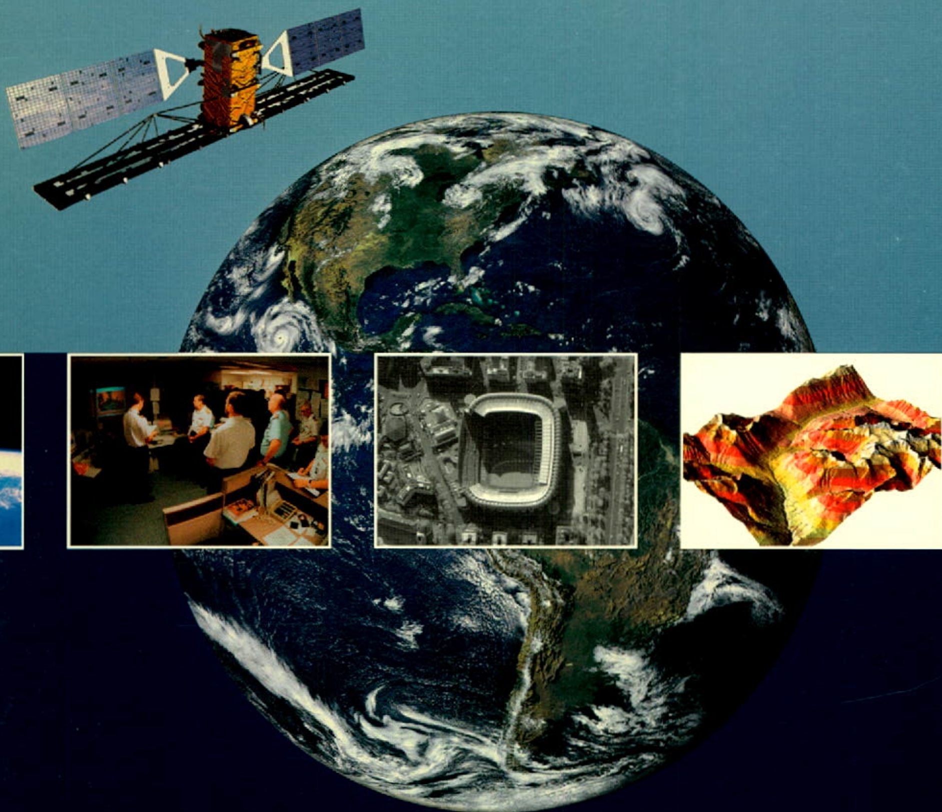
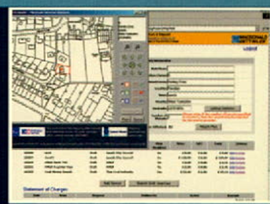
C

Providing Essential Information





Annual Report 2001

MACDONALD DETTWILER®

About MacDonald Dettwiler

MacDonald, Dettwiler and Associates Ltd. is an information company that provides customers around the world with essential information used for decision making in the workplace. Operating through two groups, Information Systems and Information Products, the Company is active in data collection, information extraction and distribution.

The Information Systems group provides mission-critical information systems for three major application areas that include monitoring activities on the planet, managing mobile assets, and enabling mobile work forces. This group is frequently involved in the development of information systems that the Information Products group uses.

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

MacDonald Dettwiler employs over 1,800 people in Canada, the United States and the United Kingdom.

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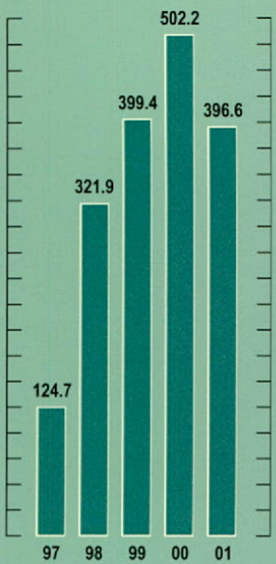
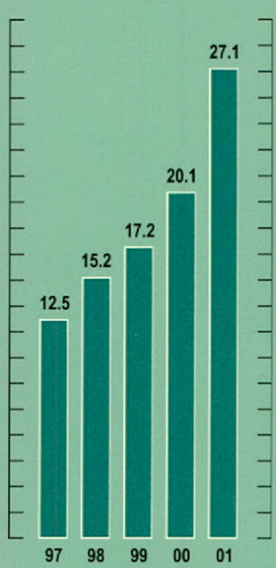
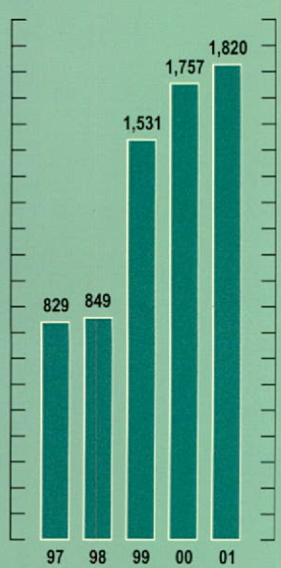
Order Backlog ($Millions)



R&D Investment – Internal and External ($Millions)



Employees Worldwide (December 31)



Financial Highlights

Years Ended December 31,	2001	2000	1999	1998
				(in thousands of dollars)
Revenues - Information Systems	307,823	286,217	232,608	133,059
Revenues - Information Products	173,452	114,908	65,375	9,597
Total revenues	**481,275**	**401,125**	**297,983**	**142,656**
Earnings before other items [1]	59,228	43,606	32,528	12,239
Earnings before amortization of goodwill	27,913	20,934	15,670	7,073
EBITDA	69,384	52,525	40,029	17,347
Earnings per share - fully diluted [2]				
Cash earnings [3]	**0.75**	**.63**	**n/a**	**n/a**
Net earnings	**0.50**	**.40**	**n/a**	**n/a**

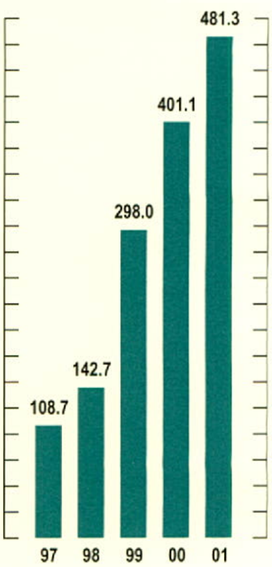
[1] Earnings before interest expense, other income (expense), new business start-up costs, amortization of goodwill and income taxes

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

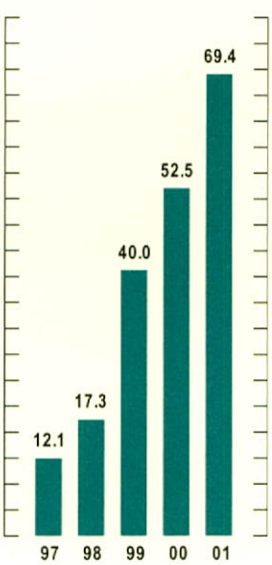
[3] Earnings before amortization of goodwill

As at December 31,	2001	2000	1999	1998
				(in thousands of dollars)
Balance sheet data				
Cash and cash equivalents	17,071	43,464	48,317	31,630
Total assets	428,594	413,308	323,480	102,631
Long-term debt	67,412	89,796	71,686	8,826
Shareholders' equity	163,663	125,160	53,844	41,005
Other Supplementary Information				
Order Backlog - Information Systems group	346,845	441,246	380,457	315,503
Order Backlog - Information Products group	49,804	60,963	18,976	6,353
Total Backlog	**396,649**	**502,209**	**399,433**	**321,856**

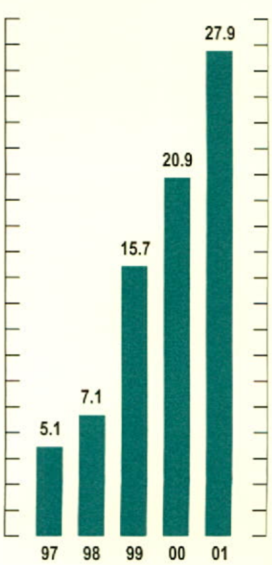
Revenues ($Millions)



EBITDA ($Millions)



Net Cash Earnings ($Millions)



President's Message

The Year in Review:

MacDonald Dettwiler had an exciting and successful year. In 2001, we introduced new information products in the United Kingdom and the United States. We delivered and commissioned our Canadarm2 space robotics system on the International Space Station. We delivered and booked new contracts for our diversified information systems and acquired the Earth Satellite Corporation, a leading supplier of information products. Finally, we completed the transition from ownership by a single majority shareholder to a diversified shareholder base.

Growing acceptance of new information products introduced during the year, our ability to deliver complex systems, and the strong market demand for our information products and systems, point to continued success.

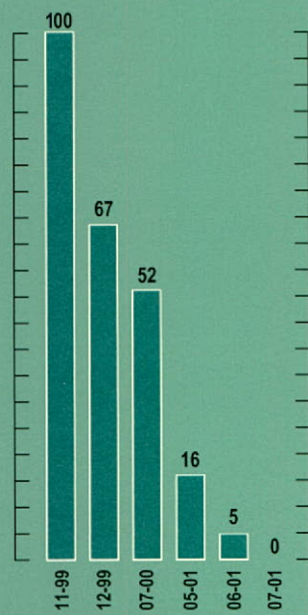
Financing Activities:

MacDonald Dettwiler's finances remain strong and in good order. Our former majority shareholder Orbital Sciences Corporation's interest in the Company declined from 67% in January 2000 to 0% ownership in July 2001. In April, Orbital agreed to sell 12.35 million of its 18 million MDA shares in a private transaction, with the remainder of Orbital-held shares sold through a secondary offering in July. In August MDA was included in the Toronto Stock Exchange Composite Index, the TSE 300.

Besides many individual investors, a group of stable, long-term institutional investors now hold MDA shares. They include the BC Investment Management Corporation, the Ontario Municipal Employees Retirement System, the Ontario Teachers' Pension Plan, Fidelity Management and Research Company, and James Richardson & Sons Limited.

The year-end balance sheet underscores our strong position, further supported by a credit facility of $190 million.

Orbital Sciences Share Ownership (Percentage)



Strategic Activities:

Our Information Products group continued its growth pattern with the introduction of new information products and services in North America and in the United Kingdom.

The National Land Information Service (NLIS) is a government initiative in the United Kingdom focused on modernizing government services to provide faster, easier access to all land and property information in England and Wales. We are active on NLIS on two fronts. We are the developer and operator of the NLIS Hub, the Internet-based system that provides electronic access to government data holdings, and the developer/operator of a retail information channel that provides property-related information to customers.

The NLIS Hub began pilot operation and throughout the year we tested, connected and became operational with multiple land information suppliers. By the end of the year, we had electronically connected roughly 30% of all Local Authorities. Late in the year, we connected the Coal Authority and Her Majesty's Land Registry. The remaining Local Authorities are accessible via our Hub, but not yet electronically.

The three retail information channels connected to the Hub were all up and running by year-end.

Our Transaction Online channel underwent development and testing in the first half of the year. A group of High Street lawyers piloted the system before we began marketing across England and Wales in the fourth quarter. A number of large law firms agreed to undertake a pilot project using Transaction Online in the first half of 2002.

Our U.S.-based DataQuick operation serves finance, real estate and insurance markets with asset and valuation information relating to land. DataQuick grew on two fronts over the past year. It introduced new products, such as the Home Value Estimator, (HVE) and ProspectFinder, an automated real estate lead generation tool. DataQuick's geographic coverage increased with new data sources brought online, and by continued expansion into new market niches.

We completed work on our LandMDA system and rolled out a pilot service in eight Florida counties, providing near real-time legal information to lenders. They use our information to accelerate the loan and mortgage approval processes relating to real estate transactions. Statewide marketing of LandMDA products began late in the year across Florida. In early 2002, three major vendor management companies began using LandMDA, and we commenced operations in California.

We acquired the Earth Satellite Corporation, (EarthSat) one of the largest U.S. suppliers of information products derived from satellite imagery and other sources. Its customers include many U.S. federal agencies, and numerous commercial and private clients. The addition of EarthSat extends our market reach in the United States, and expands our suite of geographic information product offerings.

Our traditional systems business turned in a solid year, providing mission-critical systems to support the information needs of organizations around the world. Our RADARSAT-2 program progressed with the successful completion of multiple critical design reviews. These reviews have cleared the way for production of the satellite bus, or main spacecraft structure, and important subsystems including the imaging instrument. During the year, we have made significant progress on the proposed RADARSAT-2/3 tandem mission. The Canadian Space Agency awarded us contracts for a RADARSAT-3 feasibility study and for changes on RADARSAT-2 so that it can be part of a tandem mission.

Our robotics program had a very successful year, with the delivery of the Robotics Workstation and Canadarm2 to the International Space Station in March and April, respectively. Work on the remaining robotic components bound for the Space Station progressed, with the Mobile Base Station nearing completion for launch in May 2002 and the two-armed Special Purpose Dexterous Manipulator subsystem on track for delivery in 2004.

Earth observation activities remained slow throughout the year as we waited for the launch of two commercial 1-metre optical satellites. ORBIMAGE's high-resolution OrbView-4 failed on launch in September, delaying contracts for systems to receive and process its image data. ORBIMAGE plans to launch a replacement satellite. One month later DigitalGlobe successfully launched its QuickBird satellite and named us the first supplier of certified QuickBird ground stations, which allowed us to begin booking contracts.

Looking Ahead:

The past year saw several of our information products and services successfully complete pilot phases in the United States and the United Kingdom. Looking ahead to 2002, we see a growing market acceptance for our products, supported by strong anchor customers starting to come online.

We anticipate that our traditional systems markets will continue to undergo an adjustment during 2002, resulting from revised government spending priorities. We are equipped to manage through this period of adjustment and uncertainty.

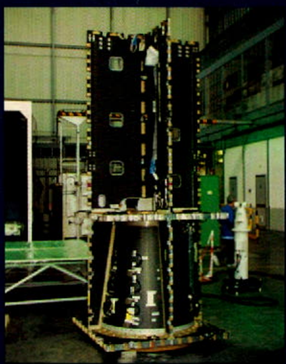
Continued adherence to disciplined fiscal management, our strong rollout program for new information products, and careful repositioning around changing government priorities will ensure stability and continued profitability. To our shareholders and employees, we extend our thanks for your encouragement and support as we reach toward our objective of becoming the leading provider of essential information.

Daniel E. Friedmann
President and CEO

Information Systems

Our mission-critical information systems include systems to monitor the planet, manage mobile assets and enable mobile work forces. Systems to monitor the planet include orbiting optical and radar satellites, sensors mounted in aircraft, and custom ground-based computer hardware and software that acquire, process and distribute image information.

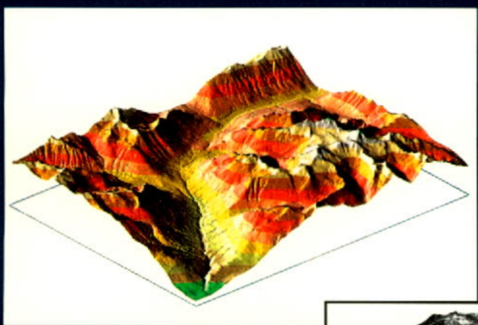
Our RADARSAT-2 program is at the forefront of commercial Earth observation. As prime contractor, we are managing an end-to-end program that includes the design, construction and launch of the satellite, and the design and development of the ground-segment, including data reception and processing systems. When launched, we will own and operate both the satellite and ground segment of the most advanced commercial high-resolution radar Earth observation program to date. The information collected by RADARSAT-2 will help monitor human activities and natural processes, contributing to a better understanding of the challenges facing our stewardship of the planet.



The RADARSAT-2 satellite bus, or main spacecraft platform, has passed Critical Design Reviews with the Canadian Space Agency and construction now is underway.

RADARSAT-2 subsystem development progressed well throughout the year, with the successful completion of a Critical Design Review on the satellite bus, or central spacecraft platform. Critical Design Reviews are detailed engineering reviews that we must pass before the production of hardware and software systems. We also passed major Critical Design Reviews on three payload subsystems, and we expect the full payload to pass final reviews in 2002. A notable success was the Synthetic Aperture Radar Antenna Column test that showed how components in the satellite antenna will accept commands from mission control, to create different radar beam modes for imaging the Earth's surface. This capability is central to the extended data acquisition capabilities RADARSAT-2 will offer.

During 2001, the RADARSAT-2/3 mission made significant progress. RADARSAT-3 has been proposed for launch several years after that of RADARSAT-2. It would orbit the Earth in tandem with RADARSAT-2, acquiring data to create a global information set of high-resolution terrain elevation information. The Canadian Space Agency provided funding for the second phase of a Mission Definition Study, which includes the preparation of a detailed implementation plan for RADARSAT-3. We received a contract for engineering changes to RADARSAT-2 to support a tandem mission with RADARSAT-3, changes that have been incorporated into the baseline program and included in the Critical Design Review process discussed above.



The tandem RADARSAT-2/3 mission will be used to create a Digital Elevation Model of the entire planet. This information would be used to create visualizations of regions anywhere on Earth, for use by aviation, Earth sciences, natural resource and defence sectors.

Information Systems

Our Earth observation systems receive data from orbiting satellites and process that data into meaningful images of the Earth's surface. This information helps organizations around the world manage natural resources, monitor the environment and maintain national security.

It has been a mixed year in the high-resolution Earth observation market. Planned launches of OrbView-4 and QuickBird, two commercial, high-resolution optical satellites were much anticipated for their new information products. We completed a major OrbView-4 ground station delivery to NTT Data in Japan in July, however the September launch of ORBIMAGE's OrbView-4 was not successful. The launch failure affected several of our ongoing projects and customer plans to purchase ground stations to receive and process its data. One month later, DigitalGlobe successfully launched QuickBird.

Courtesy DigitalGlobe

DigitalGlobe's QuickBird satellite provides the world's highest-resolution commercial imagery. This image shows the Colisseum in Rome, at a resolution of .62 metres.

In November, DigitalGlobe named us the first supplier of certified QuickBird ground stations, which will create new international opportunities for us. December saw us book a $20 million contract with an Asian customer for a ground station to receive and process data from multiple Earth observation satellites. A significant contract from Matra Systèmes & Information of France followed; to provide QuickBird upgrades for three U.S. Air Force EagleVision transportable ground stations.

For more than three decades, our advanced airborne radar imaging systems have been recognized among the best in the world. In Brazil, our work on the long-term SIVAM project is nearing

Courtesy MITRE Corporation

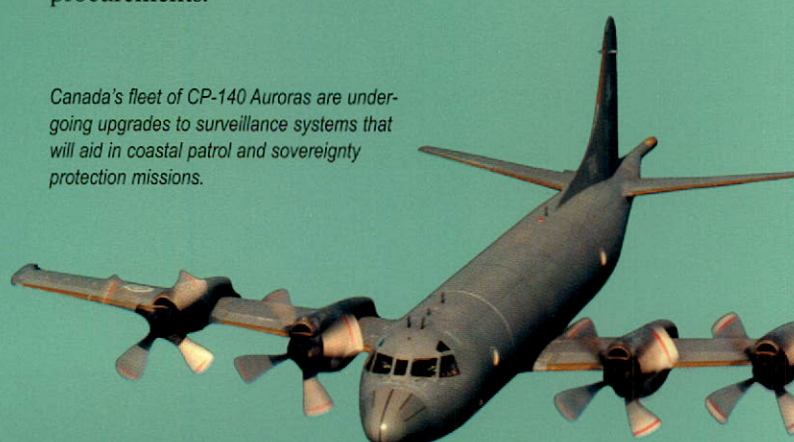
Our QuickBird upgrades for US Air Force EagleVision transportable ground stations will provide high-resolution civilian land information for use in military intelligence gathering operations.

completion. We are delivering Earth observation ground station upgrades and airborne systems to help monitor the ecologically sensitive Amazon Basin and maintain Brazil's sovereignty. The first of two airborne radar systems bound for that country achieved final acceptance from the customer in December.

The Canadian Department of National Defence (DND) has begun a modernization program for its fleet of CP-140 Aurora long-range patrol aircraft. CP-140s provide essential long-range maritime surveillance on missions that include coastal patrol, drug interdiction, search and rescue, humanitarian support and United Nations operations. The modernization program is underway, with pending procurements to upgrade and replace airborne surveillance systems for the fleet.

In 2000, DND awarded us a contract to perform a design analysis for an advanced airborne radar system. In 2001, they awarded us a contract to develop a multi-mode airborne radar system component for use in the development of new technology required for future federal procurements.

Canada's fleet of CP-140 Auroras are undergoing upgrades to surveillance systems that will aid in coastal patrol and sovereignty protection missions.



INFORMATION SYSTEMS

Our MCOIN III system provides Canada's naval commanders with real-time operational awareness and secure communication between Canada and it's naval resources around the world.

Our NCOT system enables Canadian Forces members to train on naval combat systems at a fraction of the cost associated with shipboard training.

Courtesy Vancouver Police Dept.

The Vancouver Police, Port Moody Police and Richmond RCMP are now using our advanced police records management system. This is part of a province-wide initiative to modernize justice information across jurisdictions, from fixed and mobile computers.

The dynamics of modern business demand the most effective deployment of workers and assets. Our work in this area continued to make steady progress throughout the past year, with several important deliveries and new contracts.

Command and Control (C2) systems provide secure, dependable information to support decision-making processes within the military. In March, we completed the final delivery of the Military Command and Control Information (MCOIN III) system to Canada's Department of National Defence (DND). This 4-year, $16 million development project is now the core of the shore-based system used by DND operation centres in Nova Scotia, Ontario and British Columbia. It manages secure message handling and tracking the location of every vessel in the Canadian Navy. The system interfaces directly with the U.S. Global Command and Control System, used to coordinate international operations for American and allied forces.

DND awarded us a contract to participate in a study for land-based Army C2 systems, expanding our scope of military experience to all three service branches of Canada's military. They also awarded us a contract to provide spares for the Navy's ocean mapping and mine detection systems, a follow-on to our earlier work on the Maritime Coastal Defence Vessel (MCDV) program that was formally commissioned in 2000. In the fourth quarter, we secured an in-service support contract for the MCOIN program, and concluded second-phase testing of the Naval Combat Operator Trainer systems delivered to the Canadian Navy. These reconfigurable trainers give naval personnel effective, realistic combat systems training in a classroom environment. We are under contract to provide two more major upgrades to the system in 2002.

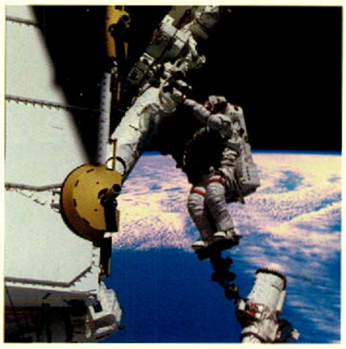
Our military and civilian police information systems equipped two major customers with advanced methods for filing and retrieving critical information from fixed and mobile locations. In March, our police records system became operational in the Vancouver Police Department, bringing it online with the Port Moody Police Department and the Richmond RCMP detachment in the provincial E-COMM initiative. We installed the first phase of SAMPIS, a system for Canada's national military police, at National Defence Headquarters in Ottawa and seven Canadian Forces bases across Canada. Phase One was accepted in November 2001 and, in March 2002, DND awarded us the Phase Two contract, in which we will install the system for 44 Military Police units at 29 Canadian military sites.

Information Systems

We secured a contract with the U.S. Air Force to develop a system that will enable air bases to design Instrument Approach Procedures, or IAPs. IAPs are published instructions for pilots to safely transition from an en route flight path to a runway final approach when conditions require the maneuver to be carried out using only navigational instruments. The initial contract is for development, integration and testing. If the next phase of the program proceeds, the Air Force will deploy the system at up to 108 air bases, with long-term support contracts.

Our Instrument Approach Procedure software is helping the U.S. Air Force improve the safety of landing procedures at its air bases.

In March, we successfully delivered our Robotics Workstation to the International Space Station, followed in April by Canadarm2. Work on the remaining robotic components bound for the Space Station progressed on schedule. The Mobile Base Station is now complete and being prepared for delivery to the Space Station in May 2002. In November, the Special Purpose Dexterous Manipulator (SPDM) subsystem passed a Critical Acceptance Review with the Canadian Space Agency and NASA. We received praise for the high level of technical expertise shown to date on this $163 million firm, fixed-price contract. The SPDM will remain in our Brampton facility for integration and testing with other NASA space station elements and is on track for delivery in 2004. Together, the Mobile Base Station, Canadarm2 and the SPDM form the Mobile Servicing System that will enable the construction and maintenance of the International Space Station throughout its operational life.

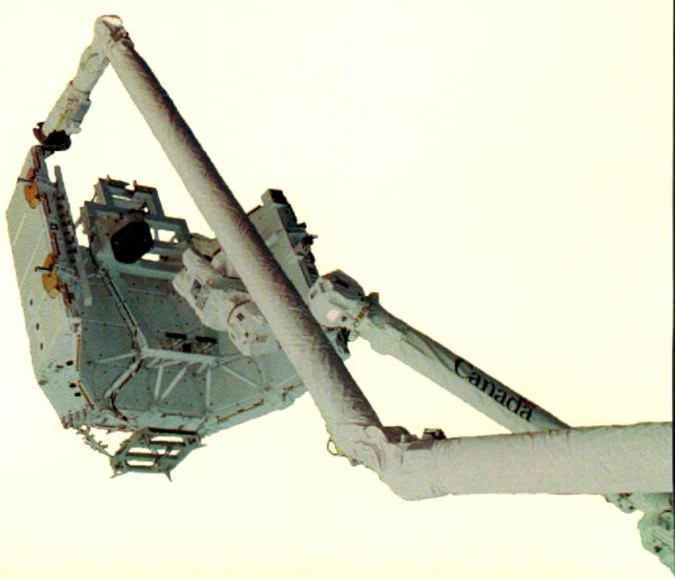


Canadarm2 being installed on the International Space Station. The Shuttle's Canadarm is used as a foothold for Canadian astronaut Chris Hadfield.

Robotics is undergoing a transition from large development contracts to annual Space Station operations contracts and smaller development contracts, including space exploration and commercial market opportunities for applications on Earth. Underscoring our business plan, we booked over $67 million in operations and support contracts with NASA and CSA during the year.

Our efforts to develop commercial markets for robotics progressed with a $3.5 million contract from the Canadian Space Agency (CSA). It will support research and development in robotics to support unmanned commercial space applications. We completed work on a high-performance space camera system for use in a variety of space applications, including the Shuttle, Space Station and satellite rescue operations, resulting in an $11 million NASA contract. We received an additional $2.5 million under CSA's Space Technology Development Program to support our objective of ensuring a role for Canadian robotics in every future space mission.

The "Handshake in Space". Canadarm2 transferred its launch cradle over to the Shuttle Endeavour's Canadarm, controlled by astronaut Chris Hadfield. The exchange of the cradle from one arm to the other marked the first ever robot-to-robot transfer in space.



Information Products

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

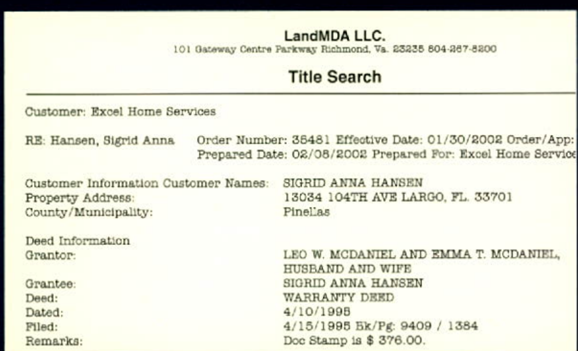
British Columbia: Legal Information

In our home province of British Columbia, our BC OnLine operation experienced a slow year for new product introductions, due primarily to the change in government. Solid growth in transactions, reflecting the increase in real estate activity across the province, partially offset the lack of new products. We are well positioned to participate in upcoming opportunities in the province because enhancements carried out over the past 18 months allow the system to accept electronic filing. This changes BC OnLine's role from an information source to that of a portal capable of both accepting and distributing information.

United States: Legal and Asset Information

In the United States, we provide legal and asset information for use by legal, financial, insurance and real estate professionals to perform real estate transactions. Consolidation in North America's mortgage and insurance sectors continues to create steady demand for rapid access to current, accurate land-related information products. Our growth in this market came from increased geographic coverage and by the introduction of new products.

Our LandMDA joint venture with LandAmerica provides near real-time legal information to lenders, to accelerate the loan and mortgage approval processes relating to real estate transactions. We completed the system and rolled out a pilot program in eight Florida counties and following successful results, statewide marketing in Florida began late in the year. In early 2002, three major vendor management companies began to use LandMDA, and we commenced operations in California.


LandMDA LLC.
101 Gateway Centre Parkway Richmond, Va. 23235 804-267-8200

Title Search

Customer: Excel Home Services

RE: Hansen, Sigrid Anna — Order Number: 35481 Effective Date: 01/30/2002 Order/App:
Prepared Date: 02/08/2002 Prepared For: Excel Home Servic

Customer Information Customer Names:	SIGRID ANNA HANSEN
Property Address:	13034 104TH AVE LARGO, FL. 33701
County/Municipality:	Pinellas
Deed Information	
Grantor:	LEO W. MCDANIEL AND EMMA T. MCDANIEL, HUSBAND AND WIFE
Grantee:	SIGRID ANNA HANSEN
Deed:	WARRANTY DEED
Dated:	4/10/1995
Filed:	4/15/1995 Bk/Pg: 9409 / 1384
Remarks:	Doc Stamp is $ 376.00.

LandMDA provides near real-time ownership and encumbrance information on properties, essential information for use in real estate transactions.

Developed in conjunction with U.S. mortgage giant Freddie Mac, DataQuick's Home Value Estimator provides accurate, current information on home values across the United States.

San Diego-based subsidiary DataQuick delivers asset-related land information to finance, real estate and insurance sectors. During the year we introduced new products including the Home Value Estimator, (HVE) an enhanced, automated valuation tool developed with U.S. mortgage giant Freddie Mac and ProspectFinder, a powerful real estate lead generation tool. Monthly revenue for the HVE product doubled from July to October 2001 and a leading insurance company in the United States ordered a proprietary version of ProspectFinder for use in its national operations.

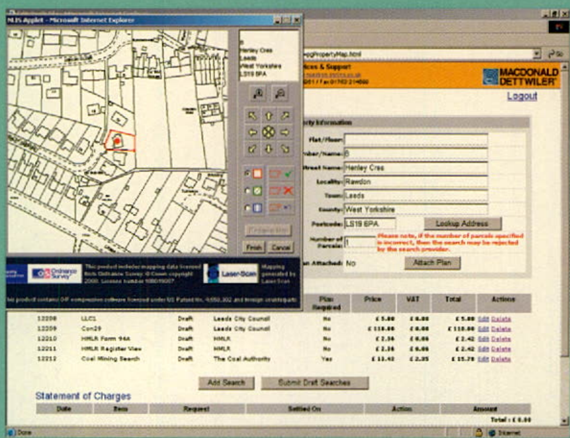
Our database coverage grew to include information on more jurisdictions across the United States, driving geographic expansion. Product reach expanded through endorsements from groups such as the National Association of Hispanic Real Estate Professionals. The association signed an agreement to use DataQuick as an information source for Hispanic homebuyers and sellers, the fastest-growing segment of the U.S. real estate market.

ENGLAND AND WALES: LEGAL INFORMATION

The National Land Information Service (NLIS) is a federal initiative in the United Kingdom focused on modernizing government to give people faster, easier access to all land and property information in England and Wales. We are active on NLIS in two areas. We are the developer and operator of the NLIS Hub, an Internet-based system through which government-held land information is electronically requested and retrieved by retail intermediaries acting for customers. We are also an owner/operator of a retail information channel that serves members of the legal and financial sectors with electronic delivery of property-related information needed when buying or selling real estate.

Transaction Online is our retail information channel that accepts requests for information, retrieves it via the Hub, and delivers it to customers. Shown here are our Help Desk representatives.

The NLIS Hub is a powerful computer system that serves as a data wholesaler for land-related information in England and Wales.



A view of the Transaction Online web site. Shown in the upper left is the location of a property (shown in red) on an Ordnance Survey map. The main screen shows a completed online request for legal information on the property.

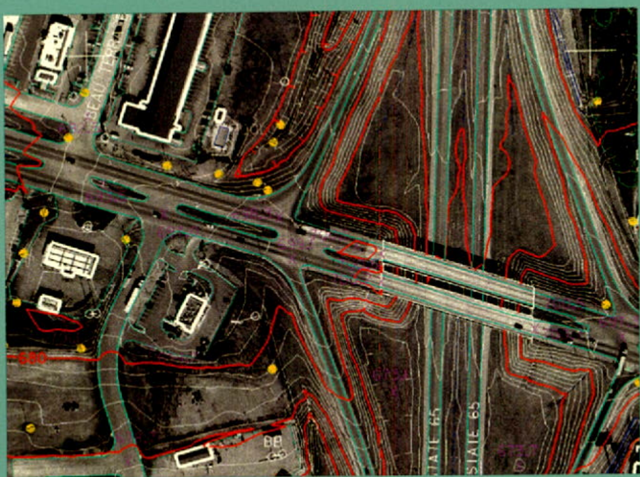
The NLIS Hub went into initial operation early in the year, receiving electronic requests for land and property information but interfacing with information suppliers on paper, via the mail. Through the year, we tested, connected and became operational with many information suppliers. By the end of the year 118 or roughly 30% of all Local Authorities were electronically connected. We added the Coal Authority, which provides information to determine potential environmental risks to a property from past mining activities. In November, we added access to Her Majesty's Land Registry, the national register of property information.

Through the first half of the year, our retail information channel underwent exhaustive testing before pilot use by a group of High Street lawyers. Late in the year, the channel became operational and we began marketing to lawyers across England and Wales. In early 2002, we began piloting the system with large law firms. Two other retail information channels also came online during the year.

Information Products

International: Geographic Information

Our growing range of geographic information products are used for many applications, such as infrastructure planning and management, crop planning and monitoring, flood prevention and disaster response. Through strategic acquisitions, the introduction of new products, and expansion into new geographic markets, we are becoming one of the world's leading providers of geographic information.

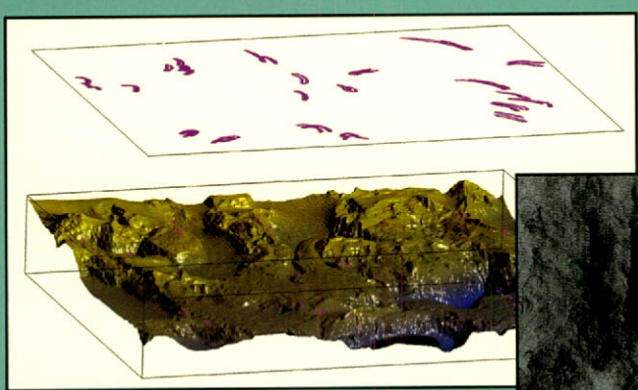


Effective planning and maintenance of transportation corridors relies heavily on geographic information. This aerial photograph with elevation contours, road boundaries and buildings indicated, illustrates the amount of information that can be extracted for use in land use zoning, rainwater management, highway safety and infrastructure improvement.

In North America, we continued to focus on information for cities and counties for transportation-related activities. Urban planning and infrastructure management activities continue to give us a growing list of opportunities. This year, we won a number of large contracts in Ontario, New York, New Jersey, and California, with many smaller city and county contracts across the continent. Transportation-related geographic information contracts in six U.S. states, Canada and Denmark furthered our objective to broaden the range of applications and geographic markets that we serve.

Cost-effective, efficient methods for monitoring and protecting the environment are in demand from public and private customers around the world. One of the most cost-effective means of acquiring geographic information over large areas is satellite imagery. We have expanded our satellite image and derived geographic information product distribution capabilities over the past year and have begun to enter exciting new niche markets for specialized products.

This year we booked contracts to monitor Brazil's Amazon basin, and provide maritime environmental monitoring to PEMEX, Mexico's national petroleum producer. We began a pilot project with B.C. Hydro and Power Authority to monitor and manage ice conditions on the northern rivers of the province.

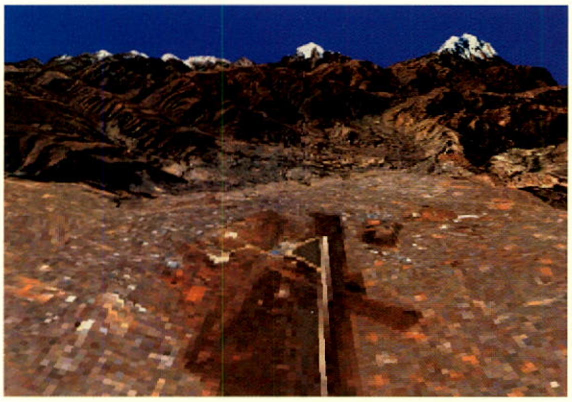


RADARSAT's ability to see through clouds and darkness make it a powerful global data source. Its ability to distinguish between oil and water make it a significant source of information for industrial spills and naturally-occurring oil seeps on the world's oceans.

Information Products

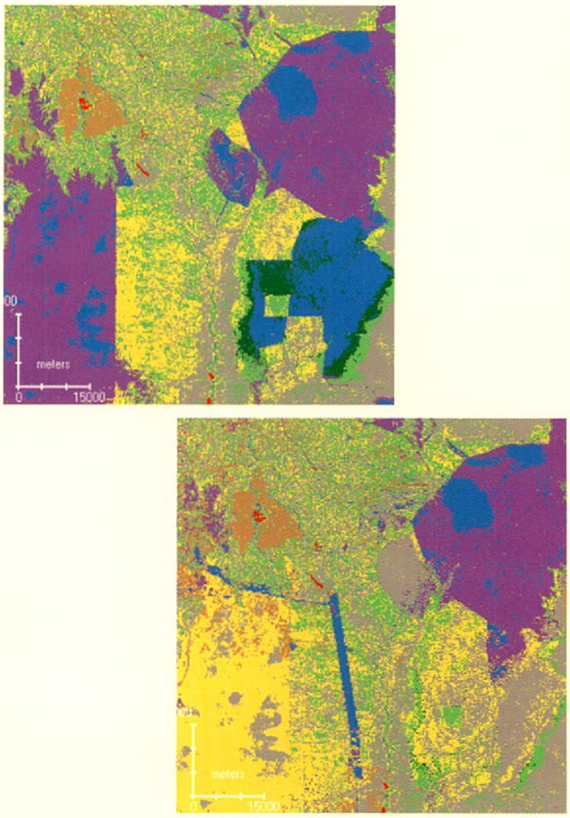
Agricultural crop production, damage monitoring, and flood prevention efforts were supported by our products through contracts in Bangladesh, India, Kazakhstan and the United States. Notable among these was a renewed contract to provide the U.S. Department of Agriculture with another year's worth of high-resolution land information that will be used to monitor crops across the continent.

We successfully completed a three-dimensional terrain map of Colombia using radar imagery from Canada's RADARSAT. The project was initiated by the National Imagery and Mapping Agency, (NIMA) an arm of the U.S. Department of Defence. We completed a pilot project with Jeppeson, a subsidiary of Boeing commercial aviation services. The successful extraction and delivery of three-dimensional terrain information of the La Paz airport in Bolivia led to an agreement in early 2002. Our agreement with Jeppeson is for the delivery of digital terrain models derived from RADARSAT data. Jeppeson and the U.S. aviation industry are working toward a 2005 deadline for new flight safety systems that contain digital 3D terrain information. The systems will be required for all U.S.-registered turboprop and jet aircraft with six or more seats.



Digital Elevation Models derived from RADARSAT imagery are valuable aids to aviation, defence and environmental users. This visualization of the airport at La Paz, Bolivia illustrates how our information is used to support real-world applications.

At the end of the year, we agreed to purchase the Earth Satellite Corporation (EarthSat) of Maryland. EarthSat is one of the largest U.S. suppliers of information products derived from satellite imagery and other sources. Its customers include many U.S. federal agencies, and numerous commercial and private clients involved in major sectors of the economy. Although we already have a strong profile internationally, in Canada, and at the city, county and state level in the U.S.; the EarthSat acquisition significantly expands our market reach as it gives us access to their U.S. customer base. The acquisition closed in January 2002.



Since the Gulf War, Iraq has systematically drained the Mesopotamian marshlands, the largest wetland ecosystem in the Middle East. Information extracted from a 1990 satellite image (top) shows the original wetlands at the lower left, in purple. Information extracted from imagery one decade later (bottom) shows the same area is now grassland, shown in yellow. EarthSat extracts a wide range of information products from satellite images for use in economic, agricultural and defence decision-making processes.

Courtesy of Canadian Forces

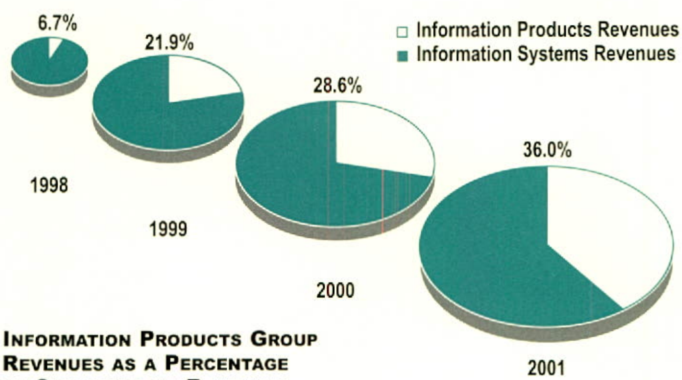
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS

RESULTS OF OPERATIONS

Company revenues for the year ended December 31, 2001 increased 20% to $481.3 million, up from $401.1 million in 2000. The Information Systems group accounted for 64% of revenues, with the remaining 36% contributed by the Information Products group. This compares to 71% and 29% respectively for the year ended December 31, 2000.

Revenues for the Information Systems group, after adjusting for intersegment eliminations of $4.5 million, increased 8% to $307.8 million for 2001. Information Systems group revenues for 2000 amounted to $286.2 million. The Company's Earth observation activities were slow throughout the year as the Company waited for the commercial, one-metre optical satellite data market to get firmly underway. The failed OrbView-4 launch in September 2001 delayed plans to provide the international user community with ground infrastructures to acquire and process satellite imagery. In the fourth quarter, DigitalGlobe successfully launched its high-resolution QuickBird satellite, which was declared fully operational in the first quarter of 2002.

Fully committed backlog at December 31, 2001 amounted to $396.6 million, compared to $502.2 million at December 31, 2000. The decrease is mainly attributable to the completion of several key milestones on the RADARSAT-2 program. RADARSAT-2 development and construction is now approximately 55% complete.



INFORMATION PRODUCTS GROUP REVENUES AS A PERCENTAGE OF CONSOLIDATED REVENUES

Revenues for the Information Products group increased by 51% from $114.9 million in 2000 to $173.5 million in 2001. The Information Products group delivers essential land information products and services in three categories - legal information, asset information and geographic information. During 2001, the geographic information business increased revenues by 69% to $61.9 million. The legal and asset business increased revenues by 42% to $111.6 million. A full year of revenues from the acquisitions of Atlantic Technologies and DataQuick were included in 2001 Information Products group revenues. Excluding the contributions of these acquisitions, Information Product group revenues increased 22% over the previous year.

Earnings before interest, other income (expense), income taxes, amortization of capital assets and goodwill and new business start-up costs increased $18.8 million to $76.7 million, a 32% increase. This increase is due largely to the 51% growth in the Information Product group revenues.

Selling, general and administration expenditures increased $9.2 million to $47.3 million, which represents 9.8% of 2001 revenues compared to 9.5% for the previous year. The changing business mix between Information Systems and Information Products is the main contributing factor for this increase. Information Products accounted for 36% of the Company's consolidated revenues in 2001 compared to 29% in 2000. Amortization of capital assets remained constant year over year at 3.6% of revenues, or $17.5 million in 2001, compared to $14.4 million in 2000. Amortization of capital assets included a full year of amortization expense related to the acquisition of the assets of Atlantic Technologies and DataQuick.

Company-funded Research and Development ("R&D") amounted to $6.0 million in 2001 compared to $6.5 million in 2000. R&D activities for the year 2001 included investigating new technologies and applications to support many of the Company's business activities. In addition to the Company-funded R&D, the Company expended a further $21 million of R&D which was performed as part of customer contracts. Customer contracted R&D expenditures have been included in cost of sales.

New business start-up costs increased from $5.4 million in 2000 to $7.2 million in 2001. These expenditures relate 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. Expenditures in 2001 relate primarily to our United Kingdom operations.

Interest expense decreased by $744,000 during the year as a result of declining interest rates and the reduction of long-term debt.

The Company's overall effective tax rate increased to 42.5% in 2001, up from 40.9% for 2000. Future income tax assets are recorded on the balance sheet at the tax rates that are expected to apply when the temporary differences are expected to be recognized. Reductions in substantively enacted Canadian tax rates during 2001 reduced the carrying values of future income tax assets, and were charged to tax expense for the year.

Earnings before amortization of goodwill increased 33% to $27.9 million for the year ended December 31, 2001, ($0.75 per common share diluted) up from $20.9 million for 2000 ($0.63 per common share diluted).

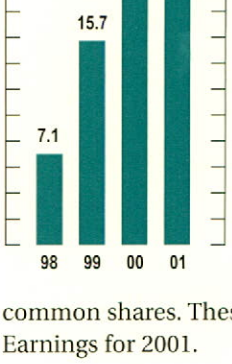
Amortization of goodwill, net of income taxes, increased to $9.3 million, from $7.7 million in 2000. The increase was mainly due to a full year of amortization from the companies acquired in 2000. Effective August 1, 2001 the Company has been applying new Canadian Institute of Chartered Accountants Handbook recommendations relating to Business Combinations. Accordingly, goodwill and other intangible assets with indefinite lives arising on business combinations entered into subsequent to July 1, 2001 will be tested for impairment and not amortized.

Liquidity and Capital Resources

Earnings before interest, income taxes and amortization of goodwill and capital assets ("EBITDA") increased by 32% from $52.5 million to $69.4 million. EBITDA as a percentage of revenues increased from 13.1% in 2000 to 14.4% in 2001. Increasing contributions from the Information Products group, in particular the legal and asset information business, are the primary reason for the increase in EBITDA for 2001.

On a segmented basis, the Information Systems group had an EBITDA, before corporate expenses, of $46.4 million, representing 15.1% of Information Systems revenues, compared to 14.3% for the year ended 2000. The Information Products group had EBITDA, before corporate expenses and new business start-up costs, of $33.9 million, representing 19.6% of Information Products revenues, compared to 17.4% for the year ended December 31, 2000.

Earnings Before Amortization of Goodwill ($Millions)



During the third quarter of 2001 the Company finalized the structure and all documentation related to its acquisition of the National Land Information Service ("NLIS") business and related services in the United Kingdom for cash consideration of £12.6 million, including acquisition costs. MDA has acquired the exclusive right to operate the Hub that will run the NLIS system.

The Company was also awarded a license to operate an NLIS Channel (an electronic retail information distribution service) in the United Kingdom and to become a land and property information reseller of NLIS and other land information products and services.

During the fourth quarter of 2001, the Company announced the acquisition of Earth Satellite Corporation for cash consideration of US$30.0 million. The transaction was finalized on January 29, 2002.

In July 2001, Orbital Sciences Corporation ("Orbital") finalized divestiture of its ownership in the Company by selling its remaining MDA common shares through a secondary public offering. The Company did not receive any proceeds from the offering. During the year ended December 31, 2001 the Company incurred non-recurring costs of approximately $1.0 million related to Orbital's divestiture of MDA common shares. These costs are included in Other income (expenses) on the Consolidated Statement of Earnings for 2001.

Financial Position and Financing Activities

Total assets employed as at December 31, 2001 amounted to $428.6 million, an increase of $15.3 million over 2000. Net additions to capital assets of $25.1 million exceeded amortization of capital assets and licenses of $17.5 million. Goodwill and other intangibles, net of accumulated amortization, increased by $21.4 million. The increase in goodwill and other intangibles resulted primarily from the purchase of the NLIS business in the United Kingdom.

Net long-term debt, including obligations under capital leases, (debt less cash) amounted to $50.3 million on December 31, 2001 compared to $46.3 million as at December 31, 2000.

During the year the Company fixed the interest rate on $30.0 million of its debt to between 4.6% and 5.2% for the next two years. At December 31, 2001 unused bank facilities amounted to $89.7 million. At December 31, 2001, $33.6 million had been drawn on a $50.0 million letter of credit facility relating to the construction of RADARSAT-2. In the event the Company was financially unable to meet its commitments for the construction of the satellite, any amounts drawn under the RADARSAT-2 letter of credit facility would be provided to the Company for the completion of the satellite.

Accounts receivable as at December 31, 2001 were $97.5 million compared to $83.3 million in 2000. The increase in accounts receivable is consistent with the increase in revenues year over year. Accounts receivable can change significantly on a month-to-month basis depending on contract milestone billings.

Inventory at December 31, 2001 was $799,000, compared to $4.3 million at December 31, 2000 and related to miscellaneous materials, consumables and work in progress.

Accounts payable and accrued liabilities increased by $29.5 million to $95.5 million at December 31, 2001. Deferred revenues as at December 31, 2001 decreased by $27.6 million to $84.3 million. This is a result of several significant subcontractor payments outstanding at the year-end.

During the year the Company made net repayments on long-term debt of $22.6 million and generated $11.7 million through the issuance of common shares. The common shares issued related to the exercise of share options and an employee share purchase plan.

Other Matters

During 1998, the Company entered into a license agreement with Orbital Imaging Corporation, ("ORBIMAGE") at market value, for a ten-year exclusive license for certain specified data. In January 2001, the Company terminated the original license agreement with ORBIMAGE and entered into a new agreement. The new agreement, at market value, provides that the Company will license certain rights to data from the RADARSAT-2 satellite. As at December 31, 2001 US$30.0 million had been received from ORBIMAGE and forms part of the total consideration for the new agreement. The Company retains certain rights that had been licensed under the original agreement.

During 2001, the Company was added to the Toronto Stock Exchange "TSE 300" composite stock index.

Impact of Recently Issued Accounting Standards

In December 2001, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3870. This section establishes standards for the recognition, measurement, and disclosure of stock-based compensation. It applies to transactions in which shares of common stock, stock options or other equity instruments are granted or liabilities incurred based on the price of common stock or other equity instruments.

Section 3870 sets out a fair value based method of accounting that is required for certain, but not all, stock-based transactions. The new standard permits the Company to continue its existing policy that no compensation cost is recorded on the grants of stock options to employees, subject to certain conditions. Consideration paid by employees on the exercise of stock options is recorded as share capital. Section 3870 does require additional disclosures for options granted to employees, including disclosure of pro forma earnings and earnings per share calculated as if the fair value based method had been used to account for employee stock options.

The Company will adopt Section 3870 for the fiscal year beginning January 1, 2002.

In August 2001, the Accounting Standards Board of the CICA issued new recommendations on Business Combinations and Goodwill and Other Intangible Assets.

The Business Combinations recommendations, CICA Handbook Section 1581, are effective for business combinations initiated on or after July 1, 2001. All business combinations initiated after the effective date must be accounted for using the purchase method. Intangible assets acquired in a business combination must be identified and recognized separately from goodwill when they arise from either contractual or other legal rights or if they can be separated from the acquired enterprise and sold, transferred, licensed, rented or exchanged, either individually or with a group of related assets or liabilities.

The Company adopted Section 1581 for its acquisition of NLIS, which was effective September 2001.

The Goodwill and Other Intangible Assets recommendations, CICA Handbook Section 3062, preclude the amortization of goodwill and other intangibles with indefinite life. Goodwill and other intangibles with indefinite life will be required to be tested for impairment annually. Goodwill is tested for impairment at the reporting level rather than at an acquisitions-specific or enterprise-wide level.

The Company will adopt Section 3062 for the fiscal year beginning January 1, 2002, however, goodwill and other intangibles acquired after July 1, 2001, but prior to the full adoption of Section 3062, are amortized, or not, in accordance with the provisions of Section 3062.

In late 2000, the CICA issued revised guidance on Earnings per Share, to be applied to fiscal years beginning on or after January 1, 2001. The new recommendations require that the Treasury Stock method be used instead of the Impacted Earnings approach for the calculation of diluted earnings per common share.

The Company adopted these new recommendations and restated the prior year earnings per common share figures to conform with the new recommendations.

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 ("GAAP"). The consolidated financial statements include certain amounts that are based on best estimates and judgements. Financial information presented in accordance with 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, all of whom are independent.

The shareholders' auditors, KPMG 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 6, 2002

Auditor's Report to the Shareholders

We have audited the consolidated balance sheet of MacDonald, Dettwiler and Associates Ltd. as at December 31, 2001 and the consolidated statements of earnings, retained earnings and cash flows for the year 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 audit.

We conducted our audit 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, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2000 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated February 2, 2001.

KPMG LLP

Chartered Accountants

Vancouver, Canada

February 6, 2002

MacDonald, Dettwiler and Associates Ltd.

Consolidated Balance Sheets

(In thousands of dollars)

December 31, 2001 and 2000

	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	$ 17,071	43,464
Accounts receivable	97,468	83,279
Future income taxes (note 11)	6,836	15,975
Prepaid expenses	8,286	5,218
	129,661	147,936
Other long-term assets (note 5)	3,507	3,460
Capital assets (note 6)	64,350	51,982
Future income taxes (note 11)	6,774	7,018
Goodwill and other intangibles, net of accumulated amortization of $38,308 (2000 - $22,207)	224,302	202,912
	$ 428,594	413,308
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 95,511	66,030
Deferred revenues	39,729	66,397
Current portion of long-term debt and obligations under capital leases (note 7)	2,076	3,647
	137,316	136,074
Deferred revenues	44,523	45,470
Long-term debt and obligations under capital leases (note 7)	65,336	86,149
Other long-term liabilities (note 8)	17,756	20,455
	264,931	288,148
Shareholders' equity:		
Capital stock (note 9)	123,804	109,119
Contributed surplus	2,050	2,050
Retained earnings	31,854	13,201
Cumulative translation adjustment	5,955	790
	163,663	125,160
	$ 428,594	413,308

Contingencies and commitments (notes 4 and 13)

Subsequent event (note 21)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

D.E. Friedmann, Director

J.M. Reid, Director

MacDonald, Dettwiler and Associates Ltd.

Consolidated Statements of Earnings

(In thousands of dollars, except per share amounts)

Years ended December 31, 2001 and 2000

	2001	2000
Revenues	$ 481,275	401,125
Expenses:		
Direct costs	351,205	298,588
Selling, general and administration	47,329	38,120
Amortization of capital assets and licenses	17,512	14,360
Research and development (note 12)	6,001	6,451
	422,047	357,519
Earnings before other items	59,228	43,606
Interest expense	(5,907)	(6,651)
Other income (expenses)	(161)	1,267
New business start-up costs	(7,195)	(5,441)
	(13,263)	(10,825)
Earnings before income taxes and amortization of goodwill	45,965	32,781
Provision for income taxes (note 11)	18,052	11,847
Earnings before amortization of goodwill	**27,913**	**20,934**
Amortization of goodwill, net of income taxes of $4,248 (2000 - $2,730)	9,260	7,733
Net earnings	$ **18,653**	**13,201**
Earnings before amortization of goodwill per common share (notes 3(b) and 20):		
Basic	$ 0.80	0.65
Diluted	0.75	0.63
Earnings per common share (notes 3(b) and 20):		
Basic	$ 0.53	0.41
Diluted	0.50	0.40

See accompanying notes to consolidated financial statements.

MacDonald, Dettwiler and Associates Ltd.

Consolidated Statements of Retained Earnings

(In thousands of dollars)
Years ended December 31, 2001 and 2000

	2001	2000
Retained earnings (deficit), beginning of year	$ 13,201	(65,889)
Elimination of deficit (note 9(a))	–	65,889
Net earnings	18,653	13,201
Retained earnings, end of year	$ 31,854	13,201

See accompanying notes to consolidated financial statements.

MacDonald, Dettwiler and Associates Ltd.

Consolidated Statements of Cash Flows

(In thousands of dollars)
Years ended December 31, 2001 and 2000

	2001	2000
Cash flows provided by (used in):		
Operations:		
Net earnings	$ 18,653	13,201
Items not affecting cash:		
Amortization of capital assets and licenses	17,512	14,360
Amortization of goodwill	13,508	10,463
Future income taxes	7,645	8,487
Imputed interest	566	1,870
Loss (gain) on disposal of capital assets	188	(121)
	58,072	48,260
Change in non-cash working capital items	(24,803)	(13,447)
	33,269	34,813
Investments:		
Purchase of capital assets	(25,075)	(16,516)
Acquisitions (note 4)	–	(60,042)
	(25,075)	(76,558)
Financing:		
Proceeds from borrowing	6,083	82,226
Repayment of long-term debt and obligations under capital leases	(28,636)	(25,098)
Proceeds from issue of capital stock	11,691	56,225
Payment of promissory notes payable (note 4)	(23,725)	(76,461)
	(34,587)	36,892
Decrease in cash	(26,393)	(4,853)
Cash and cash equivalents, beginning of year	43,464	48,317
Cash and cash equivalents, end of year	$ 17,071	43,464

Supplementary cash flow information (note 18).

See accompanying notes to consolidated financial statements.

1. Nature of operations:

MacDonald, Dettwiler and Associates Ltd. was incorporated on February 3, 1969 under the Canada Business Corporations Act. MacDonald, Dettwiler and Associates Ltd. (together with its subsidiaries, the "Company"), based in Richmond, British Columbia, uses leading geospatial, imaging, database, e-commerce and space technologies to provide essential information for decision making. The Company operates through two principal groups, Information Systems and Information Products. The Information Systems group provides mission critical information systems that monitor activities on the planet, manage mobile assets, and enable the mobile workforce. The Information Products group delivers essential land information products in three categories including legal information, asset information, and geographical information.

2. Significant accounting policies:

(a) **Generally accepted accounting principles:**

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

(b) **Principles of consolidation:**

The consolidated financial statements include the accounts of the Company and all entities which are controlled by the Company, referred to as subsidiaries. The Company owns 100% of the outstanding equity in each of its subsidiaries. Entities which are jointly controlled, referred to as joint ventures, are accounted for using proportionate consolidation. The Company's 50% interest in LandMDA, L.L.C. is considered to be a joint venture.

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 a decline in value of the investment that is other than temporary.

All significant intercompany balances and transactions have been eliminated.

The Company's significant operating subsidiaries include the following:

Access BC Information Services Ltd.
DataQuick Information Systems, Inc.
MacDonald Dettwiler (Channel) Limited (United Kingdom)
MacDonald Dettwiler (Hub) Limited (United Kingdom)
MacDonald Dettwiler Space and Advanced Robotics Ltd.
MD Atlantic Technologies, Inc.
Radarsat International Inc.
Triathlon Ltd.

(c) **Revenue recognition:**

Revenues from long-term contracts are 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 included in the determination of estimated cumulative revenues and expenses in the period the change is determined by management.

Consideration from sales of digital information products that include a commitment for the Company to provide updates is allocated to the various elements of the arrangements based upon the relative fair value of each component. Revenues related to sales of information products are recognized when shipped. Revenues related to updating customer information are recognized ratably over the contract period. Revenues from subscription products are recognized ratably over the term of the contract. All other revenues are 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 revenues 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 revenues represent amounts billed or cash received in excess of revenues recognized on long-term contracts. Similarly, accounts receivable include unbilled amounts where revenues recognized on long-term contracts based on percentage of completion exceeds the amount billed to date.

(d) **Earnings per share:**

Basic earnings before amortization of goodwill per common share is computed by dividing earnings before amortization of goodwill by the weighted average number of common shares outstanding during the period.

2. Significant accounting policies (continued):

(d) **Earnings per share (continued):**

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.

Diluted earnings before amortization of goodwill per common share and diluted earnings per common share is calculated using the treasury stock method and reflects the potential dilution of securities by including stock options and contingently issuable shares, in the weighted average number of common shares outstanding for a period, if dilutive.

(e) **Use of estimates:**

The preparation of consolidated financial statements in conformity with Canadian 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 the use of estimates relate to the determination of percentage of completion and estimated project costs and revenues for contract revenue recognition, impairment of assets and rates for amortization, estimated amount of future income tax balances and the estimated balances of accrued liabilities and pension obligations. Actual results could differ from those estimates.

(f) **Cash equivalents:**

Cash equivalents include short-term deposits, which are all highly liquid marketable securities having a term to maturity of three months or less when acquired. Short-term deposits are valued at cost.

(g) **Capital assets:**

Capital assets are initially recorded at cost. Amortization is subsequently provided on a straight-line basis at the following rates:

Asset	Rate
Computers	17% - 33%
Equipment	20%
Furniture and fixtures	20%
Software	10% - 25%
Leasehold improvements	Lesser of useful life or term of lease

The recoverability of capital assets is based on factors such as future asset utilization and the future undiscounted cash flows expected to result from the use of the related assets. An impairment loss is recorded in the period when it is determined that the carrying amount of the asset is not recoverable. At that time the carrying amount is written down to the undiscounted future cash flows.

(h) **Internally-developed software:**

The Company develops software internally for use in providing electronic information products to its customers. Costs that relate to the conceptual formulation and design of internally-developed software are expensed in the period incurred. The Company capitalizes direct costs that are incurred to produce the finished product after technological feasibility is established. The Company performs periodic reviews to ensure the unamortized costs remain recoverable from future revenue. Costs to support or service internally-developed software are expensed in the period incurred.

(i) **New business start-up costs:**

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

(j) **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 dependants. 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.

(k) **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.

(l) **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, whereby the benefit is recognized as a reduction in the cost of the related asset or expenditure when there is reasonable assurance the tax credits will be received.

(m) **Translation of foreign currencies:**
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.

(n) **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 future tax consequences attributable to differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (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 substantively 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 periodically and if realization is not considered "more likely than not" a valuation allowance is provided.

(o) **Goodwill and other intangibles:**
Goodwill represents the excess of consideration paid over fair values assigned to the net identifiable assets acquired on purchase business combinations. Goodwill and other intangibles, including software and operating licenses, are amortized on a straight-line basis over periods of four to thirty years.

The Company periodically evaluates whether changes have occurred that would require revision of the remaining estimated useful life of 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.

(p) **Stock-based compensation plans:**
The Company has a stock-based compensation plan. No compensation expense is recognized for this plan when share options are issued to employees as options are issued at the market value of the shares at the date of the grant. Any consideration paid by employees on exercise of share options is applied to capital stock.

(q) **Warranty costs:**
The Company accrues warranty costs based on the estimated costs, with reference to past experience.

(Tabular amounts in thousands of dollars)

2. Significant accounting policies (continued):

(r) **Segmented information:**

The Company uses the "management" approach in reporting segmented information. The management approach designates that the internal organization that is used by management for making operating decisions and assessing performance as the source of the segments.

3. New accounting pronouncements:

(a) **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. 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 asset and liability 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. As at January 1, 2000, non-current future income tax assets were increased by approximately $13,974,000 with a corresponding decrease to goodwill and other intangibles.

(b) **Earnings per share:**

Effective January 1, 2001 the Company adopted new recommendations of the Canadian Institute of Chartered Accountants for the calculation of earnings per share whereby the treasury stock method is used to calculate the diluted earnings per share. The recommendations have been applied retroactively. As a result of this change, diluted earnings before amortization of goodwill per common share increased from $0.62 to $0.63 and diluted earnings per common share for the year ended December 31, 2000 decreased from $0.41 to $0.40 per common share.

(c) **Goodwill and other intangible assets:**

Effective August 2001, the Company implemented the new recommendations of the Canadian Institute of Chartered Accountants for the accounting for business combinations. Accordingly, goodwill and intangible assets with indefinite lives arising on business combinations entered into subsequent to July 1, 2001 is tested for impairment and is not amortized and the effect on the current period is not significant.

4. Acquisitions:

(a) Pursuant to an agreement entered into with Local Government Information House in the United Kingdom, effective September 2001, the Company entered into an arrangement to provide an electronic land information access and delivery service for consideration, including acquisition costs, of £12,585,000. Consideration for the acquisition was in the form of promissory notes. As at December 31, 2001, promissory notes payable of £1,960,000 remained outstanding. The arrangement allows the Company to earn fees on a transaction basis for an exclusive period to October 2007, plus an optional three-year renewal period. The allocation of the purchase price for this acquisition is based on preliminary estimates and is subject to adjustment in the subsequent period. In conjunction with the acquisition, the Company is committed to pay a periodic charge of £250,000 quarterly commencing April 2002 through June 2007.

Net non-cash assets acquired at fair value:	
Assets acquired	$ 9,667
Liabilities assumed	(928)
Net non-cash assets acquired	8,739
Excess of cost of net assets over assigned fair values – goodwill and other intangibles	19,525
Promissory notes payable	$ 28,264

(Tabular amounts in thousands of dollars)

(b) 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 is being amortized over 20 years. Other intangibles, including $1,100,000 related to the workforce is being amortized over four years. The initial purchase consideration consisted of U.S. $8,450,000 in cash plus estimated acquisition costs of U.S. $400,000.

Pursuant to the acquisition agreement, the Company issued 170,307 common shares to the vendor on November 3, 2001. Accordingly, goodwill related to the acquisition has increased by $2,994,000. Additional consideration of 340,615 common shares is contingently issuable based on the vendor meeting certain conditions during the next two years. If these conditions are met, the common shares will be released to the vendor in equal 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 $14.94 to $16.82 per share over the next two years.

The acquisition is summarized as follows:

	November 2000	Contingent consideration paid in 2001	Total
Net non-cash assets acquired at fair value:			
Assets acquired	$ 9,022	–	9,022
Liabilities assumed	(12,114)	–	(12,114)
Cash of acquired operations	(2)	–	(2)
Net liabilities assumed	(3,094)	–	(3,094)
Excess of cost of net assets over assigned fair values – goodwill and other intangibles	16,632	2,994	19,626
	$ 13,538	2,994	16,532
Cash consideration	$ 13,540	–	13,540
Share consideration	–	2,994	2,994
Cash of acquired operations	(2)	–	(2)
	$ 13,538	2,994	16,532

(c) On April 25, 2000, the Company acquired the assets and liabilities of the DataQuick Products Group ("DataQuick"), 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 identifiable 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 5 years. Total purchase consideration including acquisition costs, consisted of U.S. $56,288,000 comprised of cash of U.S. $31,400,000 and a 180 day non-interest bearing note payable of U.S. $24,888,000 paid October 22, 2000.

(Tabular amounts in thousands of dollars)

4. Aquisitions (continued):

Net non-cash assets acquired at fair value:	
Assets acquired	$ 23,825
Liabilities assumed	(7,740)
Cash of acquired operations	(282)
Net non-cash assets acquired	15,803
Excess of cost of net assets over assigned fair values – goodwill and other intangibles	67,784
	$ 83,587
Cash consideration	$ 46,786
Promissory note payable	37,083
Cash of acquired operations	(282)
	$ 83,587

5. Other long-term assets:

	2001	2000
Non-interest bearing note receivable at net present value	$ 1,955	1,874
Prepaid fees	901	935
EarthWatch Incorporated	556	556
ImageONE Co., Ltd.	95	95
	$ 3,507	3,460

Future payments due under the note receivable are as follows:

2004	$ 1,271
2009	1,090
	2,361
Amount representing interest	(406)
	$ 1,955

6. Capital assets:

2001	Cost	Accumulated amortization	Net book value
Computers	$ 55,843	47,320	8,523
Equipment	26,716	18,769	7,947
Furniture and fixtures	8,465	6,275	2,190
Leasehold improvements	17,865	12,022	5,843
Software	54,596	14,749	39,847
	$ 163,485	99,135	64,350

(Tabular amounts in thousands of dollars)

2000	Cost	Accumulated amortization	Net book value
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

As at December 31, 2001 total assets under capital leases included above have a cost of $10,955,000 (2000 - $11,486,000) and a net book value of $1,388,000 (2000 - $2,874,000).

7. Long-term debt and obligations under capital leases:

	2001	2000
Loan payable in Canadian dollars, interest at bankers acceptances plus 0.75% – 1.30%, repayable on April 20, 2004. The revolving period can be extended, subject to bank approval, on an annual basis.	$ 33,200	–
Term loan payable in Canadian dollars, interest at bankers acceptances plus 1.00% – 1.75%, repayable on March 31, 2005.	29,375	–
Equipment loan, interest at LIBOR plus 2.25% – 4.33%, principal and interest repayable at US$31,500 monthly, ending June 1, 2005.	1,975	2,428
Equipment loan, interest at 7.25%, principal and interest repayable at US$19,000 monthly, ending November 1, 2003.	624	894
Western Economic Diversification loan, non-interest bearing, repayable semi-annually at the greater of $103,300 or 2.5% of certain specified gross revenues for the preceding six months, ending April 1, 2005.	1,068	1,654
Western Economic Diversification loan, non-interest bearing, repayable in annual instalments of $134,000 ending March 31, 2005.	569	703
Loan payable in US dollars, interest at LIBOR plus 0.75% – 1.30%	–	52,884
Term loan payable in US dollars, interest at LIBOR plus 1.00% - 1.75%	–	28,778
Obligations under capital leases	601	2,455
	67,412	89,796
Current portion	2,076	3,647
	$ 65,336	86,149

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, term loans, and letters of credit are secured by general security agreements and guarantees of the Company and certain of its subsidiaries. Equipment loans are secured by specific assets.

During the year, the Company entered into a two year interest rate swap, effective October 2001. The interest rate swap allows the Company to pay a fixed interest rate of approximately 3.86% plus 0.75% to 1.30% on debt of $30,000,000. Interest is paid quarterly in arrears.

(Tabular amounts in thousands of dollars)

7. Long-term debt and obligations under capital leases (continued):

Principal repayments on long-term debt and capital leases as at December 31, 2001 are as follows:

	Long-term debt	Capital leases	Total
2002	$ 1,737	344	2,081
2003	1,452	295	1,747
2004	34,035	–	34,035
2005	29,587	–	29,587
Total future minimum payments	66,811	639	67,450
Amount representing interest	–	(38)	(38)
	$ 66,811	601	67,412

8. Other long-term liabilities:

	2001	2000
Accrued acquisition and integration costs	$ 15,704	17,915
Pension (note 16)	2,052	802
Future income taxes (note 11)	–	1,738
	$ 17,756	20,455

9. 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

Common shares issued and fully paid:

	Number of shares	Amount
Balance at December 31, 1999	30,000,001	$ 116,983
Elimination of deficit (note 9(a))	–	(65,889)
Issuance of common shares (note 9(b))	4,000,000	53,320
Common shares issued upon conversion of employee warrants (note 9(c))	391,550	4,170
Employee share purchase plan (note 9(d))	38,200	535
Balance at December 31, 2000	34,429,751	109,119
Common shares issued upon conversion of employee options (note 10(a))	1,066,755	11,522
Common shares issued related to acquisition (note 4(b))	170,307	2,994
Common shares issued in conjunction with employee share purchase plan (note 10(b))	10,286	169
Balance at December 31, 2001	35,677,099	$ 123,804

(a) 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.

(b) 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.

(c) 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.

(Tabular amounts in thousands of dollars)

(d) In conjunction with the initial public offering of the Company on July 12, 2000, certain employees purchased 38,200 shares at $14.00 per share for proceeds of $534,800.

10. Stock-based compensation plans:

(a) 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. In addition, certain shareholders were granted 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, 2001 vest over a period of 3 years, to the extent of one-third per year on each anniversary date of the grant. As at December 31, 2001, 410,349 (2000 – nil) options were exercisable.

A summary of the status of the stock option plan as of December 31, 2001 and changes during 2001 and 2000 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
Options granted during 2001	1,472,500	22.88
Options forfeited during 2001	(270,016)	11.98
Options exercised during 2001	(1,066,755)	10.80
Options outstanding – December 31, 2001	4,550,229	$ 14.66

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

	Options outstanding			Options exercisable	
Range of exercise prices per share	Number of options	Weighted average remaining contractual life	Weighted average exercise price per share	Number of options	Weighted average exercise price per share
$ 10.65	3,045,304	8.1 years	$ 10.65	398,521	$ 10.65
$ 14.00 to 19.10	44,667	8.9 years	$ 17.95	11,828	$ 17.78
$ 20.25 to 25.60	1,460,258	9.6 years	$ 22.92	–	–

(b) On October 1, 2001, the Company implemented an employee share purchase plan. Under this plan, the Company may issue 1,500,000 common shares to its employees. The maximum number of common shares that may be issued under the plan in any one year is 300,000. Under the terms of the plan, employees can purchase shares of the Company at 85% of the market value of the shares. Employees can allocate a maximum of 10% of their salary to the plan. During the year ended December 31, 2001, 10,286 common shares were issued at an average price of $20.14 per common share. As the employee share purchase plan is not compensatory, the discount from market price of 15% reduces the proceeds from issuing the related shares.

(TABULAR AMOUNTS IN THOUSANDS OF DOLLARS)

11. INCOME TAXES:

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

	2001	2000
Current	$ 4,841	630
Future	13,211	11,217
Provision for income taxes prior to goodwill amortization	18,052	11,847
Tax provision allocated to goodwill	4,248	2,730
Provision for income taxes	$ 13,804	9,117

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

	2001	2000
Combined basic income tax rate	44.6%	45.5%
Income tax expense at the basic income tax rate	$ 14,483	10,155
Non-deductible goodwill amortization	770	1,255
Large corporation tax	712	800
Foreign earnings subject to different rates	(2,713)	(1,066)
Manufacturing and processing rate reduction	(1,931)	(1,361)
Change in statutory rates	2,246	–
Change in valuation allowance	–	(998)
Other	237	332
	$ 13,804	9,117

(c) 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, 2001 and 2000 are presented below:

	2001	2000
Future income tax assets (liabilities):		
Accrued acquisition and integration costs	$ 6,619	6,873
Warranty provisions and other liabilities	6,498	4,514
Losses carried forward	4,240	6,091
Capital assets	2,099	(640)
Financing on initial public offering	978	1,474
Deferred revenues	(3,210)	6,555
Goodwill and other intangibles	(1,944)	(954)
Investment tax credits	(1,670)	(2,670)
Other	–	12
	13,610	21,255
Current future income tax assets	6,836	15,975
Net non-current future income tax assets	6,774	5,280
Non-current future income tax liabilities	–	1,738
Non-current future income tax assets	$ 6,774	7,018

The Company has assessed the realization of net future tax assets as more likely than not. In assessing the realizability of future tax assets, the Company considered whether it is more likely than not that some portion or all future tax assets would not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during periods in which temporary differences become deductible. The Company considered projected future taxable income and tax planning strategies in making the assessment.

(Tabular amounts in thousands of dollars)

12. Research and development:

Research and development expenditures of $6,001,000 (2000 - $6,451,000) represent internally funded research and development less related government assistance. In addition, during the year ended December 31, 2001, the Company incurred $21,101,000 (2000 - $12,074,000) 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, 2001 amounted to $2,640,000 (2000 - $3,555,000).

13. Contingencies and commitments:

At December 31, 2001, the Company was committed under operating leases, primarily relating to office space, for the following minimum annual rentals:

2002	$ 13,874
2003	13,362
2004	13,183
2005	12,063
2006	10,523
Subsequent years to December 2013	53,216
	$ 116,221

(a) The Company is a co-defendant in a claim concerning the request for proposal process resulting in the creation of Access BC Information Services Ltd. Since the claim is at the preliminary stage, the amount of any potential claim has not been determined, and the Company believes the claim to be without merit, no provision for any loss from this action has been made in the accounts of the Company as of December 31, 2001.

(b) As at December 31, 2001, the Company's bankers have issued letters of credit to certain customers of the Company for $3,520,000 (2000 - $5,661,000) of which $728,000 (2000 - $1,122,000) 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 $2,792,000 (2000 - $4,539,000) due to the Company's bankers and $728,000 (2000 - $1,122,000) guaranteed by EDC would be due to EDC. In addition, the Company's bankers have issued a letter of credit in the amount of $33,568,000 (2000 - $27,405,000) related to the construction of the RADARSAT-2 satellite. In the event the Company was financially unable to meet its commitments for the construction of the satellite, the funds from the draw-down of the letter of credit would be provided to the Company to complete the construction of the satellite. These amounts are secured by general security agreements and guarantees of the Company and certain of its subsidiaries.

(c) Certain government assistance may be repayable based on future sales levels related to the projects funded. At December 31, 2001, the amount of government assistance received subject to possible repayment is approximately $7,103,000 (2000 - $7,059,000). Amounts, if any, that may be repayable would be accounted for in the period in which it is determined that repayment is likely.

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

(e) 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.

(f) 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 2001, no contributions were made by the members to LandMDA. During 2000, each member contributed US$1,500,000 to LandMDA. The agreement

(TABULAR AMOUNTS IN THOUSANDS OF DOLLARS)

13. CONTINGENCIES AND COMMITMENTS (CONTINUED):

contemplates further capital contributions by each member based on certain milestones.

(g) Pursuant to the acquisition of the Advanced Technology and Robotics Program of the Space Systems Division of Spar Aerospace Limited ("Spar") in 1999, the Company may, depending on regulatory approvals related to the transfer of various pension plan assets, be required to pay $475,000 to Spar.

(h) Pursuant to the acquisition of FDI Forest Dimensions Inc. ("FDI") in 1999, additional consideration, to a maximum of $641,000, may be payable contingent upon FDI achieving certain revenue levels in the upcoming three years.

14. FINANCIAL INSTRUMENTS:

(a) **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 receivable, 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.

(b) **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. 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, 2001, the Company had forward foreign currency purchase contracts for $44,272,000 and forward foreign currency sales contracts for $21,754,000, expiring at various dates through 2004. The carrying value of these foreign currency contracts is nil, and based on market exchange rates at December 31, 2001, the foreign currency contracts had a fair value of approximately $78,000.

15. RELATED PARTY TRANSACTIONS:

(a) During the year, the Company had business transactions with Orbital Sciences Corporation ("Orbital"), the former majority shareholder, 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 reimbursed Orbital Sciences Corporation for services rendered on its behalf. During 2001, Orbital sold its remaining interest in the Company.

	2001	2000
Transactions during the year:		
Sales	$ 5,573	12,524
Purchases	25	296
Balance due from related parties at end of year	–	6,102

(b) During 1998, the Company entered into a license agreement with ORBIMAGE, at market value for a ten-year exclusive license for certain specified data. During 2001, the Company terminated the original license agreement with ORBIMAGE and entered into a new agreement. The new agreement, at market value, provides that the Company will license certain rights to data from the RADARSAT-2 satellite. As at December 31, 2001, US$30,000,000 had been received and will form part of the total consideration for the new agreement. The Company has taken back certain data rights that had been licensed under the original agreement.

16. 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.

(Tabular amounts in thousands of dollars)

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, 2001 was $615,000 (2000 - $290,000).

The status of the Company's defined benefit pension plans and post-retirement plans as of December 31, 2001 and 2000 was as follows:

		2001		2000
	Pension plans	Post-retirement plans	Pension plans	Post-retirement plans
Pension and post-retirement expense:				
Current service cost	$ 536	179	417	159
Interest cost	860	422	729	374
Expected return on plan assets	(1,275)	–	(1,192)	–
Amortization of past service costs	63	–	–	–
Amortization of losses (gains)	(18)	483	(124)	–
Net benefit plan expense (income)	$ 166	1,084	(170)	533
Accrued benefit obligation:				
Projected benefit obligations, beginning of year	$ 11,770	5,366	9,826	4,833
Service cost	714	179	574	159
Interest cost	860	422	729	374
Benefits paid	(140)	–	(200)	–
Actuarial (gains) losses	1,672	483	841	–
Projected benefit obligations, end of year	$ 14,876	6,450	11,770	5,366
Plan assets:				
Fair value of plan assets, beginning of year	$ 18,214	–	17,064	–
Actual return on plan assets	1,614	–	1,193	–
Employee contributions	178	–	157	–
Benefits paid	(140)	–	(200)	–
Fair value of plan assets, end of year	$ 19,866	–	18,214	–
Funded status of the plan, end of year:				
Funded status – surplus (unfunded)	$ 4,990	(6,450)	6,444	(5,366)
Unamortized net actuarial (gains) losses	(592)	–	(1,880)	–
Net accrued benefit asset (liability)	$ 4,398	(6,450)	4,564	(5,366)

(Tabular amounts in thousands of dollars)

16. Pension and retirement plans (continued):

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

Discount rate, beginning of year	7.00%	7.50%	7.50%	7.50%
Discount rate, end of year	6.50%	7.00%	7.00%	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	8.5% reducing by 0.5% per annum to 5.0% ultimate rate	n/a	9.0% reducing by 0.5% per annum to 5.0% ultimate rate

17. Segmented information:

The Company has two operating segments, Information Products and Information Systems. The Information Products group delivers essential land information products in three categories including legal information, asset information, and geographic information.

The Information Systems group provides mission critical information systems that monitor activities on the planet, manage mobile assets, and enable the mobile workforce.

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.

	Consolidated		Corporate		Information Systems		Information Products	
	2001	2000	2001	2000	2001	2000	2001	2000
Revenues:								
Canada	$ 247,050	237,185	–	–	188,357	180,217	58,693	56,968
United States	180,566	117,420	–	–	82,618	73,255	97,948	44,165
Other	58,187	50,587	–	–	41,376	36,812	16,811	13,775
	$ 485,803	405,192	–	–	312,351	290,284	173,452	114,908
Less inter-segment revenues	4,528	4,067	–	–	4,528	4,067	–	–
	$ 481,275	401,125	–	–	307,823	286,217	173,452	114,908
Earnings before undernoted	$ 80,308	60,814	–	–	46,385	40,872	33,923	19,942
Amortization of capital assets and licenses	(17,512)	(14,360)	–	–	(5,631)	(5,497)	(11,881)	(8,863)
Corporate expenses	(3,568)	(2,848)	(3,568)	(2,848)	–	–	–	–
Earnings before other items	$ 59,228	43,606	(3,568)	(2,848)	40,754	35,375	22,042	11,079
Interest expense	(5,907)	(6,651)	(5,907)	(6,651)	–	–	–	–
Other income	(161)	1,267	(161)	1,267	–	–	–	–
New business start-up costs	(7,195)	(5,441)	(7,195)	(5,441)	–	–	–	–
Earnings before income taxes and amortization of goodwill	$ 45,965	32,781	(16,831)	(13,673)	40,754	35,375	22,042	11,079
Amortization of goodwill	$ 13,508	10,463	–	–	3,972	3,999	9,536	6,464

(Tabular amounts in thousands of dollars)

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:

	2001	2000
Canada	$ 134,420	143,110
United States	121,337	110,473
UK and other	32,895	1,311
	$ 288,652	254,894

The approximate sales to significant customers are as follows:

	2001	2000
Customer A	$ 134,539	133,000
Customer B	50,126	34,421

18. Supplementary cash flow information:

	2001	2000
Interest paid	$ 5,074	4,073
Interest received	1,044	1,003
Income taxes paid	13,216	11,814
Income taxes recovered	1,725	2
Non-cash financing and investing activities:		
Promissory notes issued on acquisition (notes 4(a) and (c))	28,264	37,083
Contingent shares issued (note 4(b))	2,994	–

19. Comparative figures:

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

(Tabular amounts in thousands of dollars)

20. Earnings per share:

	2001			2000		
	Earnings	Weighted average number of common shares outstanding	Per share amount	Earnings	Weighted average number of common shares outstanding	Per share amount
Earnings before amortization of goodwill per common share:						
Basic	$ 27,913	34,937,272	0.80	20,934	32,087,445	0.65
Stock options	–	1,961,398	–	–	1,042,382	–
Contingently issuable shares	–	482,537	–	–	85,167	–
Diluted	$ 27,913	37,381,207	0.75	20,934	33,214,994	0.63
Earnings per common share:						
Basic	$ 18,653	34,937,272	0.53	13,201	32,087,445	0.41
Stock options	–	1,961,398	–	–	1,042,382	–
Contingently issuable shares	–	482,537	–	–	85,167	–
Diluted	$ 18,653	37,381,207	0.50	13,201	33,214,994	0.40

21. Subsequent event:

Effective January 2002, the Company acquired 100% of the outstanding shares of Earth Satellite Corporation ("EarthSat") for US$30,000,000 cash. EarthSat provides information products derived from satellite imagery and other sources.

Company Information

BOARD OF DIRECTORS

James F. Shepard (1)(2)
Vancouver, British Columbia
Chairman of the Board

Daniel E. Friedmann
Vancouver, British Columbia
President and Chief Executive Officer
MacDonald, Dettwiler and Associates Ltd.

Mark L. Cullen (2)(3)
Vancouver, British Columbia
Corporate Director and Financial Consultant

John M. Reid (1)(3)
Vancouver, British Columbia
President and Chief Executive Officer
BC Gas Inc.

Peter G. Restler (2)
Brooklyn, New York
Partner
CAI Managers & Company, LP

Hartley T. Richardson (3)
Winnipeg, Manitoba
President and Chief Executive Officer
James Richardson & Sons, Limited

Mark A. Shuparski (1)(3)
West Vancouver, British Columbia
Executive Vice President
Bentall Capital LP

Ann Marie Wheelock (2)
Pasadena, California
Senior Vice President
Fannie Mae

(1) Member of the Governance and Nomination Committee
(2) Member of the Human Resources and Compensation Committee
(3) Member of the Audit Committee

DIRECTORS, OFFICERS AND SENIOR MANAGEMENT

Daniel E. Friedmann
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

Peter A. Louis
Vice President and Division General Manager

Karel Vanturennout
Vice President, Strategic Business Development

Christopher Harrison
Treasurer

Terry W. Piche
Director of Commercial Services and Assistant Secretary

Gordon D. Thiessen
Vice President, Chief Accounting Officer and Secretary

Investor Information

INCORPORATION	MacDonald, Dettwiler and Associates Ltd. was incorporated February 3rd, 1969
TRANSFER AGENT	Computershare Trust Company of Canada 510 Burrard Street Vancouver, B.C. V6C 3B9 Canada Telephone (604) 661-0222 Fax (604) 661-9480
AUDITORS	KPMG LLP, Chartered Accountants
INVESTOR RELATIONS	Heather Harrison E-mail hlh@mda.ca Telephone (604) 231-2064 Fax (604) 273-9830
MEDIA RELATIONS	Ted Schellenberg E-mail teds@mda.ca Telephone (604) 231-2215 Fax (604) 273-9830
STOCK LISTING	MacDonald Dettwiler is listed on the Toronto Stock Exchange under the trading symbol MDA
FURTHER INFORMATION	www.mda.ca takes you to the MacDonald Dettwiler home page. Our web site provides you with access to all of our news releases, quarterly reports and annual reports. It provides an overview of the company and our subsidiaries.

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