FINNING INTERNATIONAL INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED

DECEMBER 31, 2001

DATED AS OF MARCH 8, 2002

Finning International Inc.
Suite 1000, Park Place
666 Burrard Street
Vancouver, British Columbia
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Additional copies of this document may be obtained upon request from the Corporate Secretary, Finning International Inc. at the above address or through the Company's internet site – http://www.finning.com.

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In this Annual Information Form, the terms the "Company" means Finning International Inc. and "Finning" means Finning International Inc. and its subsidiaries. All dollars are Canadian dollars unless otherwise indicated.

1. NAME AND INCORPORATION

The registered and principal office of the Company is located at Suite 1000, Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8. The Company was incorporated as Finning Tractor & Equipment Company Limited on January 4, 1933 under the Company Act of British Columbia. On September 2, 1969 the Company became a public corporation. The Company was continued under the Canada Business Corporations Act on October 8, 1986 and changed its name to Finning Ltd. on April 23, 1987. On April 25, 1997, the Company changed its name to Finning International Inc.

2. PRINCIPAL OPERATING SUBSIDIARIES AND DIVISIONS

The following organization chart outlines the Company's principal operating subsidiaries and divisions and the geographic areas they serve.

Finning International Inc.

Finning (Canada) [a division of Finning International Inc.]	Servicing Western Canada with dealer Territories in British Columbia, Alberta, Yukon and the Northwest Territories
Finning (UK) Ltd. [incorporated in the United Kingdom, a 100%-owned subsidiary of Finning International Inc.]	Servicing Britain with dealer territories in England, Scotland and Wales
Finning Chile S.A. [incorporated in Chile, a 99.9%-owned subsidiary of Finning International Inc.]	Servicing the northern, central and southern regions of Chile
Hewden Stuart Plc. [incorporated in the United Kingdom, a 100%-owned subsidiary of Finning International Inc.]	Supplying rental equipment and services throughout the United Kingdom.

3. GENERAL DEVELOPMENT OF THE BUSINESS

In terms of sales volume, Finning is one of the largest dealers in the world for products distributed by Caterpillar Inc. (“Caterpillar”).

Canada

The Company has been the dealer for Caterpillar products since 1933 in British Columbia and since 1977 in the Yukon Territory. In December 1989, the Company acquired all of the shares of R. Angus Alberta Limited (“Angus”), the Caterpillar dealer for Alberta and a portion of the Northwest Territories. By 1995, additional territory was added to the existing area within the Northwest Territories and Nunavut with the result being the Company is now the Caterpillar dealer over an area which comprises all of the Northwest Territories and the portion of the Territory of Nunavut that is west of 110 degrees west longitude. The Company services its Canadian dealership territory through its division, Finning (Canada).

United Kingdom

In 1983, the Company acquired two Caterpillar dealerships in Britain. The acquisition of the remaining U.K. dealer, H. Leverton Limited (“H. Leverton") was completed on October 1, 1997. With the completion of this acquisition, the Company, which now operates in the U.K. under the name of Finning (UK), became the single Caterpillar dealer in Britain. In February 1999, Finning (UK) sold BCP Plant Hire, an equipment rental business included in the acquisition of H. Leverton. On December 22, 2000 Finning (UK) acquired distribution rights for marine power engines from Sabre Perkins Limited covering England and Wales and on December 31, 2000 it acquired the MaK marine engine distribution business for the UK and Ireland. During March 2001, Finning (UK) acquired the Finnpave distribution business.

Chile

Effective August 1, 1993, the Company acquired Gildemeister S.A.C. (“Gildemeister”), the Caterpillar dealer in Chile. On October 13, 1997, the name of the company was changed to Finning Chile S.A. (“Finning Chile”).

Hewden Stuart, Plc

On January 26, 2001 Finning acquired control of Hewden Stuart, Plc (“Hewden”). See note describing this acquisition on page 9 of Appendix A, Notes to Consolidated Financial Statements.

In the first quarter of 2001, Finning formed a partnership for the purpose of raising equity 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. Through their partnership interest, the third-party investors have a preferred interest in the shares of Hewden. The partnership interests are entitled to a quarterly distribution on their capital, which is calculated with reference to Canadian dollar bankers acceptances. At the end of five years, the yield on the partnership interest will be renegotiated. If no agreement on a new yield is reached, the third-party investors have the right to sell their partnership interests. The partnership has a 75 year life, but may be liquidated earlier if the partnership and Finning fail to agree on a new yield on the partnership interest and the third-party investors have been unable to arrange a sale of the partnership interest to a new investor. If upon liquidation of the partnership, the third-party investors are unable to recover their investment from the sale of the shares of Hewden, the Company will be required to inject funds to a maximum of approximately $200.0 million. Finning has the option of purchasing the partnership interests held by the third-party investors throughout the life of the partnership for an amount equal to the capital invested in the partnership by the third-party investors. No return of capital is scheduled during the life of the partnership but a partial return of capital is required in the case of certain sales of assets by Hewden out of the ordinary course of business.

Universal Machinery Services (UMS)

UMS, a division of the Company, sold used equipment and used parts world-wide. However as of January 1st, 2001 international used equipment sales have been realigned into the existing dealership operations. During the third quarter of 2001, the remaining used parts business segment was also merged into the dealership operations.

Corporate

The corporate head office of the Company is located in Vancouver, British Columbia.

4. DESCRIPTION OF THE BUSINESS

Finning's operations consist of five principal activities: new equipment sales, used equipment sales, equipment rental, equipment financing and leasing and customer support services.

Finning serves the following principal markets: forestry, mining and quarrying, construction, pipeline/oil field construction, government, power generation, agriculture, and plant hire (equipment rental with or without an operator).

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. Revenue from Canadian operations was $1,398.6 million in 2001 compared with $1,214.5 million in 2000.

Finning (UK) 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. Revenue from the U.K. operations was $804.1 million (£360.6 million) in 2001 compared with $682.2 million (£303.3 million) in 2000.

Finning Chile sells and rents Caterpillar and complementary equipment and provides customer support services throughout Chile. Revenue from Chilean operations was $448.0 million (184,048 million Chilean pesos) in 2001 compared with $474.1 million (170,242 million Chilean pesos) in 2000.

Hewden Stuart is the U.K. leader in equipment rental and associated services serving the construction, petro-chemical, engineering, manufacturing and other industries. The business is comprised of the Rental Services, Tool Hire and Lifting Hire divisions operating from 350 locations throughout the U.K. and employing more than 4000 employees. The company was incorporated in 1968 and through numerous acquisitions has grown to its present size. Hewden was quoted on the London Stock Exchange until its acquisition by Finning on January 26th, 2001. Revenue contributed from the operations of Hewden for the period since acquisition to December 31, 2001 was $587.5 million (£263.4 million).

The Company's other operations included the corporate head office and UMS, which primarily sold Caterpillar and allied used equipment and parts worldwide. In late 2000, the UMS operations were realigned back to the dealership operations, with the residual used parts business transferred in 2001. Revenue from UMS operations was

$8.6 million in 2001 compared with $ 89.0 million in 2000. In 2002, reporting of this entity will cease due to completion of this realignment.

Finning has been profitable in every year since its incorporation in 1933. In 2001, Finning derived approximately 43% (2000: 49%) of its revenue from operations in Canada; 43% (2000: 28%) from the U.K.; 14% (2000: 19%) from Chile; and less than 1% (2000: 4%) from its other operations. Sales from operations outside of Canada contributed 57% of consolidated revenue, up from 51% in 2000 increasing Finning's global diversification.

A summary of the revenue by activity is contained in the following table:

REVENUE BY ACTIVITY

($ MILLIONS)	**2001**		2000		CHANGE
New equipment	$ **896.5**	**27.6%**	$ 796.5	32.4%	$ 100.0
New power & energy systems	**238.3**	**7.3%**	193.9	7.9%	44.4
Used equipment	**355.7**	**11.0%**	342.7	13.9%	13.0
Equipment rental	**691.2**	**21.3%**	166.8	6.8%	524.4
Operating leases & Financing	**109.0**	**3.3%**	117.9	4.8%	(8.9)
Customer support services	**956.3**	**29.5%**	842.2	34.2%	114.1
	$ **3,247.0**	**100.0%**	$ 2,460.0	100.0%	$ 787.0

4.1 New Equipment

Finning distributes Caterpillar products, including tractors, loaders, log loaders, tree harvesters, skidders, off-highway trucks, backhoe loaders, excavators, motor graders, paving products, compactors, tractor-scrapers, pipelayers, and engines for use in heavy equipment, marine and industrial, gas compression and electric power generation applications.

To complement its Caterpillar equipment line in Canadian operations, Finning (Canada) distributes Svedala Reedrill rock drills, CompAir LeROI air compressors, Wagner log stackers and chip dozers, LeeBoy motor graders and paving products, Barber-Greene, Gomaco and Rosco paving products, and Amida light towers.

Finning (UK) distributes Caterpillar branded materials handling equipment manufactured by Mitsubishi Caterpillar Forklift Europe B.V., Caterpillar branded warehouse equipment manufactured by Rocla of Finland and also the Caterpillar Olympian line of power generating systems manufactured by F.G. Wilson in Ireland.

With the acquisition of the MaK distribution business and distribution rights for Sabre Perkins marine power products, Finning (UK) is now able to supply and service the entire Caterpillar marine range, from 65 HP to 22,030 HP. Finning (UK) is now also able to supply the complete range of propulsion engines and generators on vessels of all sizes, from small pleasurecraft to large ocean going container ships. In March 2001, Finning (UK) acquired the Finnpave distribution business, who supply Bitelli paving machines throughout the UK and Ireland.

In Chile, complementary product lines include Ingersoll Rand drills and Denharco forestry equipment.

Hewden supplies a variety of make and models of equipment for rental applications. Where appropriate, Hewden will sell new equipment to its customers. In 2001, Hewden introduced the compact Caterpillar products into its rental fleets.

Finning also modifies and adapts the products it sells as necessary to meet special application needs and to pursue new market opportunities.

In Canada, the Company operates a licensed insurance agency, with licensed brokers located in Vancouver and Edmonton to provide physical damage insurance for all makes of heavy equipment and liability insurance to its customers in connection with equipment purchases.

4.2 Used Equipment

In addition to sales of new equipment, Finning buys and sells used equipment domestically and internationally. Machines are accepted in trade, turned out from the rental fleet, returned from lease and purchased from customers and others on the open market. Much of this equipment is reconditioned in Finning's service shops and resold under warranty. Finning also purchases and sells entire fleets of used equipment and sells used equipment on consignment. The used equipment business is generally concentrated in the product lines and types of equipment for which Finning is a dealer. In Hewden, used equipment sales occur as a result of selling units from the rental fleets when it is no longer economic to continue renting the units.

4.3 Equipment Rental

Finning also owns fleets of equipment for short-term rental to customers. Rental agreements are available with buyout options to meet customer needs. The rental business provides customers with the freedom to utilize reliable equipment on a "needs-only basis" to maximize return, without the risks inherent in longer-term capital investment. Customers use short-term rentals to supplement their own fleets to complete contract work.

In Finning (Canada), the majority of the rental fleet is dominated by excavators, tractors, loaders and articulated trucks used in construction projects. Also included in the fleet are power systems for electrical generation. Rental agreement terms are generally from one day to twelve months. During 2001, Finning (Canada) opened seven smaller CAT rental stores as it continues to expand this business opportunity with Caterpillar products.

Finning (UK) owns fleets of rental equipment mainly consisting of backhoe loaders, hydraulic excavators, articulated dump trucks, telescopic handlers, rollers, acoustic generator sets and diesel, gas or electric lift trucks. Customers served include the construction, plant hire, mining and agricultural industries; food and beverage processing plants; distribution centres; and utility companies. Typically, contracts in respect of construction machines range from one month to twelve months although there are a number of high value contracts extending up to six years. Contracts for materials handling equipment can range from one month to three years and contracts for power systems equipment are generally one month or less but can extend for up to six months.

Finning Chile offers a fleet of rental equipment consisting of motor graders, compactors, excavators, backhoe loaders, tractors, compressors, power generators, lifts and light towers. The rental business mainly serves customers in the construction, mining and forestry industries. Tractors rented by construction companies involved in gas pipeline and highway construction dominate the fleet. Rental agreements are generally from two to three months on average. During 2001, Chile's CAT Rental Store division moved to new facilities separate from its Head Office location and included investment expansion through the acquisitions of the rental assets of Comercializadora de Maquinarias Yrarrent (Yrarrent).

Rentals are the principal activity of Hewden. Its comprehensive product portfolio includes general plant, materials handling, compaction, compressed air, power, surfacing, temporary accommodation, earthmoving, powered access, mobile crane, tower crane and tools. It also has a specialized operation supplying managed services to a variety of major customers. Hewden rents through an extensive national depot network. Each contract can vary in duration with the majority on a short-term basis. During 2001, Hewden acquired the rental assets from Maxxiom Limited to augment its rental fleet.

4.4 Operating Leases and Financing

Finning (Canada), in conjunction with Caterpillar Financial Services Ltd., extends financing to its customers through conditional sales, leases, and equity loans. Virtually all of the leases are operating leases with residual values set by Finning (Canada) based on estimates of the market value of the equipment at the end of the lease term. Due to its experience in the used equipment market, Finning (Canada) can effectively assess the risks and profitability in financing equipment, particularly in determining the residual value of the equipment. Financing extended to customers generally ranges for terms up to five years on a fixed or variable rate basis, depending upon the type of equipment, its use and the customer's needs and credit worthiness.

Customer financing of equipment from Finning (UK) is handled by Caterpillar Financial Services (UK) Limited and other external finance companies. In Chile, financing of equipment is handled by Caterpillar Financial Services Corporation. External finance companies, mainly local banks, also provide financing to customers.

4.5 Customer Support Services

Finning provides replacement parts and repair services for the products it sells. Finning believes that a high level of customer service is essential to its success.

Finning maintains parts stocks at 100 locations in Western Canada, the U.K. and Chile to provide customers with convenient access to parts supplies. All major Finning centres within each geographic area are connected through sophisticated computer systems, which provide immediate information regarding both Finning and Caterpillar parts inventories.

In Western Canada, under an arrangement with an independent contractor, a fleet of trucks and trailers dedicated to Finning (Canada) make daily deliveries of new and remanufactured parts, components, attachments and small equipment to Finning (Canada)'s major locations. The routes run from distribution centres in Surrey, British Columbia and Edmonton, Alberta; from Caterpillar's parts warehouse in Spokane, Washington; and from various branch locations to other branches throughout the territory. The availability of excess truck capacity on return trips from branches facilitates the supply of used parts and components to Finning (Canada)'s centralized component rebuild centre in Edmonton. This transportation system minimizes inventory, speeds parts delivery and reduces shipping costs compared with those of commercial transport lines.

Finning (UK) sources parts from the Caterpillar parts distribution centre in Grimbergen, Belgium. These parts are then redistributed to Finning (UK) branches either directly by trucks on route from Grimbergen, or by the Finning (UK) interbranch transport network and an independent contractor

In Chile, parts are primarily sourced from the Caterpillar parts distribution centres in Miami, Florida and Morton, Illinois. Parts stock order shipments from Caterpillar are ocean and air shipped to Finning Chile's distribution centre ("C.D.R.") in Antofagasta, Chile. Through an independent sub-contractor, a dedicated fleet of trucks makes daily deliveries of new parts and re-manufactured components to the major Finning branches in northern and central Chile. These same trucks return spent component cores to be rebuilt in the component rebuild center located adjacent to the C.D.R. in Antofagasta.

Excluding the Hewden rental operations, more than half of Finning's employees and facilities (including facilities at almost all of its locations in Canada) are devoted to parts warehousing, equipment repair and overhaul services. In addition to this in-shop capability, Finning provides service at customer locations with specialized personnel and equipment. Finning offers its customers maintenance and repair contracts for preventative maintenance, planned component replacement and guaranteed cost per hour/cost per ton contracts. This aspect of Finning's business has grown over the last several years and this growth is expected to continue.

To meet the continuing demand for component replacement arising from the modular design of Caterpillar's products, Finning extensively uses remanufactured components sourced from Caterpillar. In addition, Finning has established centralized component rebuild centres in Edmonton, Alberta; in Leeds, England; and in Antofagasta, Chile. Trained technicians dismantle, test, repair and replace worn components. This centralization, through specialization and volume, creates economies of scale, which results in lower prices for customers. These components are used in repairs and in an exchange program whereby the customer replaces a worn component with a repaired or rebuilt one at specified intervals before failure, thus maximizing machine availability.

In 1993, Finning (Canada) established a chroming and hydraulic rebuild division, Pacific Fluid Power, in Edmonton. In 1999, Pacific Fluid Power entered into an agreement with Phoenix Hydraulics in Alberta for the repair and rebuild of hydraulic pumps and motors and the rechroming of cylinder rods. Finning (UK) offers a full welding and fabrication service from its Cannock facility. This division uses automatic submerged arc-welding processes to rebuild large circular components for heavy industry. This business complements, supports and extends Finning's traditional customer base.

To provide customer support services, Finning employs approximately 1,442 qualified mechanics, welders, technicians, partspersons and other specialized tradespersons in Canada; approximately 774 in the U.K.; and approximately 1,176 in Chile.

4.6 Organization of Business

Finning (Canada) has established industry and product specialists in the forestry, mining, construction, petroleum, governmental and agricultural markets. Separate divisions offer specialized product lines and services. These product lines include engines and electric power generation sets, compressed air equipment and tools, and rock drills.

Finning (UK) has also established industry and product specialists in the mining and quarrying, construction and plant hire (equipment rental with or without an operator) and specialist markets (demolition, landfill, industrial and paving equipment). Separate divisions specialize in engines and electric power generation sets and lift trucks.

Industry and product specialists in mining, construction and forestry have also been established in Chile.

The Finning dealership operations (namely, Finning (Canada), Finning (UK) and Finning Chile) operate through an extensive network of branches, which have sales, parts and repair services; depots, which have repair facilities and limited, fast-moving parts stocks; and residences, where one or more field service representatives provide customer support services in communities not otherwise serviced by branches or depots. Finning (Canada) is represented by 31 branches, 6 depots and 33 residences in Western Canada. Finning (UK) has 15 branches and 8 depots in the U.K. Finning Chile has 7 branches and 33 depots in Chile. In 2001, these operations owned more than half of their locations. In 2002, Finning Canada arranged to sell its interest in various properties across Alberta and British Columbia and lease them back over a 20 year term. As a result of this sale/leaseback agreement, these dealership operations will own approximately one third of their locations.

Hewden operates through an extensive network of 350 branches and depots throughout the U.K.. Hewden owns approximately 60% of these properties.

4.7 Markets

CANADA

Canadian operations are concentrated in British Columbia, Yukon, Alberta and the Northwest Territories. In these regions Finning (Canada) serves diverse markets, including mining, forestry, construction, pipeline/oil field construction, governmental and agricultural sectors.

The mining industry is a significant market for Finning (Canada). The Canadian operations provide products and services for use in the mining of coal, copper, molybdenum, gold, diamonds, silver, lead, zinc and other metals and minerals as well as the Alberta oil sands. Most of the mining is done by the open pit method that lends itself to the application of large off-highway trucks, shovels, tractors, loaders and graders. Operations in remote areas also require electric power generation sets. High hour usage of equipment creates substantial demand for parts and repair services from this market sector.

The forest industry in British Columbia and Alberta is also a key market for Finning (Canada). Customers served are involved in almost every phase of the industry, including road building, harvesting and processing trees, silviculture, log transport to mills, and the handling of logs, lumber and finished products in yards and mills.

Another important market is construction, which includes the building and maintenance of highways, railway extensions, site development, residential and commercial construction, installation of utility services, and similar projects.

In Alberta, northeastern British Columbia and the high Arctic, the pipeline/oil field construction industry is also an important market. Mobile earthmoving equipment is used in exploration and drill site preparation; excavators and pipelayers in gathering and delivery systems; diesel and natural gas engines in the operation of drill rigs, pumps and compressors; and electric sets for camp power generation.

The governmental sector is also a significant market in Alberta, particularly in municipal highway and road maintenance.

Other important markets for Finning (Canada) include agriculture, marine transportation, fisheries, commercial transport, warehousing, stevedoring and related service industries.

UNITED KINGDOM

The U.K. operations also serve diverse markets, with the principal contributors to revenue being the mining and quarrying, construction, and plant hire industries. The mining and quarrying markets account for most of the sales of the larger Caterpillar tractors, excavators, wheel loaders and off-highway trucks. Open pit mining and reclamation of open pit mine sites, quarrying of limestone, granite and clay, and extraction of sand and gravel are a large part of the mining and quarrying market.

The construction market includes highway construction and maintenance, residential and industrial development, and the installation of sewer, water and other utility services. Backhoe loaders, hydraulic excavators and articulated dump trucks are the popular types of Caterpillar machines in these applications.

A significant market in the U.K. is plant hire in which businesses buy equipment and then rent the equipment, with or without operating personnel, for mining and quarrying, construction, agriculture and other types of work.

Engines and electric power generation sets and support services are supplied to North Sea exploration and production rigs, fishing fleets, marine transport and commercial vessels, and are sold for a wide variety of industrial uses and to original equipment manufacturers.

The Industrial Midlands, the north and south east of England and other centres of population provide an active market for lift truck sales and rentals. Major customers include automobile and other manufacturing plants, distribution centres, printing industries, food and beverage processing plants, stevedoring and building materials industries. Most of the lift truck fleet rentals include maintenance and repair contracts.

Access to these markets, through the rental of equipment, was expanded with the acquisition of Hewden. Hewden services a wide variety of markets including the construction, petro-chemical , engineering , utilities, manufacturing and other industries in the UK

CHILE

The diverse geography of Chile provides a broad base of industrial markets for Finning Chile. The principal markets include mining, construction, forestry and marine.

In the northern desert, large open pit copper and gold mines require fleets of off-highway trucks, loaders, tractors and other support equipment. In this industry sector, rebuilt components, parts and service, and maintenance and repair contracts are also supplied to support the around-the-clock use of these machines.

The construction market includes highway construction and maintenance, hydro-electric dam construction, site development, natural gas pipeline and gas distribution construction, and residential and commercial construction. The concession method of highway development is becoming the norm. Sections of highway are put out to tender on a build/own/transfer basis. This strategy of private financing is enabling an accelerated highway infrastructure development program without the traditional governmental financial burden of public projects.

The coastal forests in the south represent another important market. To this market, Finning Chile supplies equipment for road building, logging, log transportation and the handling of logs, lumber and finished products in yards and mills and at port facilities.

Chile's 4,300 kilometer coastline creates a strong opportunity for marine power. The fishing and marine industries provide active markets for both the repowering of existing vessels and the powering of newly constructed vessels.

4.8 Competition

Finning competes with a large number of vendors of equipment manufactured worldwide. Historically product quality, wide scale servicing, component rebuild, customizing, distribution capabilities, the number of locations, proximity of locations to customers, financial services and the wide product range offered by Caterpillar have enhanced Finning's ability to compete throughout its market areas.

Caterpillar manufactures a broad range of products. In addition, Caterpillar has expanded its line of products through distribution of a few products manufactured for it by others and distributed under the Caterpillar brand name. Caterpillar's competitors provide a more limited range of products, in many cases specific to particular industries and to applications within particular industries. As a result, most of Finning's competitors, worldwide, specialize in more limited and specific lines of equipment and services. Consequently, Finning's share of industry-wide sales varies significantly across product lines and industries. Hewden has a wide variety of competitors in the markets it serves.

4.9 Dealership and Distributor Agreements

Finning has dealership and distributor agreements with several equipment manufacturers and distributors, the most significant of which are with Caterpillar. Under the terms of these agreements, Finning is responsible for marketing and servicing the manufacturer's products in its areas of primary responsibility. These agreements do not preclude other equipment dealers from marketing the same products in Finning's areas of primary responsibility.

Finning has several dealership agreements with Caterpillar. The principal agreements can be terminated on 90 days' notice in Canada and Chile and six months' notice in the U.K. Other agreements can be terminated on three to six months' notice. In the event of termination of an agreement by Caterpillar, Caterpillar will purchase substantially all related inventories of new equipment and new parts stock from Finning at cost. Finning started as a Caterpillar dealer in 1933 and has developed a strong relationship with Caterpillar. The management of Finning is not aware of any matter that could result in termination of the dealership agreements with Caterpillar.

Approximately 90% of Finning's dealership business involves Caterpillar products. As such, Finning's business is dependent on the market acceptance of Caterpillar products. From time to time, during periods of intense demand, Caterpillar finds it necessary to allocate its supply of particular products among its dealers. Such allocations of supply have not in the past proven to be a significant impediment to Finning in the conduct of its business.

In 1993, Caterpillar sold the majority of the lift truck manufacturing and marketing segment of its business to Mitsubishi. Mitsubishi then formed the companies Mitsubishi Caterpillar Forklift Americas Inc. ("MCFA") and Mitsubishi Caterpillar Forklift Europe B.V. ("MCF") in which Caterpillar Inc. holds a 20% minority interest. MCF manufactures lift trucks and sells basically the same products under the "Caterpillar" and the "Mitsubishi" brand names. Finning (Canada) was the dealer for the Caterpillar branded products and the Mitsubishi branded products until October, 2001. In October, Finning (Canada) sold its Materials Handling business. In the U.K. and Chile, Finning continues as the dealer for the Caterpillar brand name materials handling product only.

Finning (Canada) has developed dealer relationships for other product lines in order to create new marketing opportunities and to expand its customer support services. Included are relationships with Rosco Manufacturing Co., Wagner (a division of Allied Systems Company), Amida Industries, Inc., Brunner Canada, Inc., Svedala Drilling (a division of Svedala Industries, Inc.), CompAir LeROI International Inc., and Gomaco Corporation (a division of Godbersen-Smith Construction Company). In Chile, dealer relationships exist with Ingersoll Rand. In the U.K., dealer relationships exist with Eagle Picher.

4.10 Human Resources

Finning had 9,803 full-time employees at the end of 2001: 2,629 in Canada; 1,553 in Finning UK; 1,516 in Chile; 4,066 in Hewden and 39 at corporate headquarters. Finning encourages training and career development for all of its employees. Gallup surveys and an employee performance appraisal system have been applied in the Canadian and UK operations, with implementation in 2002 for Chile and Hewden. Action plans have also been developed to monitor improvements in 2002.

Approximately 35% of the employees are skilled mechanics, technicians, partspersons and apprentices. The International Association of Machinists and Aerospace Workers ("IAM") represents hourly-paid parts and service employees in British Columbia, the Yukon, Alberta and the Northwest Territories. This union was certified in 1951 in British Columbia and, in its history, Finning (Canada) has never experienced a work stoppage in British Columbia or the Yukon. In 2000, a three-year collective agreement was negotiated with this local. The agreement will expire on April 14, 2003. A separate local of the IAM represents hourly paid parts and service employees in Alberta and the Northwest Territories. In 1999, a three-year collective agreement was negotiated with this local. This agreement will expire on April 30, 2002. Finning (Canada) has experienced one two-week work stoppage in Alberta and the Northwest Territories since acquisition of those territories in 1989.

There have been no serious labour disruptions in the Finning (UK) operations since acquisition in 1983. The collective agreements with the Transport and General Workers Union (T&GWU), the Amalgamated Union of Engineers (AEEU) and the Administrative, Clerical, Technical, Supervisory Staff (A.C.T.S.S.) expired on 31st December 2001. Negotiations took place in November and December 2001 towards renewed collective agreements.

There are two sindicatos (unions) in Chile that represent the employees. Historically, the relationship between Finning Chile and the unions has been positive. During 2001, negotiations were undertaken and finalised on December 24th. A four-year duration Collective Agreement was signed with the two unions at Finning Chile. Major changes in labour regulations will result in higher labour costs during 2002 and future years in such areas as unemployment insurance, cost of terminations, and legal advice. These changes will also direct the focus on the training for supervisory and management levels in Labour Regulation, Human Relations and Communications in 2002.

Hewden also recognises the importance of its employees and is committed to offering career development and training initiatives. The number of employees totals 4,066 in a variety of positions throughout the UK. There is a collective agreement with the Amalgamated Union of Engineers (AEEU) for the 295 mobile crane operators which is due for renewal in July 2002.

4.11 Environment

Finning has programs in place throughout its operations to monitor and satisfy environmental protection requirements. Regular environmental reports are made to the Environmental, Health and Safety Committee of the Board of Directors. The management of Finning is not aware of any environmental protection requirements that are likely to have a material adverse effect on its capital expenditures, earnings or competitive position.

4.12 Health and Safety

Finning is committed to fostering the health and safety of all its employees in the workplace. Committees at each branch conduct regular site inspections. Compensation plans are in place to reward continued improvement in the reduction of lost time accidents, worldwide.

Finning (Canada) is investing in health and safety training for its employees through special programs and internal publications. Finning (Canada) successfully completed an external audit of their Health & Safety Program. As a result of these initiatives, Canada experienced a 26% reduction in lost time accidents from 2000 to 2001.

In Finning (UK), branch safety committees continue to emphasize employee involvement in health and safety. The branch committees meet quarterly to review site inspections and accident prevention initiatives.

The safety program developed in Finning Chile for the year 2001 was mainly based on the application of a Preventive Management Program. Emphasis was also given to an “Off the Job Safety Program”.

In Hewden’s commitment to the health and safety of all its employees and all other persons associated with the business including subcontractors and the general public, there is a strategy in place to achieve improvements in health and safety and increase awareness of its significance. Every employee participates in safety training and reiteration for health and safety standards is constantly applied. These standards are monitored, through audits, by a dedicated team of qualified safety specialists and verified by the British Safety Council.

4.13 Information Systems

In its dealership operations (which exclude Hewden), Finning has implemented Caterpillar's Dealer Business System ("DBS"). DBS consists of five major modules: parts, service and product support, finance, sales and merchandising, and marketing. This system is used by a large majority of Caterpillar's dealers throughout the world and allows Finning to respond to customers' inquiries and needs quickly and efficiently. DBS software runs on the IBM AS/400 hardware platform and is complemented by other third party software packages. Finning is part of the Dealer Advisory Panel that provides input into future releases of software.

In 1999, Finning (Canada) signed an agreement with Telus Enterprise Solutions (formerly ISM-BC) for the operation, maintenance and support of its mainframe computer, personal computers and printers and its wide-area and local-area network system. In addition, Telus Enterprise Solutions performs centralized printing and document processing services.

In 2001, Finning mapped out an IT strategy for the International group of companies. This strategy will lay the foundation for the next major software and business process implementation coming from Caterpillar in 2003 and will position Finning for its future growth. The new Caterpillar system is a 'best of breed' implementation of packaged software that will facilitate information flow along the supply chain, from Caterpillar to the Dealer to the Customer.

The IT strategy encompassed:

- the mapping of a consistent network strategy to facilitate the exchange of information across the enterprise
- the outsourcing of the maintenance and support of the mainframe computer, personal computers and printers, and the wide area and local area networks in the UK operations to Telus Enterprise Solutions
- the establishment of a DBSi planning team to begin the process of planning the implementation of the new Caterpillar software expected for the enterprise for 2003
- an increase in the profile of business processes and systems in each country and at the International level
- a more consistent approach to the implementation of software applications across the enterprise

5. SUMMARY OF FINANCIAL INFORMATION

5.1 Five Year Summary

Years Ended December 31

($ thousands except per share amounts)

	2001	2000	1999	1998	1997
Revenue from external sources					
Canada	1,398,623	1,214,516	1,032,922	1,136,917	1,146,406
U.K.	804,084	682,162	712,941	793,020	565,376
Chile	448,005	474,145	377,777	503,505	514,068
Hewden	587,482	-	-	-	-
International	8,849	89,209	106,221	151,979	101,214
Total	3,247,043	2,460,032	2,229,861	2,585,421	2,327,064
Earnings before interest and tax					
Canada	131,861	119,189	102,481	85,434	124,035
U.K.	32,088	27,621	18,917	(30,429)	47,049
Chile	38,678	29,281	29,292	25,415	38,695
Hewden	73,921	-	-	-	-
Other	(34,947)	(10,828)	(1,778)	2,309	6,846
Total	241,601	165,263	148,912	82,729	216,625
Net income	103,917	73,391	59,600	3,185	103,695
Earnings per Common share					
Basic	1.37	0.95	0.75	0.04	1.32
Diluted (1)	1.34	0.94	0.74	0.04	1.27
Dividends paid Per common share	0.20	0.20	0.20	0.20	0.20
Long-term debt (2) (4) (includes current portion)	673,742	544,441	592,920	523,161	521,203
Non controlling interest (3)	425,000	-	-	-	-
Total assets	3,038,781	2,157,641	2,026,234	2,229,601	2,351,877

1. In 2000, the Company changed its method of calculating diluted earnings per share to reflect the dilutive effect of exercising outstanding stock options by application of the treasury method. Diluted earnings per share for 1999 to 2001 have been stated on this basis.

2. For further details regarding the long-term debt, see Note #8 to the Consolidated Financial Statements in Appendix A.

3. In the first quarter of 2001, Finning formed a partnership for the purpose of raising equity 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 accounts. 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.

4. On June 19, 2001, the Company issued $200.0 million of 7.40% debentures due June 19, 2008 under its $500.0 million Medium Term Note Program. The debentures are unsecured and interest is payable semi-annually. The debentures are rated BBB (High) by Dominion Bond Rating Service Limited and BBB by Standard & Poor's. Proceeds from the debentures were used to reduce the Company's bank indebtedness.

5.2 Two Year Summary By Quarter
(Unaudited)

Fiscal Period	Qtr.	Revenue	Net Income	Earnings Per Common Share Basic	Earnings Per Common Share Diluted
		($000's)	($000's)	$	$
2001	1	728,915	17,345	0.23	0.23
	2	849,418	28,882	0.38	0.37
	3	799,695	29,910	0.39	0.39
	4	869,015	27,780	0.37	0.35
2000	1	612,683	13,358	0.17	0.17
	2	630,515	19,849	0.25	0.25
	3	533,174	18,688	0.25	0.24
	4	683,660	21,496	0.28	0.28

Notes:

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

6. MANAGEMENT DISCUSSION AND ANALYSIS

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 Appendix A, Note 12, Notes to Consolidated Financial Statements), 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	2000	**2001**	2000
($ million)			(% 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	241.6	165.3	7.4%	6.7%
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	103.9	73.4	3.2%	3.0%

During the year, the Company completed the acquisition of 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 $425.0 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 materials 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.

2001 *(dollars in thousands)*	**Canada**	**UK**	**Chile**	**Hewden**	**Other**	**Consolidated**	Revenue %
New mobile equipment	**$ 404,239**	**$ 342,991**	**$ 140,287**	**$ 8,949**	**$ -**	**$ 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	**$ 1,398,623**	**$ 804,084**	**$ 448,005**	**$ 587,482**	**$ 8,849**	**$ 3,247,043**	**100.0%**
Revenue percentage by operations	**43.1%**	**24.7%**	**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	$ 1,214,516	$ 682,162	$ 474,145	$ -	$ 89,209	$ 2,460,032	100.0%
Revenue percentage by operations	49.4%	27.7%	19.3%	0.0%	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.

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 a 34.9% increase in revenues.

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.

United Kingdom

Record revenues in the UK 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 Finnpave, 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 slowed 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 Finnpave (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 Finning Chile 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 expansion through acquisition of CIPA (Compania Constructora Industrial Comercial Panaericana Ltda). As a result of this acquisition, 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 8 depots over last year, as under-performing depots were closed and new openings in more appropriate locations were created.

The foot and mouth crisis led to a higher utilization of Hewden rental equipment in mid 2001 as the Company supported the efforts to contain the crisis. During the year, the Hewden also expanded its operations by acquiring assets from Maxxiom Limited (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 UK 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 will be replaced by an annual assessment for impairment (for more details see Appendix A, 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 of $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 on $10.2 million in 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 £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:

(dollars in thousands)	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 expense/(income)					**18,226**	**18,226**
Earnings before interest and tax	**$ 131,861**	**$ 32,088**	**$ 38,678**	**$ 73,921**	**$ (34,947)**	**$ 241,601**
	9.4%	4.0%	8.6%	12.6%		7.4%
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 expense/(income)					(3,789)	(3,789)
Earnings before interest and tax	$ 119,189	$ 27,621	$ 29,281	$ -	$ (10,828)	$ 165,263
	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, the Company 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 Employee 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. (For further information on the non-controlling interest, see Appendix A, Notes to Consolidated Financial Statements, page 9.)

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 ***(dollars in thousands)***	**Operations**	**Rental**	**Non-controlling Interest**	**Finance**	**Consolidated**
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)*	Operations	Rental	Non-controlling Interest	Finance	Consolidated
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 counter-parties.

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.

7. SECURITIES MARKET

The Company’s common shares are listed and posted for trading on the Toronto Stock Exchange under the symbol “FTT”.

8. DIVIDENDS

The Board of Directors, in setting dividend payments, considers the Company's recent and projected earnings, its capital investment requirements and its total return to shareholders. Dividends on common shares were $15.2 million or $0.20 per share in 2001, compared with $15.5 million or $0.20 per share in 2000. On February 27, 2002 the Company announced a 40% increase in its regular quarterly dividend. The new quarterly dividend rate is 7 cents per share, payable March 27, 2002 to shareholders of record on March 13, 2002.

The Company has declared and paid the following dividends, on the dates and at the rates shown, since January 1, 2000. Finning is not subject to any restrictions with respect to its ability to declare or pay dividends.

Declaration Date	Date Paid	Rate Per Share
February 18, 2000	March 17, 2000	$0.05
April 26, 2000	May 24, 2000	$0.05
July 26, 2000	August 23, 2000	$0.05
October 26, 2000	November 22, 2000	$0.05
February 28, 2001	March 28, 2001	$0.05
May 10, 2001	June 7, 2001	$0.05
July 25, 2001	August 22, 2001	$0.05
October 31, 2001	November 28, 2001	$0.05
February 27, 2002	March 27, 2002	$0.07

9. DIRECTORS AND OFFICERS

Directors

Name and Municipality of Residence	Principal Occupation	Year First Became Director
Ricardo Bacarreza [1, 3] Santiago, Chile	Presidente, Proinvest S.A.	1999
John E. Cleghorn [1, 5] Toronto, ON	Company Director	2000
James F. Dinning [1, 4] Calgary, AB	Executive Vice President, Sustainable Development & External Relations, TransAlta Corp.	1997
Timothy S. Howden [2, 4] Marlow, England	Company Director	1998
Nicholas B. Lloyd Santiago, Chile	President and Chief Executive Officer, Finning Chile S.A.	1993
Jefferson J. Mooney [2, 3] North Vancouver, BC	Chairman, President and Chief Executive Officer A&W Food Services of Canada, Inc.	2000
Donald S. O'Sullivan [2, 4] Edmonton, AB	President, O'Sullivan Resources Ltd.	1991
Conrad A. Pinette [4] Vancouver, BC	President and Chief Operating Officer, Lignum Limited	1992
Andrew H. Simon [1, 5] London, England	Executive Vice Chairman, Diamant Boart S.A.	1999
Monica E. Sloan [1, 3] Calgary, AB	Independent Management & Strategy Consultant and Associate, Deloitte Consulting	2000
Douglas W.G. Whitehead [3] Coquitlam, BC	President and Chief Executive Officer, Finning International Inc.	1999
John M. Willson [2, 3, 4] Vancouver, BC	Company Director	2000

[1] Member, Audit Committee
[2] Member, Human Resources and Compensation Committee
[3] Member, Environmental, Health and Safety Committee
[4] Member, Governance Committee
[5] Member, Pension Committee

Each of the above-listed directors will be deemed to retire and will be eligible for re-election at the next Annual Meeting of the Company's shareholders. Each of the directors has held his principal occupation set out above for the past five years with the exception of John E. Cleghorn, James F. Dinning, Timothy S. Howden, Nicholas B. Lloyd, Andrew H. Simon, Monica E. Sloan, Douglas W.G. Whitehead and John M. Willson whose principal occupations are listed below:

Director	Principal Occupation	From	To
John E. Cleghorn	Company Director	Jul 2001	Present
	Chairman & Chief Executive Officer Royal Bank of Canada	Jan 1995	Jul 2001
James F. Dinning	Executive Vice President, Sustainable Development and External Relations, TransAlta Corp.	Jun 1999	Present
	Executive Vice President, Energy Marketing, TransAlta Energy Corp.	Jun 1998	Jun1999
	Senior Vice President, Corporate Development, TransAlta Energy Corp.	Aug 1997	Jun1998
	Provincial Treasurer, Province of Alberta	Dec 1992	Mar 1997
Timothy S. Howden	Company Director	Sep 1997	Present
	Chairman and Chief Executive Officer, North America, The Albert Fisher Group PLC	Dec 1996	Aug 1997
Nicholas B. Lloyd	President and Chief Executive Officer, Finning Chile S.A.	Jan 2000	Present
	Vice Chairman, Finning (UK) Ltd.	Oct 1999	Jan 2000
	Managing Director, Finning (UK) Ltd.	Jan 1992	Oct 1999
Andrew H. Simon	Executive Vice Chairman, Diamant Boart S.A.	Dec 1999	Present
	Company Director	Feb 1993	Dec 1999

Director	Principal Occupation	From	To
Monica E. Sloan	Independent Management and Strategy Consultant and Associate, Deloitte Consulting	Aug 2001	Present
	Management and Strategy Consultant	Oct 1999	Aug 2001
	President, Kelman Technologies Limited	Jan 1998	Oct 1999
	President, Telus Advanced Communications Division, Telus Inc.	Jan 1995	Jun1997
Douglas W.G. Whitehead	President and Chief Executive Officer, Finning International Inc.	Apr 2000	Present
	President and Chief Operating Officer, Finning International Inc.	Dec 1998	Apr 2000
	President and Chief Executive Officer, Fletcher Challenge Canada Ltd.	Apr 1992	Dec 1998
John M. Willson	Company Director	Apr 2000	Present
	Vice Chairman, Placer Dome Inc.	Feb 2000	Apr 2000
	Chief Executive Officer, Placer Dome Inc.	Sep 1999	Feb 2000
	President and Chief Executive Officer, Placer Dome Inc.	Jan 1993	Sep 1999

The Company has an Audit Committee, a Human Resources and Compensation Committee, an Environmental, Health and Safety Committee, a Governance Committee and a Pension Committee. The members are indicated by footnote in the list of directors above.

Officers

Name and Municipality of Residence	Position Held
B. C. Bell Coquitlam, BC	Executive Vice President, Customer Support Services, Finning International Inc.
J. A. Carthy Vancouver, BC	President, Power Systems Finning International Inc.
A. R. Guglielmin Vancouver, BC	Vice President and Corporate Treasurer, Finning International Inc.
P.J.C. Jarvis Surrey, England	Chief Executive Officer, Hewden Stuart Plc
N. B. Lloyd Vicatura, Chile	President and Chief Executive Officer, Finning Chile S.A.
R. T. Mahler West Vancouver, BC	Executive Vice President and Chief Financial Officer, Finning International Inc.
S. Mallett West Midlands, UK	Managing Director Finning (UK) Ltd.
C. A. Pinette Vancouver, BC	Chairman of the Board, Finning International Inc.
I. M. Reid Edmonton, AB	President and Chief Operating Officer, Finning (Canada)
J.T. Struthers Delta, BC	Corporate Secretary, Finning International Inc.
D.W.G. Whitehead Coquitlam, BC	President and Chief Executive Officer, Finning International Inc.

The officers listed below have not held their principal occupation set out above for the past five years :

Officer	Principal Occupation	From	To
B. C. Bell	Executive Vice President, Customer Support Services, Finning International Inc.	May 1999	Present
	Vice President Logistics and Information Systems, Emco Ltd.	Jan 1996	May 1999
J. A. Carthy	President, Power Systems Finning International Inc.	Sep 2001	Present
	Vice Chairman, Finning (UK) Ltd	Jul 2001	Sep 2001
	Managing Director, Finning (UK) Ltd.	Oct 1999	Jul 2001
	Vice President, Operations, General Manager, Finning Chile S.A.	Jan 1997	Sep 1999
A. R. Guglielmin	Vice President and Corporate Treasurer, Finning International Inc.	Aug 2000	Present
	Corporate Treasurer, Finning International Inc.	May 1998	Aug 2000
	Treasurer, British Columbia Hydro and Power Authority	Dec 1992	Apr 1998
P.J.C. Jarvis	Chief Executive Officer Hewden Stuart Plc	Dec 2000	Present
	Chief Executive Officer Howden Process Compressors/ Howden Industrial	Sep 1998	Nov 2000
	President, CompAir, U.K.	Feb 1996	Aug 1998

Officer	Principal Occupation	From	To
N.B. Lloyd	President and Chief Executive Officer Finning Chile S.A.	Jan 2000	Present
	Vice Chairman, Finning (UK) Ltd	Oct 1999	Jan 2000
	Managing Director Finning(UK) Ltd.	Jan 1992	Oct 1999
S. Mallett	Managing Director, Finning (UK) Ltd.	Jul 2001	Present
	Vice President, Customer Support Services, Finning (Canada)	Nov 1998	Jul 2001
	Vice President, Marketing Finning (Canada)	Aug 1996	Nov 1998
I. M. Reid	President and Chief Operating Officer, Finning (Canada)	Nov. 1997	Present
	Vice President, Operations, Finning (Canada)	Sep. 1996	Nov. 1997
J. T. Struthers	Corporate Secretary, Finning International Inc.	Jun 1997	Present
	Manager, Corporate Services and Insurance, Finning International Inc.	Dec 1993	Jun1997
D. W. G. Whitehead	President and Chief Executive Officer Finning International Inc.	Apr 2000	Present
	President and Chief Operating Officer Finning International Inc.	Dec 1998	Apr 2000
	President and Chief Executive Officer Fletcher Challenge Canada Ltd.	Apr 1992	Dec 1998

10. OWNERSHIP OF VOTING SECURITIES

The directors and the officers of the Company as a group beneficially own, directly or indirectly, or exercise control or direction over, 0.17% of the Company's voting common shares.

11. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration, indebtedness, options to purchase securities and interests of insiders in material transactions is contained in the Company's Management Proxy Circular for its most recent annual meeting of shareholders, a copy of which may be obtained upon request to the Corporate Secretary of the Company. Additional financial information is provided in the Company's consolidated financial statements annexed to this Annual Information Form as Appendix A.

In addition, the Company shall provide to any person, upon request to the Corporate Secretary of the Company:

(a) when the securities of the Company are in the course of a distribution pursuant to a short form prospectus or a preliminary short form prospectus has been filed in respect of a distribution of its securities,

   (i) one copy of the Annual Information Form of the Company, together with one copy of any document, or the pertinent pages of any document, incorporated by reference in the Annual Information Form,

   (ii) one copy of the comparative financial statements of the Company for its most recently completed financial year together with the accompanying report of the auditor and one copy of any interim financial statements of the issuer subsequent to the financial statements for the Company's most recently completed financial year,

   (iii) one copy of the Management Proxy Circular of the Company in respect of its most recent annual meeting of shareholders that involved the election of directors or one copy of any annual filing prepared in lieu of that Management Proxy Circular, as appropriate, and

   (iv) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under (i) to (iii) above; or

(b) at any other time, one copy of any other documents referred to in (a)(i), (ii) and (iii) above, provided the Company may require the payment of a reasonable charge if the request is made by a person who is not a security holder of the Company.

Appendix A

Finning International Inc.

Consolidated Financial Statements
Year Ended December 31, 2001

Consolidated Balance Sheets as at December 31
($ thousands)

	2001	2000
ASSETS		
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	**1,237,178**	1,040,683
Finance assets		
Instalment notes receivable	**70,468**	72,569
Equipment leased to customers (Note 2)	**233,375**	253,949
Total finance assets	**303,843**	326,518
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
	$ 3,038,781	$ 2,157,641
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	**1,274,719**	965,554
Long-term debt (Note 8)	**540,756**	477,217
Future income taxes (Note 14)	**22,443**	16,414
Total liabilities	**1,837,918**	1,459,185
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	**775,863**	698,456
	$ 3,038,781	$ 2,157,641

Approved by the directors: D.W.G. Whitehead, Director C.A. Pinette, Director

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Income and Retained Earnings for the years ended December 31
($ thousands except per share amounts)

	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	**3,247,043**	2,460,032
Cost of sales	**2,342,308**	1,835,644
Gross profit	**904,735**	624,388
Selling, general and administrative expenses	**634,939**	461,059
Other expenses/(income) (Note 12)	**18,226**	(3,789)
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)	**85,550**	58,552
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)	**9,969**	1,855
Net income available to shareholders	**103,917**	73,391
Retained earnings, beginning of year	**521,569**	502,028
Dividends on common shares	**(15,155)**	(15,452)
Premium on common share repurchase (Note 10)	**(19,742)**	(38,398)
Retained earnings, end of year	**$ 590,589**	$ 521,569
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

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statements of Cash Flow for the years ended December 31
($ thousands)

	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	-
	434,955	258,588
Changes in working capital items		
Accounts receivable and other	15,785	(7,840)
Inventories - On-hand equipment	(29,665)	4,502
Inventories - Parts and 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	445,623	357,780
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	133,920	240,615
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	(610,684)	(229,943)
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	502,612	(103,241)
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	$ 372,360	$ 398,208
Cash flows include the following elements		
Interest paid	$ 86,148	$ 59,610
Income taxes paid	$ 32,243	$ 14,461

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements
December 31, 2001 and 2000
($ and £ in thousands, except the number of shares and per share amounts)

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 foreign operations, all considered self-sustaining, 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.

Installment 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)
	$	**233,375**	$	253,949

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)
	$	**776,832**	$	311,019

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)
		234,548		142,944
Total land, buildings and equipment	**$**	**312,359**	$	189,961

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 has 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 asset	$ 704,995
Total liabilities	307,968
Net assets acquired	397,027
Goodwill	332,084
Total purchase price	$ 729,111

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	**429,483**	77,777
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	**(23,739)**	(13,832)
Net purchased goodwill	**$ 405,744**	$ 63,945

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:		
Debentures (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	200,000
	$ 673,742

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	**13,175**	11,508
	77,351	58,343
Interest on swap contracts	**4,107**	(1,022)
Amortization of deferred financing costs and other expense:	**4,092**	1,231
	$ 85,550	$ 58,552

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) Fixed	Floating	Term to Maturity	Fair Value Fav/(Unfav)
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 a 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 Shares	**2001** Amount	2000 Shares	2000 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)
	75,816,263	**$212,122**	75,790,463	$200,629

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 unless it is reconfirmed by a majority of the votes cast at the meeting.

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	6,154,442	$12.87	6,618,441	$12.21
Exercisable at year end	4,125,978	$13.05	4,494,635	$12.25

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

	Options outstanding			**Options exercisable**		
Range of exercise prices	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
	6,154,442	5.9	$12.87	4,125,978	4.6	$13.05

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 cash compensation 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	**$ (26,847)**	$ (23,742)

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. & 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 higher learning In Vancouver, Canada.	**33,787**	-
Gain on disposal of surplus real estate in Canada & 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)**	-
	$ 18,226	$ (3,789)

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:

	Canada	UK	Hewden	Total	2000 Total
Defined contribution plans					
Current service cost	**$ 4,510**	**$ -**	**$ 164**	**$ 4,674**	$ 3,896
Net benefit plan expense	**$ 4,510**	**$ -**	**$ 164**	**$ 4,674**	$ 3,896
Defined benefit plans					
Current service cost, net of employee contributions	**$ 4,171**	**$ 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 transitional obligation/(asset)	**1,144**	**(1,295)**	**1,577**	**1,426**	(163)
Net benefit plan expense	**$ 2,348**	**$ 5,329**	**$ 2,999**	**$ 10,676**	$ 7,767
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	**$ 6,858**	**$ 5,329**	**$ 3,163**	**$ 15,350**	$ 11,663

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	**$ 205,895**	**$ 267,412**	**$ 128,531**	**$ 601,838**	$ 478,690
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	**$ 187,314**	**$ 244,801**	**$ 103,155**	**$ 535,270**	$ 481,118

(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 alllowance	**$ 4,201**	**$ 2,479**	**$ (2,879)**	**$ 3,801**	$ 8,869

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	**6,294**	**244,801**	**96,542**	**347,637**	8,930
Funded status - plan deficit	**$ 18,783**	**$ 22,611**	**$ 26,127**	**$ 67,521**	$ 12,353

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
	$ 29,021	$ 33,320

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	**$ 29,021**	$ 33,320

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	**$ 2,825**	$ 7,465
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)
	$ (22,443)	$ (16,414)

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	**$246,007**

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			
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	**$ 103,917**	**77,361,910**	**$ 1.34**
2000			
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	$ 73,391	78,141,059	$ 0.94

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	**$ 131,861**	**$ 32,088**	**$ 38,678**	**$ 73,921**	**$ (34,947)**	**$ 241,601**
Finance cost and interest on other indebtedness						**85,550**
Non-controlling interests						**23,113**
Provision for income taxes						**29,021**
Net income						**$ 103,917**
Identifiable assets	**$ 1,301,166**	**$ 420,135**	**$ 237,761**	**$ 1,079,719**	**$ -**	**$ 3,038,781**
Capital expenditures	**$ 19,514**	**$ 6,443**	**$ 5,071**	**$ 20,152**	**$ -**	**$ 51,180**
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	$ 119,189	$ 27,621	$ 29,281	$ -	$ (10,828)	$ 165,263
Finance cost and interest on other indebtedness						58,552
Provision for income taxes						33,320
Net income						$ 73,391
Identifiable assets	$ 1,195,607	$ 433,161	$ 226,422	$ -	$ 302,451	$ 2,157,641
Capital expenditures	$ 7,851	$ 3,862	$ 3,324	$ -	$ -	$ 15,037

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.

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

January 30, 2002,
Vancouver, BC Canada

AUDITORS' 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.

Arthur Andersen LLP

ARTHUR ANDERSEN LLP, Chartered Accountants

January 30, 2002,
Vancouver, BC Canada