos de construcción y forestal, Finning Chile exitosamente incrementó las ventas por unidad, y paralelamente, generó una mayor participación de mercado para modelos específicos, incluyendo los cargadores de ruedas medianos y pesados, motoniveladoras y excavadoras medianas, y minicargadores pequeños.

En el área de construcción general, la participación de mercado disminuyó levemente, pero fuertes ventas de los productos compactos, especialmente minicargadores, aumentando la participación en este segmento.

Expansión en Arriendo

En la medida que el arriendo de equipos se fue transformando en una parte integral de su negocio, Finning Chile planeó la formación de una división de arriendo de equipos, adquirió una compañía de suministro industrial y trasladó su Cat Rental Store a nuevas instalaciones.

La adquisición de "Yrarent", una compañía local, amplía las capacidades del Cat Rental Store y lo hace líder en arriendo de plataformas de trabajo. La compra otorga los derechos exclusivos de distribución de los productos de la marca Genie en el mercado chileno.

Dos importantes acuerdos fueron formalizados durante el 2001. En diciembre del 2001 se firmó un nuevo convenio colectivo de cuatro años con los dos sindicatos de la empresa. Adicionalmente, Finning Chile y Caterpillar llegaron a un acuerdo para el establecimiento de un programa de grado de dos años, que será desarrollado inicialmente para técnicos de servicio. El proyecto incluye una edificación a medida previsto para el año 2002, con la primera inscripción comenzando en marzo del 2003.

Las cifras de accidentes con tiempo perdido mostraron una leve mejora. Los índices de frecuencia subieron levemente, pero el índice de severidad bajó en un 21 por ciento. Este logro lleva a Finning Chile a un estándar mundial de excelencia en seguridad.

One of three Cat 525 skidders owned by contractor Leonida Poo Ltda. works in Monterey pine forests of southern Chile. This type of pine is 30 to 40 centimeters at the butt when reaching maturity in about 20 years.

Uno de tres arrastradores de troncos Cat 525 del contratista Leonida Poo Ltda., trabaja en un bosque de pino Monterey en el sur de Chile. Esta variedad de pino alcanza los 30 a 40 centímetros de base, y alcanza su madurez en 20 años.



Our Global Partners



A SASIPA Ltda. mechanic checks out the Caterpillar 3516 generator set that supplies power to the 3500 residents of Easter Island, located 3700 km west of continental Chile.



This Caterpillar 3612 engine, rated at 3335 horsepower, is one of three such installations that power a gas compression plant at Rio Alto's Galloway operation near Edson, Alberta.



Ice crystals form over giant Caterpillar 797 truck being loaded at Syncrude operation in the Alberta oil sands. Finning delivered 19 of these trucks to oil patch customers in 2001.



Santiago Branch mechanic Raúl Silva loads up for field service duties. “Purpose unites us; Passion moves us” is the slogan promoting Finning Chile’s customer support philosophy.



Skid steer machines, part of Caterpillar’s compact equipment line, are opening new sales and rentals opportunities for Finning in the United Kingdom, Chile and Western Canada.



Finning focus on customer support sees Al Lindholm, field service mechanic, re-tension tracks on Cat machine at customer worksite in Edmonton, Alberta.



Two new Caterpillar 836G compactors move and compact garbage at a landfill site operated by Biffa Waste Services Ltd. at Risley in Cheshire, U.K. The machines were part of \$32 million agreement with Finning (UK) to supply and support Biffa's waste handling fleet.

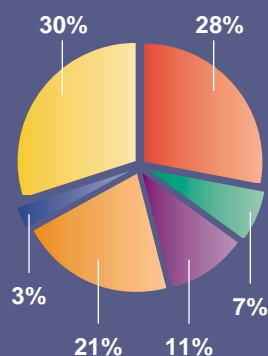
Management

Discussion and Analysis

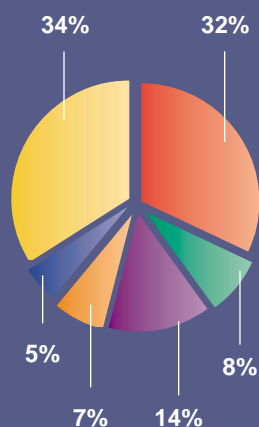


Revenue by Activity

2001



2000



Tons of overburden drops from a giant Caterpillar 380-ton 797 truck at Minera Los Pelambres copper mine in Chile.

Results of operations

Finning International achieved record revenues and net income from operating activities in 2001. Consolidated revenues increased 32.0% to \$3,247.0 million, whereas consolidated net income increased 41.6% to \$103.9 million. Earnings per share for the year 2001 were \$1.37 compared with \$0.95 in 2000, representing a 44.2% increase.

Excluding the impact of non-operating items included in "Other Expenses/(Income)" (see note 12), EBIT for the year was \$259.8 million, net income was \$107.2 million and Basic EPS was \$1.41. These results showed improvement over the comparable prior year (higher by 60.9%, 52.2%, and 55.4%, respectively).

Cash flow after changes in working capital was \$445.6 million compared with \$357.8 million in 2000. The Company reinvested \$311.7 million in revenue-earning rental and lease assets during the year.

The table below sets forth summary financial data for the years indicated.

	2001 (\$ million)	2000 (\$ million)	2001 (% of Revenue)	2000 (% of Revenue)
Revenue	3,247.0	2,460.0		
Gross profit	904.7	624.4	27.9%	25.4%
Selling, general & administrative expenses	634.9	461.0	19.6%	18.7%
Amortization of goodwill	10.0	1.9	0.3%	0.1%
Other expenses/(income)	18.2	(3.8)	0.6%	-0.2%
EBIT	<u>241.6</u>	<u>165.3</u>	<u>7.4%</u>	<u>6.7%</u>
Finance costs and interest on other indebtedness	85.6	58.6	2.6%	2.4%
Provision for income taxes	29.0	33.3	0.9%	1.4%
Non-controlling interests	23.1	-	0.7%	0.0%
Net income	<u>103.9</u>	<u>73.4</u>	<u>3.2%</u>	<u>3.0%</u>

During the year, the Company completed the acquisition for Hewden Stuart Plc., a leader in the equipment rental industry in the U.K. The Company formed a partnership for the purpose of raising equity capital to fund the acquisition of Hewden. Third party investors injected \$425 million of capital into the partnership for a non-controlling partnership interest.

In 2001, the Company also acquired complementary businesses in Canada, the U.K. and Chile in the equipment rental and distribution business.

The Company also divested its material handling business in Canada. This business provided sales, rentals and servicing of new and used forklifts and high-reach equipment.

Revenues

In 2001, consolidated revenues were higher by \$787.0 million with Canadian and UK operations achieving record revenues. A significant part of this increase was due to the inclusion of Hewden (\$587.4 million). Revenues in the Canadian and the UK operations were higher by \$184.1 and \$121.9 million respectively. Revenues were lower by \$26.1 million in Chile. Reported revenues were also lower in Universal Machinery Services as the operations of this division were merged with the existing country operations during the year.

The table below provides details of revenue by operations and lines of business.

	Canada	UK	Chile	Hewden	Other	Consolidated	Revenue %
2001 (dollars in thousands)							
New mobile equipment	\$ 404,239	\$342,991	\$140,287	\$ 8,959	\$ -	\$ 896,466	27.6%
New power & energy systems	140,705	81,470	16,112	-	-	238,287	7.3%
Used equipment	185,679	116,260	28,036	24,653	1,105	355,733	11.0%
Equipment rental	107,100	52,716	13,112	518,145	129	691,202	21.3%
Operating leases	95,715	-	-	-	-	95,715	2.9%
Customer support services	452,573	210,647	250,026	35,735	7,332	956,313	29.5%
Finance and other	12,612	-	432	-	283	13,327	0.4%
Total	<u>\$1,398,623</u>	<u>\$804,084</u>	<u>\$448,005</u>	<u>\$587,482</u>	<u>\$ 8,849</u>	<u>\$3,247,043</u>	<u>100.0%</u>
Revenue percentage by operations	43.1%	24.8%	13.8%	18.1%	0.3%		
2000 (dollars in thousands)							
New mobile equipment	\$ 344,290	\$287,377	\$164,836	\$ -	\$ -	\$ 796,503	32.4%
New power & energy systems	104,321	78,463	11,122	-	-	193,906	7.9%
Used equipment	148,459	85,171	31,145	-	77,959	342,734	13.9%
Equipment rental	100,202	49,461	14,882	-	2,225	166,770	6.8%
Operating leases	98,451	-	-	-	-	98,451	4.0%
Customer support services	405,782	181,690	245,966	-	8,806	842,244	34.2%
Finance and other	13,011	-	6,194	-	219	19,424	0.8%
Total	<u>\$1,214,516</u>	<u>\$682,162</u>	<u>\$474,145</u>	<u>\$ -</u>	<u>\$ 89,209</u>	<u>\$2,460,032</u>	<u>100.0%</u>
Revenue percentage by operations	49.4%	27.7%	19.3%	-	3.6%		

Canada

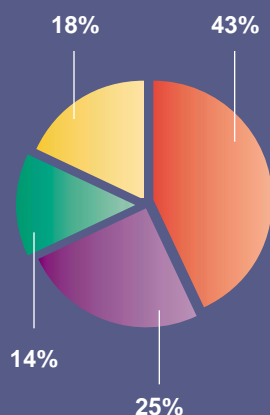
Led by buoyant mining sales from the oil sands, Finning (Canada) achieved record revenues of \$1,398.6 million. Both equipment and customer service revenues increased. Unit deliveries into the mining sector increased 44% over the prior year. The momentum in the energy sector is expected to continue as the Company secured a new contract from Albian Sands Energy Inc. to supply equipment worth over \$100 million over 2002 and 2003.

Equipment rental revenues increased as management focused on the development of the CAT Rental Stores. In addition to the seven rental stores opened in 2001, nine stores are to be added either by green-fielding or through acquisitions in the near future.

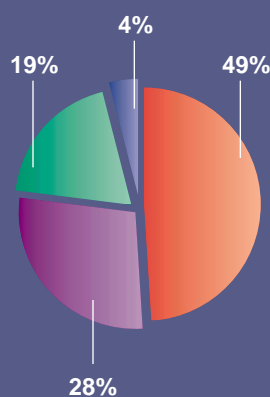
New power & energy systems sales also achieved record levels for the year. Strong demand in the gas compression, electric power, drilling and truck markets combined to deliver 34.9% increase in revenues.

Revenue by Operations

2001



2000



United Kingdom

Record revenues in the U.K. were achieved primarily as a result of renewed infrastructure spending in the country, most notably on the Birmingham Northern Relief Road. In addition, the acquisition of Finn pave, a paving equipment specialist, contributed to the increased construction equipment revenues. Partially offsetting, was the lower sales activity due to the outbreak of foot & mouth disease which showed capital purchases. The outlook for the construction sector remains positive spurred on by a large contract signed in December with a large integrated waste management services supplier to supply 65 Caterpillar machines in 2002.

Materials handling sales increased due to the supply of machines to national accounts. The power systems strength in the industrial business was somewhat offset by a weak internet service provider business.

Used equipment revenues increased by 36.5%, though there was a slowdown in the fourth quarter due to the softening of the U.S. market which reduced the export of used construction equipment.

Customer support services revenue increased due to marketing programs and inclusion of recently acquired MaK (late 2000) and Finn pave (2001) businesses.

Chile

Revenues were lower by \$26.1 million, mainly for new equipment as some customers deferred or reduced their purchases as copper prices languished in 2001. The 797 mining truck continued to make inroads in the Chilean mining market. This market provides a long-term source of service and parts business to the Chilean operation. New orders for six trucks were placed in late December for delivery to the minesites beginning 2002, however, the depressed copper price may reduce production in Chile and customers may continue to defer purchases into 2003.

While the construction market remained subdued during the year, the Chilean Chamber of Commerce expects a slight recovery in 2002. Pulp prices were also lower in 2001 and resulted in a drop in export activity. Despite this, the Company has been able to increase its market share in both the construction and forestry markets.

Power and energy system sales were higher as a result of some large projects and acquisition of CIPA and Yrarent. As a result of these acquisitions, the Company now has a leadership position in the Chilean power systems market.

Hewden

The first year for Hewden under Finning ownership has met management's expectations. Hewden derives rental revenues from its rental services, tool hire and lifting hire divisions through approximately 350 branches in the U.K. Revenues achieved after eleven months of operations were \$587.5 million. There was a net reduction of eight depots over last year, as underperforming depots were closed and new openings in more appropriate locations were created.

The foot and mouth crisis led to a higher utilisation of Hewden rental equipment in mid 2001 as the Company supported the efforts to contain the crisis. During the year, the Company also expanded its operations by acquiring assets from Maxxiom (640 units valued at approximately \$20 million) which assisted in achieving additional revenues.

Other

During the year, the Company merged its international used equipment and parts operations (UMS) into the existing country operations.

Gross profits

Gross profits increased \$280.3 million (44.9%) to \$904.7 million in 2001 compared with 2000. This increase was substantially attributable to the inclusion of Hewden during the year.

As a percentage of revenue, gross profit was higher at 27.9% compared with 25.4% in 2000 mainly due to inclusion of high gross profit rental activities at Hewden. Gross profit as a percentage of revenue was lower in Canada due to adverse exchange rate impact and fleet sales in the oil-sands sector. It was marginally lower in the U.K. mainly as a result of a shift in the sales mix and it was higher in Chile due to better performing service contracts.

Selling, general and administrative expenses

Selling, general and administrative expenses increased \$173.9 million (37.7%) to \$634.9 million in 2001 compared with 2000 due to volume increases and inclusion of Hewden, with its extensive branch structure supporting the rental market. As a percentage of revenue, these expenses were higher at 19.6% compared with 18.7% in 2000, due mainly to Hewden's higher cost structure.

Selling, general and administrative expenses as a percentage of revenue was lower in Canada and the UK due to operating leverage and focus on cost control. It was higher in Chile as a result of the volume shift towards the customer support services which deliver a higher gross margin but have a higher selling, general and administrative component.

Other expenses were lower as the international used equipment and parts operations were merged into the existing country operations.

Amortization of goodwill

Amortization of goodwill increased by \$8.1 million primarily due to the amortization of goodwill on the acquisition of Hewden. In 2002, with the change in accounting treatment of goodwill, amortization of goodwill will not occur but be replaced by an annual assessment for impairment (for more details see Note 1, Notes to Consolidated Financial Statements).

Other expenses/(income)

Other expenses/(income) include non-operating or occasional items shown separately to facilitate comparison with last year. As a result of the transactions described below, the Company recorded a net non-operating expense of \$18.2 million for the year. As a result of the tax recovery of \$14.9 million thereon, the net income impact was \$3.3 million.

During the year, the Company recorded restructuring charges of \$14.2 million related to the planned closure, consolidation or downsizing of some branches in the U.K. and Canada to achieve operating efficiencies. Additional restructuring charges of \$10.2 million were recorded in 2001 related to the winding up of international Universal Machinery Services and merging it with the existing country operations.

The Company donated its head office property located in Vancouver to post secondary institutions. This donation was valued at \$33.8 million. The property had a book value of \$4.3 million and the donation expense was offset by a deemed gain of \$29.5 million, resulting in a net donation expense of \$4.3 million.

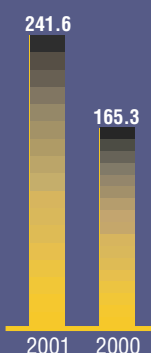
The Company also sold surplus real estate in Canada and the U.K. for a gain on \$8.7 million

During the year, the Company sold the business previously carried out by its Materials Handling Division and its subsidiary Interior Lift Truck Services Inc. in Canada for \$65.0 million and recognized a gain of \$3.6 million on cash received and deferred a gain of \$10.2 million in

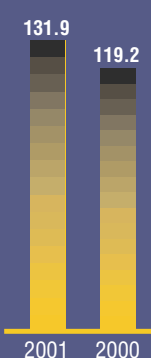
Operating Income (EBIT) by Operations

(dollars in millions)

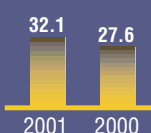
Consolidated



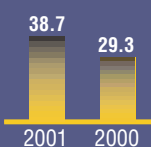
Canada



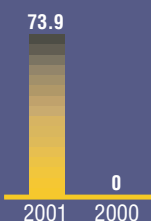
UK



Chile



Hewden



respect of promissory notes received. This gain on sale was partially offset by \$2.5 million loss on the sale of the attachment services business in Canada.

The Company also reduced its net investment in its UK subsidiary by GBP 21 million. As a result of this transaction, a foreign exchange gain of \$0.7 million was realized.

Earnings before interest and taxes (EBIT):

EBIT increased by 46.2% to \$241.6 million due to inclusion of Hewden and significant increases in all the operations. EBIT as a percentage of revenue was 7.4% in 2001 compared with 6.7% in 2000. The improvement was even more significant (8.0% vs. 6.6%), when normalized for non-recurring items.

The table below illustrates EBIT contribution by operations:

	Canada	UK	Chile	Hewden	Other	Consolidated
2001 (dollars in thousands)						
Revenue from external sources	\$1,398,623	\$ 804,084	\$ 448,005	\$ 587,482	\$ 8,849	\$3,247,043
Operating costs	1,114,242	748,848	399,377	380,677	25,570	2,668,714
Depreciation	151,438	22,113	9,950	125,032	-	308,533
Amortization of goodwill	1,082	1,035	-	7,852	-	9,969
Other expense/(income)					18,226	18,226
Earnings before interest and tax	<u>\$ 131,861</u>	<u>\$ 32,088</u>	<u>\$ 38,678</u>	<u>\$ 73,921</u>	<u>\$ (34,947)</u>	<u>\$ 241,601</u>
	9.4%	4.0%	8.6%	12.6%		7.4%
2000 (dollars in thousands)						
Revenue from external sources	\$1,214,516	\$ 682,162	\$ 474,145	\$ -	\$ 89,209	\$2,460,032
Operating costs	947,015	629,309	435,877	-	103,826	2,116,027
Depreciation	147,300	24,389	8,987	-	-	180,676
Amortization of goodwill	1,012	843	-	-	-	1,855
Other expense/(income)					(3,789)	(3,789)
Earnings before interest and tax	<u>\$ 119,189</u>	<u>\$ 27,621</u>	<u>\$ 29,281</u>	<u>\$ -</u>	<u>\$ (10,828)</u>	<u>\$ 165,263</u>
	9.8%	4.0%	6.2%	0.0%		6.7%

Finance costs and interest on other indebtedness

Finance costs and interest on other indebtedness increased by \$27.0 million to \$85.6 million in 2001 compared with 2000, mainly as debt increased to finance the Hewden acquisition.

Provision for income taxes

Income tax expense in 2001 amounted to \$29.0 million, reflecting an effective tax rate of 21.8% during the year compared with 31.2% in 2000.

Normalized for non-recurring items discussed earlier, the effective tax rate for the two years was 29.0% and 31.6% respectively. The decrease in the Company's effective tax rate is mainly due to higher proportion of income being generated in lower tax jurisdictions and lower Canadian tax rates.

Non-controlling interests

In the first quarter of 2001, Finning formed a partnership for the purpose of raising capital to fund the acquisition of Hewden. Finning is the general partner in this partnership. Third party investors injected \$425.0 million of capital into the partnership for a non-controlling partnership interest. The partnership interests are entitled to a quarterly distribution on their capital account. The distribution for the year was \$23.1 million, representing a yield of 6.1%.

Net income

Net income improved by 41.6% to \$103.9 million in 2001 compared to a year earlier, resulting in a 44.2% increase in basic earnings per share to \$1.37. Normalized for non-recurring items discussed earlier, basic earnings per share rose to \$1.41 or 55.4%.

Liquidity and Capital Resources

Management of the Company assesses liquidity in terms of its ability to generate sufficient cash flow to fund its operations. Net cash flow is affected by the following items:

- operating activities, including the level of accounts receivable, inventories, accounts payable, rental equipment and financing provided to customers;
- investing activities, including acquisitions of complementary businesses, and capital expenditure; and
- external financing, including bank credit facilities, commercial paper and other capital market activities, providing both short and long-term financing.

Cash flow from operating activities

Cash provided after changes in working capital was \$445.6 million compared with \$357.8 million in 2000. During 2001, \$311.7 million was reinvested (\$117.1 million in 2000) in revenue earning assets and as a result, cash flow from operating activities was \$133.9 million in 2001 compared with \$240.6 million in 2000.

Cash used for investing activities

Cash used in investing activities totalled \$610.7 million. This included \$642.9 million for acquisitions (2000 - \$218.0 million) and \$22.3 million for capital assets (2000 - \$11.9 million) offset by \$54.5 million received on the sale of the materials handling business in Canada (2000 – nil).

Financing activities

To complement the internally generated funds from operating and investing activities, the Company has available approximately \$1,147.4 million in unsecured short-term credit facilities and \$75.0 million in unsecured term facilities. The Company also has a commercial paper program for \$300.0 million, which can be issued against the designated short-term credit facilities amount. At the year-end, approximately \$483.9 million, including commercial paper, was drawn against the bank facilities.

Longer-term capital resources are provided by direct access to capital markets. The Company is rated by both Standard & Poor's (S&P) and Dominion Bond Rating Service (DBRS). DBRS rates Finning's senior debentures and medium term notes BBB (high) and its commercial paper R-2 (high). The respective S&P rating is BBB, with a positive outlook and A-2.

During 2001, overall debt increased by \$103.5 million. Short-term debt decreased by \$25.8 million to \$372.4 million during the year while long-term debt increased by \$129.3 million from \$544.4 million to \$673.7 million. The acquisition of Hewden was financed on February 7, 2001, with \$425.0 million being recorded as a non-controlling interest. The Company refinanced \$200.0 million of short-term bank debt associated with the Hewden acquisition with a debenture issue under its Medium Term Note program on June 19, 2001.

The Company did not have any equity issues in 2001. Share capital increased from \$200.6 million in 2000 to \$212.1 million at the end of 2001, reflecting the exercise of stock options into 1.5 million common shares offset by the repurchase of 1.5 million common shares as part of a normal course issuer bid. Under the current normal course issuer bid agreement, the Company is allowed to buy back a maximum of 7.6 million shares up to September 24, 2002.

The Company has an employee share purchase plan for its Canadian employees. Under the terms of this plan, eligible employees may purchase common shares of the Company in the open market at market value. The Company pays a portion of the purchase price to a maximum of 2% of employee earnings. The plan may be cancelled by Finning at any time. At December 31, 2001, over 67% of Canadian employees were contributing to this plan compared with 65% at the end of 2000. During 2001, the Company launched an All Employees Share Purchase Ownership Plan for its employees in Finning (UK) and Hewden, which will commence in January, 2002. Under the terms of this plan, employees may contribute up to 10% of their salary to a maximum of £125.00 per month. The Company will provide one common share for every three the employee purchases.

Financial Leverage

The Company's operations consist of three major components, namely its operating (new and used equipment sales and customer support services), equipment rental activities and finance (equipment leasing and financing). Each of these major components has a different risk profile. Accordingly, Finning applies a different capital structure and financial leverage to each component based on industry norms.

The finance assets and rental assets are supported by a combination of debt and equity. Finning applies a debt to equity ratio of 7:1 to its finance operation and 5:1 to its rental operation. Total debt, non-controlling interests and shareholders' equity is allocated to the operating, finance, rental activities and non-controlling interests. Future income taxes are allocated based on the assets and liabilities assigned to the operating, finance and rental activities. In 2000, the debt to equity ratios were calculated excluding the investment in Hewden (\$218.1 million removed from assets and short-term debt). In 2001, the debt to equity ratios were calculated on a fully consolidated basis including the non-controlling interest of \$425.0 million as equity.

The Company's overall debt to equity ratio improved from 1.04 at the end of 2000 to 0.87 at the end of 2001. Debt to equity ratio for its operating activities (excluding finance and rental activities and the non-controlling interests) at 0.21 was at a similar level to 2000. This continued improvement in the overall debt to equity ratio was primarily due to the Company's focused asset management program to improve current operating asset efficiency and short-term borrowings. The Company achieved an improvement in receivables collections, inventory turnover and earnings in 2001 as a result of the program.

The table below compares financial leverage and operating debt to equity ratio for the Company as at the end of 2001 with the corresponding ratios for 2000.

As at Dec. 31, 2001 <i>(dollars in thousands)</i>	Non-controlling				Consolidated
	Operations	Rental	Interest	Finance	
Total assets	\$1,237,174	\$1,000,915	\$ 425,000	\$ 372,867	\$3,035,956
Payables and accruals	523,140	242,531	-	3,702	769,373
Future income taxes, net	(20,535)	27,875	-	12,278	19,618
Liabilities	502,605	270,406	-	15,980	788,991
Net investment	\$ 734,569	\$ 730,509	\$ 425,000	\$ 356,887	\$2,246,965
Short & long term debt	\$ 125,068	\$ 608,758	\$ -	\$ 312,276	\$1,046,102
Non-controlling interests			425,000		425,000
Shareholders' equity	609,501	121,752	-	44,611	775,863
Total debt and shareholders' equity	\$ 734,569	\$ 730,510	\$ 425,000	\$ 356,887	\$2,246,965
Debt to equity	0.21	5.00	-	7.00	0.87

As at Dec. 31, 2000 *(dollars in thousands)*

Total assets	\$1,180,287	\$ 347,339	\$ -	\$ 404,500	\$1,932,126
Payables and accruals	482,328	14,466	-	3,328	500,122
Future income taxes, net	(15,722)	11,240	-	13,431	8,949
Liabilities	466,606	25,706	-	16,759	509,071
Net investment	\$ 713,681	\$ 321,633	\$ -	\$ 387,741	\$1,423,055
Short & long term debt	\$ 117,298	\$ 268,028	\$ -	\$ 339,273	\$ 724,599
Shareholders' equity	596,383	53,605	-	48,468	698,456
Total debt and shareholders' equity	\$ 713,681	\$ 321,633	\$ -	\$ 387,741	\$1,423,055
Debt to equity	0.20	5.00	-	7.00	1.04

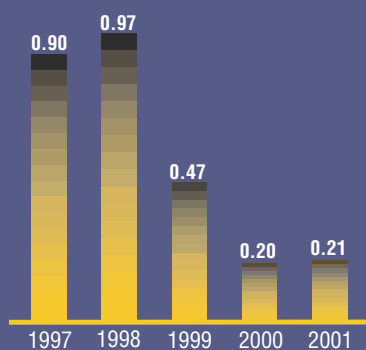
Note: In the 2000 ratios, the investment in Hewden and debt associated therewith was not included as the acquisition had not been completed by year-end.

Financial Derivatives and Risk Management

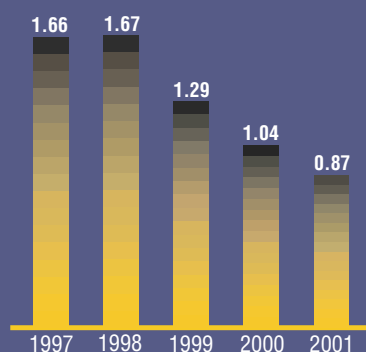
The Company uses various financial instruments such as interest rate swaps, forward exchange contracts and options as hedges against actual assets or liabilities. Derivative financial instruments are always associated with a related risk position. For example, the Company has a policy of arranging its financing such that the fixed rate financing offered to its customers is matched by fixed rate borrowings. As well, the portfolio is matched on currency and term. Finning enters into swap agreements, which fix the effective interest rate and currency of the borrowing. This is an effective and flexible method of matching fixed rate terms provided to customers with fixed rate debt obligations.

Finning continually evaluates and manages risks associated with financial derivatives. This includes counterparty credit exposure. Finning manages its credit exposure by ensuring there is no substantial concentration of credit risk with a single counterparty, and by dealing only with highly rated financial institutions as counterparties.

Operating Debt to Equity Ratio



Total Debt to Equity Ratio



Financial Risks and Uncertainties

The Company's financial performance may be influenced either favourably or adversely by fluctuations in foreign exchange, commodity prices and interest rates.

The Company is subject to four main direct sources of foreign exchange risk: transaction, translation, economic and competitive. The first source of foreign exchange risk, transaction risk, relates to fluctuations in the purchase price of inventory. The Company's operations in Canada and Chile source the majority of their products from the United States and, as a consequence, exchange rate movements affect the transaction price for most equipment and parts. Finning is generally able to manage this risk through adjustments in the pricing of its product sales, and through the use of financial derivatives. Finning uses a combination of forward, option or spot strategies to manage the foreign exchange transaction exposure.

The second source of foreign exchange risk, translation risk, relates to the fact that the Company's U.K. and Chilean operations are recorded in its financial statements in Canadian dollars, while those operations conduct business primarily in British pounds in the U.K., and Chilean pesos and U.S. dollars in Chile. Changes in the British pound, Chilean peso and U.S. dollar to the Canadian dollar exchange rate directly affect the financial performance in Canadian dollars of the Company's U.K. and Chilean operations. The Company hedges its investments in some of its foreign subsidiaries by borrowing funds in the foreign currency or with long-term cross currency swaps and forwards.

The third source of foreign exchange risk, economic risk, is characterized by the risk associated with cash flows from subsidiary companies. To minimize fluctuations in the amount received in GBP currency dividends from its Hewden subsidiary, Finning has entered into a long-term cross currency interest rate swap that fixes the foreign exchange rate on a certain amount of dividends received.

The fourth foreign exchange risk is competitive risk. This is where the currency of the competing firms continues to depreciate against the currency that the Company sources its inventory. For example, if the US dollar appreciates against the Canadian dollar and if the Company's competitors source their inventory in Canada, the Company's price to the customers will have to increase if margins are to be maintained even as the competitors' prices remain the same.

The Company's sales are also indirectly affected by fluctuations in commodity prices and exchange rates. In Canada, commodity price movements in the forestry, metals and petroleum sectors can have an impact on customers' demands for equipment and customer service. In Chile, significant fluctuations in the price of copper and gold can have similar effects. In the U.K., lower prices for thermal coal may reduce equipment demand in that sector. In addition, the strength of the British pound and/or Canadian dollar relative to other currencies may result in lower activity levels in the used equipment market and increased competition from competitive imports.

The Company borrows at both fixed and floating interest rates. The floating rate debt portion exposes the Company to increases in short-term interest rates. The Company could eliminate this risk by fixing all of its debt. However, this is not efficient in terms of the interest rate risk and return efficient frontier. The Company can incur lower interest rate costs while maintaining the same risk profile by funding a portion of its debt with floating interest rates. The Company uses interest rate swaps to manage its floating rate exposure.



Finning Power Systems supplied turnkey operation for Viridor Waste Management's Pilsworth power plant near Manchester, U.K. The three-kilowatt power generation package, enough to supply 3,000 homes, consists of three Cat 3516 generator sets that are powered by methane from adjacent garbage site. Geoff Craven, Northern Area Plant Supervisor, takes reading from engine.

Management's Report to the Shareholders

The Consolidated Financial Statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles and necessarily include some amounts that are based on management's best estimates and judgement of all information available up to January 30, 2002.


The Company maintains an accounting system and related controls to provide management with reasonable assurance that transactions are executed and recorded in accordance with its authorizations, that assets are properly safeguarded and accounted for, and that financial records are reliable for preparation of financial statements.

The Company's independent auditors, appointed by the shareholders, express an opinion as to whether management's financial statements present fairly the Company's financial position, operating results and cash flow in accordance with Canadian generally accepted accounting principles.

The Audit Committee of the Board of Directors, consisting solely of outside directors, meets regularly during the year with financial officers of the Company and the external auditors to review internal accounting controls, risk management, audit results, quarterly financial results and accounting principles and practices. In addition, the Audit Committee reports its findings to the Board of Directors which reviews and approves the Consolidated Financial Statements contained in this Annual Report.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized in Note 1 of the Notes to Consolidated Financial Statements. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

January 30, 2002
Vancouver, BC Canada



R. T. Mahler
Executive Vice President and Chief Financial Officer

Auditor's Report


To the Shareholders of Finning International Inc.:

We have audited the consolidated balance sheets of Finning International Inc. (a Canadian corporation) as at December 31, 2001 and 2000 and the consolidated statements of income and retained earnings and cash flow for the years then ended. These Consolidated Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the Consolidated Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Consolidated Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Consolidated Financial Statement presentation.

In our opinion, these Consolidated Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

January 30, 2002
Vancouver, BC Canada



ARTHUR ANDERSEN LLP
Chartered Accountants

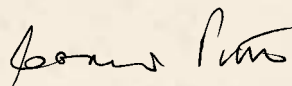
Consolidated Balance Sheets

Assets	2001	2000
Current assets		
Accounts receivable and other	\$ 513,599	\$ 375,208
Inventories		
On-hand equipment	418,672	395,420
Parts and supplies	237,557	203,579
Current portion of instalment notes receivable	67,350	66,476
Total current assets	<u>1,237,178</u>	<u>1,040,683</u>
Finance assets		
Instalment notes receivable	70,468	72,569
Equipment leased to customers (Note 2)	233,375	253,949
Total finance assets	<u>303,843</u>	<u>326,518</u>
Rental equipment (Note 3)	776,832	311,019
Land, buildings and equipment (Note 4)	312,359	189,961
Investment (Note 5)	-	218,050
Future income taxes (Note 14)	2,825	7,465
Goodwill (Note 7)	405,744	63,945
	<u>\$ 3,038,781</u>	<u>\$ 2,157,641</u>
Liabilities		
Current liabilities		
Short-term debt (Note 8)	\$ 372,360	\$ 398,208
Accounts payable and accruals	758,009	495,239
Income tax payable	11,364	4,883
Current portion of long-term debt (Note 8)	132,986	67,224
Total current liabilities	<u>1,274,719</u>	<u>965,554</u>
Long-term debt (Note 8)	540,756	477,217
Future income taxes (Note 14)	22,443	16,414
Total liabilities	<u>1,837,918</u>	<u>1,459,185</u>
Non-controlling interests (Note 6)		
	425,000	-
Shareholders' equity		
Share capital (Note 10)	212,122	200,629
Retained earnings	590,588	521,569
Cumulative currency translation adjustments (Note 11)	(26,847)	(23,742)
Total shareholders' equity	<u>775,863</u>	<u>698,456</u>
	<u>\$ 3,038,781</u>	<u>\$ 2,157,641</u>

Approved by the Directors:



D.W.G. Whitehead, Director



C.A. Pinette, Director

Consolidated Statements of Income and Retained Earnings

	2001	2000
Revenue		
New mobile equipment	\$ 896,466	\$ 796,503
New power & energy systems	238,287	193,906
Used equipment	355,733	342,734
Equipment rental	691,202	166,770
Operating leases	95,715	98,451
Customer support services	956,313	842,244
Finance and other	13,327	19,424
Total revenue	<u>3,247,043</u>	<u>2,460,032</u>
Cost of sales	<u>2,342,308</u>	<u>1,835,644</u>
Gross profit	904,735	624,388
Selling, general and administrative expenses	634,939	461,059
Other expenses/(income) (Note 12)	<u>18,226</u>	<u>(3,789)</u>
Income before interest, income taxes, non-controlling interests and amortization of goodwill	251,570	167,118
Finance cost and interest on other indebtedness (Notes 8 and 9)	<u>85,550</u>	<u>58,552</u>
Income before provision for income taxes, non-controlling interests and amortization of goodwill	166,020	108,566
Provision for income taxes (Note 14)	29,021	33,320
Non-controlling interests (Note 6)	23,113	-
Amortization of goodwill (Note 7)	<u>9,969</u>	<u>1,855</u>
Net income available to shareholders	<u>103,917</u>	<u>73,391</u>
Retained earnings, beginning of year	521,569	502,028
Dividends on common shares	(15,155)	(15,452)
Premium on common share repurchase (Note 10)	<u>(19,742)</u>	<u>(38,398)</u>
Retained earnings, end of year	<u>\$ 590,589</u>	<u>\$ 521,569</u>
Earnings per share (Note 16)		
Basic	\$ 1.37	\$ 0.95
Diluted	\$ 1.34	\$ 0.94
Basic before amortization of goodwill	\$ 1.50	\$ 0.97
Diluted before amortization of goodwill	\$ 1.47	\$ 0.96
Weighted average number of shares outstanding	75,854,866	77,436,109

Consolidated

Statements of Cash Flow

	2001	2000
Operating Activities		
Net income	\$ 103,917	\$ 73,391
Add		
Depreciation	308,533	180,676
Amortization of goodwill	9,969	1,855
Future income taxes	(2,943)	1,774
Other items	(7,634)	892
Non-controlling interests distribution	23,113	-
	<u>434,955</u>	<u>258,588</u>
Changes in working capital items		
Accounts receivable and other	15,785	(7,840)
Inventories – On-hand equipment	(29,665)	4,502
Inventories – Parts & supplies	(29,116)	27,678
Instalment notes receivable	866	(20,074)
Accounts payable and accruals	65,009	78,939
Income taxes	(12,211)	15,987
Cash provided after changes in working capital items	<u>445,623</u>	<u>357,780</u>
Rental equipment, net of disposals	(259,385)	(68,581)
Equipment leased to customers, net of disposals	(52,318)	(48,584)
Cash flow from operating activities	<u>133,920</u>	<u>240,615</u>
Investing Activities		
Net cash invested in land, buildings and equipment	(22,257)	(11,893)
Proceeds on sale of Canadian Materials Handling business	54,502	-
Acquisitions		
Aggregate purchase price	(750,486)	-
Assumed debt on acquisition of Hewden	(110,493)	-
Less: Initial investment in Hewden	218,050	(218,050)
Cash used for investing activities	<u>(610,684)</u>	<u>(229,943)</u>
Financing Activities		
Repayment of long-term debt	(73,611)	(42,746)
Issue of debenture	200,000	-
Non-controlling interests	425,000	-
Non-controlling interests distribution	(23,113)	-
Issue of common shares on exercise of stock options	15,459	1,472
Repurchase of common shares	(23,708)	(49,196)
Dividends paid	(15,155)	(15,452)
Currency translation adjustments	(2,260)	2,681
Cash provided by/(used for) financing activities	<u>502,612</u>	<u>(103,241)</u>
Decrease/(increase) in short-term debt	25,848	(92,569)
Short-term debt at beginning of year	398,208	305,639
Short-term debt at end of year	<u>\$ 372,360</u>	<u>\$ 398,208</u>
Cash flows include the following elements		
Interest paid	\$ 86,148	\$ 59,610
Income taxes paid	\$ 32,243	\$ 14,461

Notes to

Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in Canada that require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual amounts could differ from those estimates. The significant accounting policies used in these Consolidated Financial Statements are as follows:

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Finning International Inc. ("Finning" or "Company") and its wholly owned subsidiaries. In addition, Finning consolidates the partnership that was formed to fund the acquisition of Hewden Stuart. Principal operating subsidiaries include Finning (UK) Ltd, Finning Chile S.A. and Hewden Stuart Plc.

Currency Translation

Transactions undertaken in foreign currencies are translated into Canadian dollars at approximate exchange rates prevailing at the time the transactions occurred.

Account balances denominated in foreign currencies are translated into Canadian dollars as follows:

Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet dates and non-monetary items are translated at historical exchange rates.

Exchange gains and losses are included in income except where the exchange gain or loss arises from the translation of monetary liabilities considered to be hedges, in which case the gain or loss is deferred and accounted for in conjunction with the hedged asset.

Financial statements of self-sustaining foreign operations are translated into Canadian dollars as follows:

Assets and liabilities are translated using the exchange rates in effect at the balance sheet dates.

Revenue and expense items are translated at average exchange rates prevailing during the period that the transactions occurred.

Unrealized translation gains and losses are deferred and included as a separate component of shareholders' equity. These cumulative currency translation adjustments are recognized in income when there is a reduction in the net investment in the self-sustaining foreign operation.

The Company has hedged its investments in some of its foreign subsidiaries by borrowing funds in foreign currency. Exchange gains or losses arising from the translation of the hedge instruments are accounted for in the cumulative currency translation adjustments.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a specific item basis for on-hand equipment. For approximately two-thirds of parts and supplies, cost is determined on a first-in, first-out basis. An average cost basis is used for the remainder.

Instalment Notes Receivables

Instalment notes receivables are recorded net of unearned finance charges.

Equipment Leased to Customers

Depreciation of equipment leased to customers is provided in equal monthly amounts over the terms of the individual leases after recognizing the estimated residual value of each unit at the end of each lease.

Rental Equipment

Rental equipment is recorded at cost, net of accumulated depreciation. Cost is determined on a specific item basis. Rental equipment is depreciated to its estimated residual value over its estimated useful life on a straight line or on an actual usage basis.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost, net of accumulated depreciation.

Buildings and equipment are depreciated over their estimated useful lives on either a declining balance or straight line basis using the following annual rates:

Buildings	2%- 5%
General equipment	20%-30%
Automotive equipment	25%-30%

Revenue Recognition

Revenue from sales of products and services is recognized at the time of shipment of products to, and performance of services for, customers. Equipment lease and rental revenue is recognized over the term of the lease or rental. Finance income is recognized as earned.

Stock-Based Compensation

The Company has several stock option plans and other stock-based compensation plans for directors and certain eligible employees.

The Company follows the intrinsic value method of accounting for stock options. Since the exercise price is set at an amount equal to the weighted average trading price on the day prior to the grant of the stock options, no compensation expense is recognized on the day of the grant. When options are exercised, the proceeds received by the Company are credited to common shares in the consolidated balance sheet.

Changes in the Company's obligations under other stock-based compensation plans, which arise from fluctuations in the market price of the Company's common shares underlying these compensation plans, are recorded in selling, general and administrative expense in the consolidated statement of income with a corresponding accrual in the consolidated balance sheet.

Employee Benefits

The Company and its subsidiaries have a number of defined benefit and defined contribution plans providing pension and other benefits to most of its employees in the Canadian, the UK and the Hewden operations. The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets and has adopted the following policies:

Defined benefit plans:

For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. The cost of pensions and other retirement benefits is determined by independent actuaries using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs.

Adjustments arising from plan amendments, changes in assumptions and the excess of net actuarial gains or losses over 10% of the greater of the benefit obligation and the fair value of the plan assets are amortized on a straight line basis over the expected average remaining service life of the employees covered by the plans.

The Company adopted the recommendations of section 3461 of the CICA handbook in 2000 on a prospective basis. The transitional balance as a result of this change in the accounting policy is being amortized over the expected average remaining service life of the employees covered by the plans.

Defined contribution plans:

The cost of pension benefits includes the current service cost based on a fixed percentage of member earnings for the year.

Goodwill

Goodwill acquired on the acquisition of subsidiaries is amortized to income on a straight line basis over 40 years. Goodwill is evaluated annually, and is written down when the undiscounted future earnings of the related business are less than its carrying amount.

In July 2001, the CICA issued new accounting standards with CICA Handbook Section 3062, Goodwill and Other Intangible Assets. Under the new standards, goodwill will no longer be subject to amortization over its estimated useful life. Instead, goodwill will be subject to, at a minimum, an annual assessment for impairment by applying a fair-value based test at the reporting unit level. An impairment loss would be recognized to the extent the carrying amount of goodwill exceeds the implied fair value. The Company will adopt the provisions of this new standard beginning on January 1, 2002. The adoption will have no cash impact on the Company's financial statements.

Income Taxes

The Company uses the liability method of accounting for income taxes. Under this method, temporary differences arising from the difference between the tax basis of an asset and a liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates anticipated to be in effect in the periods that the temporary differences are expected to reverse. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in income in the period that the change occurs.

Statement of Cash Flow

Short-term debt forms an integral part of the Company's cash management; accordingly, cash flows are represented by changes in short-term debt.

Prior Year Comparatives

Certain prior year amounts have been reclassified to conform to the 2001 presentation.

2. EQUIPMENT LEASED TO CUSTOMERS

	2001	2000
Cost	\$ 385,198	\$ 393,604
Less accumulated depreciation	(151,823)	(139,655)
	<u>\$ 233,375</u>	<u>\$ 253,949</u>

Depreciation of equipment leased to customers for the year ended December 31, 2001 was \$67,643 (2000: \$66,709).

3. RENTAL EQUIPMENT

	2001	2000
Cost	\$ 1,486,025	\$ 418,304
Less accumulated depreciation	(709,193)	(107,285)
	<u>\$ 776,832</u>	<u>\$ 311,019</u>

Depreciation of rental equipment for the year ended December 31, 2001 was \$213,798 (2000: \$96,168).

4. LAND, BUILDINGS AND EQUIPMENT

	2001	2000
Land	\$ 77,811	\$ 47,017
Buildings and equipment	450,732	302,215
Less accumulated depreciation	(216,184)	(159,271)
	<u>\$ 234,548</u>	<u>\$ 142,944</u>
Total land, buildings and equipment	<u>\$ 312,359</u>	<u>\$ 189,961</u>

Depreciation of buildings and equipment for the year ended December 31, 2001 was \$27,092 (2000: \$17,799).

Subsequent to December 31, 2001, the Company arranged to sell its interest in various properties across Alberta and British Columbia for \$78,770 and lease it back for a 20 year term. The estimated gain on the sale is \$14,643, which will be deferred and amortized over the lease term. The Company's obligation under the lease is estimated as follows:

2002 to 2006	\$ 8,064 per annum
2007 and thereafter	\$146,810

5. ACQUISITION OF HEWDEN STUART

At December 31, 2000 Finning had an investment in Hewden of \$218,050 representing 29.4% of the issued ordinary share capital. The Consolidated Financial Statements give effect to the acquisition of the remaining 70.6% of Hewden which was completed on January 26, 2001. Hewden is in the equipment rental and related services business, operating throughout Scotland, England, Wales and Northern Ireland. The results of Hewden's operations have been included in the Company's Consolidated Financial Statements from January 26, 2001. The purchase of Hewden is accounted for under the purchase method of accounting. The aggregate purchase price of \$729,111 (including acquisition costs of \$19,700) was paid in cash. Goodwill arising on the acquisition is amortized on a straight-line basis over its estimated useful life of 40 years.

The net assets acquired at their fair values comprised the following:

Net assets acquired	
Total assets	\$ 704,995
Total liabilities	307,968
Net assets acquired	<u>397,027</u>
Goodwill	332,084
Total purchase price	<u>\$ 729,111</u>

6. NON CONTROLLING INTERESTS

In the first quarter of 2001, Finning formed a partnership for the purpose of raising equity capital to fund the acquisition of Hewden Stuart. Finning is the general partner in this partnership. Third party investors injected \$425,000 of capital into the partnership for a non-controlling partnership interest. The partnership interests are entitled to a quarterly distribution on their capital account and distributions to the non-controlling interests totaled \$23,113 in 2001.

The partnership has a seventy-five year life, but could be liquidated in certain circumstances. No return of capital is scheduled during the life of the partnership. The partnership interests and the partnership distributions are accounted for as non-controlling interests on the consolidated balance sheet and on the consolidated statement of income. The financial position, results of operations and cash flows of the partnership is consolidated with Finning from its date of inception.

7. GOODWILL

	2001	2000
Purchased goodwill, beginning of year	\$ 77,777	\$ 88,619
Goodwill on acquisitions during the year	339,069	4,195
Reduction in goodwill in recognition of future income tax asset	(10,878)	(15,257)
Reduction in goodwill on divestitures during the year	(563)	-
Foreign exchange translation adjustment	24,078	220
Purchased goodwill, end of year	<u>429,483</u>	<u>77,777</u>
Accumulated amortization, beginning of year	(13,832)	(14,260)
Amortization for the year	(9,969)	(1,855)
Reduction in accumulated amortization of goodwill	62	2,283
Accumulated amortization, end of year	<u>(23,739)</u>	<u>(13,832)</u>
Net purchased goodwill	<u>\$ 405,744</u>	<u>\$ 63,945</u>

Acquisitions are accounted for under the purchase method. The excess of the cost of the acquisitions over the amounts assigned to the identifiable assets acquired less the liabilities assumed is assigned to goodwill. During the year the Company acquired Hewden Stuart and several other smaller operations in Canada, the U.K. and Chile for \$760,603 (Hewden \$729,111; others \$31,492). Goodwill on these acquisitions comprised of \$332,084 for Hewden Stuart and \$6,985 for other acquisitions. During 2000, the Company acquired two marine products distribution businesses operating in the U.K. and Ireland, namely MaK parts and service operations and Sabre Perkins operations for \$6,168 with resulting goodwill of \$4,195.

During the year, the Company adjusted its goodwill by \$10,878 to recognize a previously unrecognized future income tax asset with respect to tax loss carry-forwards resulting from the purchase of Leverton in 1997. As a result of the Company changing its method of accounting for income taxes in 2000, the Company adjusted its goodwill in 2000 to recognize a previously unrecognized future income tax asset with respect to tax loss carry-forwards for \$12,974 that was acquired from the purchase of Finning Chile in 1993.

8. SHORT-TERM AND LONG-TERM DEBT

	2001	2000
Short-term debt:		
Bank indebtedness, commercial paper and other loans (a)	\$ 372,360	\$ 398,208
Long-term debt:		
Debtures (b)		
8.35% due March 22, 2004	75,000	75,000
7.75% due November 1, 2004	150,000	150,000
6.60% due December 8, 2006	75,000	75,000
7.40% due June 19, 2008	200,000	-
Bank term facilities (c)	72,032	134,291
Bank term facilities denominated in pound sterling (d)	92,640	89,728
Other unsecured loans denominated in U.S. dollars and Chilean pesos, maturing between 2002 and 2004	9,070	20,422
	673,742	544,441
Less current portion of long-term debt	132,986	67,224
Total long-term debt	\$ 540,756	\$ 477,217

(a) Bank indebtedness, commercial paper and other loans

The Company has available \$1,147,400 in unsecured short-term credit facilities. Borrowings under the credit facilities are at floating rates of interest at a margin over Canadian dollar bankers' acceptance yields, and U.S. and U.K. LIBOR rates. In addition, the Company has a Canadian commercial paper program for \$300,000 which can be issued against the available credit amount. Other loans include supplier merchandising programs. Included in short-term debt are foreign currency amounts of US \$6,000 (2000: US \$26,599) and £57,429 (2000: £22,256).

(b) Debentures

The Company's debentures are unsecured, and interest is payable semi-annually with principal due on maturity.

(c) Bank term facilities

The Company has available \$75,000 in an unsecured term facility. Borrowing under the term facility is at a floating rate of interest which averaged 5.18% in 2001 (2000: 6.24%). This facility expires on December 31, 2002.

(d) Bank term facilities denominated in pound sterling

The pound sterling term facilities are unsecured and are comprised of a £15,000 floating rate loan at an average interest rate of 5.75% (2000: 6.63%), maturing May 25, 2003; and a £25,000 fixed rate loan at 7.675%, maturing May 8, 2002. These loans have been used to hedge the Company's investment in Finning (UK) Ltd.

Covenants

The Company is required to meet various covenants with respect to its debt facilities. As at December 31, 2001, the Company is in compliance with these covenants.

Long-Term Debt Repayments

Principal repayments on long-term debt in each of the next five years and thereafter are as follows:

2002	\$ 132,986
2003	37,748
2004	228,008
2005	-
2006	75,000
Thereafter	<u>200,000</u>
	<u>\$ 673,742</u>

Finance Cost and Interest

Finance cost and interest on other indebtedness as shown on the consolidated statement of income is comprised of the following elements:

	2001	2000
Interest on debt securities:		
Debentures	\$ 30,744	\$ 21,708
Bank indebtedness, commercial paper and other loans	33,432	25,127
Bank term facilities	<u>13,175</u>	<u>11,508</u>
	77,351	58,343
Interest on swap contracts	4,107	(1,022)
Amortization of deferred financing costs and other expenses	<u>4,092</u>	<u>1,231</u>
	<u>\$ 85,550</u>	<u>\$ 58,552</u>

Interest expense includes interest on debt incurred for a term greater than one year of \$41,468 (2000: \$36,935).

9. FINANCIAL INSTRUMENTS

The Company uses derivative financial instruments as part of an overall risk management strategy to manage the underlying financial and economic risks of the Company and to achieve lower cost financing. The Company uses derivative financial instruments to manage the mix of fixed and floating interest rate exposure, to manage foreign exchange exposure, and to diversify sources of financing.

Interest Rate Risk Management

The Company has a policy of arranging its financing so that the fixed rate financing offered to its customers on its lease and notes portfolio is matched by fixed rate borrowings. As well, the portfolio is matched on currency and term. To meet this objective, the Company enters into swap agreements, which fix the effective interest rate and currency of the borrowing.

Swaps are contractual agreements between two counterparties to exchange a series of cash flows. For interest rate swaps, counterparties generally exchange fixed and floating interest payments based on a notional value in a single currency. For cross-currency interest rate swaps, principal amounts and fixed and floating interest payments are exchanged in different currencies.

Additionally, the Company uses interest rate swaps to manage its fixed and floating interest rate exposure. The following interest rate contracts were in place at December 31, 2001 and 2000.

Interest Rate Swaps	Notional Value	Interest Rates (1)		Term To Maturity	Fair Value Fav/(Unfav)
		Fixed	Floating		
2001					
Fixed/Floating Swaps					
(a) Canadian \$ receive fixed	\$ 225,000	7.37%	5.24%	2 to 5 years	\$ (1,326)
(b) Canadian \$ pay fixed	\$ 74,389	5.05%	2.09%	1 to 6 years	\$ (1,561)
Cross-Currency Interest Rate Swap (2)					
(a) Buy Canadian \$ (against £ 228,000)	\$ 498,849	4.59%	8.33%	n/a	\$ (39,118)

- (1) For the fixed/floating Canadian \$ swaps, the fixed interest rates represent the weighted average interest rates which the Company is contractually committed to pay/receive until the swap matures. The floating interest rates represent the average effective interest rates at the balance sheet date and vary over time.
- (2) The interest rate on the cross currency interest rate swap contract is reset in 4 years. The swap has an open maturity date and hedges the Company's investment in Hewden Stuart.

2000

At December 31, 2000, interest rate swap agreements having a notional principal of \$80,043 at weighted average fixed pay rate of 5.69% were outstanding. These agreements expire on various dates between 2001 and 2005. Additionally, the Company had an interest rate swap agreement outstanding at a notional principal of \$150,000. The Company received a fixed rate of 7.75% and paid a floating bankers' acceptances based rate determined quarterly. This rate was 7.00% at December 31, 2000. The fair value adjustment of these interest rate swap agreements as at December 31, 2000 was \$4,597 in favour of the Company, taking into account interest rates in effect at the time.

Foreign Exchange Risk Management

The Company manages foreign exchange risk by matching assets with related liabilities, through adjustments in the pricing of its product sales, and through the use of derivative instruments such as forward exchange contracts. Forward exchange contracts are contractual agreements to either buy or sell a specified currency at a specific price and date in the future. Such contracts are used to hedge foreign currency denominated investments and foreign currency denominated inventory purchases. The following foreign currency contracts were in place at December 31, 2001 and 2000.

Forward Foreign Exchange Contracts	Notional Value	Weighted Average Exchange Rate	Term to Maturity	Fair Value Fav/(Unfav)
2001				
(a) Buy US \$ (against Canadian \$)	US\$	71,239	1.5787	1-2 years 991
(b) Buy EURO (against £)	EUR	19,517	1.6264	1 year (107)
(c) Sell £ (against Canadian \$) (1)	£	95,560	2.1491	n/a (4,276)

- (1) The forward foreign exchange contract hedges the Company's investment in Hewden Stuart.

2000

At December 31, 2000, the Company had forward exchange contracts to sell £ 95,560 and option contracts to purchase £ 227,000 to hedge exchange exposure on its investment in Hewden Stuart. The fair value adjustment of these foreign exchange contracts as at December 31, 2000 was \$3,797 in favour of the Company.

Fair Values

The fair value of financial instruments is determined by reference to quoted market prices for actual or similar instruments, where available, or by estimates derived using present value or other valuation techniques. The estimated fair values of interest rate swaps and foreign exchange contracts are reported above. The fair value of accounts receivable, notes receivable, short-term debt, accounts payable and accruals approximates their recorded values due to the short-term maturities of these instruments. The fair value of the Company's long term debt is as follows:

	2001		2000	
	Book Value	Fair Value	Book Value	Fair Value
Long-Term Debt	\$ 673,742	\$ 692,014	\$ 544,441	\$ 545,903

Credit Risk

The Company operates internationally as a full service provider (selling, servicing, renting and financing) of heavy equipment and related products. The Company is not dependent on any single customer or group of customers. There is no concentration of credit risk related to the Company's position in trade accounts or notes receivables. Credit risk is minimized because of the diversification of the Company's operations, as well as its large customer base and its geographical dispersion.

The credit risk of the foreign currency contracts and interest rate swap agreements arises from the possibility that the counterparties to the agreements or contracts may default on their obligations; however, the Company does not anticipate such an event to occur. In order to minimize this risk, the Company enters into such agreements only with highly rated financial institutions.

10. SHARE CAPITAL

AUTHORIZED

Unlimited	Preferred shares without par of which 4,400,000 are designated as Cumulative Redeemable Preferred shares
Unlimited	Common shares

ISSUED AND OUTSTANDING

Common Shares

	2001		2000	
	Shares	Amount	Shares	Amount
Balance, beginning of year	75,790,463	\$ 200,629	79,736,877	\$ 209,955
Exercise of stock options	1,483,100	15,459	147,406	1,472
Repurchase of common shares	(1,457,300)	(3,966)	(4,093,820)	(10,798)
	<u>75,816,263</u>	<u>\$ 212,122</u>	<u>75,790,463</u>	<u>\$ 200,629</u>

A shareholders' rights plan is in place which is intended to provide all holders of common shares with the opportunity to receive full and fair value for all of their shares in the event a third party attempts to acquire a significant interest in the Company. The Company's dealership agreements with subsidiaries of Caterpillar Inc. are fundamental to its business and any change in control must be approved by Caterpillar.

The plan provides that one share purchase right has been issued for each common share and will trade with the common shares until such time as any person or group, other than a permitted bidder, bids to acquire or acquires 20% or more of the Company's common shares. The rights may also be triggered by a third party proposal for merger, amalgamation or a similar transaction. The rights plan will expire at the termination of the Annual Meeting of shareholders to be held in 2002.

The plan will not be triggered if a bid meets certain criteria (a permitted bidder). These criteria include that:

- the offer is made for all outstanding voting shares of the Company;
- more than 50% of the voting shares have been tendered by independent shareholders pursuant to the Takeover Bid (voting shares tendered may be withdrawn until taken up and paid for); and
- the Takeover Bid expires not less than 60 days after the date of the bid circular.

Repurchase of Common Shares

The Company repurchased 1,457,300 common shares during 2001 (4,093,820 shares in 2000) as part of normal course issuer bids. These shares were repurchased at an average price of \$16.27 (\$12.02 in 2000) for an aggregate cost of \$23,708 (\$49,196 in 2000) which has been allocated to reduce share capital by \$3,966 (\$10,798 in 2000) and retained earnings by \$19,742 (\$38,398 in 2000).

Stock Options

The Company has several stock option plans for employees and directors, the details of which are as follows:

	2001		2000	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Options outstanding, beginning of year	6,618,441	\$ 12.21	5,932,918	\$ 12.07
Issued	1,073,500	\$ 13.37	1,085,917	\$ 12.45
Exercised	(1,483,100)	\$ 10.38	(147,406)	\$ 9.98
Cancelled	(54,399)	\$ 11.09	(252,988)	\$ 11.20
Options outstanding, end of year	<u>6,154,442</u>	\$ 12.87	<u>6,618,441</u>	\$ 12.21
Exercisable at year end	<u>4,125,978</u>	\$ 13.05	<u>4,494,635</u>	\$ 12.25

The following table summarizes information about the stock options outstanding at December 31, 2001:

Range of exercise prices	Options outstanding			Options exercisable		
	Number outstanding	Weighted average remaining contractual life (in) years	Weighted average exercise price	Number outstanding	Weighted average remaining contractual life (in) years	Weighted average exercise price
\$ 6 - \$ 9	126,062	1.0	\$ 6.62	126,062	1.0	\$ 6.62
\$ 9 - \$12	2,170,680	4.5	\$ 10.31	1,841,434	4.0	\$ 10.42
\$12 - \$15	2,012,084	8.5	\$ 12.94	312,866	8.0	\$ 12.45
\$15 - \$17	1,845,616	4.9	\$ 16.22	1,845,616	4.9	\$ 16.22
	<u>6,154,442</u>	<u>5.9</u>	<u>\$ 12.87</u>	<u>4,125,978</u>	<u>4.6</u>	<u>\$ 13.05</u>

Other Stock-Based Compensation Plans

The Company has other stock-based compensation plans, deferred share unit plans, that use notional units that are valued based on the Company's common share price on the Toronto Stock Exchange. These units accumulate dividend equivalents in the form of additional units based on the dividends paid on the Company's common shares. Changes in the value of the units as a result of fluctuations in the Company's share price and new issues for the year ended December 31, 2001 totaled \$2,125 (2000: \$220), which was recognized in selling, general and administrative expense in the consolidated statement of income. Details of these plans are as follows:

Deferred Share Unit Plan (DSU) -

Under the DSU Plan, senior executives of the Company may be awarded deferred share units as approved by the Board of Directors. Units are redeemable only following termination of employment and must be redeemed by December 31st of the year following the year in which the termination occurred. As at December 31, 2001 there were 65,930 units outstanding.

Directors' Deferred Share Unit Plan (DDSU) -

Under the DDSU Plan, non-employee Directors of the Company may elect to allocate all or a portion of their compensation, which includes fees and an annual award of common share options and deferred share units for that fiscal year, as deferred share units. Units are redeemable only following termination of service on the Board of Directors and must be redeemed by December 31st of the year following the year in which the termination occurred. As at December 31, 2001 there were 51,320 units outstanding.

11. CUMULATIVE CURRENCY TRANSLATION ADJUSTMENTS

	2001	2000
Balance, beginning of year	\$ (23,742)	\$ (15,388)
Gain realized during the year	(746)	-
Translation adjustments for the year	(2,359)	(8,354)
Balance, end of year	<u>\$ (26,847)</u>	<u>\$ (23,742)</u>

Translation gains or losses on the consolidation of foreign subsidiaries financial statements are accumulated in this account. Translation adjustments arise as a result of fluctuations in foreign currency exchange rates. At December 31, 2001, 2000, and 1999, the Canadian dollar exchange rates against the British pound sterling were 2.3160, 2.2432 and 2.3314 respectively, and the Chilean peso exchange rates against the Canadian dollar were 415, 382 and 367 respectively. The cumulative currency translation adjustment for 2001 resulted from the weakening of the Chilean peso and the strengthening of the pound sterling against the Canadian dollar.

12. OTHER EXPENSES/(INCOME)

Other expenses/(income) include non-operating and/or occasional items shown separately to facilitate comparison with the prior year. The following items are included in Other expenses/(income):

	2001	2000
Restructuring of branch network in the U.K. and Canada and integration of Universal Machinery Services operations into the Canadian, Chilean and UK operations.	\$ 24,484	\$ -
Gain on disposal of Vancouver headquarters property to institutions of higher learning	(29,503)	-
Donation expense for property donated to institutions of high learning in Vancouver, Canada	33,787	-
Gain on disposal of surplus real estate in Canada and the U.K.	(8,725)	(3,789)
Gain on sale of the Canadian Materials Handling business	(3,571)	-
Loss on sale of non-core attachment services businesses in Canada	2,500	-
Non-operating foreign exchange gain on reduction in the net investment in a self-sustaining foreign operation	(746)	-
	<u>\$ 18,226</u>	<u>\$ (3,789)</u>

13. EMPLOYEE BENEFITS

	2001				2000
	Canada	UK	Hewden	Total	Total
The expense for the Company's benefit plans, primarily for pension benefits, is as follows:					
Defined contribution plans					
Current service cost	\$ 4,510	\$ -	\$ 164	\$ 4,674	\$ 3,896
Net benefit plan expense	<u>\$ 4,510</u>	<u>\$ -</u>	<u>\$ 164</u>	<u>\$ 4,674</u>	<u>\$ 3,896</u>
Defined benefit plans					
Current service cost, net of employee contributions	\$ 4,170	\$ 10,267	\$ 3,960	\$ 18,398	\$ 14,589
Interest cost	13,890	15,540	7,256	36,686	28,253
Expected return on plan assets	(16,654)	(19,183)	(9,118)	(44,955)	(34,912)
Amortization of past service costs	165	-	-	165	-
Amortization of net actuarial (gain)/loss	(368)	-	(676)	(1,044)	-
Amortization of transition obligation/(asset)	1,144	(1,295)	1,577	1,426	(163)
Net benefit plan expense	<u>\$ 2,348</u>	<u>\$ 5,329</u>	<u>\$ 2,999</u>	<u>\$ 10,676</u>	<u>\$ 7,767</u>
Defined contribution plan expense	\$ 4,510	\$ -	\$ 164	\$ 4,674	\$ 3,896
Defined benefit plan expense	2,348	5,329	2,999	10,676	7,767
Total	<u>\$ 6,858</u>	<u>\$ 5,329</u>	<u>\$ 3,163</u>	<u>\$ 15,350</u>	<u>\$ 11,663</u>

Information about the Company's defined benefit plans is as follows:

	Canada	UK	Hewden	Total	Total
Accrued benefit obligation					
Balance at the beginning of year (1)	\$ 191,614	\$ 287,076	\$ 131,414	\$ 610,104	\$ 463,727
Current service cost	5,965	10,267	3,960	20,192	18,874
Interest cost	13,890	15,540	7,256	36,686	28,253
Benefits paid	(11,788)	(4,348)	(4,354)	(20,490)	(17,723)
Actuarial gains	4,095	(51,198)	(11,182)	(58,285)	(3,810)
Foreign exchange rate changes	-	8,236	-	8,236	(10,631)
Plan amendments	2,119	1,839	1,437	5,395	-
Balance at the end of year	<u>\$ 205,895</u>	<u>\$ 267,412</u>	<u>\$ 128,531</u>	<u>\$ 601,838</u>	<u>\$ 478,690</u>
Plan Assets					
Fair value at the beginning of year (1)	\$ 196,527	\$ 284,591	\$ 132,709	\$ 613,827	\$ 485,137
Actual return on plan assets	751	(49,201)	(29,392)	(77,842)	13,927
Employer contributions	-	4,515	2,756	7,271	6,786
Employees' contributions	1,824	1,839	1,436	5,099	4,285
Benefits paid	(11,788)	(4,348)	(4,354)	(20,490)	(17,723)
Foreign exchange rate changes	-	7,405	-	7,405	(11,294)
Fair value at the end of year	<u>\$ 187,314</u>	<u>\$ 244,801</u>	<u>\$ 103,155</u>	<u>\$ 535,270</u>	<u>\$ 481,118</u>

(1) The defined benefit plans of Hewden were assumed by the Company on January 26, 2001.

	2001				2000
	Canada	UK	Hewden	Total	Total
Funded status – plan surplus/(deficit)	\$ (18,581)	\$ (22,611)	\$ (25,376)	\$ (66,568)	\$ 2,428
Unamortized net actuarial loss	15,712	39,833	5,146	60,691	17,118
Unamortized past service costs	1,954	-	-	1,954	-
Adjustment	-	1,397	-	1,397	-
Unamortized transitional obligation/(asset)	5,116	(16,140)	17,351	6,327	(10,677)
Accrued benefit asset/(liability) net of valuation allowance	<u>\$ 4,201</u>	<u>\$ 2,479</u>	<u>\$ (2,879)</u>	<u>\$ 3,801</u>	<u>\$ 8,869</u>
Included in the above accrued benefit obligation and fair value of plan assets at the year-end are the following amounts in respect of plans that are not fully funded:					
Accrued benefit obligation	\$ 25,077	\$ 267,412	\$ 122,669	\$ 415,158	\$ 21,283
Fair value of plan assets	<u>6,294</u>	<u>244,801</u>	<u>96,542</u>	<u>347,637</u>	<u>8,930</u>
Funded status – plan deficit	<u>\$ 18,783</u>	<u>\$ 22,611</u>	<u>\$ 26,127</u>	<u>\$ 67,521</u>	<u>\$ 12,353</u>

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

Discount Rate	7.0%	5.5%	6.0%
Expected long-term rate of return on plan assets	8.5%	6.8%	7.5%
Rate of compensation increase	3.4%	4.5%	3.8%
Estimated Remaining Service Life (Years)	2-13.3	14	13

Plan assets include common shares of the Company having a fair value of \$920 at December 31, 2001 (2000: \$906).

14. INCOME TAXES

Provision for Income Taxes

	2001	2000
Current income tax expense	\$ 40,763	\$ 30,886
Future income tax expense/(recovery)	(11,742)	2,434
	<u>\$ 29,021</u>	<u>\$ 33,320</u>

Reconciliation of the Company's effective income tax rate from statutory Canadian tax rates for the years ended December 31, 2001 and 2000 is as follows:

	2001	2000
Combined federal and provincial tax rates	41.91%	43.79%
Provision for income taxes based on the combined federal and provincial rates	\$ 55,715	\$ 46,729
Increase/(decrease) in provision resulting from:		
Lower effective rates on the losses/(earnings) of foreign subsidiaries	(23,503)	(15,823)
Amortization of goodwill and increase in assigned asset value	763	431
Large corporation tax	2,101	1,651
Income not subject to tax	(8,598)	(694)
Other items	2,543	1,026
Provision for income taxes	<u>\$ 29,021</u>	<u>\$ 33,320</u>

Future Income Tax Asset and Liability

Temporary differences and tax loss carry-forwards that give rise to future income tax assets and liabilities as at December 31, 2001 and 2000 are described below.

	2001	2000
Future income tax assets:		
Tax loss carry-forwards and other	<u>\$ 2,825</u>	<u>\$ 7,465</u>
Future income tax liabilities:		
Capital, rental and leased assets, inventories and reserves	\$ (19,184)	\$ (8,009)
Pensions	(2,505)	(3,349)
Other	(754)	(5,056)
	<u>\$ (22,443)</u>	<u>\$ (16,414)</u>

15. OPERATING LEASES

Payments due under various operating lease contracts are as follows:

2002	\$ 55,549
2003	45,957
2004	33,804
2005	27,601
2006	17,636
2007 & thereafter	65,460
Total	<u>\$ 246,007</u>

16. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net income available to the shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated to reflect the dilutive effect of exercising outstanding stock options by application of the treasury stock method.

	Income (Numerator)	Shares (Denominator)	Per Share Amount
2001			
<hr/>			
Basic earnings per share:			
Income available to common shareholders	\$ 103,917	75,854,866	\$ 1.37
Effect of dilutive securities:			
Stock options	-	1,507,044	-
Diluted earnings per share:			
Income available to common shareholders and assumed conversions	<u>\$ 103,917</u>	<u>77,361,910</u>	<u>\$ 1.34</u>

2000

<hr/>			
Basic earnings per share:			
Income available to common shareholders	\$ 73,391	77,436,109	\$ 0.95
Effect of dilutive securities:			
Stock options	-	704,950	-
Diluted earnings per share:			
Income available to common shareholders and assumed conversions	<u>\$ 73,391</u>	<u>78,141,059</u>	<u>\$ 0.94</u>

17. ECONOMIC RELATIONSHIPS

The Company distributes and services heavy equipment and related products. The Company has dealership agreements with numerous equipment manufacturers, of which the most significant are with subsidiaries of Caterpillar Inc. Distribution and servicing of Caterpillar products account for the major portion of the Company's operations. Finning has a strong relationship with Caterpillar that has been ongoing since 1933.

18. SEGMENTED INFORMATION

The Company and its subsidiaries have operated primarily in one industry during the year, that being the selling, servicing, renting and financing of heavy equipment and related products.

Operating units are as follows:

- Canadian operations: British Columbia, Alberta, most of the Northwest Territories and the Yukon.
- U.K. operations: England, Scotland, Wales, Falkland Islands and the Channel Islands.
- Chilean operations: throughout the country.
- Hewden operations: Equipment rental in the U.K.
- Other includes corporate head office operations. Universal Machinery Services operations were also included for 2000 and part of 2001.

The reportable operating segments are:

	Canada	UK	Chile	Hewden	Other	Consolidated
2001						
Revenue from external sources	\$ 1,398,623	\$ 804,084	\$ 448,005	\$ 587,482	\$ 8,849	\$ 3,247,043
Operating costs	1,114,242	748,848	399,377	380,677	25,570	2,668,714
Depreciation	151,438	22,113	9,950	125,032	-	308,533
Amortization of goodwill	1,082	1,035	-	7,852	-	9,969
Other expenses/(income)					18,226	18,226
Earnings before interest and tax	<u>\$ 131,861</u>	<u>\$ 32,088</u>	<u>\$ 38,678</u>	<u>\$ 73,921</u>	<u>\$ (34,947)</u>	<u>\$ 241,601</u>
Finance cost and interest on other indebtedness						85,550
Non-controlling interests						23,113
Provision for income taxes						29,021
Net income						<u>\$ 103,917</u>
Identifiable assets	<u>\$ 1,301,166</u>	<u>\$ 420,135</u>	<u>\$ 237,761</u>	<u>\$ 1,079,719</u>	<u>\$ -</u>	<u>\$ 3,038,781</u>
Capital expenditures	<u>\$ 19,514</u>	<u>\$ 6,443</u>	<u>\$ 5,071</u>	<u>\$ 20,152</u>	<u>\$ -</u>	<u>\$ 51,180</u>
2000						
Revenue from external sources	\$ 1,214,516	\$ 682,162	\$ 474,145	\$ -	\$ 89,209	\$ 2,460,032
Operating costs	947,015	629,309	435,877	-	103,826	2,116,027
Depreciation	147,300	24,389	8,987	-	-	180,676
Amortization of goodwill	1,012	843	-	-	-	1,855
Other expenses/(income)					(3,789)	(3,789)
Earnings before interest and tax	<u>\$ 119,189</u>	<u>\$ 27,621</u>	<u>\$ 29,281</u>	<u>\$ -</u>	<u>\$ (10,828)</u>	<u>\$ 165,263</u>
Finance cost and interest on other indebtedness						58,552
Provision for income taxes						33,320
Net income						<u>\$ 73,391</u>
Identifiable assets	<u>\$ 1,195,607</u>	<u>\$ 433,161</u>	<u>\$ 226,422</u>	<u>\$ -</u>	<u>\$ 302,451</u>	<u>\$ 2,157,641</u>
Capital expenditures	<u>\$ 7,851</u>	<u>\$ 3,862</u>	<u>\$ 3,324</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,037</u>

Ten-Year Financial Summary

Assets	2001	2000	1999	1998
Revenue				
Canadian operations	\$1,398,623	1,214,516	1,032,922	1,136,917
UK operations	\$ 804,084	682,162	712,941	793,020
Chilean operations	\$ 448,005	474,145	377,777	503,505
Hewden operations	\$ 587,482	-	-	-
International operations	\$ 8,849	89,209	106,221	151,979
Total consolidated	<u>\$3,247,043</u>	<u>2,460,032</u>	<u>2,229,861</u>	<u>2,585,421</u>
Earnings before interest and taxes	\$ 241,601	165,263	148,912	82,729
As a percent of revenue	7.4%	6.7%	6.7%	3.2%
Net income	\$ 103,917	73,391	59,600	3,185
As a percent of revenue	3.2%	3.0%	2.7%	0.1%
Earnings Per Common Share				
Basic	\$ 1.37	0.95	0.75	0.04
Diluted (2)	\$ 1.34	0.94	0.74	0.04
Dividends				
Total common share	\$ 15,155	15,452	15,919	15,868
Per common share	\$ 0.20	0.20	0.20	0.20
Cash flow after working capital changes	\$ 445,623	357,780	438,232	253,891
Cash flow per share	\$ 5.88	4.72	5.50	3.20
Gross capital expenditures	\$ 51,180	15,284	20,864	44,176
Ratios				
Asset turnover ratio	1.25	1.18	1.05	1.13
Debt to equity (3)	0.87:1	1.04:1	1.29:1	1.67:1
Liabilities to equity (3)	1.53:1	1.75:1	1.90:1	2.29:1
Operating debt to equity (excluding finance and rental activities (1) (3))	0.21:1	0.20:1	0.47:1	0.97:1
Book value per common share	\$ 10.23	9.02	8.74	8.52
Return on average shareholders' equity	14.1%	10.5%	8.7%	0.5%
Common Share Price				
High	\$ 20.35	13.85	15.40	18.50
Low	\$ 12.10	9.85	9.00	10.25
Common shares outstanding (thousands)	75,816	75,790	79,737	79,426
Revenue per employee	\$ 331,230	477,120	450,113	492,367
Net income per employee	\$ 10,601	14,234	12,031	607
Number of Employees				
Canada	2,629	2,326	2,271	2,494
UK	1,553	1,404	1,364	1,348
Chile	1,516	1,390	1,259	1,354
Hewden	4,066	-	-	-
International	39	36	60	55
Total	<u>9,803</u>	<u>5,156</u>	<u>4,954</u>	<u>5,251</u>

Financial data has been restated to incorporate common share subdivision occurring during the ten-year period.

1. Assumes a debt to equity ratio of 7:1 in the finance operations and 5:1 in the rental operation.

1997	1996	1995	1994	1993	1992
1,146,406	926,653	923,275	838,680	675,490	553,316
565,376	437,949	416,034	338,499	258,235	251,909
514,068	408,616	350,650	241,221	74,464	-
-	-	-	-	-	-
<u>101,214</u>	<u>101,491</u>	<u>62,032</u>	<u>39,138</u>	<u>34,768</u>	<u>27,512</u>
<u>2,327,064</u>	<u>1,874,709</u>	<u>1,751,991</u>	<u>1,457,538</u>	<u>1,042,957</u>	<u>832,737</u>
216,625	188,404	174,397	136,748	71,305	46,981
9.3%	10.0%	10.0%	9.4%	6.8%	5.6%
103,695	88,184	77,493	61,421	22,271	2,878
4.5%	4.7%	4.4%	4.2%	2.1%	0.3%
1.32	1.13	1.00	0.80	0.30	0.03
1.27	1.09	0.98	0.78	0.30	0.03
15,761	15,600	15,451	9,985	6,592	5,042
0.20	0.20	0.20	0.13	0.09	0.08
200,397	153,887	16,341	69,735	96,738	48,540
2.53	1.96	0.21	0.91	1.27	0.72
47,148	43,132	25,812	16,641	13,752	7,025
0.99	1.04	1.09	1.06	0.95	0.86
1.66:1	1.50:1	1.55:1	1.35:1	1.23:1	1.59:1
2.37:1	1.97:1	2.11:1	1.99:1	1.80:1	2.03:1
0.90:1	0.59:1	0.61:1	0.43:1	0.39:1	0.66:1
8.69	7.59	6.55	5.83	5.00	4.58
16.2%	16.0%	16.2%	14.8%	6.5%	0.9%
20.50	14.58	11.63	12.06	10.88	7.25
14.43	9.75	8.63	9.19	5.88	5.25
79,091	78,547	77,442	77,026	76,266	67,370
423,565	441,940	428,674	374,978	283,875	281,425
18,874	20,788	18,961	15,802	6,062	973
2,496	2,269	2,228	2,124	2,025	2,004
1,720	925	884	873	863	930
1,228	1,008	941	861	759	-
-	-	-	-	-	-
<u>50</u>	<u>40</u>	<u>34</u>	<u>29</u>	<u>27</u>	<u>25</u>
<u>5,494</u>	<u>4,242</u>	<u>4,087</u>	<u>3,887</u>	<u>3,674</u>	<u>2,959</u>

2. In 2000, the diluted earnings per share calculation was changed to reflect the dilutive effect of exercising outstanding stock options by application of the treasury stock method. Diluted earnings per share for the years ended 1999 to 2001 have been stated using this method.

3. Equity ratios for the 2000 result did not include the effect of the investment in Hewden Stuart.

Corporate Information

Board of Directors

Ricardo Bacarreza

Presidente
Proinvest S.A.
Santiago, Chile

John E. Cleghorn

Company Director
Toronto, Ontario

James F. (Jim) Dinning

Executive Vice President
Sustainable Development & External Relations
TransAlta Corp.
Calgary, Alberta

Timothy S. Howden

Company Director
Marlow, Buckinghamshire
England

Nicholas B. Lloyd

President and Chief Executive Officer
Finning Chile S.A.
Vitacura, Chile

Jefferson J. Mooney

Chairman, President and Chief Executive Officer
A&W Food Services of Canada, Inc.
North Vancouver, B.C.

Donald S. O'Sullivan

President
O'Sullivan Resources Ltd.
Edmonton, Alberta

Conrad A. Pinette

President and Chief Operating Officer
Lignum Limited
Vancouver, B.C.

Andrew H. Simon

Executive Vice Chairman
Diamant Boart S.A.
Staffordshire, England

Monica E. Sloan

Independent Management and Strategy Consultant and
Associate, Deloitte Consulting
Calgary, Alberta

Douglas W.G. Whitehead

President and Chief Executive Officer
Finning International Inc.
Coquitlam, B.C.

John M. Willson

Company Director
Vancouver, B.C.

Officers

Brian C. Bell

Executive Vice President, Customer Support Services
Finning International Inc.

Jack A. Carthy

President, Power Systems
Finning International Inc.

Anthony R. Guglielmin

Vice President and Corporate Treasurer
Finning International Inc.

Paul J.C. Jarvis

Chief Executive
Hewden Stuart Plc.

Nicholas B. Lloyd

President and Chief Executive Officer
Finning Chile S.A.

Richard T. Mahler

Executive Vice President and Chief Financial Officer
Finning International Inc.

Stephen Mallett

Managing Director
Finning (UK) Ltd.

Conrad A. Pinette

Chairman of the Board
Finning International Inc.

Ian M. Reid

President and Chief Operating Officer
Finning (Canada)

John T. Struthers

Corporate Secretary
Finning International Inc.

Douglas W.G. Whitehead

President and Chief Executive Officer
Finning International Inc.

Committees

Management Pension Committee

A.R. Guglielmin
R.T. Mahler

Board Pension Committee

A.H. Simon, Chairman
J.E. Cleghorn

Audit Committee

J.F. Dinning, Chairman
R. Bacarreza
J.E. Cleghorn
A.H. Simon
M.E. Sloan

Human Resources & Compensation Committee

T.S. Howden, Chairman
J.J. Mooney
D.S. O'Sullivan
J.M. Willson

Governance Committee

D.S. O'Sullivan, Chairman
J.F. Dinning
T.S. Howden
C.A. Pinette
J.M. Willson

Environmental, Health & Safety Committee

J.M. Willson, Chairman
R. Bacarreza
J.J. Mooney
M.E. Sloan
D.W.G. Whitehead

Shareholder Information

Stock Exchanges

The common shares of Finning International Inc. are listed on the Toronto Stock Exchange. (Symbol: FTT)

Auditors

Arthur Andersen LLP., Chartered Accountants,
Vancouver, Canada

Solicitors

Borden Ladner Gervais LLP., Barristers and Solicitors
Vancouver, Canada

Corporate Head Office

Suite 1000 - 666 Burrard Street
Vancouver, Canada, V6C 2X8 (604) 691-6444

Annual Meeting

The Annual Meeting of the shareholders will be held at 11:00 a.m., April 24, 2002 at the Fairmont Waterfront Hotel, Vancouver.

Corporate Information

The Company prepares an Annual Information Form (AIF) which is filed with the securities commissions or similar bodies in all of the provinces of Canada. Copies of the AIF and Annual and Quarterly Reports are available to shareholders and other interested parties on request or can be accessed directly from Finning's home page on the Internet at <http://www.finning.com>.

Registrar and Transfer Agent

Computershare Trust Company of Canada.

To contact the stock transfer office nearest to your location, see listing.

Investor Inquiries

Inquiries relating to shares or dividends should be directed to the Company's Registrar and Transfer Agent. Inquiries relating to the Company's operating activities and financial information should be addressed to Anthony R. Guglielmin, Vice President and Corporate Treasurer, (604) 331-4937, Fax (604) 331-4852, e-mail: aguglielmin@finning.ca

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