2000

MACDONALD DETTWILER ANNUAL REPORT

PROVIDING

ESSENTIAL

INFORMATION

About MacDonald Dettwiler

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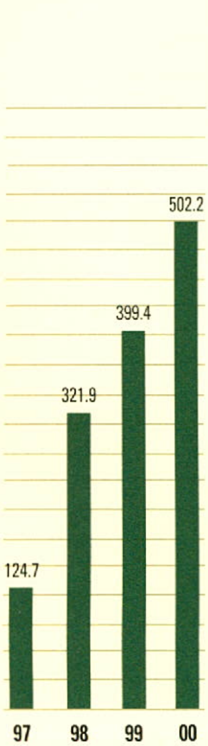
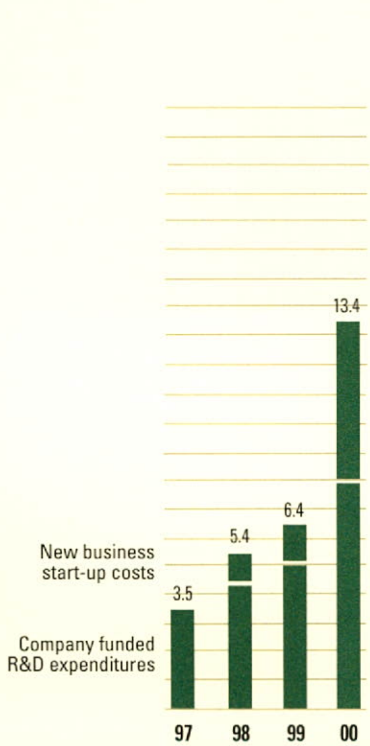
MacDonald, Dettwiler and Associates Ltd. is an information company that provides essential information for decision making in the workplace. It operates through two business groups, Information Products and Information Systems, and are active in data collection, information extraction and distribution.

The Information Products group delivers essential land information products and services in three categories: legal information, asset information and geographical information. The Information Systems group provides mission critical information systems to three major applications: monitoring activities on the planet, managing mobile assets, and enabling the mobile workforce. The Information Systems group regularly builds the information systems used by the Information Products group.

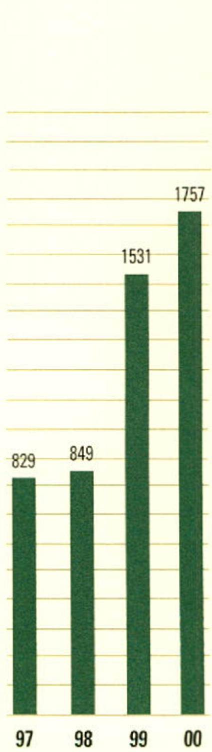
MacDonald Dettwiler employs over 1,700 people around the world through a network of offices and subsidiaries.



Order Backlog
($ Millions)



New Business/R&D Investment
($ Millions)



Employees Worldwide
(December 31)

Financial Highlights

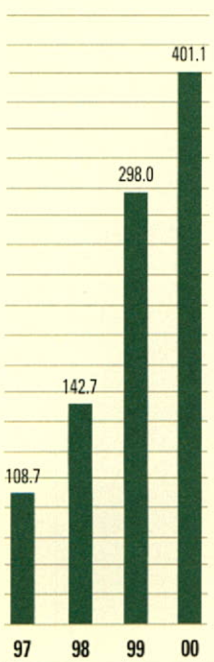
Years Ended December 31,	2000	1999	1998	1997
				in thousands of dollars
Revenues - Information Systems group	$ 286,217	232,608	133,059	106,761
Revenues - Information Products group	114,908	65,375	9,597	1,970
Total revenues	**401,125**	**297,983**	**142,656**	**108,731**
Earnings before specified items [1]	43,606	32,528	12,239	8,289
Earnings before amortization of goodwill	20,934	15,670	7,073	5,075
EBITDA	52,525	40,029	17,347	12,070
Earnings per share - fully diluted [2]				
Cash earnings [3]	0.62	n/c	n/c	n/c
Net earnings	0.41	n/c	n/c	n/c

[1] *Earnings before interest expense, other income, new business start-up costs, amortization of goodwill and income taxes*

[2] *Earnings per share information prior to 2000 is not comparable due to changes in capital structure*

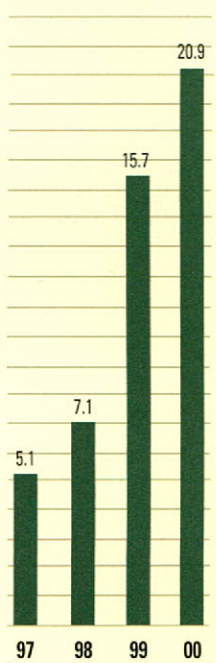
[3] *Earnings before amortization of goodwill*

As at December 31,	2000	1999	1998	1997
Balance sheet data				
Cash	$ 43,464	48,317	31,630	21,169
Total assets	413,308	323,480	102,631	82,664
Long-term debt (and promissory notes payable)	89,796	71,686	8,826	4,083
Shareholders' equity	125,160	53,844	41,005	33,880
Other supplementary information				
Order Backlog - Information Systems group	441,246	380,457	315,503	123,403
Order Backlog - Information Products group	60,963	18,976	6,353	1,341
Total backlog	**502,209**	**399,433**	**321,856**	**124,744**



Revenues
($ Millions)

EBITDA
($ Millions)

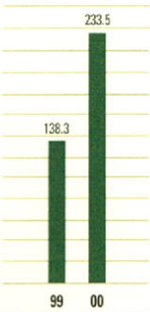


Net Cash Earnings
($ Millions)

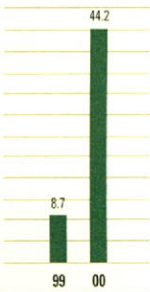
President's Message

In 2000, we entered new geographic markets, created new product-based information services, and consolidated our position in traditional information systems markets. We increased revenue by more than 30% while improving profitability, and in July, completed a successful public offering on the Toronto Stock Exchange. Much of our success was due to closely following our business plan and the timing of our expansion into new information product markets.

The growing international demand for land-related information products and the availability of the Internet have created significant opportunities for us to expand our business beyond traditional information systems markets. Our international experience, our familiarity with land information and our technical depth in designing and maintaining large-scale information delivery systems forms the basis for many of our new product endeavours. Traditional information systems markets continue to serve us with stable growth and substantial revenue, which supports development of new information products business opportunities.



Available Capital
($ Millions)



U.S. Land Information Revenues ($ Millions)

FINANCING ACTIVITIES

We laid a solid foundation for future growth by dramatically strengthening our balance sheet through two key events last year. In the second quarter we completed a syndicated agreement that gives us a total credit facility of $190.0 million. Our IPO and subsequent listing on the Toronto Stock Exchange on July 12 yielded net proceeds of $53.3 million that will fund expansion through start-ups, joint ventures and strategic acquisitions.

STRATEGIC ACTIVITIES

During the year we made entries in both the United States and United Kingdom land information markets. These two initiatives are in line with our plan to expand our proven land information products and services operations from our home province of British Columbia into the largest, most active markets in the world.

In the United States we acquired DataQuick, a leading provider of property information used by the real estate, mortgage and title insurance industries. We implemented a joint venture with leading title insurance company LandAmerica, to introduce a near real-time online information service. We purchased the assets of Atlantic Technologies of Huntsville, Alabama to strengthen our geographic information products presence in the U.S. The addition of these world-class companies further extends the depth and talent of the people who have played such a large role in our success to date.

In the United Kingdom, we are acquiring a business to deliver electronic land information as part of the National Land Information Service. This initiative will enable the online delivery of government-held land information to the legal and financial sectors involved in property transactions. In the second half of the year we started work on a data hub and commercial Internet channel to support our activities. The data hub will enable access to property information from every local authority in England and Wales as well as Her Majesty's Land Registry, the central national repository. The Internet channel will be the commercial interface that allows users to submit and retrieve requests for online property information.

Our BC OnLine operation, one of the most advanced online information businesses in the world, introduced several new products in 2000. Last year, this unique public-private partnership served the information needs of more than 7,500 registered business clients through more than four million online transactions. Fulfilling our mandate to expand the scope of BC OnLine, we introduced Internet access to the online application and processing of gas and electrical permits for B.C.'s construction industry. Increasing the level of secure, two-way interaction over the Internet is creating many new business opportunities for MDA, an example of which is our work with the Law Society of British Columbia that enables the secure online submission and acceptance of legal documents.

In our more traditional business area of Information Systems, our RADARSAT-2 program passed all necessary design reviews to clear the way for full development through to the planned launch in 2003. The images of the Earth that will be collected by this state-of-the-art radar satellite will play an important international role in helping monitor human and natural activities. The Earth observation systems team continues to lead the world with ground station technologies that capture and process images of the Earth from most orbiting missions. Innovative approaches to system design have expanded the scope of our information systems to include advanced electronic training systems, records management systems and wireless information networks for civilian and military police forces, and advanced surveillance technologies for maritime and airborne applications. Finally, our Space Robotics group commenced phased delivery of the robotics hardware, software and control systems that will play the leading role in the construction and maintenance of the International Space Station.

LOOKING AHEAD

With a very successful year behind us we turn our attention to 2001, which presents some exciting objectives. We will continue to expand nationally in the U.S. with land-related information products and services. We will open our U.K.-based land information business. We will deliver several systems including the first components of the Space Station Remote Manipulator System to orbit and we will begin a new phase of funded, long-term systems support and enhancement for the duration of the Space Station mission. Finally, we are well positioned to capitalize on many new international information systems and product opportunities.

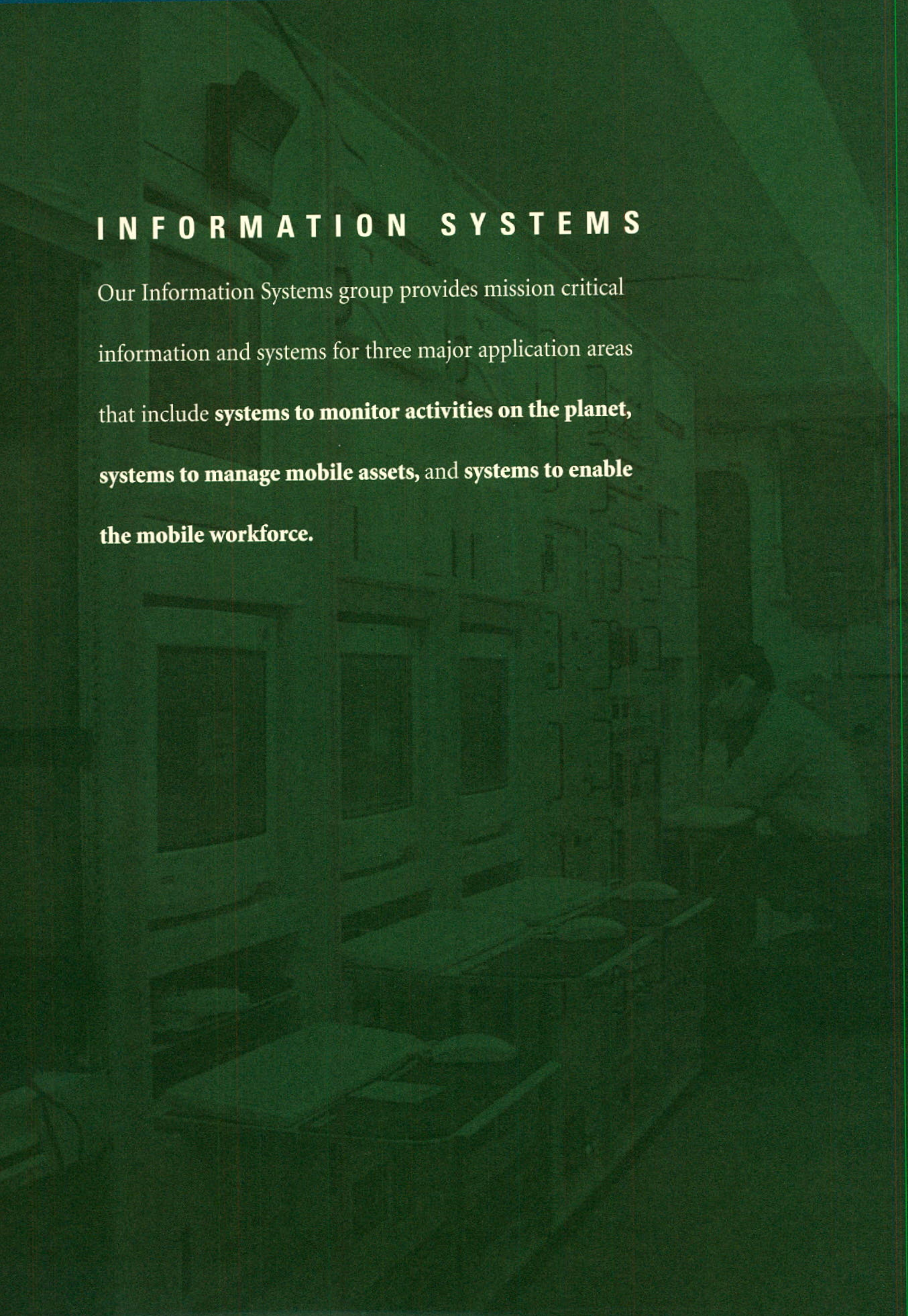
Our adherence to our disciplined fiscal management principles and the ongoing market development for our information systems and products will ensure continued profitability. To all of our shareholders and employees, we thank you for your support as we strive to become the leading provider of essential information.

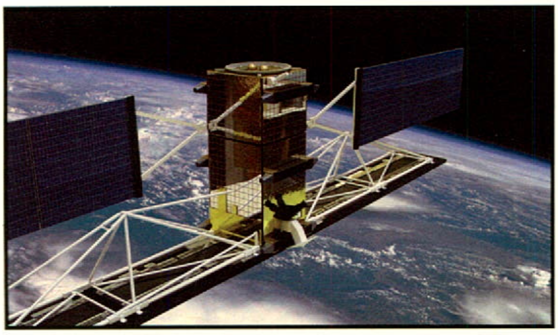
Daniel E. Friedmann
President and CEO

Operations Review

INFORMATION SYSTEMS

Our Information Systems group provides mission critical information and systems for three major application areas that include **systems to monitor activities on the planet, systems to manage mobile assets,** and **systems to enable the mobile workforce.**

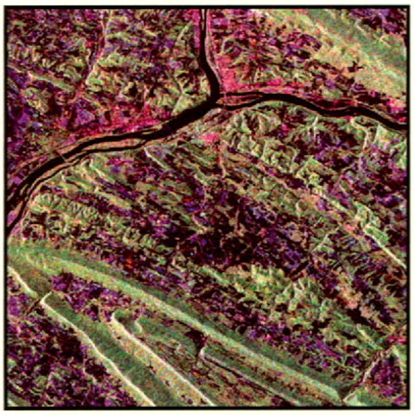




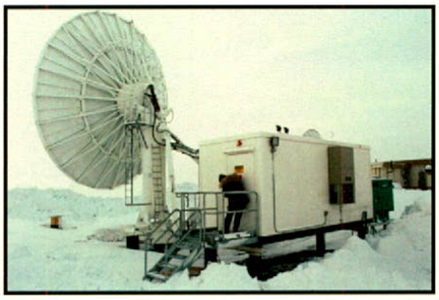
Monitoring the planet employs orbiting optical and radar satellites, specially equipped aircraft, and specialized ground equipment that process valuable image information.

Our RADARSAT-2 program encompasses the design, construction and launch of a new Earth observation satellite; and the design and construction of the ground equipment required to control the satellite in orbit as well as download and process imagery. RADARSAT-2 will carry the world's most advanced radar instrument to acquire high-resolution imagery of the Earth's surface 24 hours a day, through clouds and darkness. RADARSAT-2 imagery will play an important role in helping monitor human and natural activities around the world.

2000 was a year of success and major achievements for our RADARSAT-2 program. We completed negotiations for launch services with the Boeing Company and secured an additional $106.5 million in program funding. Our ground equipment team passed its stringent design review, clearing the way for full development of all satellite control, data downlink and processing systems. Late in the year, we passed the spacecraft platform design review that allows us to proceed with the optimal design.



High-resolution RADARSAT-2 imagery will contain a higher degree of information than traditional radar satellite imagery, making it invaluable for applications such as environmental monitoring and natural resource exploration.



Our Earth observation systems capture and process image data from most commercial and civilian Earth observation satellites in orbit. The ORBIMAGE Northern Ground Terminal, pictured above, is located on the shore of the Arctic Ocean at Barrow, Alaska and will play a pivotal role in the success of the pending OrbView-3 and OrbView-4 high-resolution optical satellite missions.

Our Earth observation systems group continued to assert its market dominance with multiple satellite ground station contracts and upgrades. Our systems to acquire data from satellites and process them into images of the Earth's surface continue to be recognized around the world as the de facto standard for quality and value.

In the past year Matra Systèmes and Information of France contracted us to provide an upgrade to enable transportable ground stations to receive and process imagery from India's remote sensing satellites. We shipped a satellite ground station upgrade for the OrbView-3 satellite to NTT Data in Japan, and passed a major acceptance test for a similar system for Spot Image in France. Smaller ground station upgrades got underway for customers in China, Thailand and the U.S. In a technology demonstration exercise, our Remote Emergency Management by Satellite program successfully illustrated the power of merging satellite imagery, communications and global positioning systems to more effectively manage forest fires in remote areas.

Our decades of experience in airborne imaging radar systems continue to serve us well. We achieved factory acceptance for three systems that will be deployed to monitor the fragile environment of the Amazon basin. At home, we were awarded a contract to design a system that will improve the effectiveness of Canada's coastal surveillance.

We are supporting Brazil's effort to monitor and save the fragile ecosystem of its Amazon Basin. Our airborne radar systems and satellite ground station upgrades are the data gathering and image processing elements in a large system that will be used to assist in the control of illegal environmental and drug-related activities in this vast region.

Our systems to better manage mobile assets and enable mobile workforces met key milestones during the year. We completed final delivery of the image acquisition, processing and analysis components of a world-class imaging sonar system, for use on Canada's Maritime Coastal Defence Vessels. In a related endeavour we received a contract for the development of an advanced sea mine detection demonstration system that will contribute to improved safety in shipping lanes.

Our advanced imaging sonar and automated mine detection system for the Canadian Maritime Coastal Defence Vessel Program is recognized as one of the most advanced systems in the world. The economic benefits of this program are derived from safer shipping lanes in Canada's territorial waters, and potential export sales of the technology.

Our advanced software for automated air traffic control was accepted by prime contractor Raytheon Systems Canada Ltd. and its customer NAVCANADA. This domestic system will place Canada at the forefront of next-generation airspace management and contribute to safer air travel. Our work with the Canadian Navy continued with an upgrade for a naval combat trainer that exploits computer-based simulation software for military training, providing an effective and safer alternative to traditional field exercises. Also for the Canadian Navy, we deployed an operational system that allows personnel to securely create, send and receive military messages. Finally, we are developing wireless information systems to support the real-time information needs of field personnel in several police forces.

Our software for the Canadian Automated Air Traffic System (CAATS) represents the pinnacle of air traffic control technology. When deployed for operational use, Canada will possess the most advanced system of its kind in the world.

INFORMATION SYSTEMS

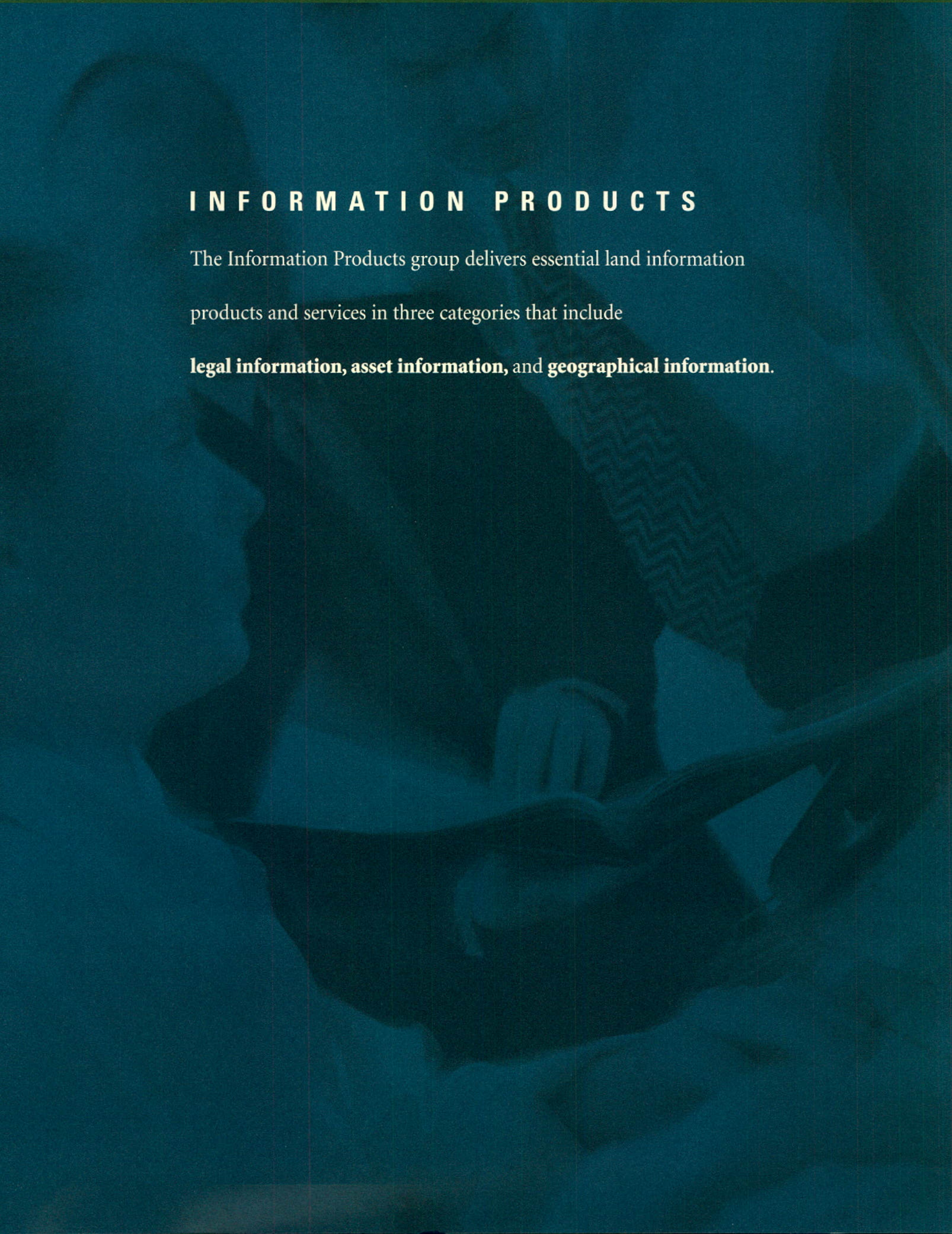
Throughout the year we achieved several major milestones and deliveries, including the passage of stringent NASA space hardware reviews, the delivery of the Mobile Base Station to Kennedy Flight Centre, and the successful completion of testing and delivery of the Canadarm2's Operations and Control Software. NASA will commence delivery of the software and robotics hardware to the International Space Station in orbit in 2001.

We began a new era of support and enhancements for the International Space Station throughout its operational life. We negotiated a $72.0 million multi-year contract to provide engineering services for the Space Station once it becomes operational. An additional $21.2 million contract was awarded us by NASA's Johnson Space Centre to supply engineering services through the year 2002 for our Space Station Remote Manipulator System hardware and software. We signed a teaming agreement with the Boeing Company that paves the way for collaboration on several Space Station related prospects and establishes a framework for future Space Station support work. We also signed a $14.7 million contract with NASA for Space Shuttle and Space Station support engineering.

Subsidiary MD Robotics in Brampton Ontario designs and manufactures the most advanced space robotics systems in the world. The Space Shuttle's Canadarm is a Canadian icon. The Mobile Servicing System, Canadarm2, will be used to construct and maintain the International Space Station. It will be delivered to the International Space Station in April 2001.

Canada's involvement in the International Space Station goes beyond providing advanced robotics and control software. NASA's astronaut corps includes Canadian scientists such as Julie Payette, who continues to play a major role in the design, installation and operation of robotics for manned space missions.

Operations Review



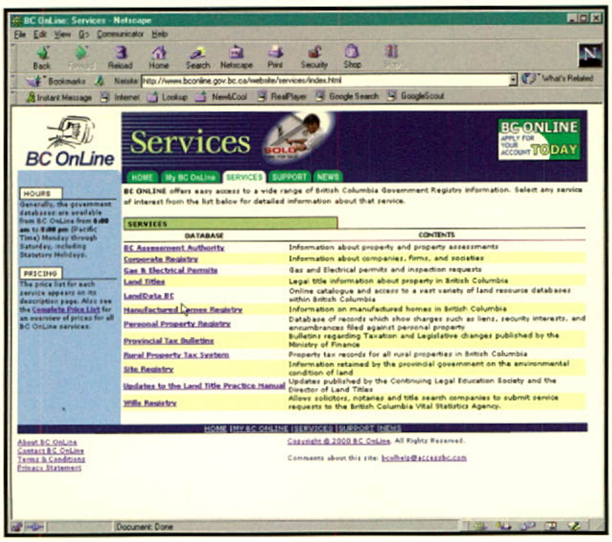
INFORMATION PRODUCTS

The Information Products group delivers essential land information products and services in three categories that include **legal information, asset information,** and **geographical information**.

BRITISH COLUMBIA: Legal Information

Our BC OnLine operation is one of the most comprehensive information businesses in the world. Operating through a unique public-private partnership with the Government of British Columbia, BC OnLine helped more than 7,500 registered clients complete more than four million transactions in 2000. Our mandate to expand and improve BC OnLine led to the introduction of Internet access to online application and processing of gas and electrical permits for the construction industry. This is the first instance of customers inputting information into BC OnLine and represents a significant future growth opportunity for the on-line capture of database information and registration directly from customers.

We also began collaboration with the Law Society of B.C. to enable lawyers to send and receive secure legal documents electronically. We have been selected by an association of B.C. municipalities to develop a business plan and user portal that will enable people to electronically access municipal government services.



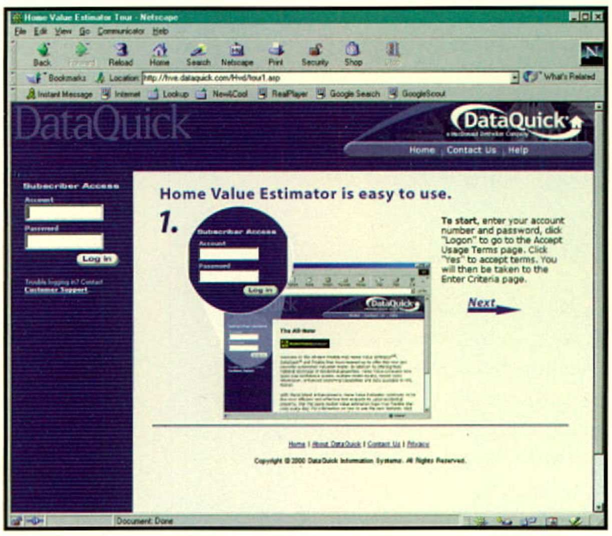
Bringing essential government information and services to corporate and private users via the Internet is the prime objective of BC OnLine.

UNITED STATES: Legal and Asset Information

In the second quarter, we acquired DataQuick, a leading provider of land information, to serve as our major point of entry into the U.S. market. This approach served us well through the remainder of the year as DataQuick gained additional momentum outside its home state of California.

The subsidiary holds current property ownership information for more than 80% of the U.S. metropolitan population, a key factor in it being selected by Fidelity National Finance to provide information products to be used in the automation of their property appraisal process. Licencing agreements were signed to provide land information to national companies who will use the information to provide their customers with improved products. In the last quarter, DataQuick introduced an expanded version of U.S. mortgage giant Freddie Mac's Home Value Estimator, serving lenders at all points in the mortgage loan process in all 50 states.

Late in the year, our joint venture with LandAmerica Financial Corporation entered beta testing to provide online property information in selected Florida counties. The information is used to establish property titles, a key component of the conveyance process required for every home sales transaction. Coverage for additional counties continues to be added to the beta system and at the time of writing this report the system was about to begin serving the conveyancing information requirements of businesses in Florida.



DataQuick provides online and Internet access to proprietary asset valuation, appraisal and taxation data for more than 70 million properties in the United States.

ENGLAND AND WALES: Legal Information

In the United Kingdom, we laid the groundwork for our entry into that nation's land information market. We were selected for a licence to automate access to land information in England and Wales as part of the National Land Information Service initiative of the UK government. The annual expenditure on land information there is in excess of $200.0 million, making this an attractive business opportunity. We signed the data hub services agreement licence, which saw our in-country team create a central communications portal providing electronic access to more than 400 local authorities and Her Majesty's Land Registry, the central land information repository in the country. This will provide solicitors and those involved in the approximate 1.5 million property transactions each year with online access to information that currently has to be obtained through manual searches and mailings.

INTERNATIONAL: Geographic Information

We acquired Atlantic Technologies of Huntsville, Alabama in the fourth quarter, which will play a major role in our plans to become a leader in land information products for the U.S. market. Following the acquisition, Atlantic Technologies won $10.0 million in new contracts, including a three-year contract with the U.S. Army Corps of Engineers for land information products involving Florida, Puerto Rico and portions of the Caribbean, and state transportation contracts in Texas and Tennessee.

Governments around the world use our mapping and geographic information products to manage environmental change and ensure accurate, legal land ownership information. This information is used for a broad range of applications that drive local, regional and national land use planning, environmental rehabilitation and taxation policies.

Our geographic information products group is rapidly becoming an industry leader. During the year we expanded the scope of our products and services with key contracts to provide land information products. From county information in Nevada to improved forest management in British Columbia, rural land management in the United Kingdom, to improved environmental management in Southern Ontario's largest watershed and enhanced operations for the Panama Canal, our market coverage continues to expand.

We further diversified our international presence with a series of contracts that included environmental monitoring in Argentina, rice crop monitoring in Vietnam's Mekong Delta and flood mitigation in its Red River Valley, and land information products covering 1.5 million square kilometres for a national mapping project in Thailand. A multi-year contract with the U.S. Department of Agriculture will see a large volume of Landsat 7 satellite land information products delivered for use in a national agricultural monitoring program. As part of a consortium, we were awarded the worldwide distribution rights for valuable ERS and ENVISAT radar satellite data and related land information products.

During the devastating Mozambique floods in early 2000, we provided the Canadian International Development Agency and the Canadian Department of National Defence with RADARSAT-1 imagery to facilitate humanitarian aid efforts throughout the crisis. By comparing images acquired before the flood with those acquired during the flood, response agencies were able to determine the extent of physical and structural damage while focusing rescue efforts on areas requiring the greatest level of support, thereby reducing loss of life for both residents and livestock. Flooded areas are shown in black.

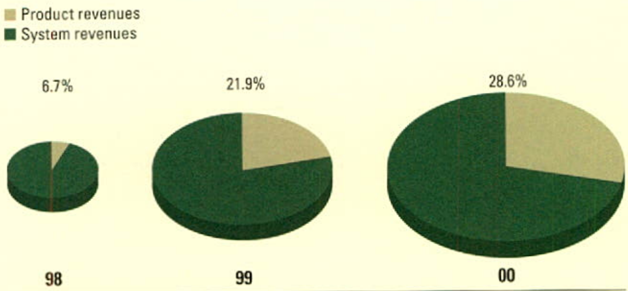
RADARSAT-1 data © Canadian Space Agency/Agence spatiale canadienne 2000. Courtesy of Radarsat International (RSI)

Financials

Management's Discussion and Analysis of Financial Condition and Operating Results

RESULTS OF OPERATIONS

Our revenues increased 35% to $401.1 million for 2000, from $298.0 million in 1999. The continued strong performance of our Information Systems group saw a 23% increase on revenues of $286.2 million for 2000, from $232.6 million in 1999. A dominant market for this group is Earth observation and several key events that took place during the year had an impact on revenue. The field of Earth observation is transitioning away from traditional government programs, toward a more dynamic commercial business model in which private corporations and investors develop, launch and operate remote sensing satellite programs to generate data products for sale.



Information Product Group Revenues as a Percentage of Overall Revenue

Our Information Products group increased annual revenues by 76%, growing from $65.4 million in 1999 to $114.9 million in 2000. While the acquisition of DataQuick accounted for $31.4 million of this increase, the overall revenues of the Information Products group grew by 28% without the DataQuick contribution.

EXPENDITURES

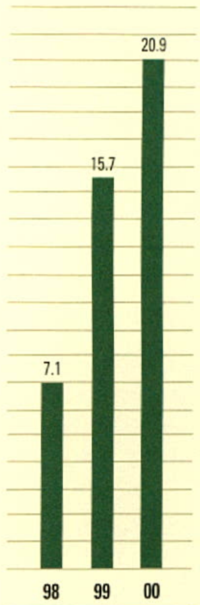
EBITDA, earnings before interest, income taxes, and amortization of goodwill and capital assets, increased by 31% from $40.0 million to $52.5 million. Internal R&D increased 106% from $3.1 million in 1999 to $6.5 million in 2000. Significant R&D projects included the computer vision work carried out at our robotics operations in Brampton, Ontario, which has potential for both space and terrestrial applications. Our R&D team also explored new methods of wireless data delivery to bring selected land information products offered by our Information Products group to business users via digital telephones and Personal Digital Assistants.

In addition to internally funded R&D activities, customer-funded R&D amounted to $12.1 million. The increase in internally and externally funded development underscores our commitment to investing in those technologies that can best enhance our existing and near-term information systems and products.

New business start-up costs increased from $1.3 million in 1999 to $5.4 million in 2000. This relates to one-time expenses incurred by the Information Products group to set up and develop new business ventures and are expensed in the year incurred. Amortization of capital assets and licences increased by $5.3 million to $14.4 million and goodwill amortization increased from $5.1 million in 1999 to $10.5 million in 2000 primarily as a result of the acquisition of DataQuick plus one full year of our Robotics and BC Online operations, which we acquired in the first half of 1999. The overall effective income tax rate has decreased as our business has moved increasingly to jurisdictions with lower tax rates.

Earnings before amortization of goodwill increased 34% from $15.7 million in 1999 to $20.9 million ($0.62 per common share fully diluted) for the year ended December 31, 2000. 1999 earnings per common share are not comparable to the 2000 figures. The amalgamation on December 22, 1999 increased the number of common shares outstanding by 10,000,001. In addition, we issued four million common shares in July 2000 from the Initial Public Offering.

LIQUIDITY AND CAPITAL RESOURCES



Earnings Before Amortization of Goodwill
($ Millions)

In July 2000 we completed our Initial and Secondary Public Offering and commenced trading on the Toronto Stock Exchange, issuing four million common shares from treasury at $14.00 per common share for net proceeds of $53.3 million. During the year we completed two significant acquisitions, both in the Information Products group. The assets of DataQuick were acquired on April 25, 2000 for $83.9 million in cash consideration, including a promissory note paid in October 2000, financed from the proceeds of our public offering and our credit facilities. DataQuick is a leading provider of property information used by the real estate, mortgage and title insurance industries in the United States and brings to us a national database of current, accurate land information that can be packaged and sold on a transaction basis, or through data licences.

The assets of Atlantic Technologies were acquired on November 3, 2000 for cash consideration of $12.9 million and an additional 510,922 common shares that are issuable contingent on the vendor meeting certain requirements over the next three years. Atlantic Technologies is a major U.S. mapping and land information company that significantly expands our land information product offerings and North American market coverage.

During April 2000 we entered into a syndicated credit facility. The agreement provides a total facility of $190.0 million consisting of a $110.0 million revolving facility, a $30.0 million term facility and a $50.0 million letter of credit facility.

FINANCIAL POSITION

As at December 31, 2000 total assets employed were $413.3 million, an increase of $89.8 million from 1999. Net additions to capital assets of $16.5 million exceeded amortization of capital assets and licences of $14.4 million. The balance of goodwill and other intangibles increased by $54.6 million, primarily as a result of the acquisitions of DataQuick and Atlantic Technologies as well as adjustments on the implementation of the requirements of the Canadian Institute of Chartered Accountants relating to accounting for future income taxes.

December 31, 2000 cash balances remained strong at $43.5 million. Further, net current assets (current assets less current liabilities) increased by $86.6 million from 1999 to $12.8 million at December 31, 2000, largely attributable to strong 2000 earnings, combined with a repayment of promissory notes with cash generated from operations and utilizing the new credit facility.

Total net debt (total long-term debt and obligations under capital leases, including current portion, less cash) totalled $46.3 million at December 31, 2000. Long-term debt and obligations under capital leases increased from $28.7 million at December 31, 1999 to $89.8 million at December 31, 2000 as a result of refinancing the payment of promissory notes and the acquisitions of DataQuick and Atlantic Technologies.

At December 31, 2000, $84.1 million of long-term debt carried a floating rate of interest. Based on the floating rate debt outstanding at December 31, 2000, a 1% change in interest rates would increase or decrease interest expense by approximately $0.8 million in a full year.

At December 31, 2000, unused bank facilities, amounted to $52.7 million. At December 31, 2000, $22.1 million had not been drawn on a letter of credit facility of $50.0 million relating to the construction of the RADARSAT-2. Any amounts drawn under the letter of credit facility would be paid to the Company for the completion of the RADARSAT-2 satellite.

CASH FLOW

Cash provided from continuing operations in 2000 amounted to $34.8 million. The decrease from 1999 of $57.7 million resulted primarily from the repayment of promissory notes related to acquisitions and a decrease in the current portion of deferred revenue.

Financing activities in 2000 resulted in a net cash inflow of $113.4 million, compared with $17.0 million in 1999. Significant financing activities in 2000 related to the proceeds on the Company's initial public offering of $56.2 million and proceeds of borrowing, less repayments of long-term debt and obligations under capital leases, of $57.1 million, as a result of the implementation of a syndicated credit facility.

Investing activities in 2000 resulted in a net cash outflow of $153.0 million, compared with $92.8 million in 1999. Significant investing activities related to repayments of promissory notes issued in 1999 on the acquisitions of the assets of the Advanced Technology and Robotics Program of the Space Systems Division of Spar Aerospace Limited and the software and exclusive operating licence for an electronic information access and delivery service from the Province of British Columbia totalled $44.0 million. In addition, the Company acquired the assets of DataQuick and Atlantic Technologies in 2000 for total consideration of $96.8 million.

The net decrease in cash in 2000 from operations, financing and investing activities amounted to $4.9 million, resulting in cash of $43.5 million at December 31, 2000.

OTHER MATTERS

During 1998, the Company entered into a licence agreement with Orbital Imaging Corporation ("Orbimage"), at market value for a ten-year exclusive licence for certain specified data. Subsequent to December 31, 2000, the Company terminated the original licence agreement with Orbimage and entered into a new agreement. The new agreement, at market value, provides that the Company will licence certain rights to data from the RADARSAT-2 satellite. As at December 31, 2000, US$30.0 million had been received and will form part of the total consideration for the new agreement. The Company will retain certain data rights that had been licenced under the original agreement.

Pursuant to an agreement entered in September 2000 with Local Government Information House in the United Kingdom, the Company is in the process of acquiring the business of operating an electronic land information system and establishing a business as a channel operator, re-selling land information to end users, subject to finalizing contract terms.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of MacDonald, Dettwiler and Associates Ltd. and all information in this annual report are the responsibility of management and have been approved by the Board of Directors.

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include certain amounts that are based on best estimates and judgements. Financial information presented in accordance with Canadian generally accepted accounting principles (GAAP) used elsewhere in the annual report is consistent with these consolidated financial statements. This annual report also contains certain other supplemental non-GAAP financial information, such as order backlog information, which is not derived from or contained in the consolidated financial statements.

Management of the Company, in discharging its responsibility for the integrity and objectivity of the consolidated financial statements, has developed and maintained a system of internal controls. Management believes the internal controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the consolidated financial statements, and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the consolidated financial statements in this annual report principally through its audit committee and governance committee. The audit committee, consisting solely of outside directors that are independent of any significant shareholders, reviews the Company's annual consolidated financial statements and recommends them to the Board of Directors for approval. The shareholders' auditors have full access to the audit committee, with and without management being present. The governance committee consists solely of outside directors, a majority of whom are independent of the Company's largest shareholder, Orbital Sciences Corporation ("Orbital"). The governance committee is required to approve all significant transactions with Orbital.

The shareholders' auditors, PricewaterhouseCoopers LLP, Chartered Accountants, have performed an independent audit of the consolidated financial statements and their report follows.

Daniel E. Friedmann
President and Chief Executive Officer

Anil Wirasekara
Executive Vice President and Chief Financial Officer

Vancouver, Canada
February 9, 2001

AUDITOR'S REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of **MacDonald, Dettwiler and Associates Ltd.** as at December 31, 2000 and 1999 and the consolidated statements of earnings, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, Canada
February 2, 2001
(except for note 14(b), which is as at February 9, 2001)

MacDonald, Dettwiler and Associates Ltd.

CONSOLIDATED BALANCE SHEETS

As at December 31, 2000 and 1999

(in thousands of dollars)

		2000	1999
Assets			
Current assets			
Cash	$	43,464	48,317
Accounts receivable		79,003	78,397
Future income taxes (Note 10)		15,975	17,982
Inventories		4,276	870
Prepaid expenses		6,153	2,158
		148,871	147,724
Investments (Note 5)		2,525	2,447
Capital assets (Note 6)		51,982	24,992
Future income taxes (Note 10)		7,018	–
Goodwill and other intangibles - net of accumulated amortization of $22,207 (1999 - $8,895)		202,912	148,317
	$	413,308	323,480
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	$	63,583	64,215
Income taxes payable		2,447	17,176
Deferred revenue		66,397	74,299
Promissory notes payable		–	42,964
Current portion of long-term debt and obligations under capital leases (Note 7)		3,647	22,842
		136,074	221,496
Deferred revenue		45,470	15,539
Long-term debt and obligations under capital leases (Note 7)		86,149	5,880
Accrued acquisition and integration costs		18,717	21,367
Future income taxes (Note 10)		1,738	5,354
		288,148	269,636
Shareholders' Equity			
Capital stock (Note 8)		109,119	116,983
Contributed surplus		2,050	2,050
Retained earnings (deficit)		13,201	(65,889)
Cumulative translation adjustment		790	700
		125,160	53,844
	$	413,308	323,480

Contingencies and commitments (Note 12)

Subsequent event (Note 19)

Approved by the Board of Directors

Director *Director*

The accompanying notes are an integral part of these consolidated financial statements.

MacDonald, Dettwiler and Associates Ltd.

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended December 31, 2000 and 1999

(in thousands of dollars except earnings per common share information)

		2000	1999
Revenues	$	**401,125**	**297,983**
Cost of sales		298,588	221,232
		102,537	76,751
Expenses (Note 11)			
Selling, general and administration		38,120	31,996
Amortization of capital assets and licences		14,360	9,100
Research and development		6,451	3,127
		58,931	44,223
Earnings before other items		43,606	32,528
Interest expense		(6,651)	(4,048)
Other income		1,267	1,999
New business start-up costs		(5,441)	(1,347)
Non-controlling interest		–	(252)
		(10,825)	(3,648)
Earnings before income taxes and amortization of goodwill		32,781	28,880
Provision for income taxes (Note 10)		11,847	13,210
Earnings before amortization of goodwill		**20,934**	**15,670**
Amortization of goodwill - net of tax of $2,730 (1999 - $2,280)		7,733	2,787
Net earnings	$	**13,201**	**12,883**
Earnings before amortization of goodwill per common share			**(Note 2)**
Basic	$	0.65	1.33
Fully diluted	$	0.62	1.33
Net earnings per common share			
Basic	$	0.41	1.10
Fully diluted	$	0.41	1.10
Weighted average number of shares outstanding			
Basic		32,087,445	11,764,028
Fully diluted		36,081,366	11,764,028

The accompanying notes are an integral part of these consolidated financial statements.

MacDonald, Dettwiler and Associates Ltd.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (DEFICIT)

Years ended December 31, 2000 and 1999

(in thousands of dollars)

	2000	1999
Retained earnings (deficit), beginning of year	$ (65,889)	29,651
Elimination of deficit (Note 8 (d))	65,889	–
Net earnings	13,201	12,883
Dividend declared and paid	–	(108,423)
Retained earnings (deficit), end of year	$ 13,201	(65,889)

The accompanying notes are an integral part of these consolidated financial statements.

MacDonald, Dettwiler and Associates Ltd.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2000 and 1999

(in thousands of dollars)

	2000	1999
Cash flows from operating activities:		
Net earnings	$ 13,201	12,883
Items not affecting cash:		
Amortization of capital assets and licences	14,360	9,100
Amortization of goodwill	10,463	5,067
Future income taxes	8,487	(12,839)
Imputed interest on promissory notes	1,870	1,997
Loss (gain) on disposal of capital assets	(121)	67
	48,260	16,275
Net change in non-cash working capital items	(13,447)	76,216
	34,813	92,491
Cash flows from financing activities:		
Proceeds from borrowing	82,226	19,969
Repayment of long-term debt and obligations under capital leases	(25,098)	(2,984)
Proceeds from issue of capital stock	56,225	108,423
Dividend paid	–	(108,423)
	113,353	16,985
Cash flows from investing activities:		
Purchase of capital assets	(16,516)	(7,952)
Acquisitions	(136,503)	(86,080)
Proceeds from disposal of investment	–	1,257
Purchase of investment	–	(14)
	(153,019)	(92,789)
Increase (decrease) in cash	(4,853)	16,687
Cash, beginning of year	48,317	31,630
Cash, end of year	$ 43,464	48,317

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

MacDonald, Dettwiler and Associates Ltd. was incorporated on February 3, 1969 under the Canada Business Corporations Act. Under an agreement dated December 22, 1999, MacDonald, Dettwiler and Associates Ltd. amalgamated with MacDonald, Dettwiler Holdings Inc., an inactive holding company, and continued as MacDonald, Dettwiler and Associates Ltd. (note 8).

MacDonald, Dettwiler and Associates Ltd. (together with its subsidiaries, the "Company"), based in Richmond, British Columbia, is an information company that provides essential information from anywhere in the world for decision-making in the workplace.

On July 12, 2000, the Company completed an initial public offering and secondary offering and the common shares commenced trading on the Toronto Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

Generally accepted accounting principles

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and its proportionate share of the accounts of its joint venture. All intercompany balances and transactions are eliminated on consolidation.

The Company's significant operating subsidiaries include the following:
Access BC Information Services Ltd.
DataQuick Information Systems, Inc.
Earth Observation Sciences Limited
FDI Forest Dimensions Inc.
MacDonald Dettwiler Space and Advanced Robotics Ltd.
MacDonald Dettwiler Space Robotics Corporation
MacDonald Dettwiler Technologies Inc.
MD Atlantic Technologies, Inc.
Radarsat International Inc.
Terra Surveys Limited
Triathlon Ltd.

Business combinations

Business combinations have been accounted for under the purchase method of accounting and therefore include the results of operations of the acquired business from the date of acquisition. Assets acquired and liabilities assumed are recorded at their fair values at the date of their acquisition.

Revenue recognition

Revenue from long-term contracts is recognized using the percentage of completion method based on costs incurred relative to total estimated costs. Changes in estimates of contract price, total estimated costs or estimated losses, if any, are recorded in the period when such adjustments are made or losses are known.

All other revenue is recorded and related costs transferred to cost of sales at the time the product is delivered or the service is provided. The Company recognizes the full sales amount as revenue for product sales where the Company acts as principal obligor to the customer and is responsible for compiling and formatting the source data, processing the order and delivering the product, collecting the proceeds for the sale and assuming the credit risk with respect to the customer.

Deferred revenue represents amounts billed or cash received in excess of revenue recognized on long-term contracts. Similarly, accounts receivable include unbilled amounts where revenue recognized on long-term contracts based on percentage of completion exceeds the amount billed to date.

Earnings per share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. Fully diluted earnings per share reflects the potential dilution of securities by including other potential common stock, including stock options and contingently issuable shares, in the weighted average number of common shares outstanding for a period, if dilutive.

Basic earnings per share and fully dilutive earnings per share for the year ended December 31, 1999 have been calculated based on the capital structure in place during 1999. The calculation uses the capital structure from January 1, 1999 to December 21, 1999 when the Company was a wholly owned subsidiary of Orbital Sciences Corporation and from December 22, 1999 to December 31, 1999 after an amalgamation occurred and new common shares were issued. See note 8 for a description of the changes in share capital that occurred during the years ended December 31, 1999 and 2000.

2. SIGNIFICANT ACCOUNTING POLICIES continued

Use of estimates
The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires 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 revenues and expenses during the reporting period. Significant areas requiring use of estimates relate to the determination of percentage of completion and estimated project costs for contract revenue recognition, impairment of assets and rates for amortization. Actual results could differ from those estimates.

Cash
Cash consists of cash on deposit and highly liquid short-term investments with maturities of less than 180 days, net of temporary bank overdraft facilities. Interest is recognized in the consolidated statement of earnings when earned.

Investments
Investments in shares of associated companies, over which the Company has the ability to exercise significant influence over the investee, but less than controlling voting interest, are accounted for under the equity method of accounting. Under this method the Company includes in its net earnings its share of the net earnings or losses of these associated companies, net of dilution gains and the amortization of excess acquisition costs.

Investments over which the Company does not have the ability to exercise significant influence are accounted for under the cost method of accounting. The carrying value of investments is recorded at cost and written down if there is other than a temporary decline in the value of the investment.

Capital assets
Capital assets are stated at cost less accumulated amortization. Amortization is calculated on a straight-line basis at the following rates:

Computers	25% - 33%
Equipment	20%
Furniture and fixtures	20%
Software	10% - 25%
Leasehold improvements	Term of lease

New business start-up costs
New business start-up costs are comprised of one-time expenses incurred by the Information Products business segment, and which are not expected to be recurring, to set up and develop new business ventures. These costs are expensed in the period incurred.

Pensions
The Company maintains defined benefit and defined contribution pension plans that provide retirement benefits for certain salaried employees. The Company also provides certain health care, dental care and life insurance benefits to eligible retired employees and their dependents. The cost of pensions and other retirement benefits earned by employees is determined based on independent annual actuarial valuations, performed using the projected benefit method pro-rated on services and management's estimate of expected plan investment performance, salary escalation, and various other factors, including mortality rates, terminations, and retirement ages. Defined benefit pension plan assets are reported at market values. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized on a straight-line basis over the estimated average service life of the employee groups.

Research and development
Research costs are expensed in the year incurred. Development costs are expensed in the year incurred unless the Company believes a development project meets generally accepted criteria for deferral and amortization.

Government assistance and investment tax credits
Research and development costs are reduced by related government assistance. Investment tax credits are accounted for using the cost reduction method.

Foreign exchange
Foreign operations which are considered integrated (financially and operationally dependent on the parent) are translated to Canadian dollars using current rates of exchange for monetary assets and liabilities. Historical rates of exchange are used for non-monetary assets and liabilities and average rates for the period are used for revenues and expenses except for amortization, which is translated at exchange rates used in the translation of the relevant asset accounts. Gains or losses resulting from these translation adjustments are included in income.

Foreign operations which are considered self-sustaining (financially and operationally independent of the parent) are translated to Canadian dollars using the current rates of exchange for assets and liabilities and using average rates for the year for revenues and expenses. Gains or losses resulting from these translation adjustments are deferred in a separate component of shareholders' equity ("Cumulative translation adjustment") until there is a realized reduction in the parent's net investment in the foreign operation.

Trade transactions completed in foreign currencies are reflected in Canadian dollars at the rates prevailing at the time of the transactions. Amounts payable and receivable in foreign currencies are reflected in the consolidated financial statements in equivalent Canadian dollars at the rate of exchange prevailing at the balance sheet date.

Income taxes
The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized for the tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis (temporary differences). The resulting changes in the net future income tax asset or liability are included in income. Future income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that includes the substantive enactment date. Future income tax assets are evaluated and if realization is not considered "more likely than not" a valuation allowance is provided.

Goodwill and other intangibles
Goodwill represents the excess of costs over amounts assigned to the net identifiable assets. The excess and other intangibles, including software and operating licences, are amortized on a straight-line basis over periods of 4 to 30 years.

The Company periodically evaluates whether changes have occurred that would require revision of the remaining estimated useful life of the goodwill. If such circumstances arise, the Company would use an estimate of the undiscounted value of the expected future operating cash flows to determine whether the net carrying amount of the goodwill exceeds the estimated net recoverable amount.

Stock-based compensation plan
The Company has a stock-based compensation plan. No compensation expense is recognized for this plan when share options are issued to employees. Any consideration paid by employees on exercise of share options is credited to capital stock.

3. NEW ACCOUNTING PRONOUNCEMENTS

Income taxes
Effective January 1, 2000 the Company adopted new recommendations of the Canadian Institute of Chartered Accountants for the accounting for income taxes. The recommendations have been applied retroactively. However, the financial statements of the prior period were not re-stated. The new standard requires the use of the asset and liability method of accounting for income taxes.

Previously, the Company followed the deferral method of accounting for income taxes which related the provision for income taxes to the accounting income for the period. Under the deferral method, the amount by which the income tax provision differed from the amount of income taxes currently payable was considered to represent the deferring to future periods of benefits obtained or expenditures incurred in the current period. The accumulated income tax allocation debit or credit balance was not adjusted to reflect subsequent changes in income tax rates. Also, under the deferral method, tax benefits relating to accounting losses could only be recognized in the period the loss was incurred if there was virtual certainty of realizing these benefits. The change in method of accounting for income taxes did not result in a difference in retained earnings as at December 31, 1999. Non-current future income tax assets were increased by approximately $13,974,000 with a corresponding decrease to goodwill and other intangibles.

Employee future benefits
Effective January 1, 2000 the Company adopted the new disclosure requirements of the Canadian Institute of Chartered Accountants for the accounting for employee future benefits. The recognition and measurement requirements had been adopted in the prior year.

4. ACQUISITIONS

a) On November 3, 2000, the Company purchased the assets and liabilities of Atlantic Technologies LLC ("Atlantic"). Atlantic is a major supplier of land information products to a wide range of business and government clients throughout the United States. The business combination has been accounted for using the purchase method of accounting. The Company acquired assets of $9,022,000 and assumed liabilities of $12,114,000, including accrued acquisition and integration costs. Goodwill arising on the transaction of $15,232,000 is being amortized over 20 years. Other intangibles, including $1,100,000 related to the workforce is being amortized over four years. The purchase consideration consisted of $12,940,000 in cash plus estimated acquisition costs of $600,000. Additional consideration of 510,922 common shares is contingently issuable based on the vendor meeting certain conditions during the next three years. If these conditions are met, the common shares will be released to the vendor in one-third increments at each anniversary of the closing of the transaction. The purchase accounting for this transaction will be adjusted for the value of this contingent consideration when the conditions are determined to have been met and the shares are issued. The vendor has an option to require the Company to repurchase under the terms of the agreement the cumulative number of shares issued at prices increasing from $14.16 to $16.82 per share over the next three years. The allocation of purchase price for this acquisition is based on preliminary estimates and therefore is subject to adjustment in the subsequent period.

(tabular amounts in thousands of dollars)

4. ACQUISITIONS continued

b) On April 25, 2000, the Company acquired the assets and liabilities of the DataQuick Products Group, a business group of Acxiom Corporation, involved in providing real property related information. The business combination has been accounted for using the purchase method of accounting. The Company acquired assets of $23,825,000, including software of approximately $14,900,000, and assumed liabilities of $7,740,000. Goodwill arising on the transaction of $63,584,000 will be amortized over 20 years. The value attributed to the workforce of $4,200,000 is being amortized over five years. Total purchase consideration including acquisition costs, consisted of $83,869,000 comprised of cash of $46,786,000 and a 180 day non-interest bearing note payable of $37,083,000 paid October 22, 2000. The allocation of purchase price for this acquisition is based on preliminary estimates and therefore is subject to change in the subsequent period.

c) During the year ended December 31, 1999, the Company acquired 74.6% of the shares of Radarsat International Inc. ("Radarsat International") for cash consideration of $7,559,000. The Company acquired $10,033,000 of assets and assumed $12,506,000 of liabilities. As at December 31, 1998, the Company held an interest of 25.4% in Radarsat International. The remaining shares were acquired in three stages between February 1999 and May 1999 for the same proportionate consideration. The Company has consolidated this subsidiary with effect from February 1999, the point at which it gained controlling interest. Additional consideration, to a maximum of US$478,000, may be payable contingent on the collection of an outstanding trade receivable. Goodwill arising on this acquisition is being amortized over 20 years. Radarsat International is a distributor of satellite imagery and earth observation data.

d) On May 7, 1999, the Company acquired the assets of the Advanced Technology and Robotics Program of the Space Systems Division of Spar Aerospace Limited ("Robotics") for cash consideration of $27,338,000 and a promissory note payable of $31,481,000 bearing interest at 8% per annum due May 7, 2000. The Company acquired $61,815,000 of assets and assumed $83,970,000 of liabilities, including accrued acquisition and integration costs. Additional consideration, to a maximum of US$318,000, may be payable contingent on the collection of an outstanding trade receivable. Goodwill arising on this acquisition is being amortized over a period of 30 years. Other intangibles, including approximately $10,000,000 attributed to the work force, is being amortized on a straight-line basis over 12 years. The business acquired is situated in Brampton, Ontario, and is engaged in the design, development, production and support of advanced robotics technology. As a result of implementing the recommendation of the Canadian Institute of Chartered Accountants for the accounting for income taxes, as described in note 3, the Company reduced future income tax liabilities and related goodwill by $13,974,000 during the year ended December 31, 2000.

e) On May 1, 1999, the Company acquired a software licence and exclusive operating licence for an electronic information access and delivery service from the Provincial Government of British Columbia and some assets related thereto for consideration of $55,583,000. The operating licence allows the Company to earn fees on a transaction basis on an exclusive basis. In the event the operating licence is not renewed at the end of the 10-year term, the Company has the ability to provide these services on a non-exclusive basis. The purchase price allocation of this transaction has changed as a result of new information arising after the initial allocation was made. Accordingly, an independent appraisal was completed resulting in a re-allocation of $18,200,000 from software and operating licence to goodwill. The software and operating licence and goodwill are being amortized on a straight-line basis over 10 years and the change had no effect on the Company's net earnings.

f) On August 31, 1999, the Company acquired 100% of the outstanding shares of FDI Forest Dimensions Inc. ("FDI") for cash consideration of $1,139,000, including acquisition costs. The Company acquired $544,000 of assets and assumed $8,000 of liabilities. Additional consideration of $45,000 was paid during the year ended December 31, 2000. Further consideration, to a maximum of $701,000, may be payable contingent upon FDI achieving certain revenue levels in the upcoming four years. Goodwill arising on this acquisition is being amortized over 10 years. FDI Forest Dimensions Inc. is situated in Saanichton, British Columbia and supplies forestry-related mapping and forest inventory products and services.

g) On September 21, 1999, the Company acquired 100% of the outstanding shares of Terra Surveys Limited for cash consideration of $3,227,000. The Company acquired $5,004,000 of assets and assumed $4,268,000 of liabilities. Additional consideration of $295,000 was paid during the year ended December 31, 2000. Goodwill arising on this acquisition is being amortized over 20 years. Terra Surveys Limited is situated in Ottawa, Ontario and is a supplier of mapping products and services.

Details of the fair value of net assets acquired and consideration given for the acquisitions during the year ended December 31, 2000 and 1999 are as follows:

	2000	1999
Net non-cash assets acquired - at fair market values		
Assets acquired	$ 32,847	96,396
Liabilities assumed	(19,854)	(100,752)
Less: Cash of acquired operations	(284)	(376)
Net non-cash assets acquired	12,709	(4,732)
Excess of cost of net assets over assigned value - goodwill and other intangibles	84,416	131,705
	97,125	126,973
Cash consideration	60,326	86,456
Promissory notes payable	37,083	40,893
Less: Cash of acquired operations	(284)	(376)
	$ 97,125	126,973

(tabular amounts in thousands of dollars)

5. INVESTMENTS

	2000	1999
Non interest-bearing note receivable	$ 1,874	1,796
EarthWatch Incorporated	556	556
ImageONE Co., Ltd.	95	95
	$ 2,525	2,447

Future payments due under the note receivable are as follows:

2004	$ 1,271
2009	1,090
	2,361
Less: Amount representing interest	487
	$ 1,874

6. CAPITAL ASSETS

2000	Cost	Accumulated amortization	Net
Computers	$ 52,760	43,718	9,042
Equipment	24,304	16,700	7,604
Furniture and fixtures	8,022	5,494	2,528
Leasehold improvements	17,531	11,475	6,056
Software	34,074	7,322	26,752
	$ 136,691	84,709	51,982

1999	Cost	Accumulated amortization	Net
Computers	$ 48,260	39,047	9,213
Equipment	20,892	16,924	3,968
Furniture and fixtures	7,001	4,834	2,167
Leasehold improvements	13,565	10,526	3,039
Software	10,798	4,193	6,605
	$ 100,516	75,524	24,992

As at December 31, 2000 total assets under capital leases included above have a cost of $11,486,000 (1999 - $11,571,000) and a net book value of $2,874,000 (1999 - $4,638,000).

7. LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES

	2000	1999
Loan payable in US dollars, interest at LIBOR plus 0.75–1.30%, repayable two years from the last date of the revolving period, currently April 20, 2003. The revolving period can be extended, subject to bank approval, on an annual basis	$ 52,884	–
Term loans payable in US dollars, interest at LIBOR plus 0.75-1.30%, repayable on March 31, 2005	28,778	–
Equipment loan, interest at LIBOR plus 2.25%, principal and interest repayable at US$31,500 monthly, ending June 1, 2005	2,428	–
Equipment loan, interest at 7.25%, principal and interest repayable at US$19,000 monthly, ending November 1, 2003	894	–
Western Economic Diversification loan, non-interest bearing, repayable semi-annually at the greater of $103,300 or 2.5% of certain specified gross revenue for the preceding six months, ending April 1, 2005	1,654	2,168
Western Economic Diversification loan, non-interest bearing, repayable in annual installments of $134,000 ending March 31, 2005	703	837
Loan payable, interest at bank prime plus 0.4%	–	19,969

(tabular amounts in thousands of dollars)

7. LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES continued

	2000	1999
Term loan, interest at 7.3%	–	1,084
Loan payable, interest at bank prime plus 1.25%	–	271
Obligations under capital leases	2,455	4,393
	89,796	28,722
Less: Current portion	3,647	22,842
	$ 86,149	5,880

On April 20, 2000, the Company entered into a syndicated credit agreement. The agreement provides a total facility of $190,000,000, consisting of a $110,000,000 revolving facility, a $30,000,000 term facility and a $50,000,000 letter of credit facility. Loans payable and term loans are secured by general security agreements and guarantees of the Company and certain of its subsidiaries.

Principal repayments on long-term debt and capital leases as at December 31, 2000 are as follows:

2001	$ 3,647
2002	1,907
2003	54,676
2004	621
2005	28,945
	$ 89,796

Future minimum annual lease payments due under capital leases as at December 31, 2000 are as follows:

2001	$ 1,945
2002	365
2003	259
Total future minimum annual lease payments	2,569
Less: Amount representing interest	(114)
	$ 2,455

8. CAPITAL STOCK

Authorized:

Unlimited number of common shares with no par value
Unlimited number of special shares with no par value, convertible to common shares on a one-for-one basis
Unlimited number of preferred shares, issuable in series, convertible to common shares

Issued and fully paid:

	Number of shares	Amount
Common shares		
Balance at December 31, 1998	11,331,096	$ 8,560
Cancellation of common shares (note 8(a))	(11,331,096)	–
Issuance of common shares (note 8(a))	20,000,000	–
Common shares issued upon conversion of special shares (note 8(c))	10,000,001	108,423
Balance at December 31 1999	30,000,001	116,983
Elimination of deficit (note 8(d))	–	(65,889)
Issuance of common shares (note 8(e))	4,000,000	53,320
Common shares issued upon conversion of employee warrants (note 8(f))	391,550	4,170
Employee share purchase plan (note 8(g))	38,200	535
Balance at December 31, 2000	34,429,751	$109,119

During the year, the following capital stock transactions occurred:

a) Under an amalgamation agreement dated December 22, 1999, 11,331,096 common shares of the Company were cancelled and 20,000,000 new common shares were issued.

b) Subsequent to the amalgamation, 10,000,001 special shares were issued pursuant to a share subscription agreement for $108,423,000, net of transaction costs of $2,314,000.

c) The 10,000,001 special shares were converted to 10,000,001 common shares on December 23, 1999.

d) The shareholders of the Company approved a reduction in paid up capital of $65,889,000, which eliminated the deficit as at January 1, 2000.

(tabular amounts in thousands of dollars)

e) On July 12, 2000, the Company issued 4,000,000 common shares through an initial public offering for net proceeds of $53,320,000 after deducting underwriting fees and other expenses of the offering, and giving effect to future income taxes of $1,800,000.

f) On March 15, 2000, the Company issued 391,550 warrants to employees of the Company for $4,170,000. Each warrant was converted to one common share at no additional cost on July 12, 2000.

g) In conjunction with the initial public offering of the Company, certain employees purchased 38,200 shares at $14.00 per share for proceeds of $534,800.

9. STOCK-BASED COMPENSATION PLAN

During the year ended December 31, 1999, the Company implemented a fixed stock option plan. Under this plan, the Company may grant to its employees options to acquire up to 6,000,000 common shares and to certain shareholders options to acquire 127,500 common shares. The exercise price of each option granted will not be less than the fair market value at the time of granting and an option's maximum term is 10 years. Options vest and become exercisable as determined by the Board of Directors in each individual award agreement. The options outstanding at December 31, 2000 vest over a period of three years, to the extent of one-third per year on each anniversary date of the grant. No options were exercisable at December 31, 2000.

A summary of the status of the stock option plan as of December 31, 2000 and changes during the year is presented below.

	Shares	Weighted-Average Exercise Price Per Share
Options granted during 2000	4,553,250	$ 10.81
Options forfeited during 2000	138,750	10.65
Options outstanding – December 31, 2000	4,414,500	$ 10.82

The following table summarizes information about fixed stock options outstanding at December 31, 2000.

Range of Exercise Prices Per Share	Number Outstanding at December 31, 2000	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price Per Share
$ 10.65	4,308,500	9.2 years	$ 10.65
15.85 to 19.10	106,000	9.8 years	17.63

10. INCOME TAXES

a) The provision for income taxes is comprised of the following:

	2000	1999
Current	$ 630	23,769
Future	8,487	(12,839)
	$ 9,117	10,930

b) A reconciliation of income taxes at statutory rates to actual income taxes is:

	2000	1999
Combined basic income tax rate	45.5%	45.5%
Income tax expense at the basic income tax rate	$ 10,155	10,835
Non-deductible goodwill amortization	1,255	512
Large corporation tax	800	516
Foreign earnings subject to different rates	(1,066)	–
Manufacturing and processing rate reduction	(1,361)	(1,085)
Change in valuation allowance	(998)	–
Other	332	152
	$ 9,117	10,930

The tax effect of the change in statutory income tax rates during the year is immaterial to disclose separately.

c) The change in the valuation allowance is as follows:

	2000
Balance, January 1, 2000	$ 2,698
Losses recognized during the year	
Reduction of goodwill	(1,700)
Provision for income taxes	(998)
Balance, December 31, 2000	$ -

(tabular amounts in thousands of dollars)

10. INCOME TAXES continued

d) The tax effects of temporary differences that give rise to significant portions of future income tax assets and future income tax liabilities as at December 31, 2000 are presented below:

		2000
Future income tax assets		
Deferred revenue	$	6,555
Warranty provisions and other liabilities		4,514
Accrued acquisition and integration costs		6,873
Losses carried forward		6,091
Financing on initial public offering		1,474
Other		12
Future income tax liabilities		
Capital assets		(640)
Investment tax credit		(2,670)
Goodwill and other intangibles		(954)
Net future income tax assets		21,255
Less: Current future income tax assets		15,975
Non-current future income tax assets	$	5,280

11. SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED STATEMENTS OF EARNINGS

Research and development expenses have been reduced by government assistance as follows:

		2000	1999
Research and development expenses	$	7,990	5,063
Government assistance		(1,539)	(1,936)
	$	6,451	3,127

The above expenditures represent internally funded research and development. In addition, during the year ended December 31, 2000, the Company incurred $12,074,000 (1999 - $12,113,000) of research and development which was performed as part of customer contracts. Customer contractual research and development expenditures have been included in cost of sales and are reduced by investment tax credits. Investment tax credits earned on research and development activities during the year ended December 31, 2000 amounted to $3,555,000 (1999 - $3,926,000).

12. CONTINGENCIES AND COMMITMENTS

At December 31, 2000, the Company was committed under operating leases, primarily relating to office space, for the following minimum annual rentals:

2001	$	10,670
2002		10,133
2003		10,068
2004		9,879
2005		9,711
Subsequent years to December 2013		58,028
	$	108,489

a) As at December 31, 2000, the Company's bankers have issued letters of credit to certain customers of the Company for $5,661,000 (1999 - $10,952,000) of which $1,122,000 (1999 - $2,465,000) is guaranteed by the Export Development Corporation ("EDC"), a Canadian government corporation. If the Company failed to perform as agreed with these customers and if the letters of credit were called, the $4,539,000 (1999 - $8,487,000) due to the Company's bankers would be secured by general security agreements and guarantees of the Company and certain of its subsidiaries.

b) Certain government assistance may be repayable based on future sales levels related to the projects funded. At December 31, 2000, the amount of government assistance received subject to possible repayment is approximately $6,144,000 (1999 - $6,407,000). Amounts if any that may be repayable would be accounted for in the period in which it is determined that repayment is likely.

c) Concurrent with the acquisition of the DataQuick Products Group, the Company entered into a licence agreement whereby the Company has a non-exclusive, perpetual world-wide irrevocable right to use, sell and licence or sub-licence certain real property information. Under the terms of the licence agreement, the Company is committed to annual fees of approximately US$7,500,000 in 2001, US$8,000,000 in 2002 and US$8,500,000 in 2003.

(tabular amounts in thousands of dollars)

d) The Company has granted the EDC an option to require the Company to purchase up to 87,607 preferred shares in EarthWatch Incorporated at a price of US$22.67 per share plus accrued interest. The option may be exercised each May 15 and November 15 until 2006. The number of shares available at each exercise date is a percentage of the gross revenue from contracts between the Company and EarthWatch Incorporated related to the QuickBird Program, the development and launch of a one-meter resolution satellite, during the prior six-month period. If EDC should elect not to exercise their option at any particular exercise date, the maximum number of shares is reduced by the number of shares that could have been exercised.

e) Effective July 30, 1999, a subsidiary of the Company entered into an agreement with a U.S. based company to form LandMDA, L.L.C. ("LandMDA"), in which it has a 50% interest. This investment is accounted for using the proportionate consolidation method. The main activities of LandMDA include the development and implementation of an information model for accessing land-related information. During 2000, each member contributed US$1,500,000 to LandMDA (1999: US$1,500,000). The agreement contemplates further capital contributions of up to US$3,000,000 by each member based on certain milestones.

13. FINANCIAL INSTRUMENTS

Fair values of financial instruments

The carrying values of the Company's investments and long-term debt approximate their fair values. The Company's non-interest bearing note receivable has been discounted at a market rate of interest.

The carrying values of cash and short-term deposits, accounts receivables, accounts payable and accrued liabilities approximate their fair value due to the near-term maturity of these financial instruments.

The fair value of the long-term obligations under capital leases, which is based upon discounted cash flows, including interest payments, approximates the carrying value as the interest rates implicit in the leases are similar to current market rates.

Foreign currency risk

Foreign currency risk is managed whenever possible by matching assets with related liabilities by currency and through the use of derivative instruments such as forward currency contracts and cross-currency swaps. These instruments are used for purposes other than trading and are employed in connection with an underlying asset, liability or anticipated transaction.

At December 31, 2000, the Company had forward foreign currency purchase contracts for $27,911,000 and forward foreign currency sales contracts for $17,318,000, expiring at various dates through April 2002. The carrying value of these foreign currency contracts is nil, and based on market exchange rates at December 31, 2000, the foreign currency contracts had a fair value of approximately $100,000.

14. RELATED PARTY TRANSACTIONS

(a) During the year, the Company had business transactions with Orbital Sciences Corporation and Orbital Imaging Corporation ("Orbimage"). The sales and purchases of services were at market price and in the normal course of business. The Company also reimburses Orbital Sciences Corporation for services rendered on its behalf.

		2000	1999
Transactions during the year			
Sales	$	12,524	16,207
Purchases		296	27,989
Orbital Sciences Corporation overhead allocation		–	2,878
Balance due from related parties at end of year		6,102	753

(b) During 1998, the Company entered into a licence agreement with Orbimage, at market value for a 10-year exclusive licence for certain specified data. Subsequent to December 31, 2000, the Company terminated the original licence agreement with Orbimage and entered into a new agreement. The new agreement at market value, provides that the Company will licence certain rights to data from the RASARSAT-2 satellite. As at December 31, 2000, US$30,000,000 had been received and will form part of the total consideration for the new agreement. The Company will retain certain data rights that had been licenced under the original agreement.

(tabular amounts in thousands of dollars)

15. PENSION AND RETIREMENT PLANS

The Company maintains contributory and non-contributory, defined benefit pension plans covering a portion of its employees. The defined benefit plans provide pension benefits based on various factors including earnings and length of service. The present value of accumulated pension benefits based on earnings and length of service is provided for in the financial statements. The Company also provides for post-retirement benefits for these employees, comprised of extended health benefits, dental care and life insurance. The cost of these benefits is funded annually out of general revenues.

The plan assets are invested primarily in publicly traded equity and fixed income securities.

The total pension expense for the company's defined contribution pension plans for the year ended December 31, 2000 was $290,000 (1999: $69,000).

The status of the company's defined benefit pension plans and post-retirement plans as of December 31, 2000 and 1999 was as follows:

	2000		1999	
	Pension plans	Post-retirement plans	Pension plans	Post-retirement plans
Pension and post-retirement expense				
Current service cost	$ 417	159	330	313
Interest cost	729	374	455	227
Expected return on plan assets	(1,192)	–	(656)	–
Amortization of gains	(124)	–	–	–
Net benefit plan expense/(income)	$ (170)	533	129	540
Accrued benefit obligation				
Projected benefit obligations – beginning of year	$ 9,826	4,833	10,511	5,100
Service cost	574	159	430	313
Interest cost	729	374	455	227
Benefits paid	(200)	–	–	–
Actuarial (gains)/losses	841	–	(1,570)	(807)
Projected benefit obligations – end of year	$ 11,770	5,366	9,826	4,833

	2000		1999	
	Pension plans	Post-retirement plans	Pension plans	Post-retirement plans
Plan assets				
Fair value of plan assets – beginning of year	$ 17,064	–	13,958	–
Actual return on plan assets	1,193	–	3,006	–
Employee contributions	157	–	100	–
Benefits paid	(200)	–	–	–
Fair value of plan assets – end of year	$ 18,214	–	17,064	–
Funded status of the plan – end of year				
Funded status –surplus/(unfunded)	$ 6,444	(5,366)	7,238	(4,833)
Unamortized net actuarial (gains)/losses	(1,880)	–	(2,844)	(667)
Net accrued benefit asset (liability)	$ 4,564	(5,366)	4,394	(5,500)

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

Discount rate – beginning of year	7.50%	7.50%	6.50%	6.25%
Discount rate – end of year	7.00%	7.50%	7.50%	7.50%
Expected rate of return on plan assets	7.00%	N/A	7.00%	N/A
Rate of compensation increase	4.50%	N/A	4.50%	N/A
Rate of increase in medical inflation	N/A	9% reducing by 0.5% per annum to 5% ultimate rate	N/A	9% reducing by 0.5% per annum to 6% ultimate rate

(tabular amounts in thousands of dollars)

16. SEGMENTED INFORMATION

The Company has two business segments, Information Products and Information Systems. The Information Products group provides business and professionals with essential land and property information products and services. This segment includes the operations of Access BC Information Services Ltd., DataQuick Information Systems, Inc., FDI Forest Dimensions Inc., MD Atlantic Technologies, Inc., Radarsat International Inc., Terra Surveys Limited, and Triathlon Ltd.

The Information Systems group provides mission critical systems to support the information needs of business and government organizations. These solutions utilize database, geospatial, image and space, e-commerce and wireless technologies. This business segment includes all remaining operations of the Company.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Revenue is based on the geographic location of customers.

Industry segments

	Consolidated		Corporate		Information Systems		Information Products	
	2000	1999	2000	1999	2000	1999	2000	1999
Revenue from external customers:								
Canada	$ 255,492	187,251	–	–	198,524	146,427	56,968	40,824
United States	95,046	57,617	–	–	50,881	48,858	44,165	8,759
Other	50,587	53,115	–	–	36,812	37,323	13,775	15,792
	$ 401,125	297,983	–	–	286,217	232,608	114,908	65,375
Earnings before other items:	$ 43,606	32,528	–	–	34,115	28,012	9,491	4,516
Interest expense	(6,651)	(4,048)	(4,703)	(1,062)	(840)	(2,616)	(1,108)	(370)
Other income	1,267	1,999	1,267	1,999	–	–	–	–
New business start-up costs	(5,441)	(1,347)	–	–	–	–	(5,441)	(1,347)
Non-controlling interest	–	(252)	–	–	–	–	–	(252)
Earnings before income taxes and amortization of goodwill	$ 32,781	28,880	(3,436)	937	33,275	25,396	2,942	2,547
Amortization of capital assets and licences	$ 14,360	9,100	–	–	5,497	4,239	8,863	4,861
Amortization of goodwill	10,463	5,067	–	–	3,999	3,220	6,464	1,847

As the Company does not evaluate the performance of its business segments based on assets employed, segmented information on assets is not included.

The Company's capital assets and goodwill and other intangible assets are primarily located as follows:

	2000	1999
Canada	$ 143,110	169,273
United States	110,473	2,087
Other	1,311	1,949
	$ 254,894	173,309

For the year ended December 31, 2000 significant customers (those representing over 10% of revenues) represented approximately $133,000,000 of the Company's total revenue in the Information Systems segment (1999 - $136,000,000).

17. SUPPLEMENTAL CASH FLOW INFORMATION

	2000	1999
Interest paid	$ 4,073	1,977
Interest received	1,003	1,925
Income taxes paid	11,814	3,274
Income taxes recovered	2	14
Capital assets acquired by means of capital leases	–	117

18. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified to conform with the presentation adopted in the current year.

19. SUBSEQUENT EVENT

Pursuant to an agreement entered in September 2000 with Local Government Information House in the United Kingdom, the Company is in the process of acquiring the business of operating an electronic land information system and establishing a business as a channel operator, re-selling land information to end users, subject to finalizing contract terms.

BOARD OF DIRECTORS

David W. Thompson [2]
Reston, Virginia
Chairman and Chief Executive Officer,
Orbital Sciences Corporation

Daniel E. Friedmann
Vancouver, British Columbia
President and Chief Executive Officer of the Company

Tye W. Burt [1]
Toronto, Ontario
President,
Cartesian Capital Corporation

Mark L. Cullen [1][2]
Vancouver, British Columbia
Corporate Director and Financial Consultant

David Emerson [2]
Vancouver, B.C.
President, Chief Executive Officer,
Canfor Corporation

Gregory E. Nordal [1][2]
Mississauga, Ontario
President and Chief Operating Officer,
Dun and Bradstreet Canada
(Business Information Services)

Garrett Pierce
Boca Raton, Florida
Executive Vice-President, Finance and Chief Financial Officer
Orbital Sciences Corporation

Peter G. Restler [2]
Brooklyn, New York
Partner,
CAI Managers & Company, L.P. (private equity investors)

James R. Thompson, Jr.
Huntsville, Alabama
President and Chief Operating Officer,
Orbital Sciences Corporation

[1] *Member of Audit Committee*

[2] *Governance Committee*

DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

Daniel E. Friedmann
Vancouver, British Columbia
President and Chief Executive Officer of the Company

Anil Wirasekara
Executive Vice-President and Chief Financial Officer

David N. Caddey
Executive Vice-President and Division General Manager

Bernard S. Clark
Executive Vice-President and Division General Manager

Gordon D. Thiessen
Vice-President, Controller and Secretary

Karel Vanturennout
Vice-President, Strategic Business Development

John Bennett
President of Triathlon

R. Steven Denney
Chief Executive Officer, MD Atlantic Technologies

Michael Ela
President of MDA DataQuick

Magued (Mag) Iskander
Vice-President and General Manager MD Robotics

Roland S. Knight
President of Radarsat International

Paul Gorton
General Manager, MDA U.K.

Terry W. Piche
Director of Commercial Services and Assistant Secretary

Chris Davies
Director of Finance

Christopher Harrison
Treasurer

INCORPORATION

MacDonald, Dettwiler & Associates Ltd. was incorporated on February 3, 1969

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FURTHER INFORMATION

www.mda.ca takes you to MacDonald Dettwiler's homepage.

Our website gives you access to all our news releases, quarterly reports, and annual report, and provides further information about MacDonald Dettwiler and our subsidiary companies.

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