ARTHURANDERSEN

Tamrock Great Britain Holdings Limited

Accounts 31 December 2000
together with directors' and auditors' reports

Registered number : 2387621



Directors' report

For the year ended 31 December 2000

The directors present their annual report on the affairs of the company and of the group, together with the accounts and auditors' report, for the year ended 31 December 2000.

Principal activity

The principal activity of the company and of the group during the year was the assembly and supply of equipment for the mining, construction and tunnelling industries.

Business review

In the opinion of the directors the results of the company and of the group for the year were satisfactory.

The directors expect the general level of activity to continue.

Results and dividends

The audited accounts for the year ended 31 December 2000 are set out on pages 4 to 16.

The directors do not recommend payment of a dividend for the year.

It is proposed that retained profits of £88,596 (1999: £8,979) be transferred to reserves.

Directors and their interests

The directors who served during the year were as follows:

A I Smith
J McCrudden
I Hakala

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the group.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of its profit or loss for that year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Fixed assets

Details of movements in fixed assets during the year are set out in notes 9 and 10 to the accounts.

In the opinion of the directors, there is no material difference between the book value and the current open market value of the company's and group's interest in land and buildings.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Liability insurance for company officers

As permitted by the Companies Act 1985, the company and group have purchased insurance cover for the directors against liabilities arising from negligence, default, breach of duty and breach of trust in relation to the group.

By order of the Board

J. McCrudden

J McCrudden

16 March 2001

ARTHUR ANDERSEN

To the Shareholders of Tamrock Great Britain Holdings Limited

We have audited the accounts on pages 4 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on pages 1 and 2 the directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

Pearl Assurance House
7 New Bridge Street
Newcastle upon Tyne
NE1 8BQ

16 March 2001

Consolidated profit and loss account

For the year ended 31 December 2000

	Notes	2000 £	1999 £
Turnover	2	2,954,939	4,746,340
Cost of sales		(2,221,812)	(4,026,099)
Gross profit		733,127	720,241
Distribution costs		(325,968)	(363,064)
Administration expenses		(440,902)	(429,446)
Other operating income		1,227	27
Operating loss		(32,516)	(72,242)
Income from fixed asset investments	3	58,100	54,576
Other interest receivable and similar income	4	49,188	25,885
Profit on ordinary activities before taxation	5	74,772	8,219
Tax on profit on ordinary activities	8	13,824	760
Retained profit for the year	16	88,596	8,979

All of the company's activity relates to continuing operations.

There were no other recognised gains and losses in the year other than those shown in the profit and loss account above.

The accompanying notes are an integral part of this profit and loss account.

Consolidated balance sheet

31 December 2000

	Notes	2000	1999
Fixed assets		£	£
Tangible assets	9	443,338	480,671
Investments	10	303,819	303,819
		747,157	784,490
Current assets			
Stocks	11	774,570	469,936
Debtors	12	1,614,847	1,074,762
Cash at bank and in hand		168,634	258,861
		2,558,051	1,803,559
Creditors: Amounts falling due within one year	13	(1,158,610)	(410,185)
Net current assets		1,399,441	1,393,374
Total assets less current liabilities		2,146,598	2,177,864
Provisions for liabilities and charges	14	(500,205)	(620,067)
Net assets		1,646,393	1,557,797
Capital and reserves			
Called-up share capital	15	1,000,000	1,000,000
Profit and loss account	16	646,393	557,797
Equity shareholders' funds	17	1,646,393	1,557,797

The accounts on pages 4 to 16 were approved by the Board on 16 March 2001 and signed on its behalf by:

J McCrudden Director

The accompanying notes are an integral part of this balance sheet.

Company balance sheet

31 December 2000

	Notes	2000	1999
Fixed assets		£	£
Investments	10	1,303,819	1,303,819
Current assets			
Debtors	12	147,741	89,641
Net assets		1,451,560	1,393,460
Capital and reserves			
Called-up share capital	15	1,000,000	1,000,000
Profit and loss account	16	451,560	393,460
Equity shareholders' funds	17	1,451,560	1,393,460

The accounts on pages 4 to 16 were approved by the Board on 16 March 2001 and signed on its behalf by:

J. McCrudden

J McCrudden Director

The accompanying notes are an integral part of this balance sheet.

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year is set out below:

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Consolidation

The group accounts of Tamrock Great Britain Holdings Limited and its subsidiary undertaking, Eimco (Great Britain) Limited, are drawn up to 31 December each year.

In accordance with section 230 (4) of the Companies Act 1985, Tamrock Great Britain Holdings Limited is exempt from the requirement to present its own profit and loss account. The amount of profit for the financial year dealt with in the accounts of Tamrock Great Britain Holdings Limited is disclosed in note 17.

c) Turnover

Turnover comprises value of sales (excluding trade discounts, allowances and VAT) of goods and services in the normal course of business.

d) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provisions for impairment.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life, as follows:

Leasehold land and buildings	30 years
Plant and machinery	10 years
Fixtures and fittings	4 years or lease term

e) Investments

Fixed asset investments are shown at cost. Provisions are made for any impairments.

f) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

1 Accounting policies (continued)

g) Pension costs

The group operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

h) Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to provide a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

i) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

j) Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

k) Provisions

Provisions are recognised where, as a result of past events, the group has a legal or constructive obligation which will require a transfer of economic benefits in settlement and a reliable estimate of the amount of that obligation can be made.

l) Cash flow statement

Under Financial Reporting Standard 1 (revised) the company and group are exempt from the requirement to prepare a cash flow statement on the grounds that the parent undertaking includes the company in its own published consolidated accounts.

2 Analysis of turnover by geographical market

	2000 £	1999 £
Europe	2,358,543	4,240,460
North and South America	1,847	-
Africa	12,865	-
Asia	581,684	505,880
	2,954,939	4,746,340

Turnover is attributable to the group's principal continuing activity, which is the assembly and supply of equipment for the mining, construction and tunnelling industries.

3 Income from fixed asset investments

	2000 £	1999 £
Income from fixed asset investments	58,100	54,576

4 Other interest receivable and similar income

	2000 £	1999 £
Bank interest	49,188	25,885

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2000 £	1999 £
Depreciation of tangible fixed assets		
- owned	23,120	56,343
- held under finance leases and hire purchase contracts	18,000	18,000
Operating lease rentals		
- plant and machinery	35,567	36,856
- other	765	765
Auditors' remuneration		
- audit fees	11,500	11,000
- other	2,000	2,000
Exchange gains	(7,603)	(4,425)

6 Staff costs

Particulars of employees (including executive directors) are as shown below:

	2000 £	1999 £
Employee costs during the year amounted to:		
Wages and salaries	704,169	722,206
Social security costs	58,038	68,694
Other pension costs	252,500	162,921
	1,014,707	953,821

The average monthly number of persons employed by the group during the year was as follows:

	2000 Number	1999 Number
Office and management	16	18
Manufacturing	15	15
	31	33

7 Directors' remuneration

The total amount for directors' remuneration was as follows:

	2000 £	1999 £
Emoluments	52,967	62,300

The number of directors who were members of pension schemes was as follows:

	2000 Number	1999 Number
Defined benefit schemes	1	1

8 Tax on profit on ordinary activities

The tax credit comprises:

	2000 £	1999 £
Adjustments in respect of prior years	(13,824)	(760)

As at 31 December 2000, there are estimated taxation losses within Tamrock Great Britain Holdings Limited of £32,568 (1999: £32,568) available for set-off against future trading profits.

9 Tangible fixed assets

	Short leasehold land and buildings £	Long leasehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
Group					
Cost					
At 1 January 2000	50,000	545,000	156,405	286,110	1,037,515
Additions	-	-	-	3,787	3,787
Disposals	-	-	(3,000)	-	(3,000)
At 31 December 2000	50,000	545,000	153,405	289,897	1,038,302
Depreciation					
At 1 January 2000	50,000	108,000	151,806	247,038	556,844
Charge for the year	-	18,000	750	22,370	41,120
Disposals	-	-	(3,000)	-	(3,000)
At 31 December 2000	50,000	126,000	149,556	269,408	594,964
Net book value					
At 31 December 2000	-	419,000	3,849	20,489	443,338
At 31 December 1999	-	437,000	4,599	39,072	480,671

10 Fixed asset investments

	Subsidiary undertakings £	Other investments £	Total £
Cost			
At 1 January 2000 and 31 December 2000	1,000,000	303,819	1,303,819
Net book value			
At 1 January 2000 and 31 December 2000	1,000,000	303,819	1,303,819

The company has significant shareholdings in the following undertakings:

	Country of incorporation or registration	Principal activity	Class of Shares held	% Holding
Subsidiary undertakings:				
Eimco (Great Britain) Limited	England	Assembly and supply of mining equipment	Ordinary	100%
Associates:				
Eimco Elecon (India) Limited	India	Assembly and supply of mining equipment	Ordinary	25%

In the directors' opinion the carrying values of the company's investment in Eimco (Great Britain) Limited and Eimco Elecon (India) Limited are not less than the amount at which they are included in the accounts.

The aggregate amount of capital and reserves of Eimco Elecon (India) Limited as at 31 March 2000 was £8,351,111 (rupees 589,003,891) translated at the rate of exchange ruling on 31 December 2000 (1999: £7,453,173 (rupees 524,662,396)). Its retained profits for the year ended 31 March 2000 translated at the same rate of exchange were £193,476 (rupees 13,645,850), (1999: £203,204 (rupees 14,304,355)).

The group received income of £58,100 from Eimco Elecon (India) Limited during the year ended 31 December 2000 in the form of dividends receivable (1999: £54,576).

11 Stocks

Group	2000 £	1999 £
Raw materials and consumables	7,055	7,656
Work-in-progress	786,745	66,652
Finished goods and goods for resale	279,240	372,340
Goods in transit	68,568	23,288
	1,141,608	469,936
Less applicable payments on account	(367,038)	-
	774,570	469,936

There is no material difference between the balance sheet value of stocks and their replacement cost.

12 Debtors

	Group		Company	
	2000 £	1999 £	2000 £	1999 £
Amounts falling due within one year:				
Trade debtors	446,591	737,765	-	-
Amounts owed by parent and fellow subsidiary undertakings	1,067,898	198,763	147,741	89,641
Other debtors	75,363	112,560	-	-
Prepayments and accrued income	24,995	25,674	-	-
	1,614,847	1,074,762	147,741	89,641

Other debtors include £51,579 (1999: £74,163) due after more than one year.

13 Creditors: Amounts falling due within one year

	Group		Company	
	2000 £	1999 £	2000 £	1999 £
Payment received on account	478,806	-	-	-
Trade creditors	324,069	164,029	-	-
Amounts owed to parent and fellow subsidiary undertakings	170,238	48,673	-	-
Other tax and social security	23,021	25,007	-	-
Accruals and deferred income	162,476	172,476	-	-
	1,158,610	410,185	-	-

14 Provisions for liabilities and charges

	Dilapidations £	Warranty and installations £	Pension £	Total £
At 1 January 2000	172,245	272,000	175,822	620,067
Charged to the profit and loss account			1,889	1,889
Utilised during the year	(29,751)	(92,000)	-	(121,751)
At 31 December 2000	142,494	180,000	177,711	500,205

Dilapidations

The company is required under the terms of its lease to maintain the repair and condition of its long leasehold property. Cash flows in association with this are anticipated to arise over the next four years.

Warranty/installations costs

The warranty and installations provision is in respect of the standard conditions of sale of new or re-engineered machines. These are provided for to cover our contractual obligations and are expected to be discharged in two years.

Pension

Liability for pension costs regarding enhanced pension rights granted to a former employee. Cash flows are anticipated to arise up to the Year 2024.

Deferred taxation:

The balance is made up as follows:

	Provided		Not provided	
	2000 £	1999 £	2000 £	1999 £
Timing differences:				
Accelerated capital allowances	-	-	104,684	108,198
Other	-	-	(25,319)	(20,375)
Tax losses available	-	-	(278,258)	(290,361)
	-	-	(198,893)	(202,538)

The deferred tax asset has not been recognised in the accounts of the company or the group.

15 Called-up share capital

	2000	1999
Company	£	£
Authorised, allotted, called-up and fully paid		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000

16 Reserves

	Group Profit and loss Account £	Company Profit and loss Account £
At 1 January 2000	557,797	393,460
Retained profit for the year	88,596	58,100
At 31 December 2000	646,393	451,560

17 Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2000 £	1999 £	2000 £	1999 £
Profit for the financial year being net addition to equity shareholders' funds	88,596	8,979	58,100	54,576
Opening equity shareholders' funds	1,557,797	1,548,818	1,393,460	1,338,884
Closing equity shareholders' funds	1,646,393	1,557,797	1,451,560	1,393,460

18 Guarantees and other financial commitments

a) Lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2000		1999	
Group	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date:				
- within one year	-	2,916	-	2,039
- between two and five years	-	31,743	-	26,513
	-	34,659	-	28,552

b) Capital commitments

The group, and the company, had no capital commitments at the year-end (1999: £nil).

19 Pension arrangements

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held in a separate trustee fund administered by professional investment managers. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent valuation was at 1 April 1999.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

Price inflation	2.75% per annum
Earnings inflation	4.25% per annum
Investment return	5.75% per annum

The most recent actuarial valuation showed the market value of the scheme's assets was £5,545,948 and that the actuarial value of these assets represented 94% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees are 31.0% and 2.5% of earnings respectively.

The pension charge for the year of £252,500 (1999: £162,921) included £22,584 (1999: £22,584) in respect of the amortisation of experience surpluses that are being recognised over 13 years, the average remaining service lives of employees. The balance sheet includes £74,163 of this experience surplus which has to be amortised over the remainder of the period (1999 : £96,747).

There is a prepayment of £19,152 (1999 : £11,161) in the balance sheet representing the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme.

20 Ultimate parent company

The group is a subsidiary of Sandvik Ab incorporated in Sweden. The smallest and largest group in which the results of the company are consolidated is that headed by Sandvik Ab.

The consolidated accounts of Sandvik Ab may be obtained from S/81181, 81 Sandviken, Sweden.

21 Related party transactions

As all of the company's voting rights are controlled within the group headed by Sandvik Ab, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 "Related party transactions" and has therefore not disclosed transactions or balances with entities which form part of the group.