MFC BANCORP LTD.

2000 ANNUAL REPORT

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CORPORATE PROFILE

MFC Bancorp Ltd. provides international merchant banking services through its Swiss subsidiary, Geneva-based MFC Merchant Bank S.A. MFC provides customized, confidential services to an international clientele of institutions, corporations, and high-net-worth individuals. The Company also engages in proprietary investing for its own account and invests for clients, acquiring interests in undervalued assets and restructuring them to realize their full value. MFC Bancorp's shares trade on the NASDAQ National Market (symbol: MXBIF) and on the Frankfurt Stock Exchange (MFC GR).

MERCHANT BANKING

FOSTERING GROWTH IN THE GLOBAL AGE

The sleek clipper ships of the mid-19th century carried goods, people, and information between the American coasts and around the globe. Centuries before, merchant sailing ships of many types and flags had been the original agents of globalization. Throwing off trade's age-old restriction to overland routes, merchant vessels from the 16th century onward drew the whole world into a single market.

Like the merchant ships, merchant banking fosters trade, growth, and a global perspective. Over the centuries, Europe's merchant banks – including famous banking families like the Medicis and Rothschilds – have contributed enormously to the development not just of trade and industry, but of European culture and society. Availability of expert merchant and investment banking services inevitably benefits the broader community, as well as the client.

Today, blending North American financial expertise with traditional European merchant banking security and confidentiality, MFC Bancorp serves as a resource for small to mid-sized firms dealing with rapid changes in the age of globalization.

FINANCIAL HIGHLIGHTS

As at December 31 (In Thousands, Except Earnings Per Share and Book Value Per Share)	*U.S. Dollars*			
	2000	*1999*	*1998*	*1997*
Revenues	$ 104,133	$ 84,490	$ 83,121	$ 62,155
Net income*	26,105	24,452	20,381	17,058
Earnings per share (fully diluted)*	1.85	1.75	1.49	1.29
Return on investment*	22.9%	23.5%	25.2%	25.8%
Book value per share	11.75	9.83	8.37	6.82
Total assets	221,346	187,145	155,576	158,765
Debt	23,611	21,421	26,195	29,110
Shareholders' equity	142,070	118,348	100,878	84,078

** from continuing operations*

TO OUR SHAREHOLDERS

Rising to Challenge, Seizing Opportunity

MFC Bancorp achieved growth in profitability for the year 2000 by working with our clients' specific needs during difficult times caused by economic factors such as slowing economies. Financial services revenue, net income, total assets, cash and equivalents, earnings growth and shareholders' equity all showed substantial increases in 2000 over the levels achieved in 1999.

MFC's banking business continues to be pan-European, focusing on the countries of central and northern Europe. Economic unification continues apace in Europe, along with a shift to more equity-based corporate finance. Our expertise in both the North American and European financial markets allows us to provide our clients with advice tailored to suit this rapidly changing environment.

Indeed, Europe's changing business environment is a prime driver of our business. Change can create unique opportunities as well as force companies to deal with challenges they have not faced before. MFC continues to specialize in serving clients in unique and unstructured circumstances, helping them to manage change and succeed in the new era.

Nowhere has change been more intensive than in Germany, where reunification has produced an unprecedented economic dislocation. German companies of all sizes are still grappling with reunification's effects on their society and economy. MFC has now opened an office in Berlin to better serve our German clients, demonstrating the Company's commitment to this critical market and the opportunities it presents.

Europe's increasing integration and the growth of its equity markets is driving an extensive and fundamental restructuring of business and finance. This process will continue for many years, presenting companies with unaccustomed risks and opportunities. Merger and acquisition opportunities and new sources of equity capital will give some companies unprecedented possibilities for growth. Others will face the challenges of liquidity crises, hostile takeover attempts, and unforgiving capital markets. MFC will continue to focus on assisting companies through their most critical periods, when difficult decisions must be made in unstructured circumstances. We pride ourselves on working with our clients to develop creative and timely solutions to unaccustomed challenges.

The same underlying fundamentals that drive our client services also create opportunities for our proprietary investing activities. In particular, the prolonged

European Merchant Banking:

QUEST FOR SECURITY

European merchant banking has its roots in medieval Venice, where an extensive credit infrastructure facilitated ship-borne trade and economic development throughout the Mediterranean. The Venetian merchant bankers began as traders, goldsmiths, dealers in precious metals and coins, then gradually increased the quantity and

sophistication of their dealing in bills and obligations. They were merchants first, bankers second, and very accustomed to dealing with high-risk ventures.

These early Venetian bankers also financed ship transport for the Crusades, an enterprise of questionable wisdom that nevertheless opened up Europe to increased trade and communication with Asia, and led to the Renaissance. Venetian loans to the crusading kings, though, were an early example of the pitfall that was to claim all too many of Europe's merchant bankers over the centuries: lending to governments. Defaults on such obligations, though all too frequent, were not the worst thing that could happen to a ruler's creditors, either: desperate royal debtors were occasionally known to arrange exiles, imprisonments, and even assassinations to cancel debts that could not be paid.

In this environment Europe's merchant bankers, in self-defense, sought the safety of loans secured by collateral such as land, third-party bonds, even jewels, bullion and heirlooms. Collateral-based lending became

the dominant model. Safety-conscious bankers also sought, where possible, to avoid risking their own capital on loans, acting instead as intermediaries between lender and borrower.

Mayer Amschel Rothschild (1744-1812), founder of the Rothschild trading and merchant banking dynasty, exemplified the European tradition. He began as a coin and antiquities dealer, then diversified his business and gradually began acting as a confidential intermediary for the fabulously wealthy Wilhelm IX, Landgrave of Hesse. Traveling around Europe, Rothschild arranged large secured loans from Wilhelm to various royal and noble families, while also tending to his own trading period of rapid economic growth in the United States appears finally to have come to an end, and a new wave of restructuring will undoubtedly sweep through this huge economy. MFC will continue to seek investment opportunities where our experience and expertise in restructuring can be leveraged to yield superior returns.

We would like to thank our clients, shareholders and employees for their support in the year just past, and hope that they will continue to help us achieve our goals in 2001.

On Behalf of the Board,

MICHAEL J. SMITH,

President

REVIEW OF OPERATIONS

MFC Bancorp Ltd. was spun off in 1996 to carry on the primary financial services and investment banking activities conducted for its former parent company, Mercer International Inc. In 1997 MFC Bancorp acquired MFC Merchant Bank S.A. (“the Bank”), a Swiss bank based in Geneva. The Company now conducts most of its operations through the Bank, providing specialized banking and corporate finance services internationally, with a focus on Europe.

To facilitate its merchant banking activities, the Company maintains a liquid asset position primarily in cash and equivalents, securities that trade on liquid markets, and client loans secured by marketable securities. The Bank places client deposits with major financial institutions on a fiduciary basis, receiving fee income instead of the traditional spreads. The Bank can thus increase assets under management as well as income without having to assume debt or dilute share value.

MFC Bancorp uses its high liquidity in providing services to clients, in acting as a financial intermediary for third parties, and for its own proprietary investing. The Company expects to generate enough cash flow from operations to meet its working capital requirements for the foreseeable future.

MFC Bancorp achieved notably improved financial results in 2000, bettering the strong performance of 1999. On most key indicators, the Company either maintained 1999’s high level of success or improved on it.

and merchant banking interests. Rothschild himself often borrowed from Wilhelm to invest on his own account, and was required to deposit collateral in the form of bonds or other security equivalent to the value of the loans.

By contrast, the development of limited liability corporations in the United States created a more flexible investment banking tradition based on securities – bonds, debentures and preferred shares, as well as equities

– rather than collateral. With an impartial third-party government to secure the integrity of financial instruments, innovative securities-based investment banking flourished.

As the 21st century opens, the European and American banking traditions appear to be coalescing. Europe increasingly embraces equities and securities in place of debt and collateral, while American banks accept growing amounts of government obligations on their balance sheets. MFC Bancorp draws on the best of both traditions, providing secure, confidential, yet innovative merchant and investment banking services to its diverse international clientele.

FINANCIAL RESULTS FOR 2000

Revenue for 2000 increased by $30.7 million, or 24.5%, up from $125.5 million in 1999 to $156.2 million. Expenses increased from $89.4 million in 1999 to $114.4 million last year, an increase of $24.9 million. Cash and equivalents increased from $49.6 million at the end of 1999 to $68.5 million a year later, an increase of $18.9 million, or 38%.

The Company's total assets increased 23% in 2000, from $270.1 million in 1999 to $332.1 million, an increase $62.0 million. Shareholders' equity increased $42.3 million, from $170.8 million to $213.1 million, an increase of nearly 25%. MFC's growth in assets, net assets, cash and shareholders' equity are considered indicative of the Company's level of performance for the year.

Net income was $39.2 million in 2000, an increase of $7.8 million or 25% from 1999's $31.4 million. Net income per share increased from $2.59 per share basic ($2.28 per share fully diluted) in 1999 to $3.24 per share basic ($2.78 fully diluted) in 2000, an increase of 25% basic or 22% fully diluted. MFC Bancorp maintained a 22.9% return on equity for the year 2000.

2000 FINANCIAL REVIEW

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULT OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations for the three years ended December 31, 2000 should be read in conjunction with our consolidated financial statements and related notes included in this annual report. Our financial statements included herein were prepared in accordance with Canadian GAAP. For a reconciliation of our financial statements included herein to U.S. GAAP, see Note 16 to the financial statements. We have made certain reclassifications to the prior periods' financial statements to conform to the current period's presentation.

Operating Results

We are a financial services company that focuses on merchant banking. We provide specialized banking and corporate finance services internationally. These activities are primarily conducted through our wholly-owned subsidiary, MFC Bank. We also commit our own capital to promising enterprises and invest and otherwise trade to capture investment opportunities for our own account. We seek to invest in businesses or assets whose intrinsic value is not properly reflected in their share price or value. Our investing is generally not passive. We seek investments where our financial and management expertise can add or unlock value.

Our results of operations may be materially affected by market fluctuations and economic factors. In addition, our results of operations have been and may continue to be affected by many factors of a global nature, including economic and market conditions, the availability of capital, the level and volatility of equity prices and interest rates, currency values and other market indices, technological changes, the availability of credit, inflation and legislative and regulatory developments. Our results of operations may also be materially affected by competitive factors. Competition includes firms traditionally engaged in financial services such as banks, broker-dealers and investment dealers, along with other sources such as insurance companies, mutual fund groups, on-line service providers and other companies offering financial services in Europe and globally.

In recent years, the financial services industry has experienced consolidation and convergence as financial institutions involved in a broad spectrum of services have merged or combined. The trend to consolidate is expected to continue and produce global financial institutions with much greater capital and other resources than MFC. As a result of the economic and competitive factors discussed above, our results may vary significantly from period to period. We intend to manage our business for the long term and to mitigate the effect of such factors by focusing on our core operations of meeting the financial needs of small to mid-sized companies and other business enterprises internationally.

Year Ended December 31, 2000 Compared to the Year Ended December 31, 1999

The following table provides selected quarterly financial information for MFC for each quarter of 2000:

	2000			
(In Thousands, Other Than Per Share Amounts)	*December 31*	*September 30*	*June 30*	*March 31*
Revenues	$ 57,736	$ 28,614	$ 42,209	$ 27,661
Expenses	43,061	16,509	33,316	21,468
Net income	12,766	12,085	8,147	6,165
Fully diluted earnings per share	0.89	0.85	0.59	0.46
Total assets	332,063	304,846	285,613	291,393
Shareholders' equity	213,134	195,801	186,171	174,910

In 2000, our revenues increased to $156.2 million from $125.5 million in 1999, primarily as a result of investment activities. Our portfolio remains principally invested in investment grade securities. In 1999, we transferred our private banking services largely as a result of economies of scale.

In 1999, we began electronic banking and equities trading for our clients through our NetBanking website. In March 2000, we discontinued operation of the website due to changing economic fundamentals in Europe. As a result, we took a one-time loss from such discontinued operations of $4.9 million, or $0.32 per share on a fully diluted basis, for the year ended December 31, 1999.

Expenses from continuing operations increased to $114.4 million in 2000 from $89.4 million in 1999, primarily as a result of higher investment expenses. In 2000, investment expenses increased to $88.9 million from $65.3 million in 1999. General and administrative expenses increased to $21.2 million in 2000 from $19.3

million in 1999. Interest expense decreased to $4.2 million in 2000 from $4.9 million in 1999, primarily as a result of lower outstanding indebtedness during 2000 compared to 1999.

In 2000, net earnings were $39.2 million, or $3.24 per share on a basic basis ($2.78 per share on a fully diluted basis). In 1999, net earnings were $31.4 million, or $2.59 per share on a basic basis ($2.28 per share on a fully diluted basis). Income from continuing operations in 1999 was $36.3 million, or $3.00 per share on a basic basis ($2.60 per share on a fully diluted basis).

Year Ended December 31, 1999 Compared to the Year Ended December 31, 1998

In 1999, our revenues increased to $125.5 million from $123.3 million in 1998, primarily as a result of investment activities. Our investment portfolio remains principally invested in investment grade securities. In 1999, we transferred our private banking services largely as a result of economies of scale.

In 1999, we began electronic banking and equities trading for our clients through our NetBanking website. In March 2000, we discontinued operation of the website due to changing economic fundamentals in Europe. As a result, we took a one-time loss from such discontinued operations of $4.9 million, or $0.32 per share on a fully diluted basis, for the year ended December 31, 1999.

Expenses from continuing operations decreased to $89.4 million in 1999 from $92.8 million in 1998, primarily as a result of lower investment expenses. General and administrative expenses decreased marginally to $19.3 million in 1999 from $19.4 million in 1998. Interest expense increased marginally to $4.9 million in 1999 from $4.8 million in 1998.

In 1999, net earnings were $31.4 million, or $2.59 per share on a basic basis ($2.28 per share on a fully diluted basis). Income from continuing operations in 1999 was $36.3 million, or $3.00 per share on a basic basis ($2.60 per share on a fully diluted basis). In 1998, net earnings were $30.2 million, or $2.48 per share on a basic basis ($2.20 per share on a fully diluted basis). Net earnings in 1998 included $8.1 million on the purchase of debt securities.

Liquidity and Capital Resources

The following table is a summary of selected financial information concerning MFC for the periods indicated:

(In Thousands)	*U.S. Dollars*		*Canadian Dollars*	
December 31,	*2000*	*1999*	*2000*	*1999*
Cash and cash equivalents	$ 45,677	$ 34,343	$ 68,524	$ 49,567
Securities	53,582	46,981	80,384	67,808
Total assets	221,346	187,145	332,063	270,107
Debt	23,611	21,421	35,421	30,917
Shareholders' equity	142,070	118,348	213,134	170,811

We maintain a high level of liquidity, with a substantial amount of our assets held in cash and cash equivalents, marketable securities and customer loans collateralized by marketable securities. The highly liquid nature of these assets provides us with flexibility in managing our business and financing. We also use this liquidity in client related services where we act as a financial intermediary for third parties and in our own proprietary investing activities.

At December 31, 2000, our cash and cash equivalents were $68.5 million, compared to $49.6 million at December 31, 1999. At December 31, 2000, we had securities of $80.4 million, compared to $67.8 million at December 31, 1999.

At December 31, 2000, our debt was $35.4 million, compared to $30.9 million at December 31, 1999. At December 31, 2000, all of our borrowings were denominated in U.S. dollars, with maturities of $7.8 million in 2002, $6.4 million in 2003 and $21.1 million thereafter. See Note 7 of our consolidated financial statements included elsewhere in this annual report.

Operating Activities

Operating activities provided cash of $30.8 million in 2000, compared to $29.9 million in 1999. In 2000, a decrease in amounts due from investment dealers provided cash of $3.7 million, compared to an increase in amounts due from investment dealers using cash of $11.1 million in 1999. An increase in receivables used cash of $3.5 million in 2000, compared to a decrease in receivables providing cash of $1.7 million in 1999. An increase in accounts payable and accrued expenses provided cash of $2.1 million in 2000, compared to a decrease in accounts payable and accrued expenses using cash of $1.0 million in 1999. We expect to generate sufficient cash flow from operations to meet our working capital requirements.

Investing Activities

Investing activities used cash of $31.2 million in 2000, compared to $35.7 million in 1999. In 2000, a net increase in loans used cash of $31.7 million, compared to $34.7 million in 1999.

Financing Activities

Net cash provided by financing activities was $16.9 million in 2000, compared to $26.8 million in 1999. Net borrowings provided cash of $4.0 million in 2000, compared to net debt repayments using cash of $7.2 million in 1999. In 2000, a net increase in deposits provided cash of $13.3 million, compared to $34.3 million in 1999. The net repurchase of common shares in 2000 used cash of $0.4 million, compared to $0.2 million in 1999. We did not pay dividends on our common shares in 2000 or 1999.

Foreign Currency

Substantially all of our operations are conducted in international markets and our consolidated financial results are subject to foreign currency exchange rate fluctuations, in particular, those in Switzerland.

We translate foreign assets and liabilities into Canadian dollars at the rate of exchange on the balance sheet date. Revenues and expenses are translated at the average rate of exchange prevailing during the period. Unrealized gains or losses from these translations are recorded as shareholders' equity on the balance sheet and do not affect our net earnings.

As a substantial amount of our revenues are received in Swiss francs, our financial position for any given period, when reported in Canadian dollars, can be significantly affected by the exchange rate for Swiss francs prevailing during that period. In the year ended December 31, 2000, we reported approximately a net $3.5

million foreign exchange translation gain and, as a result, our cumulative foreign exchange translation loss at December 31, 2000 was $0.8 million, compared to $4.3 million at December 31, 1999.

Since both our principal sources of revenues and expenses are in Swiss francs, we use derivatives to manage our foreign exchange exposure.

Based upon the period average exchange rates in 2000, the Canadian dollar increased by approximately 3.0% in value against the Swiss franc and decreased by approximately 2.8% in value against the U.S. dollar since December 31, 1999. As at December 31, 2000, the Canadian dollar decreased by approximately 2.1% in value against the Swiss franc and approximately 3.7% in value against the U.S. dollar since December 31, 1999.

Derivative Instruments

Derivatives are financial instruments, the payments of which are linked to the prices, or relationships between prices, of securities or commodities, interest rates, currency exchange rates or other financial measures. Derivatives are designed to enable parties to manage their exposure to interest rates and currency exchange rates, and security and other price risks. We use derivatives to provide products and services to clients and to manage our foreign exchange exposure for our own account.

Inflation

We do not believe that inflation has had a material impact on revenues or income over the past three fiscal years. Because our assets to a large extent are liquid in nature, they are not significantly affected by inflation. However, increases in inflation could result in increases in our expenses, which may not be readily recoverable in the price of services provided to our clients. To the extent inflation results in rising interest rates and has other adverse effects on capital markets, it could adversely affect our financial position and profitability.

INDEPENDENT AUDITORS' REPORT

To the Shareholders

MFC Bancorp Ltd.

We have audited the consolidated balance sheets of MFC Bancorp Ltd. and Subsidiaries as at December 31, 2000 and 1999, and the consolidated statements of income, changes in shareholders' equity and cash flows for the years ended December 31, 2000, 1999 and 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States and Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999, and the results of its operations and its cash flows for the years ended December 31, 2000, 1999 and 1998, in accordance with generally accepted accounting principles in Canada, which differ from United States generally accepted accounting principles as described in Note 16 to the consolidated financial statements.

PETERSON SULLIVAN P.L.L.C.

March 23, 2001

Seattle, Washington

(In Thousands) December 31,	U.S. Dollars (Information Only) 2000	Canadian Dollars 2000	Canadian Dollars 1999
ASSETS			
Cash and cash equivalents	$ 45,677	$ 68,524	$ 49,567
Securities	53,582	80,384	67,808
Loans	79,398	119,113	81,728
Receivables	13,546	20,321	23,589
Due from investment dealers	9,005	13,510	17,007
Property held for development and sale	6,161	9,243	7,840
Excess cost of net assets acquired	11,353	17,032	17,851
Prepaid and other	2,624	3,936	4,717
	$ 221,346	$ 332,063	$ 270,107

(In Thousands) December 31,	U.S. Dollars (Information Only) 2000	Canadian Dollars 2000	1999
LIABILITIES			
Deposits	$ 42,376	$ 63,572	$ 47,563
Accounts payable and accrued expenses	10,769	16,155	17,854
Debt	23,611	35,421	30,917
Total liabilities	76,756	115,148	96,334
Minority interests	2,520	3,781	2,962
SHAREHOLDERS' EQUITY			
Common stock, without par value; authorized unlimited number; 12,088,156 and 12,041,156 issued and outstanding at December 31, 2000 and 1999, respectively	43,420	65,138	65,498
Cumulative translation adjustment	(515)	(771)	(4,291)
Retained earnings	99,165	148,767	109,604
	142,070	213,134	170,811
	$221,346	$332,063	$270,107

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

CONSOLIDATED STATEMENTS OF INCOME

(In Thousands, Except Earnings Per Share)	U.S. Dollars (Information only)	Canadian dollars		
Years Ended December 31,	2000	2000	1999	1998
FINANCIAL SERVICES REVENUE	$ 104,133	$ 156,220	$ 125,526	$ 123,310
EXPENSES				
Financial services	59,287	88,942	65,262	68,650
General and administrative	14,127	21,194	19,305	19,361
Interest expense	2,812	4,218	4,867	4,771
	76,226	114,354	89,434	92,782
Income from continuing operations before income taxes	27,907	41,866	36,092	30,528
Recovery of (provision for) income taxes	(1,126)	(1,689)	1,016	(622)
	26,781	40,177	37,108	29,906
Minority interests	(676)	(1,014)	(780)	329
Income from continuing operations	26,105	39,163	36,328	30,235
Discontinued operations				
Loss from operations of discontinued internet banking	—	—	(4,234)	—
Loss from disposal of internet banking operations	—	—	(705)	—
Loss from discontinued operations	—	—	(4,939)	—
Net income	$ 26,105	$ 39,163	$ 31,389	$ 30,235
EARNINGS PER SHARE				
Basic				
Income from continuing operations	$ 2.16	$ 3.24	$ 3.00	$ 2.48
Loss from discontinued operations	—	—	(.41)	—
Net income	$ 2.16	$ 3.24	$ 2.59	$ 2.48
Fully diluted				
Income from continuing operations	$ 1.85	$ 2.78	$ 2.60	$ 2.20
Loss from discontinued operations	—	—	(.32)	—
Net income	$ 1.85	$ 2.78	$ 2.28	$ 2.20

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Canadian Dollars, in Thousands) *Years Ended December 31, 2000, 1999 and 1998*	*Common Stock* *Number of Shares*	*Common Stock* *Amount*	*Retained Earnings*	*Cumulative Translation Adjustment*	*Total*
BALANCE AT DECEMBER 31, 1997	12,323,250	$ 70,368	$ 48,349	$ 1,439	$ 120,156
Net income	—	—	30,235	—	30,235
Shares issued for conversion of bonds	1,946	40	—	—	40
Shares issued for exercise of stock options	218,500	2,275	—	—	2,275
Shares issued for cash	12,927	129	—	—	129
Repurchase of shares	(500,000)	(7,106)	—	—	(7,106)
Dividends paid on common shares	—	—	(369)	—	(369)
Translation adjustment	—	—	—	9,036	9,036
BALANCE AT DECEMBER 31, 1998	12,056,623	65,706	78,215	10,475	154,396
Net income	—	—	31,389	—	31,389
Shares issued for exercise of stock options	8,000	70	—	—	70
Shares issued for cash	2,533	26	—	—	26
Repurchase of shares	(26,000)	(304)	—	—	(304)
Translation adjustment	—	—	—	(14,766)	(14,766)
BALANCE AT DECEMBER 31, 1999	12,041,156	65,498	109,604	(4,291)	170,811
Net income	—	—	39,163	—	39,163
Shares issued for exercise of stock options	47,000	436	—	—	436
Shares issued for cash	500,000	5,230	—	—	5,230
Repurchase of shares	(500,000)	(6,026)	—	—	(6,026)
Translation adjustment	—	—	—	3,520	3,520
BALANCE AT DECEMBER 31, 2000	12,088,156	$ 65,138	$ 148,767	$ (771)	$ 213,134

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

(Canadian Dollars, in Thousands) Years Ended December 31,	2000	1999	1998
CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES			
Income from continuing operations	$ 39,163	$ 36,328	$ 30,235
Adjustments for:			
Amortization	2,041	2,361	1,906
Recovery of credit losses	—	(553)	(1,527)
Fee income received in common shares of an affiliate	—	(3,169)	—
Gain on debt	—	—	(8,113)
Change in operating assets and liabilities			
Due from investment dealers	3,668	(11,052)	(7,805)
Securities	(12,209)	6,730	2,096
Receivables	(3,481)	1,668	(4,275)
Properties held for development and sale	(1,232)	28	1,124
Accounts payable and accrued expenses	2,064	(951)	(14,052)
Other	739	(1,449)	(541)
CASH FLOWS FROM CONTINUING OPERATING ACTIVITIES	30,753	29,941	(952)
CASH FLOWS FROM INVESTING ACTIVITIES OF CONTINUING OPERATIONS			
Net increase in loans	(31,661)	(34,659)	(169)
Purchases of subsidiaries, net of cash acquired	—	(738)	(742)
Other	430	(331)	(702)
CASH FLOWS FROM INVESTING ACTIVITIES OF CONTINUING OPERATIONS	(31,231)	(35,728)	(1,613)
CASH FLOWS FROM FINANCING ACTIVITIES OF CONTINUING OPERATIONS			
Net increase (decrease) in deposits	13,282	34,332	(10,123)
Debt repayments	(4,089)	(8,199)	(5,064)
Borrowings	8,135	969	15,415
Repurchase of common shares, net	(360)	(208)	(4,703)
Dividends paid	—	—	(369)
Other	(111)	(66)	(41)
CASH FLOWS FROM FINANCING ACTIVITIES OF CONTINUING OPERATIONS	16,857	26,828	(4,885)
EXCHANGE RATE EFFECT ON CASH AND CASH EQUIVALENTS	2,578	(7,064)	4,099
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS	18,957	13,977	(3,351)
NET CASH USED IN DISCONTINUED OPERATIONS	—	(3,281)	—
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,957	10,696	(3,351)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	49,567	38,871	42,222
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 68,524	$ 49,567	$ 38,871

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements and accompanying notes have been prepared in conformity with generally accepted accounting principles applicable in Canada. The notes are stated in Canadian dollars, as rounded to the nearest thousand (except per share amounts).

NATURE OF OPERATIONS

The Company is in the financial services industry which includes banking, merchant banking and proprietary investing on an international basis. These activities are managed as a unit and are treated as a single segment.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions of continuing operations have been eliminated.

The excess cost of net assets acquired over fair value is amortized on the straight-line method over the estimated benefit period of 15 to 40 years unless a writedown is required to reflect an other than temporary decline in value. However, no writedowns of excess cost have been deemed necessary on any of the Company's acquisitions based on management's review of the related businesses, taking into account associated risks.

DISCONTINUED OPERATION

During the first quarter of 2000, the Company decided to discontinue its internet banking operations. This activity allowed customers to use the internet to initiate transactions at the Company's Swiss banking subsidiary. Since this operation began during 1999, restatement of the prior year's operations was not necessary.

The discontinued internet banking activity had expenses of $4,251 and net losses from operations of $4,234 in 1999, its only period of operation. All of the net assets of the internet banking activity amounting to $705 were written off as of December 31, 1999. There was no income tax effect.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments with original maturities of three months or less and are generally interest bearing. The Company regularly maintains cash balances in other financial institutions in excess of insured limits. Interest paid on a cash basis was $4,990, $5,449 and $3,433 for the years ended December 31, 2000, 1999 and 1998, respectively. Income tax amounts paid were $81, $27 and $377 during 2000, 1999 and 1998, respectively.

SECURITIES

Trading account securities, held by the Company's banking subsidiary, are stated at current market value with the unrealized gain or loss included in the results of operations. Short-term securities held by non-bank subsidiaries are carried at the lower of aggregate cost or current market value.

NOTE 1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Long-term investment securities held by non-bank subsidiaries are purchased with the original intention to hold the securities to maturity or until market conditions render alternative investments more attractive. Equity securities are stated at cost and debt securities at amortized cost unless there has been an other than temporary decline in value, at which time the security is written down and the unrealized loss is included in the results of operations.

Realized gains or losses on sales of securities are determined based on the specific cost basis.

LOANS

Loans are stated net of allowances for credit losses, accrued interest, reimbursable expenses and unamortized loan fees.

Loans are classified as impaired when there is no longer reasonable assurance of the timely collection of principal and interest. Whenever a contractual payment is 90 days past due, loans are automatically classified as impaired unless they are fully secured and in the process of collection. When a loan is deemed impaired, its carrying amount is reduced to its estimated realizable amount, measured by discounting the expected future cash flows at the effective interest rate in the loan or, as a practical expedient, based on a loan's observable market price or the fair value of collateral if the loan is collateral dependent. In subsequent periods, any increase in the carrying value of the loan is credited to the provision for credit losses. Impaired loans are returned to performing status when there is no longer reasonable doubt regarding timely collection of principal and interest, all amounts in arrears including interest have been collected, and all charges for loan impairment have been reversed. Where a portion of a loan is written off and the remaining balance is restructured, the new loan is carried on the accrual basis when there is no longer any reasonable doubt regarding collectibility of principal and interest, and payments are not 90 days past due. Collateral is obtained for loans (and other receivables) if, based on an evaluation of credit-worthiness, it is considered necessary for the overall borrowing facility.

Assets acquired in satisfaction of loans are recorded at the lesser of their fair value at the date of transfer or the carrying value of the loan. Any excess of the carrying value of the loan over the fair value of the assets acquired is written off. Operating results and gains and losses on disposal of such assets are treated as write-offs and recoveries.

Interest income from loans is recognized when earned using the interest method unless the loan is classified as impaired at which time recognition of interest income ceases. Interest on impaired loans is credited to the carrying value of the loan when received. Fees relating to lending activities, net of related expenses, are deferred and recognized over the term of the loan using the interest method.

ALLOWANCE FOR CREDIT LOSSES

The Company's allowance for credit losses is to be maintained at an amount considered adequate to absorb estimated credit-related losses. Such allowance reflects management's best estimate of the losses in the Company's credit portfolio and judgments about economic conditions. Estimates and judgments could change in the near-term, and could result in a significant change to a recognized allowance. Credit losses arise primarily from loans but may also relate to other credit instruments such as guarantees and letters of credit. An allowance for credit losses may be increased by provisions which are charged to income and reduced by write-offs net of any recoveries.

Specific provisions are established on a loan-by-loan basis. A general provision may be established to absorb potential credit losses attributable to the deterioration of credit quality on aggregate exposures for which specific provisions cannot yet be determined. A country risk provision may be made based on exposures in less developed countries and on management's overall assessment of the underlying economic conditions in those countries. Write-offs are generally recorded after all reasonable restructuring or collection activities have taken place and there is no realistic prospect of recovery.

No loans were considered impaired at December 31, 2000 and 1999, and the Company did not consider it necessary to reserve for any specific loans, country risks or general risks.

DERIVATIVES

During 2000 and 1999, the Company's banking subsidiary located in Switzerland used forward foreign exchange contracts to hedge contractual U.S. and Canadian revenues or expenses. Realized gains or losses are deferred and amortized to income over the life of the hedged assets or liabilities. The banking subsidiary held three contracts at December 31, 2000, in a notational amount of $21,114 and three contracts at December 31, 1999, in a notational amount of $8,721. Fair value approximated replacement value at December 31, 2000 and 1999. None of the forward foreign exchange contracts are held for trading purposes and are less than one month in duration.

PROPERTY HELD FOR DEVELOPMENT AND SALE

Property held for development and sale consists of real estate which is stated at cost unless the estimated future undiscounted cash flows expected to result from disposition is less than carrying value in which case a loss is recognized based on the fair value of similar property in the same geographic region. No such losses have been recorded in these consolidated financial statements.

Cost of the property consists of all costs directly related to the acquisition, construction and development of the property. Such costs include land, roads, utilities, real estate taxes and interest related to the purchase and improvement of land until it reaches a salable condition.

FOREIGN CURRENCY TRANSLATION

The Company translates foreign assets and liabilities of its self-sustaining foreign subsidiaries at the rate of exchange at the balance sheet date. Revenues and expenses have been translated at the average rate of exchange throughout the year. Unrealized gains or losses from these conversions are included in the equity section of the balance sheet. Realized gains or losses have been included in general and administrative expenses in the statements of income. The translation adjustments did not recognize the effect of income tax because the Company expects to reinvest the amounts indefinitely.

NOTE 1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

TAXES ON INCOME

Beginning January 1, 2000, the Company adopted the liability method of accounting for income taxes as required by Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses to be carried forward to future years for tax purposes that are likely to be realized using expected tax rates in which the temporary differences are expected to be recovered or settled. Prior to January 1, 2000, the Company used the deferral method to account for income taxes. The Company retroactively adopted the liability method but has not restated prior period financial statements as allowed under the standard. However, there was no effect on the 2000 financial statements due to the retroactive adoption of the new accounting policy.

STOCK BASED COMPENSATION

The Company follows the intrinsic value based method of accounting for compensation resulting from the granting of stock options. No compensation expense has been recognized for the granting of options because the exercise price of the options approximates the market price for the common shares at the grant date.

EARNINGS PER COMMON SHARE

Basic earnings per common share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding in the period. Fully diluted earnings per common share takes into consideration common shares outstanding (computed under basic earnings per share) and potentially dilutive common shares.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NEW ACCOUNTING STANDARD

During 2000, the Canadian Institute of Chartered Accountants adopted accounting recommendation Section 3500, “Earnings Per Share.” Section 3500 specifies the method of calculation and the presentation and disclosure requirements for earnings per share. This standard is effective for years beginning on or after January 1, 2001. All prior period earnings per share information presented are to be restated to conform with this standard.

NOTE 2. SECURITIES

	Unrealized Gains and Losses on Non-bank Securities							
	2000				1999			
	Carrying Value	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Estimated Market Value*	*Carrying Value*	*Gross Unrealized Gains*	*Gross Unrealized Losses*	*Estimated Market Value*
SHORT-TERM SECURITIES								
Debt	$10,701	$ —	$ 321	$10,380	$11,591	$ —	$ 174	$11,417
Preferred shares	1,500	—	55	1,445	7,232	—	153	7,079
Common shares	20,099	10,183	—	30,282	7,167	3,905	—	11,072
	32,300	10,183	376	42,107	25,990	3,905	327	29,568
LONG-TERM SECURITIES								
Debt	—	—	—	—	3,317	295	—	3,612
Preferred shares	1,671	—	—	1,671	1,671	—	—	1,671
Common shares	5,588	—	294	5,294	8,176	—	2,981	5,195
	7,259	—	294	6,965	13,164	295	2,981	10,478
Total non-bank securities	$39,559	$10,183	$ 670	$49,072	$39,154	$ 4,200	$ 3,308	$40,046

Bank trading securities at December 31, 2000, consisted of debt securities amounting to $30,275 and equity securities of $10,550. The debt securities are due $17,032 in 2001, $1,767 in 2002, $1,871 in 2003, $4,745 in 2004 and $4,860 in 2006. At December 31, 1999, debt trading securities at the bank amounted to $15,057 which were due principally in one year and equity securities of $13,597. The change in carrying value of bank trading securities amounting to $(4,311), $912 and $2,023 for the years ended December 31, 2000, 1999 and 1998, respectively, was included in the results of operations. At December 31, 2000 and 1999, bank trading account securities included common shares of an affiliate which were stated at an estimated value of $768 and $736, respectively. Common shares of this affiliate which cost $2,540 were sold for $7,487 (inclusive of $6,782 from other affiliates) during 1999. At December 31, 2000, non-bank securities included preferred shares in an affiliate stated at cost of $1,671 and at December 31, 1999, in two affiliates stated at cost of $7,403, because no market exists for the shares. Also, at December 31, 2000, non-bank securities included common shares in an affiliate with a cost of $1,892.

NOTE 3. LOANS

	2000	1999
Bank loans, collateralized with traded securities	$ 54,858	$ 44,333
Non-bank loans, collateralized by traded securities, receivables, inventories and other tangible assets (due from two companies $32,950 and $23,493 at December 31, 2000 and 1999, respectively)	64,255	37,395
	$ 119,113	$ 81,728

Loan maturities:

	Within 1 Year	1 – 5 Years	2000 Total
Bank loans	$ 54,259	$ 599	$ 54,858
Non-bank loans	61,628	2,627	64,255
	$ 115,887	$ 3,226	$ 119,113

The non-bank loans generally earn interest ranging from 6% to 12.5% as of December 31, 2000. Bank loans generally earn interest ranging from 3.375% to 11.5% as of December 31, 2000.

NOTE 4. RECEIVABLES

	2000	1999
Short-term advances	$ 1,413	$ 8,362
Investment income	8,859	3,741
Affiliates	800	1,744
Taxes	—	5,614
Pension plan recovery	1,575	1,575
Fees	1,135	—
Contract receivable	5,222	677
Other	1,317	1,876
	$ 20,321	$ 23,589

NOTE 5. DEPOSITS

	2000	1999
Clients	$ 62,783	$ 47,013
Banks	789	550
	$ 63,572	$ 47,563

All deposits at December 31, 2000, were payable on demand and non-interest bearing.

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2000	1999
Accounts payable	$ 7,025	$ 9,470
Affiliates	5,448	—
Interest	1,015	1,286
Property and other taxes	1,664	2,226
Due securities brokers	296	4,816
Other	707	56
	$ 16,155	$ 17,854

NOTE 7. DEBT

	2000	1999
Bonds payable, U.S. $14,085 and U.S. $14,165 as at December 31, 2000 and 1999, respectively, interest at 8% due semi-annually in October and April, principal due April 2008, unsecured. Convertible into common stock of the Company at $19.83 (1,047,542 common shares reserved at December 31, 2000)	$ 21,131	$ 20,445
Non-recourse notes payable, interest at 8% payable annually, principal due May 2003, unsecured	6,445	7,026
Note payable, interest at 8.25%, interest payable quarterly, principal due January 2002, unsecured	7,845	—
Non-recourse notes payable, interest at 15% due monthly, principal due June 2000, secured by property held for sale	—	3,446
	$ 35,421	$ 30,917

As of December 31, 2000, the principal maturities of debt are as follows:

Maturity	Amount
2002	$ 7,845
2003	6,445
Thereafter	21,131
	$ 35,421

The note payable of $7,845 at December 31, 2000, is to an affiliate where the Company's president is also the president and director of the creditor. The Company also earned a fee of $1,111 from this affiliate.

NOTE 8. INCOME TAXES

Income before income taxes, minority interests and discontinued operations consists of:

	2000	1999	1998
Canadian	$ 5,739	$ 7,294	$ 2,495
Foreign	36,127	28,798	28,033
	$ 41,866	$ 36,092	$ 30,528

The recovery of (provision for) income taxes consists of the following:

	2000	1999	1998
CURRENT			
Canadian	$ 40	$ 293	$ 7
Foreign	(401)	(314)	(364)
DEFERRED			
Canadian	4	204	(265)
Foreign	(1,332)	833	—
	$ (1,689)	$ 1,016	$ (622)

A reconciliation of the provision for income taxes calculated at applicable statutory rates in Canada to the provision in the consolidated statements of income is as follows:

	2000	1999	1998
Income before income taxes and minority interests and discontinued operations	$ 41,866	$ 36,092	$ 30,528
Computed provision for income taxes at statutory rates	$ (18,756)	$ (16,169)	$ (13,688)
(Increase) decrease in taxes resulting from:			
Nontaxable dividend income	2,421	2,421	2,421
Foreign source income	16,193	12,901	12,570
Other, net	(1,547)	1,863	(1,925)
Recovery of (provision for) income taxes	$ (1,689)	$ 1,016	$ (622)

The tax effect of temporary differences that give rise to significant components of future tax assets at December 31, 2000, are as follows:

Non-capital tax loss carryforwards:	
Canada	$ 2,803
Switzerland	4,361
United States	5,246
	12,410
Valuation allowance	(12,410)
	$ —

Management believes that, due to the nature of its operations, the Company's available tax loss carryforwards may not be utilized prior to their expiration dates. Therefore, the resulting tax benefit has been fully reserved at December 31, 2000.

At December 31, 2000, the Company had estimated accumulated noncapital losses which expire as follows:

Year	*Canada*	*U.S.*	*Switzerland*
2001	$ 4	$ —	$ —
2002	3,098	—	—
2003	2,353	—	3,240
2004	802	—	11,295
2005	—	—	—
2006	—	—	—
2010-2019	—	15,428	—
	$ 6,257	$ 15,428	$ 14,535

NOTE 9. EARNINGS PER COMMON SHARE

Earnings per share data for years ended December 31 from continuing operations is summarized as follows:

	2000	*1999*	*1998*
Income from continuing operations	$ 39,163	$ 36,328	$ 30,235
Less dividend paid on preferred shares held by subsidiary's minority shareholders	(79)	(117)	(119)
Basic earnings from continuing operations	39,084	36,211	30,116
Effect of dilutive securities:			
Interest on convertible bonds	1,599	1,708	1,405
Interest on options	1,654	1,742	1,351
Diluted earnings from continuing operations	$ 42,337	$ 39,661	$ 32,872

	Shares		
	2000	*1999*	*1998*
Basic earnings per share, weighted number of shares outstanding	12,054,898	12,058,370	12,169,470
Effect of dilutive securities:			
Convertible bonds	1,047,542	1,055,333	1,147,970
Options	2,121,192	2,131,589	1,595,829
	15,223,632	15,245,292	14,913,269

NOTE 10. STOCK BASED COMPENSATION

1996 STOCK OPTION PLAN

During 1996, the Company issued options to employees and directors to acquire 900,000 common shares of stock at $9.41 which vested upon grant and have a five-year term. The weighted fair value of these options was $1.92. There were 900,000 options outstanding at December 31, 2000, 1999 and 1998, under this plan. No additional options to acquire shares will be offered under this plan.

1997 AMENDED STOCK OPTION PLAN

The Company has a 1997 stock option plan which enables certain employees and directors to acquire common shares. Under the plan, options vest on grant and have a five-year term. The Company is authorized to issue up to 1,737,500 shares under this plan.

During 2000, options to acquire 30,000 shares at $13.31 and 100,000 shares at $10.50 were granted to officers and employees of the Company. At December 31, 2000, 130,000 of these shares were outstanding and have a remaining contractual life of 4.25 years. The weighted fair value of these options was $3.34.

During 1998, options to acquire 750,000 shares at $9.26 were granted to officers and employees of the Company. At December 31, 2000, 620,000 of these options were outstanding and have a remaining contractual life of 2.75 years. The weighted fair value of these options was $2.11.

During 1997, options to acquire 742,500 shares at $11.10 were granted to officers and employees of the Company. At December 31, 2000, 464,000 of these options were outstanding and have a remaining contractual life of 1.5 years. The weighted fair value of these options was $2.59.

Following is a summary of the status of the plan:

	Number of Shares	*Weighted Average Exercise Price*
Outstanding at January 1, 1998	732,500	$ 10.36
Granted	750,000	9.26
Exercised	(218,500)	10.41
Outstanding at December 31, 1998	1,264,000	9.96
Forfeited	(125,000)	(9.87)
Exercised	(8,000)	(8.70)
Outstanding at December 31, 1999	1,131,000	9.98
Granted	130,000	11.15
Exercised	(47,000)	(9.38)
Outstanding at December 31, 2000	1,214,000	$ 10.12

PROFORMA INFORMATION

Had compensation expense been recognized on the basis of fair value of the options granted under both plans, proforma net income and per share data would have been as follows compared to the amounts reported:

	2000	1999	1998
Net income			
As reported	$ 39,163	$ 31,389	$ 30,235
Proforma	$ 38,946	$ 30,605	$ 28,483
Earnings per share – as reported			
Basic	$ 3.24	$ 2.59	$ 2.48
Fully diluted	$ 2.78	$ 2.28	$ 2.20
Earnings per share – proforma			
Basic	$ 3.22	$ 2.54	$ 2.33
Fully diluted	$ 2.77	$ 2.23	$ 2.09

The fair value of each option granted was estimated for proforma purposes on the grant date using the Black-Scholes Model. The assumptions used in calculating fair value are as follows:

	2000	1999	1998
Risk-free interest rate	7.0%	6.0%	6.0%
Expected life of the options	2 years	2 years	2 years
Expected volatility	42.65%	57.91%	57.91%
Expected dividend yield	0.0%	0.0%	0.0%

NOTE 11. COMMITMENTS AND CONTINGENCIES

LEASES

Future minimum commitments under long-term non-cancelable leases are as follows for the next five years:

Year	Amount
2001	$ 94
2002	77
2003	77
2004	30
2005	2
	$ 280

Rent expense was $548, $586 and $1,373 for the years ended December 31, 2000, 1999 and 1998, respectively.

NOTE 11. COMMITMENTS AND CONTINGENCIES *(Continued)*

GUARANTEES AND LETTERS OF CREDIT

The Bank issues guarantees and letters of credit to meet credit requirements of its customers. The amounts, which are collateralized, are not included in the consolidated financial statements. Guarantees amounted to $9,561 and $3,612 at December 31, 2000 and 1999, respectively.

LITIGATION

The Company and its subsidiaries are subject to litigation in the normal course of business. Management considers the aggregate liability which may result from such litigation not material at December 31, 2000.

REGULATIONS

The Company's wholly-owned banking subsidiary's offices are located in Geneva and Zurich, Switzerland and has no subsidiaries. The banking subsidiary is subject to the rules and regulations of the Swiss Federal Banking Commission. These regulations require legal reserves of equity capital amounting to $5,647 to be maintained as of December 31, 2000.

NOTE 12. INTEREST RATE SENSITIVITY POSITION

Management has analyzed the bank subsidiary's interest rate sensitivity position at December 31, 2000. Because of the current nature (over 90% of assets and liabilities and off-balance sheet positions are due within three months) of the bank subsidiary's position, the total interest rate gap is not significant at December 31, 2000, assuming no interest rate hedging is undertaken over the next twelve months.

NOTE 13. SEGMENTED INFORMATION

The following table presents revenues attributed to Canada, the Company's country of domicile, and other geographic areas based upon the customer's location:

	2000	1999	1998
Canada	$ 10,459	$ 17,851	$ 31,392
Western Europe	136,671	88,075	88,237
United States	9,090	19,600	3,681
	$ 156,220	$ 125,526	$ 123,310

The following table presents total assets by geographic area based upon the location of the assets:

	2000	1999	1998
Canada	$ 62,200	$ 57,244	$ 79,775
Western Europe	231,508	170,849	114,954
United States	38,355	42,014	43,380
	$ 332,063	$ 270,107	$ 238,109

During 2000, one client represented approximately 11% of financial services revenues.

NOTE 14. TRANSACTIONS WITH AFFILIATES

The Company is the lessee of an iron ore mine located in Canada. Neither the Company nor any of its affiliates operate the mine. Instead, the mine is operated by an independent party who pays royalties based on the amount of ore it extracts from the mine. The royalties are paid to a 19% owned affiliate which acquired the rights to the royalties during a prior year in exchange for preferred shares which provide for a variable annual dividend rate. The amount of preferred dividends earned amounted to $5,400 each for 2000, 1999 and 1998. During 2000, 1999 and 1998, the Company earned management fees of $814, $740 and $2,328, respectively, from the affiliate. The Company had a payable to the affiliate of $4,347 and $1,734 at December 31, 2000 and 1999, respectively, which will be paid in the normal course.

Revenue for 1999 and 1998 includes $1,114 and $2,967, respectively, from an entity where the Company's president was a board member. The amount due from this entity was $7,077 at December 31, 1999.

NOTE 15. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of other financial instruments at December 31 is summarized as follows:

	2000		1999	
	Carrying Amount	Fair value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 68,524	$ 68,524	$ 49,567	$ 49,567
Loans	119,113	119,113	81,728	81,728
Deposits	63,572	63,572	47,563	47,563
Debt	35,421	28,236	30,917	26,828

The fair value of cash and cash equivalents is based on reported market value. The fair value of loans is based on the value of similar loans. The fair value of deposits approximates their carrying value as they are all due on demand. The fair value of debt was determined using discounted cash flows at prevailing market rates or based on reported market value for the Company's publicly traded debt.

NOTE 16. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada, which conform in all material respects with those in the United States (U.S.), except as set forth below:

NOTE 16. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES *(Continued)*

	December 31		
Reconciliation of Net Income	*2000*	*1999*	*1998*
Income from continuing operations in accordance with Canadian GAAP	$ 39,163	$ 36,328	$ 30,235
Consolidation of investee	—	(510)	(193)
Equity accounting for an investee	(440)	—	—
Gain on debt	—	—	(8,113)
Adjustment of gain on sale of shares in investee	—	3,225	—
Change in unrealized gain on trading securities, net	6,914	1,270	2,635
Deferred income tax provision	—	—	(755)
Income from continuing operations	45,637	40,313	23,809
Loss from discontinued operations	—	(4,939)	—
Income before extraordinary item	45,637	35,374	23,809
Extraordinary item, gain on extinguishment of debt	—	—	8,113
Net income in accordance with U.S. GAAP	$ 45,637	$ 35,374	$ 31,922
Basic earnings per common share U.S. GAAP			
Income from continuing operations	$ 3.78	$ 3.33	$ 1.95
Loss from discontinued operations	—	(.41)	—
Extraordinary item	—	—	.67
	$ 3.78	$ 2.92	$ 2.62
Diluted earnings per common share U.S. GAAP			
Income from continuing operations	$ 3.51	$ 3.12	$ 1.83
Loss from discontinued operations	—	(.37)	—
Extraordinary item	—	—	.59
	$ 3.51	$ 2.75	$ 2.42

Under Canadian GAAP, fully diluted earnings per share is calculated by adjusting net income available to common shareholders for imputed earnings on funds which would have been received on the exercise of options. U.S. GAAP requires the use of the treasury stock method, whereby diluted earnings per share are calculated as if options were exercised at the beginning of the year and funds received were used to purchase the Company's own stock.

	2000	*1999*	*1998*
Retained earnings in accordance with U.S. GAAP	$ 153,478	$ 107,841	$ 72,467

COMPREHENSIVE INCOME

	2000	1999	1998
Net income in accordance with U.S. GAAP	$ 45,637	$ 35,374	$ 31,922
Other comprehensive income, net of tax			
Foreign currency translation adjustment	3,520	(14,766)	9,036
Unrealized holding gain (loss) on available-for-sale securities arising during the period	2,435	(1,008)	(1,678)
Other comprehensive income (loss)	5,955	(15,774)	7,358
Comprehensive income	$ 51,592	$ 19,600	$ 39,280

The change in accumulated other comprehensive income is as follows:

	Accumulated Other Comprehensive Income		
	Foreign Currency Translation Adjustment	*Unrealized Loss on Securities*	*Total*
Balance at January 1, 1998	$ 1,439	$ —	$ 1,439
Change in other comprehensive income (loss)	9,036	(1,678)	7,358
Balance at December 31, 1998	10,475	(1,678)	8,797
Change in other comprehensive loss	(14,766)	(1,008)	(15,774)
Balance at December 31, 1999	(4,291)	(2,686)	(6,977)
Change in other comprehensive income	3,520	2,435	5,955
Balance at December 31, 2000	$ (771)	$ (251)	$ (1,022)

CONSOLIDATION

The results of 1999 and 1998 operations of an entity in which the Company has a temporary investment are required to be consolidated under U.S. GAAP. “Consolidation of investee” in the above reconciliation gives effect to this requirement. In December 1999, the Company disposed of a substantial portion of this investment which resulted in the Company's ownership being less than 20% at December 31, 1999.

SECURITIES

U.S. GAAP requires that certain investments be classified into available-for-sale or trading securities categories and be stated at their fair values. Any unrealized holding gains or losses are to be reported as a component of comprehensive income until realized for available-for-sale securities, and included in earnings for trading securities.

NOTE 16. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES *(Continued)*

Non-bank securities included trading securities at fair value and are summarized as follows:

December 31	*2000*	*1999*
Debt securities	$ 10,380	$ 11,417
Preferred shares	1,445	7,079
Common shares	25,349	8,389
	$ 37,174	$ 26,885

The change in unrealized gain in trading securities is included in the income reconciliation above.

The non-bank available-for-sale securities consist of common shares, preferred shares and debt securities, and the bank available-for-sale securities consist of debt securities. At December 31, 2000, securities in two companies represented 79% of the total available-for-sale securities and 84% was represented by five companies at December 31, 1999. The proceeds from the sale of these securities amounted to $6,603, $1,080 and $966, which resulted in realized gains (losses) of $(364), $96 and $(738) during 2000, 1999 and 1998, respectively. The cost of these securities was $8,700, $13,164 and $8,327 which resulted in unrealized losses in accumulated other comprehensive income of $(251), $(2,686) and $(1,678) at December 31, 2000, 1999 and 1998, respectively.

INCOME TAXES

No tax is provided for the extraordinary item in 1998 because of the utilization of tax net operating losses.

SUPPLEMENTAL DISCLOSURES WITH RESPECT TO STATEMENTS OF CASH FLOWS

During 2000, the Company exchanged 402,500 of preferred shares of an affiliate for $1,779 in cash and 2,597,060 common shares of that affiliate. The Company received collateral in the extinguishment of a receivable in the amount $2,490 in 1999. During 1998, $30,747 in bonds payable of a subsidiary were exchanged for Company bonds.

NEW UNITED STATES ACCOUNTING STANDARDS

Statement of Financial Accounting Standard No. 137, “Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB Statement No. 133,” defers the effective date of FASB No. 133 (as amended by Financial Accounting Standard No. 138). Management has not determined the effect this standard may have on future disclosures.

Statement of Financial Accounting Standard No. 140 is generally effective on a prospective basis for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. Management has not determined the effect this standard may have on future disclosures.

FASB Interpretation No. 44, “Accounting for Certain Transactions Involving Stock Compensation” was generally effective July 1, 2000, on a prospective basis. This interpretation clarifies APB Opinion No. 25, “Accounting for Stock Issued to Employees” under which the Company accounts for stock-based compensation. Management has not determined the effect this interpretation may have on future disclosures.

CORPORATE INFORMATION

BOARD OF DIRECTORS AND OFFICERS

Michael J. Smith
President
Director since 1986

Roy Zanatta
Secretary
Director since 1996

Dr. Stefan Feuerstein
Director since 2000

Sok Chu Kim*
Director since 1996

Oq-Hyun Chin*
Director since 1994

Julius Mallin
Director since 1994

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