

TAMROCK GREAT BRITAIN HOLDINGS LIMITED

Report and Financial Statements

31 December 2002

Deloitte & Touche
Newcastle upon Tyne



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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A I Smith	(resigned 1 February 2002)
J McCrudden	
I Hakala	(resigned 31 January 2002)
N Karlsson	(appointed 31 January 2002)
J Hill	(appointed 31 January 2002)

SECRETARY

J McCrudden

REGISTERED OFFICE

Earlsway
Team Valley Trading Estate
Gateshead
Tyne and Wear
NE11 0SB

BANKERS

Barclays Bank plc
P O Box 190
6 East Parade
Leeds
LS1 2UX

SOLICITORS

Watson Burton
20 Collingwood Street
Newcastle upon Tyne
NE99 1YQ

AUDITORS

Deloitte & Touche
Newcastle upon Tyne

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the financial statements and independent auditors' report, for the year ended 31 December 2002.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was one of a holding company.

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

BUSINESS REVIEW

In the opinion of the directors the results of the company and of the group for the year was very satisfactory. The results of the group benefited from the upturn in the investment in the world coal mining industry together with the first full year of business for the rock processing operation. The group also benefited from the acquisition of the Sandvik Tamrock UK operation

RESULTS AND DIVIDENDS

The audited financial statements for the year ended 31 December 2002 are set out on pages 5 to 22.

The directors recommend the payment of a dividend of £1,286,000 (2001: £nil).

It is proposed that the group's retained loss of £500,147 (2001 : profit £359,857, as restated) be transferred (from)/to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

A I Smith	(resigned 1 February 2002)
J McCrudden	
I Hakala	(resigned 31 January 2002)
N Karlsson	(appointed 31 January 2002)
J Hill	(appointed 31 January 2002)

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

FIXED ASSETS

Details of movements in tangible fixed assets during the year are set out in note 10 to the financial statements.

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 interest in land and buildings.

DIRECTORS' REPORT

AUDITORS

Arthur Andersen resigned as auditors on 31 July 2002 and Deloitte & Touche were appointed to fill the casual vacancy. A resolution will be proposed for the re-appointment of Deloitte & Touche for the ensuing year at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



J McCrudden
Secretary

9 June 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group at the end of financial year and of the profit or loss of the group for that period. In preparing those financial statements, 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 United Kingdom law and accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and group and to prevent and detect fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TAMROCK
GREAT BRITAIN HOLDINGS LIMITED**

We have audited the financial statements of Tamrock Great Britain Holdings Limited for the year ended 31 December 2002 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and company balance sheets, the statement of accounting policies and the related notes numbered 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company or group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and group is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

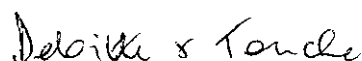
Basis of opinion

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group at 31 December 2002 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

10 June 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	Continuing operations		Total 2002 £	As restated (note 9) 2001 £
		2002 £	Acquisition (note 2) 2002 £		
TURNOVER	1	11,811,158	2,516,000	14,327,158	9,036,387
Cost of sales		(9,480,531)	(2,231,000)	(11,711,531)	(7,632,821)
GROSS PROFIT		2,330,627	285,000	2,615,627	1,403,566
Distribution costs		(879,583)	(189,000)	(1,068,583)	(554,896)
Administrative expenses		(518,043)	-	(518,043)	(451,377)
Other operating income		62	-	62	552
OPERATING PROFIT		933,063	96,000	1,029,063	397,845
Income from fixed asset investments	3			54,049	62,896
Other interest receivable and similar income	4			25,432	47,061
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5			1,108,544	507,802
Tax on profit on ordinary activities	8			(322,691)	(147,945)
PROFIT FOR THE YEAR				785,853	359,857
Dividends proposed	10			(1,286,000)	-
RETAINED (LOSS)/PROFIT FOR THE YEAR	18			(500,147)	359,857

The results of the group during 2002 and 2001 arose from continuing operations.

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

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2002

	2002 £	As restated (note 9) 2001 £
(Loss)/profit for the financial year	(500,147)	359,857
Total recognised gains and losses relating to the year	(500,147)	359,857
Prior period adjustment (note 9)	62,785	-
Total gains and losses recognised since last annual report and financial statements	(437,362)	359,857

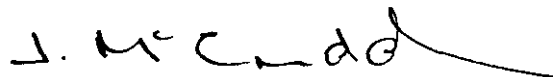
The accompanying notes are an integral part of this statement of total recognised gains and losses.

CONSOLIDATED BALANCE SHEET
31 December 2002

	Note	2002 £	As restated (note 9) 2001 £
FIXED ASSETS			
Tangible assets	11	391,032	406,439
Investments	12	303,819	303,819
		<u>694,851</u>	<u>710,258</u>
CURRENT ASSETS			
Stocks	13	1,495,471	992,561
Debtors	14	2,623,685	2,948,972
Cash at bank and in hand		1,602,027	515
		<u>5,721,183</u>	<u>3,942,048</u>
CREDITORS: amounts falling due within one year	15	<u>(3,792,348)</u>	<u>(1,713,499)</u>
NET CURRENT ASSETS		<u>1,928,835</u>	<u>2,228,549</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,623,686</u>	<u>2,938,807</u>
PROVISIONS FOR LIABILITIES AND CHARGES	16	<u>(920,549)</u>	<u>(735,523)</u>
NET ASSETS		<u>1,703,137</u>	<u>2,203,284</u>
CAPITAL AND RESERVES			
Called up share capital	17	1,000,000	1,000,000
Profit and loss account	18	703,137	1,203,284
EQUITY SHAREHOLDERS' FUNDS	19	<u>1,703,137</u>	<u>2,203,284</u>

These financial statements were approved by the Board of Directors on 9 June 2003.

Signed on behalf of the Board of Directors



J McCrudden

Director

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

COMPANY BALANCE SHEET
31 December 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Investments	12	1,303,819	1,303,819
CURRENT ASSETS			
Debtors	14	1,550,686	210,637
CREDITORS: amounts falling due within one year	15	(1,286,000)	-
NET CURRENT ASSETS		264,686	210,637
NET ASSETS		1,568,505	1,514,456
CAPITAL AND RESERVES			
Called up share capital	17	1,000,000	1,000,000
Profit and loss account	18	568,505	514,456
EQUITY SHAREHOLDERS' FUNDS	19	1,568,505	1,514,456

These financial statements were approved by the Board of Directors on 9 June 2003.

Signed on behalf of the Board of Directors



J McCrudden
Director

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

STATEMENT OF ACCOUNTING POLICIES**Year ended 31 December 2002**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, with the exception of deferred tax as detailed in note 9, is set out below:

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom law and accounting standards.

Under Financial Reporting Standard No. 1 (revised 1996) 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 and group in its own published consolidated financial statements.

Consolidation

The group financial statements 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 financial statements of Tamrock Great Britain Holdings Limited is disclosed in note 17.

Turnover

Turnover comprises the value of sales (excluding trade discounts, allowances and VAT) of goods and services in the normal course of business. Sales of goods are recognised on despatch. Revenue deriving from long-term service and maintenance contracts is recognised as the contract progresses.

Cash amounts received in advance of revenue recognised are included in creditors as payments received on account. Any billings raised in advance of revenue recognised is included in creditors as deferred income.

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 economic life, as follows:

Long leasehold land and buildings	30 years
Short leasehold land and buildings	5 years
Plant and machinery	10 years
Fixtures and fittings	4 years or lease term

Investments

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

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

STATEMENT OF ACCOUNTING POLICIES**Year ended 31 December 2002****Taxation**

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pension costs

For defined benefit schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future payroll. Variations from regular costs are charged or credited to the profit and loss account as a constant percentage of payroll over the estimated average remaining working life of scheme members. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group in separate trustee administered funds. Differences between amounts charged to the profit and loss account and the amounts funded are shown as either provisions or prepayments in the balance sheet.

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 economic 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.

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.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of work in progress and replacement parts, 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.

Work in progress is shown net of any cash amounts received in advance of despatch. Where the cash received exceeds the value of gross work in progress, on a line by line basis, the net balance is recognised in creditors as payments received on account.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

1. ANALYSIS OF TURNOVER BY GEOGRAPHICAL MARKET

	Group	
	2002	2001
	£	£
Europe	10,841,616	7,015,928
Asia	3,465,905	1,924,566
Africa	-	95,893
North and South America	19,637	-
	<u>14,327,158</u>	<u>9,036,387</u>

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

2. ACQUISITION

On 1 January 2002 the Sandvik Tamrock UK operation was transferred to the group.

This transaction was an inter group transfer for £nil consideration and did not include the transfer of any physical assets or liabilities. There was no goodwill arising on acquisition.

3. INCOME FROM FIXED ASSET INVESTMENTS

	Company and Group	
	2002	2001
	£	£
Dividend income	<u>54,049</u>	<u>62,896</u>

4. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	Group	
	2002	2001
	£	£
Bank interest	<u>25,432</u>	<u>47,061</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002**5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

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

	Group	
	2002	2001
	£	£
Depreciation of tangible fixed assets		
- owned	3,479	18,899
- held under finance leases and hire purchase contracts	18,000	18,000
Operating lease rentals		
- plant and machinery	135,738	47,843
- other	-	765
Auditors' remuneration		
- audit fees	9,000	11,500
- other	4,000	2,500
Exchange gains	(22,717)	(44,410)

6. STAFF COSTS

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

	Group	
	2002	2001
	£	£
Employee costs during the year amounted to:		
Wages and salaries	1,365,509	915,164
Social security costs	116,850	75,713
Other pension costs	347,433	284,272
	1,829,792	1,275,149

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

	Group	
	2002	2001
	Number	Number
Office and management	31	19
Manufacturing	18	15
	49	34

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

7. DIRECTORS' REMUNERATION

The total amount of directors' remuneration was as follows:

	2002 £	2001 £
Emoluments	139,495	62,224

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

	2002 Number	2001 Number
Defined benefit scheme	2	1

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge comprises:

	2002 £	As restated (note 9) 2001 £
Current tax		
United Kingdom corporation tax	191,316	40,613
Overseas tax	25,712	-
Adjustments in respect of prior years		
- UK corporation tax	-	5,471
Double taxation relief	(25,712)	(32,388)
Total current tax	191,316	13,696
Deferred tax		
Origination and reversal of timing differences	131,375	134,249
Total tax charge on profit on ordinary activities	322,691	147,945

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

8. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2002 £	As restated (note 9) 2001 £
Profit on ordinary activities before tax	1,108,544	507,802
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2001 : 30%)	332,563	152,340
Effect of:		
Capital allowances in excess of depreciation	53	7,544
Expenses not deductible for tax purposes	6,342	9,002
Utilisation of losses brought forward	(150,190)	(125,182)
Other timing differences	18,762	(16,611)
Overseas income	9,498	13,520
Double tax relief	(25,712)	(32,388)
Adjustments in respect of prior years	-	5,471
Current tax charge for the year	191,316	13,696

9. PRIOR PERIOD ADJUSTMENT

Financial Reporting Standard Number 19 "Deferred tax" (FRS 19) has been adopted for the first time this year. The main change on adopting FRS 19 is that deferred tax liabilities associated with fixed asset timing differences are now required to be provided, whereas under the previous accounting standard, they were only required to be provided if the timing difference was expected to reverse without being replaced. The comparative figures have been restated to reflect the new policy.

The financial effects are summarised as follows:

	2002 £	2001 £
Profit and loss account		
Increase in taxation charge for the year and decrease in profit on ordinary activities after tax	131,373	134,249
Balance sheet		
Increase in provisions for liabilities and charges/(increase in deferred tax assets) and decrease/(increase) in net assets	68,590	(62,785)
Increase in profit and loss account reserve brought forward	-	197,034

10. DIVIDENDS PROPOSED

	2002 £	2001 £
Final proposed of £1.29 (2001: £nil) per ordinary share	1,286,000	-

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

11. 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 2002	50,000	545,000	153,405	289,897	1,038,302
Additions	-	-	-	6,072	6,072
At 31 December 2002	50,000	545,000	153,405	295,969	1,044,374
Depreciation					
At 1 January 2002	50,000	144,000	150,306	287,557	631,863
Charge for the year	-	18,000	750	2,729	21,479
At 31 December 2002	50,000	162,000	151,056	290,286	653,342
Net book value					
At 31 December 2002	-	383,000	2,349	5,683	391,032
At 31 December 2001	-	401,000	3,099	2,340	406,439

12. FIXED ASSET INVESTMENTS

	Company and Group Other investments £	Company Subsidiary undertakings £	Company Total £
Cost			
At 1 January 2002 and 31 December 2002	303,819	1,000,000	1,303,819
Net book value			
At 1 January 2002 and 31 December 2002	303,819	1,000,000	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
Other investments				
Eimco Elecon (India) Limited	India	Assembly and supply of mining equipment	Ordinary	25

Eimco Elecon (India) Limited is not accounted for as an associate undertaking as, in the opinion of the directors, the company does not exercise significant influence over the operational and strategic decisions of the business.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

12. FIXED ASSET INVESTMENTS (continued)

The realisable 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 financial statements.

The aggregate amount of capital and reserves of Eimco Elecon (India) Limited as at 31 March 2002 was £8,983,480 (rupees 693,477,081) translated at the rate of exchange ruling on 31 December 2002 (2001 : £9,324,250 (rupees 652,697,538)).

The group received income of £54,049 from Eimco Elecon (India) Limited during the year ended 31 December 2002 in the form of dividends receivable (2001 : £62,896).

13. STOCKS

	Group	
	2002	2001
	£	£
Raw materials and consumables	6,010	6,870
Work-in-progress	516,223	243,200
Replacements parts	834,741	510,792
Goods in transit	138,497	231,699
	<u>1,495,471</u>	<u>992,561</u>

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

14. DEBTORS

	Group		Company	
	2002	As restated (note 9) 2001	2002	2001
	£	£		£
Amounts falling due within one year:				
Trade debtors	1,788,871	2,611,921	-	-
Amounts owed by group	719,249	133,791	264,686	210,637
Other debtors	94,040	135,117	-	-
Prepayments and accrued income	21,525	5,358	-	-
Deferred tax asset	-	62,785	-	-
Dividends receivable	-	-	1,286,000	-
	<u>2,623,685</u>	<u>2,948,972</u>	<u>1,550,686</u>	<u>210,637</u>

Other debtors include £46,411 (2001 : £88,995) due after more than one year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2002

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2002	2001	2002	2001
	£	£	£	£
Bank overdraft	-	125,083	-	-
Payment received on account	154,459	151,584	-	-
Trade creditors	692,202	374,023	-	-
Amounts owed to group undertakings	277,581	723,300	-	-
Corporation tax	231,074	8,225	-	-
Other tax and social security	42,411	42,037	-	-
Accruals and deferred income	1,108,621	289,247	-	-
Proposed dividends	1,286,000	-	1,286,000	-
	<u>3,792,348</u>	<u>1,713,499</u>	<u>1,286,000</u>	<u>-</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation 2002 £	Dilapidations 2002 £	Warranty and installations 2002 £	Pension 2002 £	As restated (note 9) Total 2001 £
At 1 January	-	110,170	446,000	179,353	735,523
Deferred tax asset (note 14)	(62,785)	-	-	-	(62,785)
Charged to the profit and loss account	131,375	-	138,000	1,211	270,586
Utilised during the year	-	(22,775)	-	-	(22,775)
At 31 December	<u>68,590</u>	<u>87,395</u>	<u>584,000</u>	<u>180,564</u>	<u>920,549</u>

Dilapidations

The group 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 two 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 to cover contractual obligations and are expected to be discharged over the two years following the date of sale of the machines.

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

16. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

Deferred taxation:

The balance is made up as follows:

	Provided 2002 £	As restated (note 9) Provided 2001 £
Accelerated capital allowances	96,060	96,113
Other timing differences	(27,470)	(8,708)
Losses	-	(150,190)
Liability/(asset)	<u>68,590</u>	<u>(62,785)</u>

17. CALLED UP SHARE CAPITAL

	Company and Group 2002 £	2001 £
Authorised, called up, allotted and fully paid 1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

18. RESERVES

	Group Profit and loss account £	Company Profit and loss account £
At 31 December 2001, as previously stated	1,140,499	514,456
Prior period adjustment (note 9)	62,785	-
At 31 December 2001, as restated	<u>1,203,284</u>	<u>514,456</u>
Retained (loss)/profit for the year	(500,147)	54,049
At 31 December 2002	<u>703,137</u>	<u>568,505</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

19. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
(Loss)/profit for the financial year, as previously stated	(500,147)	494,106	54,049	62,896
Prior period adjustment (note 9)	-	(134,249)	-	-
Profit for the financial year, as restated	(500,147)	359,857	54,049	62,896
Opening equity shareholders' funds, as previously stated	2,140,499	1,646,393	1,514,456	1,451,560
Prior period adjustment (note 9)	62,785	197,034	-	-
Opening equity shareholders' funds, as restated	2,203,284	1,843,427	1,514,456	1,451,560
Closing equity shareholders' funds, as previously stated	1,703,137	2,140,499	1,568,505	1,514,456
Prior period adjustment (note 9)	-	62,785	-	-
Closing equity shareholders' funds, as restated	1,703,137	2,203,284	1,568,505	1,514,456

20. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Lease commitments

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

Group	Group			
	2002		2001	
	Land and buildings £	Other £	Land and buildings £	Other £
Expiry date:				
- within one year	-	18,539	-	21,601
- between two and five years	-	78,585	-	69,804
	-	97,124	-	91,405

b) Capital commitments

The group, and the company, had no capital commitments at the year end (2001 : £Nil).

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

21. PENSION ARRANGEMENTS

The group provides pension arrangements to the majority of full time employees through a defined benefit scheme and the related costs are assessed in accordance with the advice of a professionally qualified actuary.

Details of the most recent actuarial valuation which was conducted as at 1 April 2002 using the attained age method, are as follows:

Main assumptions:

- Price inflation	2.75% per annum
- Earnings	4.25% per annum
- Investment return	6.00% per annum

The most recent actuarial valuation showed that the market value of the scheme's assets was £5,882,001 and that the actuarial value of these assets represented 93% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the group and employees are 31% and 2.5% of earnings respectively.

The pension charge for the year of £347,433 (2001 : £284,272) included £42,584 (2001: £42,584) in respect of the amortisation of experience surpluses that are being recognised over 5 and 13 years, the average remaining service lives of employees. The balance sheet includes £88,995 (2001: £131,579) of this experience surplus which has to be amortised over the remainder of the period.

There is an accrual of £11,806 (2001: accrual of £6,521) 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.

As required by SSAP 24, the figures included in the financial statements in respect of the group pension scheme are based on an actuarial valuation carried out at 1 April 1999. This does not take into account the fall in general stock market values since that date. Until the adoption of FRS 17, any such impact will be reflected in the SSAP 24 triennial valuation that took place as at 31 March 2002 based upon which subsequent pension costs will be determined.

Additional disclosures regarding the group's defined benefit pension scheme are required under the transitional provisions of FRS 17 "Retirement benefits" and these are set out below. The disclosures relate to the second year of the transitional provisions. They provide information which will be necessary for full implementation of FRS 17.

The actuarial valuation carried out as at 31 March 2002 has been updated to 31 December 2002 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were:

	2001
Rate of increase in salaries	4.0%
Rate of increase in pensions in payment	2.5%
Discount rate	6.0%
Inflation assumption	2.5%

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

21. PENSION ARRANGEMENTS (continued)

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return (before allowance for expenses) at each balance sheet date were:

	2002 %	2002 £'000	2001 %	2001 £'000
Equities	7.5	2,405	7.5	2,706
UK Government Bonds	4.5	2,223	5.0	2,180
Other Bonds	5.0	952	5.5	971
Total fair value of assets		5,580		5,857
Present value of scheme liabilities		(7,592)		(6,743)
Deficit in the scheme		(2,012)		(886)
Related deferred tax asset		604		266
Net pension deficit		(1,408)		(620)

The contribution rate for 2002 was 31.5% of pensionable earnings. Following the actuarial valuation as at 31 March 2002, it has been agreed to reduce the contribution rate to 20.4% of pensionable earnings but have a fixed additional monthly contribution of £13,600.

The scheme is effectively closed to new entrants and therefore under the projected unit method the current service cost would be expected to increase as the members of the scheme approach retirement.

Analysis of the amount that would have been charged to operating profit under FRS 17

	2002 £'000
Current service cost	178
Past service cost	-
Gain (loss) on settlements and curtailments	-
	178

Analysis of the amount that would have been debited to net finance cost under FRS 17

	2002 £'000
Expected return on pension scheme assets	342
Interest on pension scheme liabilities	(403)
	(61)

Analysis of the actuarial loss that would have been recognised in the statement of total recognised gains and losses

	2002 £'000
Actual return less expected return on pension scheme assets	(633)
Experience gains and losses arising on the scheme liabilities	(73)
Changes in assumptions underlying the present value of the scheme liabilities	(430)
Actuarial loss recognised in STRGL	(1,136)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2002

21. PENSION ARRANGEMENTS (continued)

The movement in the deficit during the year is:

	2002 £'000
Deficit in scheme at beginning of the year	(886)
Movement in year:	
Current service cost	(178)
Contributions	249
Other finance costs	(61)
Actuarial loss	(1,136)
Deficit in scheme at end of the year	(2,012)

The history of experience gains and losses is as follows:

	2002
Difference between the expected and actual return on scheme assets:	
Amount (£'000)	(633)
Percentage of scheme assets	-11%
Experience gains and losses on scheme liabilities:	
Amount (£'000)	(73)
Percentage of the present value of scheme liabilities	-1%
Total actuarial gain recognised in the statement of total recognised gains and losses:	
Amount (£'000)	(1,136)
Percentage of the present value of scheme liabilities	-15%

The impact on reserves that would have arisen if FRS 17 has been fully implemented is as follows:

	2002 £'000
Profit and loss reserve excluding pension deficit	1,989
Write off of SSAP24 prepayment	(79)
Amount relating to defined benefit pension schemes deficit, net of deferred tax	(1,408)
Profit and loss reserve	502

22. 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 financial statements of Sandvik Ab may be obtained from S/81181, 81 Sandviken, Sweden.

23. 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 disclosures" and has therefore not disclosed transactions or balances with entities which form part of the group.

There were no other related party transactions in the year.