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L MACDONALD DETTWILER Annual Report 2003

Providing Essential Information

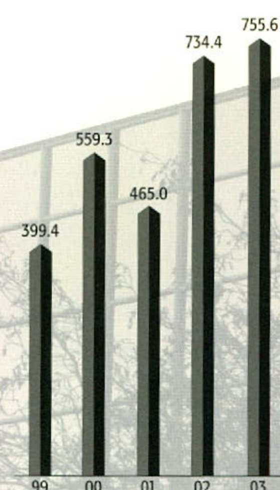
About MacDonald Dettwiler

MacDonald, Dettwiler and Associates Ltd. is an information company that provides customers around the world with essential information for decision making. MacDonald Dettwiler operates through two principal groups: Information Systems and Information Products.

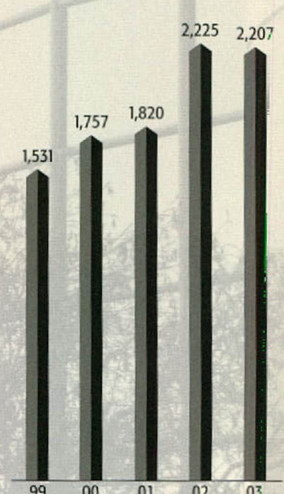
The Information Systems group provides governments and large businesses with their own mission-critical information systems to gather, process and distribute information. In addition to serving the requirements of our customers, the Information Systems group is a supplier of systems for the Company's Information Products group.

The Information Products group owns and operates information systems that gather, process and deliver information. Information from these systems is used to provide a wide variety of customers with essential land and property information products and services.

MacDonald Dettwiler is a publicly traded Canadian company that employs more than 2,200 people across Canada, in the United Kingdom and the United States.



ORDER BACKLOG
($millions)



EMPLOYEES WORLDWIDE
(December 31)

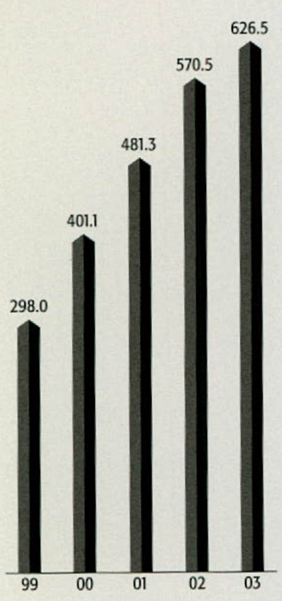
Financial Highlights

YEARS ENDED DECEMBER 31,	2003	2002	2001	2000	1999
					(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)
Revenues - Information Systems	295,156	315,688	307,823	286,217	232,608
Revenues - Information Products	331,320	254,797	173,452	114,908	65,375
Total revenues	**626,476**	**570,485**	**481,275**	**401,125**	**297,983**
Net earnings (1)	43,654	37,003	27,913	20,934	15,670
EBITDA	100,199	87,470	69,384	52,525	40,029
Diluted earnings per share (2)	1.13	0.97	0.75	0.63	n/a

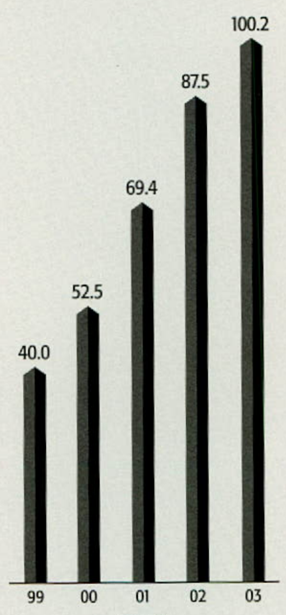
(1) Earnings before amortization of goodwill

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

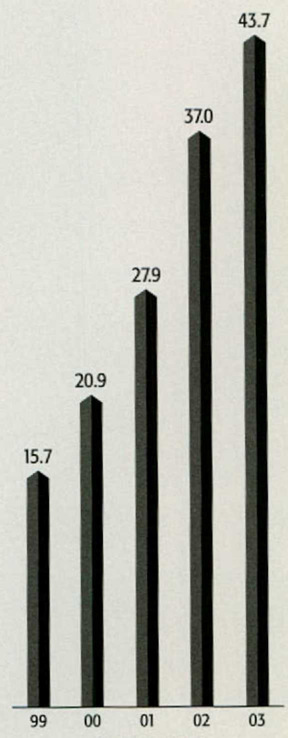
AS AT DECEMBER 31,	2003	2002	2001	2000	1999
					(IN THOUSANDS OF DOLLARS)
Balance Sheet Data					
Cash and cash equivalents	34,221	23,983	17,071	43,464	48,317
Total assets	516,021	542,875	428,594	413,308	323,480
Long-term debt	115,886	109,704	67,412	89,796	71,686
Shareholders' equity	226,963	215,867	163,663	125,160	53,844
Total Backlog	**755,580**	**734,435**	**465,043**	**559,319**	**399,433**



REVENUES
[$millions]

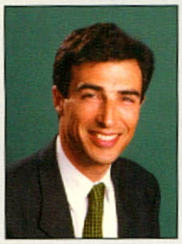


EBITDA
[$millions]



NET EARNINGS
[$millions]

President's Message



THE YEAR IN REVIEW

MDA posted solid performance throughout 2003, and we made good progress on our major strategic objectives.

Our Information Products group reached a defining milestone, with our U.K. operations surpassing 20% market share while turning profitable at the end of the year. In other geographic markets, the group also achieved significant milestones, from the development of electronic filing systems to automated property valuation products.

The Information Systems group maintained a steady course and was selected on a number of key contracts that will begin to produce significant revenue.

Overall, we face the future with a sizeable backlog, profitability in all material operating areas, and several new product and market opportunities.

PERFORMANCE

MDA's financial performance for the year was solid. We completed the year close to target, with a solid backlog of work, a strong balance sheet, and financial resources that will support our growth objectives.

Consolidated revenues totalled $626.5 million in 2003, an increase of 10% over 2002:

- Information Systems contributed $295.2 million of these revenues compared to $315.7 million for the year ended December 31, 2002.
- Information Products had revenues of $331.3 million compared to $254.8 million for the year ended December 31, 2002.
- Net earnings increased 18% to $43.7 million for the year from $37.0 million in 2002, resulting in diluted earnings per common share increasing to $1.13 from $0.97 the year before.

Our U.S. operations achieved good results, but when translating them to consolidated Canadian financial statements, they appeared weaker due to the significant rise in the Canadian dollar. However, there was no negative cash impact to our operating activities. It is worthwhile noting that the continued strength of the Canadian dollar benefits our international expansion initiatives.

Our balance sheet remained strong at the end of the year as we applied a disciplined approach to investment and risk and grew our cash from operations. MDA has a revolving credit facility and our liquidity ratios continue to be better than the limits required by our banks, allowing us flexibility to pursue strategic growth initiatives.

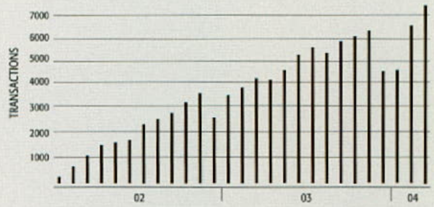
At December 31, 2003, MDA's backlog was $756 million.

STRATEGIC PROGRESS

Major strategic objectives for 2003 were achieved as follows:

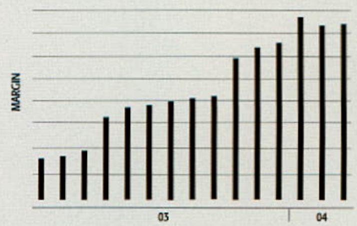
INFORMATION PRODUCTS

Our U.K. Products operation is profitable, with a growing market share that has made it a substantial player in the land information market. Since the last annual report, we reached a new pricing agreement with the regulator, obtained an important VAT ruling, and began introducing a set of new products. All of these efforts are leading to a steady increase in margin per transaction. Coupled with continued transaction growth and a constant increase in electronic connections, this puts our U.K. Products business on a steady, profitable growing track. Several new opportunities are now being pursued to ensure further long-term, sustainable growth.



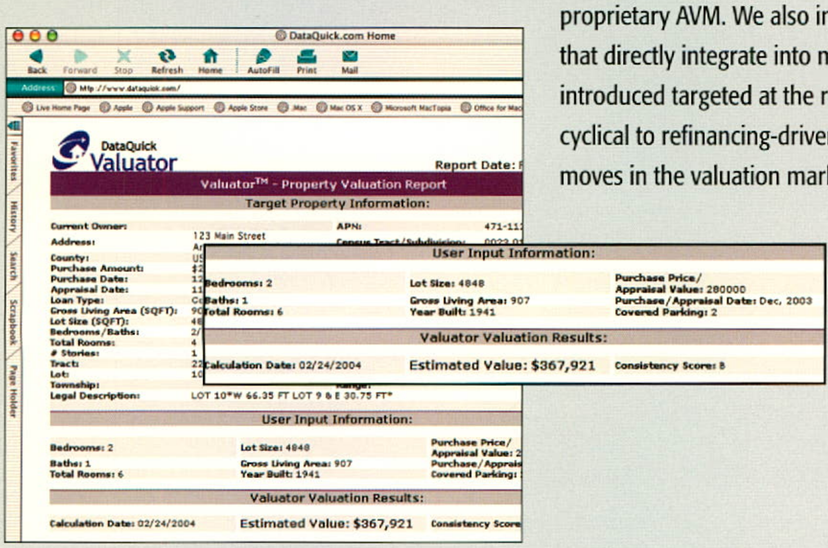
NLIS TRANSACTIONS PER WEEK
THE PROVEN VALUE OF NLIS IS INCREASING THE NUMBER OF TRANSACTIONS

In Scotland, we introduced Property Enquiry Certificates that provide property information from local authorities' data in addition to our regular land information from the national database. The market response has been positive.

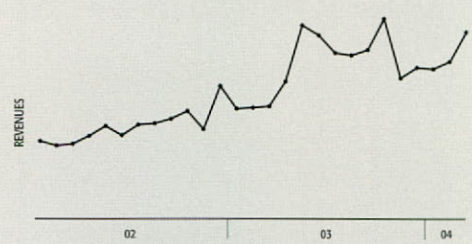


NLIS TRANSACTION MARGINS
NEW PRODUCTS, NEW PRICING AND A VAT RULING ARE INCREASING THE MARGIN PER TRANSACTION

In the United States, we posted substantial growth (masked by currency translation) with new product introductions. We continued to position MDA to secure an increased share of the automated valuation market, from the development of reselling services for the major automated valuation models (AVMs) to the introduction of our own proprietary AVM. We also improved our data and worked on products that directly integrate into major customers' workflow. New products were introduced targeted at the real estate marketing business, which is counter-cyclical to refinancing-driven business. We face this year ready to make bigger moves in the valuation market.



MDA'S AUTOMATED VALUATION MODEL (AVM)
AVMs ARE RAPIDLY REPLACING TRADITIONAL APPRAISAL METHODS



AVM REVENUES
AVM REVENUES ARE INCREASING

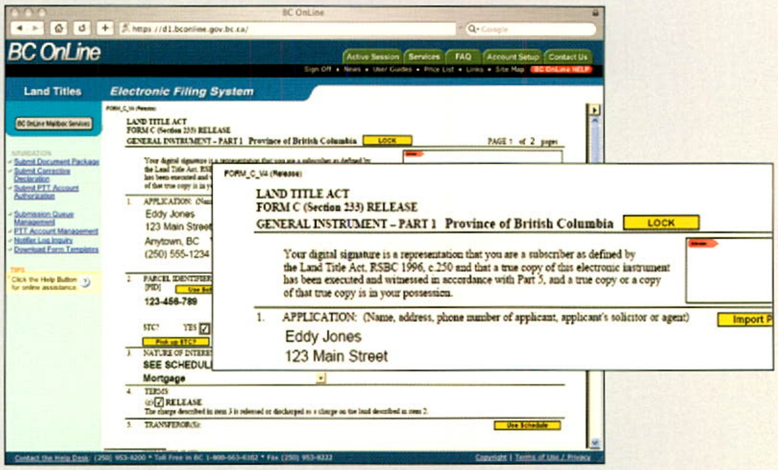
We made excellent progress on electronic filing. Until now, our products have been a one-way supply of information from databases to users. With E-filing, we have created a two-way path – users can now file information back into the databases. In British Columbia we introduced land titles E-filing. We are now positioned to pursue similar opportunities in larger jurisdictions like the United Kingdom.

In the Geographic Information area, we played an important role in the defence market, gaining solid acceptance for our products and ending the year with record bookings.

All product jurisdictions are now profitable, growth plans are showing success, and cross synergies are beginning to play a larger role.

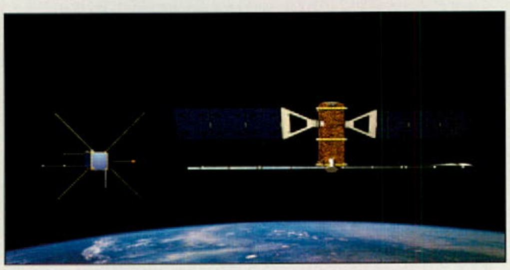
INFORMATION SYSTEMS

The Information Systems business expanded into strategic areas. MDA entered the small satellite mission market, establishing itself as an important mission prime contractor. These missions represent the next generation of lighter, more compact, and more affordable satellites – a growth area worldwide. We booked the CASSIOPE mission, valued at over $100 million, and the design phase of another small satellite mission – one that will monitor the environment via hyperspectral technology. We also began bidding on, and pursuing, other small satellite opportunities.

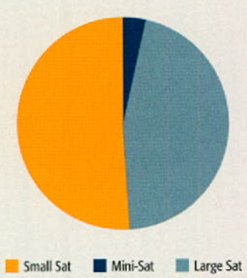


BC ONLINE'S ELECTRONIC FILING SYSTEM
ELECTRONIC FILING ALLOWS FOR A TWO-WAY FLOW OF UPDATED INFORMATION BETWEEN DATABASES AND USERS

CASSIOPE will carry a scientific payload and it will also be used to demonstrate MDA's potential new information delivery service called CASCADE. Should MDA proceed to commercialization with CASCADE, it will be the first space-based digital courier service able to pick up and deliver huge data packages.



SMALL VS. TRADITIONAL SATELLITES
SMALL SATELLITES ARE OPENING UP NEW MARKETS BY MAKING SPACE MISSIONS MORE AFFORDABLE

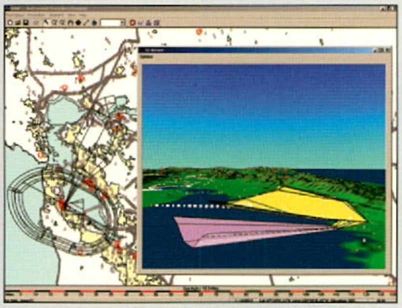


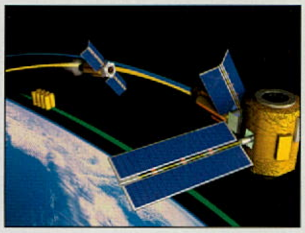
PROPOSED SATELLITE MISSIONS OVER NEXT DECADE
SMALL SATELLITES ARE EXPECTED TO ACCOUNT FOR HALF OF UPCOMING SPACE MISSIONS

After years of positioning, we penetrated the planetary exploration market both in North America and Europe, a source of R&D and significant potential for us. Steady progress was also achieved in the defence area, from booking a surveillance radar program valued at over $100 million to securing strategic wins in the United States. MDA is now part of key programs ranging from strategic space-based systems to mobile surveillance information systems with clients that include major government organizations in the U.S. and leading companies.

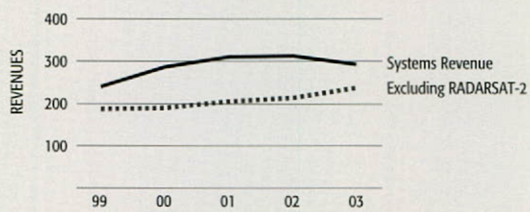
In the area of Electronic Government, we continued to grow our business that is both enabling and complementary to our Information Products business.

Information Systems has achieved steady progress masked by the decline in RADARSAT-2 revenues in 2003 and early 2004. This anomaly is now behind us, and new contract revenues are increasing.





STRATEGIC U.S. DEFENCE PROGRAMS
MDA'S SYSTEMS SUPPORT SOME OF THE LEADING DEFENCE INITIATIVES

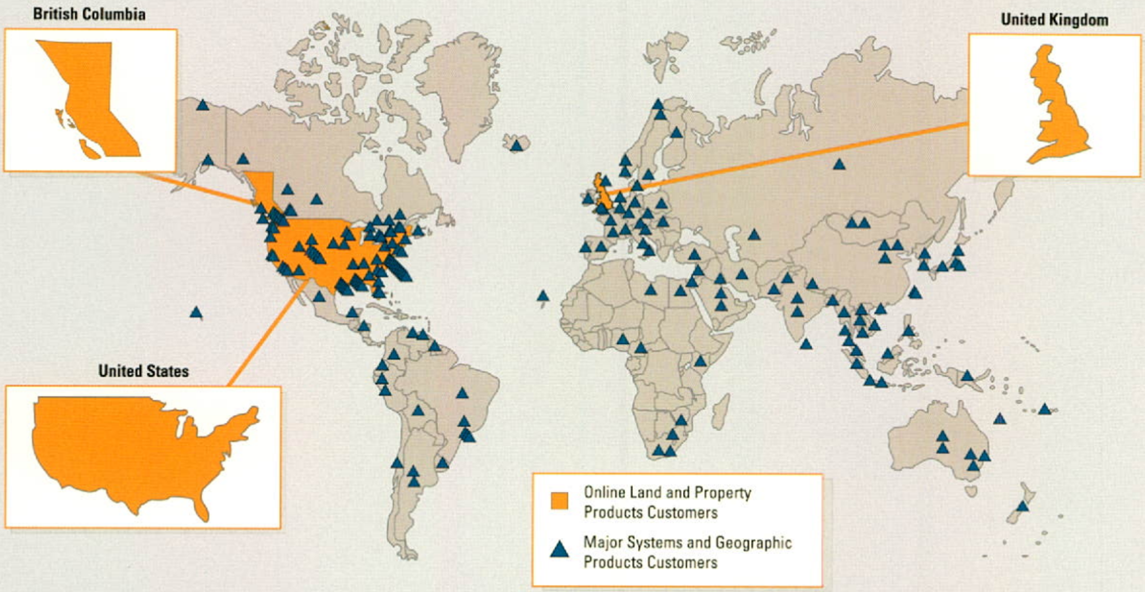


INFORMATION SYSTEMS REVENUE
INFORMATION SYSTEMS REVENUE EXCLUDING RADARSAT-2 HAS BEEN GROWING

LOOKING AHEAD

In 2004 the primary focus is to ensure that Information Products and Information Systems' foremost 2003 achievements are brought to full maturity, from continuing the high rate of profitable growth in the United Kingdom to initiating our new Information Systems projects.

This will be a year of enabling further robust growth in our Information Products area. Our main focus has now shifted to the U.S. property valuation market where strategic initiatives are under development to increase market share. Beyond that, we will be developing new opportunities in the U.K. by capitalising on our NLIS market share and positioning. Finally, plans are in place to capitalise on our E-filing technology once the service is fully rolled out in B.C.



In Information Systems, we will follow through on recent successes and develop them into new offerings for markets ranging from earth monitoring to defence.

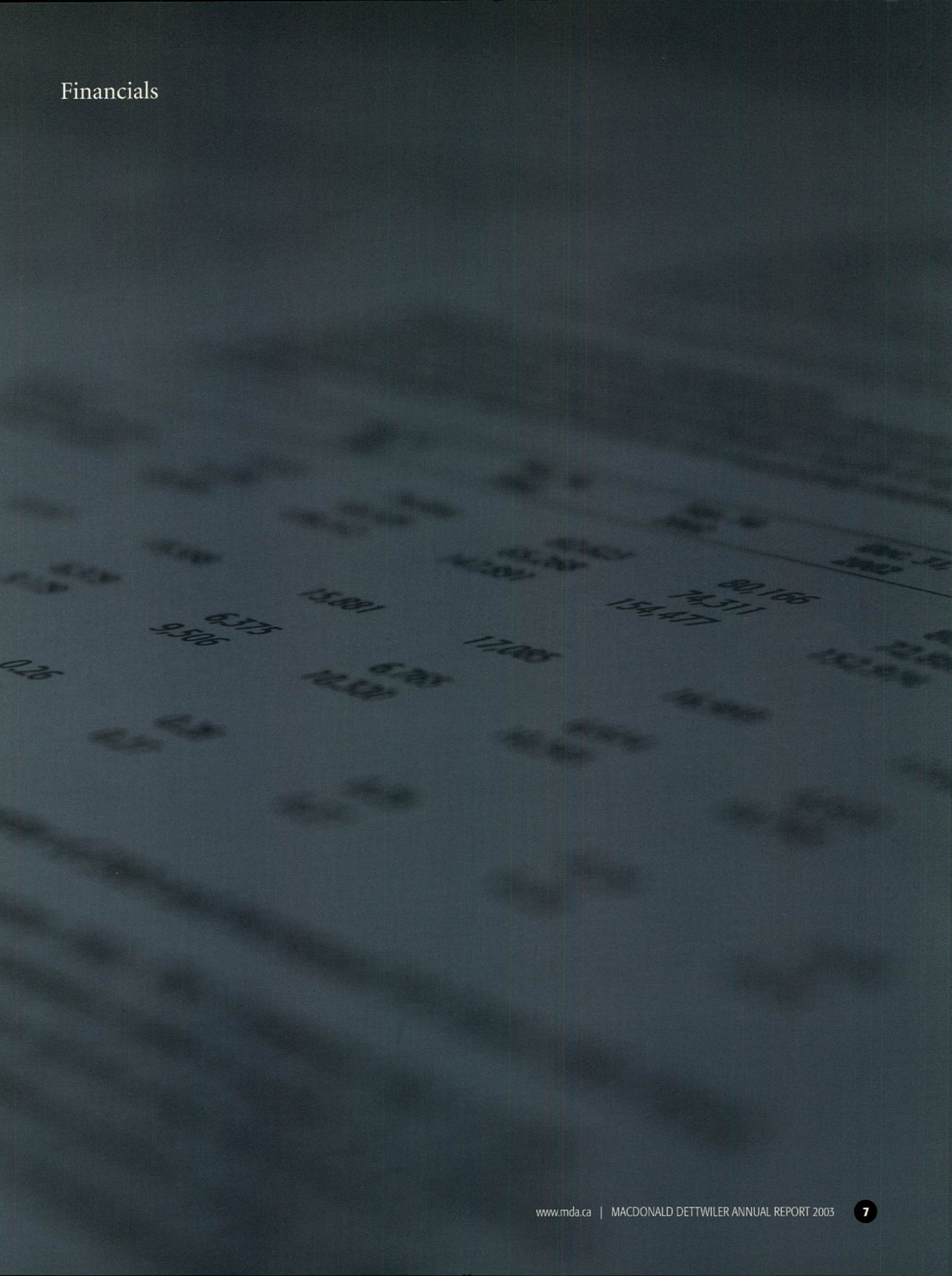
We are moving into the future with a healthy backlog and a growing, profitable products business. The foundation is solid, and the plans have been developed and opportunities identified for the next phase of growth.

Our vision and strategic plan, in tandem with our rigorous execution, financial prudence and world-class personnel, will enable us to continue to produce solid performance and growth.

DAN FRIEDMANN

President and CEO

Financials



MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of MacDonald, Dettwiler and Associates Ltd. ("MacDonald Dettwiler" or the "Company" or "MDA") should be read in conjunction with the consolidated financial statements and accompanying notes. The results reported herein have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and are presented in Canadian dollars unless otherwise noted.

This discussion and analysis may contain forward-looking statements involving risks and uncertainties including, but not limited to, changes in the market and changes in the economy. In light of the many risks and uncertainties associated with the future, we cannot assure that the forward-looking statements discussed in this report will be realized.

This MD&A comments on MacDonald Dettwiler's operations, performance and financial condition for the three months ended December 31, 2003 and the twelve months ended December 31, 2003 and 2002. Additional information related to MacDonald Dettwiler, including our Annual Information Form for the year ended December 31, 2002 can be found on our website at www.mda.ca and on SEDAR at www.sedar.com.

BUSINESS OVERVIEW

MacDonald Dettwiler is an information company that provides customers around the world with essential information systems, products and value-added services that are used to support a wide range of decision-making processes. The Company operates through two principal groups: Information Products and Information Systems.

The Information Products group gathers and processes data about land and real property. That information is packaged into unique products and value-added services for sale to a wide range of customers that require legal, asset, demographic, and geographic information.

The Information Systems group provides governments and large businesses with information infrastructures and related engineering services. The Company's information infrastructure systems are used by customers to manage and service their proprietary information requirements, and may also be used to create or process commercial information products.

The Company's vertical integration facilitates internal synergies between the Information Products group and the Information Systems group. In a growing number of instances, the Information Products group has acquired infrastructures, and sustaining engineering, from the Information Systems group to enable the production of its commercial land-related information products and value-added services.

The Company adheres to a rigorous set of program management, system engineering, and development methodologies established over three decades of business, ensuring our Information Systems programs are executed to the highest technical standards, and in the most cost-effective and efficient manner possible. We apply a similar set of values to our Information Products, ensuring we create and sell products and services we understand, and that meet the specific needs of our customers.

Revenues from our Information Systems group are generally recognized on a percentage of completion basis and are derived from a variety of domestic and international contracts with governments and commercial customers. These contracts consist of large multi-year development programs, smaller upgrade contracts and sustaining engineering and support contracts. Information Systems is the heritage business of the Company and MacDonald Dettwiler has capitalized on its unique capability and intellectual property over the past 35 years to become a world leader in several niche technologies, particularly in the areas of earth observation and satellite image processing. Our Information Systems group is integral to maintaining our backlog. Our backlog provides us with a view to the future, and we are continually working on business opportunities that will maintain that backlog.

Revenues from our Information Products group are derived in a variety of ways. The Company generates revenues from transaction fees and single and multi-year data license agreements for property information data. Our transaction fees for providing real property information to customers range from a few dollars to several hundreds of dollars. We presently operate real property information services in British Columbia, the United Kingdom and in the United States. We continuously look for growth opportunities through new value-added products in our existing markets and new market sectors as well as through geographic expansion. During 2003, the

Company acquired Millar & Bryce Limited ("Millar & Bryce") in Scotland, which not only expands our geographic reach in the United Kingdom, but also provides us with access to new value-added legal information products that can potentially be rolled out into other areas of our business. The Company also generates revenues from geographic information products and services with commercial companies and multiple levels of governments and public organizations in Canada, the United States, and internationally. Contracts for these geographic information products and services range from tens of thousands of dollars to several million dollars. MacDonald Dettwiler owns the exclusive marketing rights to RADARSAT-1 earth observation imagery, and is a licensed reseller of image products from all civilian satellites. We are also a major supplier of geospatial and mapping related services in Canada and the United States.

NON-GAAP FINANCIAL MEASURE

EBITDA

The term EBITDA (earnings before interest, taxes, depreciation and amortization) does not have any standardized meaning prescribed by Canadian GAAP and is therefore unlikely to be comparable to similar measures presented by other companies.

EBITDA allows us to compare our cash flow operating results on a consistent basis and is the basis for assessing a primary measurement covenant for our bankers. We also believe that EBITDA is used by certain investors and analysts in measuring a company's ability to service debt and to meet other payment obligations or as a valuation measurement. EBITDA is presented on a basis that is consistent from period to period.

The following is a reconciliation of EBITDA to net earnings.

(in millions)		2003	2002
EBITDA	$	100.2	87.5
Less:			
Amortization expense		22.0	19.2
Interest expense		7.4	6.2
Provision for income taxes		27.1	25.1
Net earnings	$	43.7	37.0

EBITDA for segmented operations excludes corporate expenses, interest expense and other expenses. Note 16 of the notes to the consolidated financial statements provides a reconciliation of segmented EBITDA (shown as "Earnings before undernoted" in Note 16) to earnings before income taxes.

RESULTS OF OPERATIONS

MacDonald Dettwiler's consolidated revenues increased 10% to $626 million in 2003, while consolidated net earnings increased 18% to $43.7 million. Diluted earnings per share ("EPS") was $1.13 compared with $0.97 in 2002.

The Company continued to deliver solid results in 2003. Compared to prior years, the 2003 results were adversely affected by the strengthening Canadian dollar and expensing of the Company's long-term compensation plan. MacDonald Dettwiler has a solid backlog in its Information Systems group at December 31, 2003, having secured a number of key contracts during the year. Revenues from the Information Products group grew by 30% from the prior year and now account for 53% of total consolidated revenues. EBITDA increased by 15% from $87.5 million in 2002 to $100.2 million in 2003. EBITDA as a percentage of revenues increased from 15.3% in 2002 to 16.0% in 2003.

The Company's business is geographically diversified and transacted in multiple currencies, the most significant of which are the Canadian dollar, the U.S. dollar and the pound sterling. A significant foreign exchange impact is the translation of foreign-based financial results into Canadian dollars for accounting purposes. The strengthening of the Canadian dollar during 2003 has reduced the reported results from our foreign operations when compared to the previous year. In 2003, the average exchange rate for one U.S. dollar was 1.40 Canadian dollars (2002 - 1.57) and the average exchange rate for one pound sterling was 2.29 Canadian dollars (2002 - 2.36). Consolidated revenues for 2003, based on constant 2002 exchange rates, would have increased by $22 million to $649 million and net earnings would have increased by $1.2 million to $44.9 million, or to $1.16 per diluted earnings per share.

During 2003 the Company introduced a new long-term compensation plan based on a three-year compounded earnings growth of the Company. The long-term compensation plan is comprised of the right to earn common shares of the Company and the grant of stock options. A provision was made for the common share component of the plan and expensed in the 2003 financial results, which decreased diluted earnings per share by approximately $0.04. In 2004, the provision for the long-term compensation plan is expected to decrease diluted earnings per share by approximately $0.06 to $0.08.

The table below provides, for comparative purposes, the impact of the strengthening Canadian dollar and the introduction of the long-term compensation plan on the Company's 2003 financial results.

(in millions, except per share amounts)	2003	2002
Reported consolidated revenues	$ 626.5	570.5
Impact of strengthening Canadian dollar on translation of the Company's self-sustaining foreign operations	22.0	Nil
Normalized revenues (reflects non-GAAP measure)	$ 648.5	570.5
Reported net earnings	$ 43.7	37.0
Impact of strengthening Canadian dollar on translation of the Company's self-sustaining foreign operations – after tax	1.2	Nil
Long-term compensation plan which commenced in 2003 – after tax	1.7	Nil
Normalized net earnings (reflects non-GAAP measure)	$ 46.6	37.0
Normalized diluted earnings per share (reflects non-GAAP measure)	$ 1.20	0.97

Consolidated revenues increased to $626 million, an increase of 10% from revenues of $570 million in 2002. Information Systems revenues decreased 7% to $295 million, from $316 million in 2002. Excluding the RADARSAT-2 program, Information Systems revenues increased 9% over the prior year. Information Products revenues increased 30% to $331 million from $255 million in 2002. Information Products now comprises 53% of total consolidated revenues, up from 45% the prior year. Excluding the Millar & Bryce acquisition in 2003, Information Products revenues increased 23% from the prior year.

During February 2003, the Company finalized the acquisition of Millar & Bryce Limited for cash consideration of $19.6 million. Millar & Bryce is a commercial provider of land information in Scotland.

Direct costs were 73% of consolidated revenues in 2003 compared to 74% in 2002. Direct costs consist primarily of subcontractor payments, equipment purchases, purchase of data, direct labour and material costs. Directs costs as a percentage of revenues will vary depending on the mix of business between Information Systems and Information Products, the mix between products and contracts within each business group, and the expenditure profile of our larger systems contracts. Also included in direct costs are expenditures on research and development. Research and development expenditures amounted to $45.1 million in 2003 (2002 - $45.4 million).

Selling, general and administrative ("SG&A") costs increased to $69.3 million (11.1% of revenues) from $59.1 million (10.4% of revenues) in 2002. The increase in SG&A expenditures for 2003 include the activities of Millar & Bryce and expensing the 2003 long-term compensation plan, both of which were nil for 2002. Other influencing factors for the increase in SG&A costs include increased marketing expenditures related to our operations in the United Kingdom.

Amortization of capital and intangible assets was $22.0 million in 2003 (3.5% of revenues) compared to $19.2 million in 2002 (3.4% of revenues).

Interest expense increased from $6.2 million in 2002 to $7.4 million in 2003. The higher average debt levels in 2003 compared to 2002 related to financing the Millar & Bryce acquisition, the decrease of deferred revenue balances during the year, and the acquisition of the RADARSAT-2 license from Orbital Imaging Corporation.

Other income in 2003 relates primarily to interest income earned during the year.

Earning before income taxes increased to $70.8 million (11.3% of revenues) from $62.1 million (10.9% of revenues) for 2002.

The provision for income taxes decreased to 38.3% of earnings before income taxes from 40.4% in 2002. The lower effective tax rate reflects the changing mix of the Company's operations in different tax jurisdictions and effective tax planning strategies.

Backlog was $756 million at December 31, 2003. Prior to 2003, the Company reported firm and option backlog. During 2003 the Company commenced reporting a single backlog figure, to be consistent with companies in similar industries. Applying the same definition of backlog for the prior year, the December 31, 2002 backlog was $734 million. Approximately 90% of total backlog at December 31, 2003 relates to the Information Systems group. The Information Systems group expects to fulfill about 60% of its backlog over the next two years.

Debt to EBITDA (total long-term debt and capital lease obligations divided by EBITDA) was 1.2 times at December 31, 2003 compared to 1.3 times at December 31, 2002. Our bank covenant requires debt to EBITDA to be less than 3.5 times. Net debt (debt less cash) to EBITDA was 0.8 times at December 31, 2003 compared to 1.0 times the prior year-end. EBITDA to interest (EBITDA divided by interest expense) was 13.4 times for 2003 (2002 – 14.1 times) compared to our bank covenant requirement of a minimum of 3.5 times.

SEGMENTED INFORMATION

Information Systems revenues decreased 7% from $316 million in 2002 to $295 million in 2003. Excluding the RADARSAT-2 program, Information Systems revenues increased 9% over the prior year. The RADARSAT-2 program is a large multi-year contract with the majority of its revenues recognized in 2000 through to 2002. Revenues for RADARSAT-2 decreased in excess of $35 million from 2002 and 2003. EBITDA for the Information Systems group increased from $50.8 million in 2002 (16.1% of segmented revenues) to $55.0 million in 2003 (18.6% of segmented revenues). Information Systems EBITDA margins can vary from year to year and quarter to quarter with the change in mix of contracts and the stage of the contract life cycle. The Company has developed methods and systems to provide dependable expenditure estimates for our firm fixed price contracts. Estimating is an integral part of determination for percentage of completion revenue recognition for our Information Systems business. The Company is typically conservative in the early stages of a contract, and refines its estimates over the life cycle of the contract as contractual and technical risks are mitigated.

Information Products revenues increased 30% from $255 million in 2002 to $331 million in 2003. Excluding the Millar & Bryce acquisition in 2003, Information Products revenues increased 23% from the prior year. EBITDA for the Information Products group increased from $40.9 million in 2002 to $51.1 million in 2003. Information Products EBITDA as a percentage of segmented revenues declined from 16.0% in 2002 to 15.4% in 2003. This decrease is primarily attributable to our NLIS start-up operations in the United Kingdom, which until the fourth quarter of 2003 was in a loss position. As NLIS revenues became a greater proportion of Information Products revenues, EBITDA as a percentage of segmented revenues decreased. Excluding NLIS, Information Products EBITDA as a percentage of segmented revenues are in the 20% plus range. Amortization of capital and intangible assets related to the Information Products group increased to $16.7 million in 2003 (5.0% of segmented revenues) from $13.8 million (5.4% of segmented revenues) in 2002.

Corporate expenses increased from $4.2 million in 2002 to $6.8 million in 2003. Corporate expenses are expenditures that cannot be readily allocated to either Information Systems or Information Products, and include such items as corporate head office costs, costs of being a public company, insurance, audit and tax consulting. The increase year over year primarily relates to the Company's 2003 long-term compensation plan.

THREE-YEAR CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth selected financial information for the years indicated. This selected consolidated financial data should be read together with the consolidated financial statements, including the related notes, contained in the Company's audited consolidated financial statements for the years ended December 31, 2003, 2002 and 2001.

Years ended December 31,		**2003**	**2002**	**2001**
(in thousands, except per share amounts)				
Revenues:				
Information Systems	$	295,156	315,688	307,823
Information Products		331,320	254,797	173,452
Total revenues	$	626,476	570,485	481,275
Earnings before income taxes and amortization of goodwill	$	70,752	62,081	45,965
Provision for income taxes		27,098	25,078	18,052
Amortization of goodwill - net of tax [(1)]		-	-	9,260
Net earnings	$	43,654	37,003	18,653
Earnings before amortization of goodwill per common share				
Basic	$	1.16	1.02	0.80
Diluted		1.13	0.97	0.75
Net earnings per common share				
Basic		1.16	1.02	0.53
Diluted		1.13	0.97	0.50

(1) In 2001, the Canadian Institute of Chartered Accountants issued new recommendations on Business Combinations and Goodwill and Other Intangible Assets. Effective 2002 the recommendations preclude the amortization of goodwill and other intangibles with indefinite life.

Balance Sheet Data

As at December 31,		**2003**	**2002**	**2001**
(in thousands)				
Cash	$	34,221	23,983	17,071
Total current assets		148,783	176,163	129,661
Total assets		516,021	542,875	428,594
Total current liabilities		137,181	159,695	137,316
Total liabilities		289,058	327,008	264,931
Shareholders' equity		226,963	215,867	163,663

Self-sustaining foreign operations are translated to Canadian dollars using the current rates of exchange for assets and liabilities. Gains or losses resulting from these translation adjustments are deferred in the cumulative translation adjustment account in Shareholders' equity. With the strengthening Canadian dollar in 2003, the cumulative translation adjustment account changed by $52 million from the prior year-end.

Summary of changes to Shareholders' equity for the year ended December 31, 2003:

(in millions)		
Shareholders' equity at December 31, 2002	$	215.8
Changes during 2003:		
Net earnings		43.7
Issue of capital stock [(1)]		17.4
Contributed surplus [(2)]		1.7
Change in cumulative translation adjustment		(51.6)
Shareholders' equity at December 31, 2003	$	227.0

(1) Common shares issued under exercise of employee stock options, the employee share purchase plan, and as consideration related to prior acquisition.
(2) Accrual for common shares to be issued under 2003 long-term compensation plan.

QUARTERLY FINANCIAL INFORMATION

The following table sets forth selected quarterly financial information for MacDonald Dettwiler's eight most recent fiscal quarters. This information is unaudited, but reflects all adjustments of a normal, recurring nature which are, in the opinion of management, necessary to present a fair statement of MacDonald Dettwiler's results of operations for the periods presented. Quarter-to-quarter comparisons of MacDonald Dettwiler's financial results are not necessarily meaningful and should not be relied upon as an indication of future performance.

	Mar. 31, 2002	Jun. 30, 2002	Sep. 30, 2002	Dec. 31, 2002	Mar. 31, 2003	Jun. 30, 2003	Sep. 30, 2003	Dec. 31, 2003
(in thousands, except per share amounts)								
Revenues:								
Information Systems	$ 77,015	75,884	82,623	80,166	80,085	66,272	78,776	70,023
Information Products	51,890	63,328	65,268	74,311	72,889	81,121	88,082	89,228
Total revenues	$ 128,905	139,212	147,891	154,477	152,974	147,393	166,858	159,251
Earnings before income taxes	$ 13,557	15,558	15,881	17,085	16,959	17,620	17,920	18,253
Provision for income taxes	5,559	6,379	6,375	6,765	6,614	6,872	6,989	6,623
Net earnings	$ 7,998	9,179	9,506	10,320	10,345	10,748	10,931	11,630
Net earnings per common share								
Basic	$ 0.22	0.25	0.26	0.28	0.28	0.29	0.29	0.30
Diluted	0.21	0.24	0.25	0.27	0.27	0.28	0.28	0.30

FOURTH QUARTER RESULTS

MacDonald Dettwiler's consolidated revenues were $159.3 million for the fourth quarter of 2003, an increase of 3% from 2002 levels.

Information Systems revenues decreased in the fourth quarter in comparison to the fourth quarter 2002. The Company has a solid backlog at December 31, 2003 of $756 million (approximately 90% of which relates to Information Systems) which results in a relatively consistent revenue stream. As part of this backlog, the Company has a number of large long-term contracts, such as the RADARSAT-2 program. Information Systems revenues can vary significantly quarter to quarter due to the activity and expenditure profile of these long-term programs. Similarly, backlog can change significantly quarter by quarter and year over year based on the timing of booking these large long-term contracts. The Information Systems group expects to fulfill about 60% of its backlog over the next two years.

Information Products revenues increased 20% from the fourth quarter 2002. The fourth quarter of 2003 includes revenues of approximately $5 million from Millar & Bryce (2002 fourth quarter – nil).

Real property transactions are typically slower in the latter part of December and early January. In addition, revenues for our geographic information products and services may vary quarter-to-quarter depending on contract deliverables.

Net earning for the fourth quarter of 2003 increased 13% to $11.6 million from $10.3 million for the fourth quarter 2002, and EPS was $0.30, compared to $0.27 in the fourth quarter 2002 and $0.28 for the third quarter 2003. The tax rate for the year was adjusted to 38.3% in the fourth quarter, from the third quarter tax rate estimate of 39% for the year, as the Company finalized its tax provision for the year.

Cash flow from operations prior to changes in non-cash working capital increased to $17.9 million for the fourth quarter from $14.9 million in 2002. Non-cash working capital was negative in the quarter primarily due to a reduction in deferred revenues.

LIQUIDITY AND CAPITAL RESOURCES

Management of the Company assesses liquidity in terms of ability to generate sufficient cash flow to fund its operations. Net cash flow is affected by the following items: (a) operating activities, including the level of accounts receivable, accounts payable, and deferred revenues, (b) investing activities, including acquisitions and purchase of capital and intangible assets, and (c) financing activities, including bank credit facilities and issue of capital stock.

Cash flow provided from operations, prior to non-cash working capital items, increased to $69.5 million for 2003, from $59.4 million for 2002, primarily as a result of the increase in net earnings. Including the change in non-cash working capital items, cash flow from operations was $39.0 million for 2003 compared to $47.8 million in 2002. The change in non-cash working capital is primarily due to the decrease in deferred revenues year over year. Deferred revenues decreased by $62 million between December 31, 2002 and December 31, 2003 as the Company worked through its contracts for which it had received cash in advance of revenue being recognized, primarily due to the RADARSAT-2 program. (Contract revenue is recognized on the percentage of completion basis. When revenues exceed amounts invoiced under a contract, the difference is shown as unbilled accounts receivable. Billings in excess of amounts earned on the percentage of completion basis are shown as deferred revenues.) Accounts receivable, which consists of trade receivables and unbilled accounts receivable, decreased from $130 million at December 31, 2002 to $106 million at December 31, 2003, primarily due to timing of milestone billings to customers in the Information Systems business. The majority of the Company's receivables are with governments and government agencies. The average collection period for trade receivables is under forty days as at December 31, 2003.

Net cash utilized for investing activities totaled $49.5 million in 2003 compared to $68.2 million in 2002. Cash was used in 2003 for the following: (a) purchase of capital assets of $12.5 million (2002 - $18.2 million) (b) purchase of intangible assets of $11.6 million (2002 - $7.4 million) and (c) acquisition costs of $25.4 million (2002 - $42.6 million). The Company's activities are not capital intensive, with capital and intangible asset expenditures at 3.8% of revenues (2002 – 4.5%). Capital assets consist primarily of computers and software and intangible assets consist primarily of land information data for the Information Products group. During the year the Company acquired Millar & Bryce, and also paid certain amounts related to contingent consideration from prior year's acquisitions.

Net cash generated from financing activities totaled $20.7 million in 2003 compared to $27.3 million in 2002. Net borrowing from the bank's credit facilities amounted to $6.3 million (2002 - $30.6 million). The Company has a $300 million facility under its syndicated credit agreement. As at December 31, 2003 unused bank facilities amounted to $138 million. Proceeds from issue of capital stock amounted to $14.4 million in 2003 (2002 - $12.4 million). The common shares were issued on exercise of employee stock options and in conjunction with the employee share purchase plan.

The following table provides a summary of the contractual obligations and payments due for each of the next five years and thereafter:

			Payments due by Period			
Contractual obligations (in millions)		Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Long term debt	$	115.9	0.6	115.3	0.0	0.0
Operating leases		90.0	12.1	22.2	22.2	33.5
Service agreement obligations		12.1	1.2	5.7	4.6	0.6

FINANCIAL DERIVATIVES AND RISK MANAGEMENT

The Company uses various financial instruments such as interest rate swaps, interest rate caps and forward exchange contracts to manage its foreign exchange and interest rate exposures. These financial instruments are always associated with a related risk position and are never used for trading or speculative purposes.

During 2002, the Company entered into interest rate swaps that, combined with interest rate swaps previously implemented, effectively fixed the interest rates on a portion of the Company's debt until the end of 2003. The rates ranged from 3.9% to 4.9% and covered a debt amount that ranged between $50 million and $70 million. In January 2004, the Company entered into a financial instrument to cap the interest rate on $80 million of debt at rates from 3.6% to 4.6% until December 31, 2004.

OTHER MATTERS

The RADARSAT-2 satellite is accounted for as a construction contract and revenue is recognized using the percentage of completion method. Although the Company has the legal obligation to manage and operate the satellite on behalf of the Canadian government when launched, the risks and benefits of ownership of the satellite are resident with the Company's customers, the Canadian Space Agency and other parties with ownership rights to the related data.

Prior to construction of RADARSAT-2 and in conjunction with the Company's agreement with the Canadian Space Agency to construct the RADARSAT-2 satellite, the Company entered into a license agreement with Orbital Imaging Corporation ("Orbimage"). This agreement, at market value, provided that Orbimage would have beneficial ownership to all data or capacity of the satellite that was not used by the Canadian Space Agency. As is consistent with construction type contracts, the Company is being paid to construct the satellite during the course of construction. During 2001, the Company terminated the original license agreement with Orbimage and entered into a second agreement. The second agreement, at market value, provided that the Company would license certain rights to data from the RADARSAT-2 satellite. As at December 31, 2002, U.S.$30 million had been received under the agreement. In conjunction with the second agreement, Orbimage agreed to relinquish certain data rights that had been licensed under the original agreement.

During 2003, the Company and Orbimage entered into a new agreement, subsequently ratified by the bankruptcy court in Virginia, whereby the Company refunded consideration of U.S.$12 million to Orbimage. In turn, Orbimage agreed to return all rights to data for the RADARSAT-2 satellite. The collateralized rights that were returned to the Company as part of the settlement with Orbimage are being resold to other parties.

Certain of the products offered by the Company in its Information Products group rely on data supplied by third parties. The Company successfully negotiated a new data supply contract for the U.S. operations which came due in March 2004. Management does not anticipate an increase in cost or reduction in data quality as a result of this agreement.

The Company's exclusive NLIS Hub Services Agreement with Local Government Information House Ltd. ("LGIH") in the U.K. extends to April 2009. Under this agreement, the Company is required to make quarterly payments of 250,000 pounds. LGIH has the option to renew the agreement for an additional three years thereafter. Upon termination MacDonald Dettwiler retains all rights to the NLIS specific software and systems, including data provider agreements the Company has entered into with various local authorities and government agencies.

The Company also has a Channel Services Agreement with LGIH which is coterminous with the Hub Services Agreement and provides for the distribution of data and products from the NLIS Hub to end users. On termination of the agreement, the Company retains all rights to its intellectual property and assets and the distribution and data provider agreements it has entered into.

The Company's operating agreement for BC OnLine extends to May 2009. At the end of the term, the Province of British Columbia may renew the agreement or submit the agreement for reprocurement after a 2-year notice to the Company. The Company retains perpetual rights to the BC OnLine software including enhancements and improvements, the data or service provider agreements it has separately entered into and control of any value-added products or external products it introduces during the term of the operating agreement.

NEW ACCOUNTING PRONOUNCEMENTS

STOCK-BASED COMPENSATION

In December 2001, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 3870. This section established 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 are incurred based on the price of common stock or other equity instruments.

Under section 3870, which was effective for stock-based compensation issued on or after January 1, 2002, the Company may apply either the fair value-based method or the intrinsic value method of accounting for stock-based compensation awards granted to employees.

The Company applies settlement accounting to account for stock-based compensation, and accordingly, no compensation expense has been recognized for fixed stock option plans. Section 3870 requires additional disclosure of options granted to employees, including disclosure of pro forma earnings and pro forma earnings per share as if the fair value-based accounting method had been used to account for employee stock options. The Company has provided this disclosure in its financial statements.

The standards require the use of the fair value-based method to account for stock-based transactions for fiscal years beginning on or after January 1, 2004.

HEDGING INSTRUMENTS
The CICA issued a new Accounting Guideline *Hedging Relationships* in December 2001, which specifies the conditions for which hedge accounting is appropriate. The guideline includes requirements for the identification, documentation and designation of hedging relationships, sets standards for determining hedge effectiveness, and establishes criteria for the discontinuance of hedge accounting.

The new guideline is effective commencing fiscal 2004. Adoption of the guideline is not expected to have a significant impact on the consolidated financial statements.

IMPAIRMENT OF LONG-LIVED ASSETS
The CICA issued a new Handbook Section 3063 *Impairment of Long-Lived Assets*, which establishes standards for the recognition, measurement and disclosure of the impairment of long-lived assets. Impairment of long-lived assets held for use is determined in a two-step process, with the first step determining when an impairment is recognized and the second step measuring the amount of the impairment. An impairment loss is recognized when the carrying amount of the long-lived asset exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. An impairment loss is measured as the amount by which the long-lived asset's carrying amount exceeds its fair value. To test for and measure impairment, long-lived assets are grouped at the lowest level for which identifiable cash flows are largely independent.

The new standards are effective commencing fiscal 2004. Adoption of these standards is not expected to have a significant impact on the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES
MacDonald Dettwiler prepares its financial statements in accordance with GAAP. The preparation of consolidated financial statements in conformity with GAAP 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. Estimates are based upon historical experience and various other assumptions that are believed to be reasonable under the circumstances. These estimates are evaluated on an on-going basis and form the basis for making judgements regarding the carrying values of assets and liabilities and the reported amount of revenues and expenses. Actual results may differ from these estimates under different assumptions. Significant estimates include, but are not limited to, the determination of project expenditures for contracts accounted for on the percentage of completion basis, allowance for doubtful accounts, income tax valuation allowances, goodwill impairment tests, and the useful lives and valuation of intangible assets. The Company's significant accounting policies are described in Note 2 to the consolidated financial statements.

REVENUE RECOGNITION
Revenues from long-term contracts are recognized using the percentage of completion method based on costs incurred relative to total estimated costs. Revenues from long-term production type contracts, including amounts attributed to customer supplied materials, are recognized using the percentage of completion method based on the units of delivery method. The inception to date effect of any changes in estimates of contract price or costs to complete is recognized in the period when the change is determined by management.

Consideration from sales of information products, including those with multiple deliverables, 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 are 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.

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 existing assets and liabilities and their respective income tax bases. 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 when a change in tax rates is substantively enacted. Future income tax assets are evaluated periodically and if realization is not considered "more likely than not" a valuation allowance is provided.

GOODWILL
Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Company's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step has not been required but would be carried out if the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss. The implied fair value of the reporting unit's goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraphs, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of a reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the earnings statement before extraordinary items and discontinued operations.

INTANGIBLE ASSETS
Intangible assets acquired either individually or with a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values.

Intangible assets with finite useful lives are amortized over their estimated useful lives. The amortization methods and estimated useful lives of intangible assets are reviewed annually.

Intangible assets with indefinite useful lives are not amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the intangible asset with its fair value, and an impairment loss is recognized in income for the excess, if any.

ALLOWANCE FOR DOUBTFUL ACCOUNTS
The Company records an allowance for doubtful accounts related to accounts receivable that are considered to be impaired. The allowance is based on the Company's knowledge of the financial condition of its customers, the aging of the receivables, current business environment and historical experience. A change to these factors could impact the estimated allowance and the provision for bad debts.

BUSINESS RISKS AND UNCERTAINTIES
The Company is subject to a number of risks and uncertainties that can significantly affect its financial condition and future financial performance. We have a comprehensive planning process to identify and mitigate risk, wherever possible. Key risks include:

FIRM FIXED PRICE CONTRACTS

A large percentage of the Company's contracts are firm fixed price contracts. These firm fixed price contracts at times involve the completion of large-scale system engineering, software and hardware development projects. There is a risk in all of the firm fixed price contracts that the Company will be unable to deliver under the contract within the time specified and at a cost to the Company which is less than the contract price. The technical nature and sophistication of the systems deliverable under these contracts may require amendments to be negotiated from time to time, subject to agreed contract change processes. In the absence of any agreement to such amendments which increase the price payable or extend delivery times, customers may be in a position to terminate the contract for default, or to demand repayments or penalties. The Company has processes and systems in place to measure and monitor the technical and financial performance of contracts. Notwithstanding that the Company, together with the customer, constantly monitors these projects to determine early warnings related to these risks, a contract may end up in a default or in overruns. A significant contract overrun that is caused by actions or inactions by the Company could affect the Company's results of operations and financial condition.

RELIANCE ON THIRD PARTIES/SUBCONTRACTORS

The Company's business is often dependent upon performance by third parties and subcontractors for completion of contracts on which it is the prime contractor. Subcontractors for large system programs are selected in concurrence with the customer's requirements, either as directed by the customer or as evaluated by the Company during the contract bidding process. Otherwise, subcontractors are selected through a competitive bid or negotiated process. Most major development subcontracts are established as firm fixed price contracts, generally with supporting performance bonds or other security, liquidated damages or other penalties for non-performance. However, some subcontractors have limitations and exclusions from liability. The Company believes that these subcontractors would have an economic incentive to perform such subcontracts for the Company although no company can protect itself against all material breaches, particularly those related to financial insolvency of the subcontractors or to cost overruns by subcontractors. In addition, a significant price increase in those few subcontracts which are not firm fixed price, delay in performance, a failure to perform from any major subcontractor or the inability to obtain replacement subcontractors at a reasonable price, when and if needed could have a material adverse effect on the Company's business, results of operation and financial condition.

POTENTIAL FOR LIABILITY

There is a risk that the Company's products or systems may contain errors or defects or fail to perform. While the Company contractually limits its liability for damages arising from its provision of products and systems, limitations of liability, although existing in the vast majority of the Company's contracts, may not have not been included in all of the Company's past contractual arrangements and even where such limitations have been included, there can be no assurance that they will be enforceable in all circumstances or in all jurisdictions or that they otherwise will protect the Company from liability for damages except for the insurance coverage which does apply. Furthermore, litigation regardless of contracts could result in substantial cost to the Company, divert management's attention and resources from the Company's operations and result in negative publicity that may impair the Company's ongoing marketing efforts. Although the Company purchases product liability (covering risk of property damage and personal injury) and computer software and service errors and omissions insurance, there is no assurance that this insurance will cover the claims or that the claims will not exceed the insurance limit.

DEPENDENCE ON KEY PERSONNEL

The success of the Company is largely dependent on the abilities and experience of its executive officers and other key employees. Competition for highly skilled management, technical, research and development and other employees is intense in the technology industry. There can be no assurance that the Company can retain its current key employees or attract and retain additional key employees as needed. The loss of certain key employees could have an adverse impact upon the Company's growth, business and profitability.

DEPENDENCE ON DATA PROVIDERS

Certain of the products offered by the Company in its Information Products group rely on data supplied by third parties. These contracts normally have provisions which permit either party to terminate the agreement in the event of a breach by the other party. In addition, there may be costs to the Company associated with its breach of such contracts and the acquisition of software and/or data to provide its products. In the event that any of such contracts are terminated, the Company may experience delays in providing its products from other data sources which delays may affect the Company's operations or financial condition. In the United Kingdom, there can be no assurance that the Company will be able to continually acquire such data from all Local Authorities at a cost that permits the Company to realize a profit, or be able to sell its electronic products at prices permitted under contract, or in competition to current paper-based systems, that permits the Company to realize a profit.

TECHNOLOGICAL CHANGE

The markets in which MacDonald Dettwiler operates are characterized by changing technology and evolving industry standards. The Company's systems embody complex technology and may not always be compatible with current and evolving technical standards and systems developed by others. Failure or delays by the Company to meet or comply with the requisite and evolving industry or user standards could have a material adverse effect on the Company's business, results of operations and financial condition. The Company's ability to anticipate changes in technology, technical standards and product offerings will be a significant factor in the Company's ability to compete or expand into new markets. Despite years of experience in meeting customer systems requirements with the latest in technological solutions, there can be no assurance that the Company will be successful in identifying, developing and marketing products that will respond to technological change, evolving standards or individual customer standards or requirements.

INFORMATION PRODUCTS MARKETS AND COMPETITION

There are inherent risks in the essential property information products and services market. The industry is undergoing a change in the core methods used to collect, process and deliver information to its customers. The changes required to modernize the market are not trivial, although they are similar in many respects to any business transitioning to E-commerce and the use of the Internet to deliver products, and require resolution of complex technical, business and geographic coverage issues.

The Company believes that its continued growth in this sector will require additional expansion in the United States and the United Kingdom. To the extent that the Company is unable to expand in the United States or the United Kingdom or penetrate those markets in a timely and cost effective manner, or achieve cost-effective pricing for its products, the Company's business growth could be adversely affected.

RISK OF CONTRACT PERFORMANCE

Most of the systems developed by the Company are technologically advanced and sometimes must function under demanding operating conditions. The Company employs sophisticated design and testing processes and practices which include a range of stringent factory and on-site acceptance tests with criteria and requirements jointly developed with the customers but there can be no assurance that the Company's systems will be successfully implemented or operated.

GOVERNMENT CONTRACTS

During 2003, approximately 24% of the Company's total annual revenues, and at December 31, 2003 approximately 59% of the Company's backlog, were derived from contracts with the Canadian government and its agencies. Changes in government policies, priorities or funding levels through agency or program budget reductions, the imposition of budgetary constraints or the lack of government appropriations could materially adversely affect the Company's financial condition or results of operations. Furthermore, contracts with government, including the Canadian government, may be terminated or suspended by the government at any time, with or without cause. There can be no assurance that any contracts with the government will not be terminated or suspended in the future. Although the Company attempts to ensure that government contracts have, as standard provisions, termination for convenience language which reimburses the contractor for costs incurred, subcontractor and employee termination and wind-down costs plus a reasonable amount of profit thereon, the payments may not be sufficient to fully compensate the Company and there may be an impact on the operations and financial condition of the Company.

The operating agreement between the Company and BC OnLine can be terminated by the BC Province for convenience. However, in that event the BC Province would be obliged to pay MacDonald Dettwiler 100% of its investment if terminated prior to May 1, 2002, reducing by 10% per year thereafter, plus in any case additional amounts for MacDonald Dettwiler's transition requirements. The termination of this contract may impact the operations or financial condition of the Company.

INABILITY TO EFFECT TECHNOLOGY TRANSFER

Certain businesses of the Company and products developed by the Company require the implementation or acquisition of products or technologies from corporations in other jurisdictions. In certain cases and only where the technology is re-exported to certain countries, if the use of the technologies can be viewed by the jurisdiction in which that supplier or subcontractor resides as being subject to export constraints or constraints relating to national security, the Company may not be able to obtain the technologies and products that it requires from subcontractors who would otherwise be its first choice. The Company obtains pre-authorization for re-export prior to signing contracts which oblige the Company to export subject technologies including specific foreign government approval as needed. In addition, the Company maintains an open competitive bidding system, on an international basis, which provides for ample qualified suppliers. In the event of export restrictions, the Company may have the ability through contract force majeure provisions to be excused from its obligations. Notwithstanding these provisions, export restrictions could have an adverse effect on the revenues and margins of the Company.

SATELLITE FREQUENCY ISSUE AND FAILURE
In the Company's Information Products group, the Company relies on data collected from a number of sources including data obtained from satellites. Satellites can cease to function due to interference in space beyond the Company's control. In certain instances governments may discontinue for periods of time the operation of a satellite on any particular area on the Earth or totally for various reasons or may not permit certain data, whether from a satellite owned by the government or not, to be used by the Company. Although such data may be available from other sources at different prices there is no assurance that the data will be available. Also, the launch or operation of new satellites to replace old satellites may be delayed or discontinued. Any of these factors could affect the Company's ability to obtain data or alternate sources of data for its products. Any such delay or failure could affect the Company's operations and financial condition. Radarsat International's sales are dependent primarily on data received from RADARSAT-1. The failure of RADARSAT-1 prior to RADARSAT-2 being operational could affect the Company's operations and financial condition.

The operation of RADARSAT-2 will require that the Company obtain a frequency allocated by the International Telecommunications Union. While the Company has applied for the frequency, there can be no assurance that the frequency will be granted in time to commence operations of RADARSAT-2 or at all. A failure to obtain the necessary license in a timely manner, or at all, to permit the operations of RADARSAT-2, could affect the Company's operations and financial condition.

LEGISLATION RELATING TO CONSUMER PRIVACY IN THE UNITED STATES
There could be a material adverse impact in the Company's direct marketing and data sales business due to the enactment of legislation or industry regulations in the United States arising from public concern over consumer privacy issues. Restrictions could be placed upon the collection and use of information that is currently legally available, in which case the Company's cost of collecting some kinds of new data in the future might be increased materially. Although the Company's business uses public data, it is also possible that the Company could be prohibited from collecting or disseminating certain types of personal data, as specifically identified to the Company, by a person or persons.

RISKS RELATED TO ACQUISITIONS
The Company has in the past and may continue to expand its operations and business by acquiring additional businesses, products or technologies. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional businesses or successfully integrate any acquired businesses, products or technologies into the Company without substantial expenses, delays or other operational or financial problems. Furthermore, acquisitions may involve a number of special risks, including diversion of management's attention, failure to retain key personnel, unanticipated events or circumstances and legal liabilities, some or all of which could have an adverse effect on the Company's business, results of operations and financial condition. In addition, there can be no assurance that acquired businesses, products or technologies, if any, will achieve anticipated revenues and income growth. Acquisitions could also result in potentially dilutive issuances of equity securities. The failure of the Company to manage its acquisitions strategy successfully could have a material adverse effect on the Company's businesses, results of operations and financial condition.

DEPENDENCE ON BUSINESS ALLIANCES
A key element of the Company's business strategy is the formation of corporate alliances with leading companies. The Company is currently investing, and plans to continue to invest, significant resources to develop these relationships. The Company believes that its success in penetrating new markets for its products will depend in part on its ability to maintain these relationships and to cultivate additional or alternative relationships. Although significant effort has been dedicated to establishing such relationships, there can be no assurance that the Company will be able to develop additional corporate alliances with such companies, that existing relationships will continue or be successful in achieving their purposes or that such companies will not form competing arrangements.

INTELLECTUAL PROPERTY
To protect the Company's proprietary rights, the Company relies on a combination of patent protections (in limited cases), copyrights, trade secrets, trademark laws, confidentiality agreements with employees and third parties and protective contractual provisions such as those contained in license agreements with consultants, vendors and customers. Despite these efforts, the Company's intellectual property rights may be invalidated, circumvented, challenged, infringed or required to be licensed to others. Furthermore, others may develop technologies that are similar or superior to the Company's technology, duplicate or reverse engineer the Company's technology or design around the Company's products. Although the Company applies rigorous standards, documents and processes to protect its intellectual property, there is no absolute assurance that the steps taken to protect the Company's technology will prevent misappropriation or infringement except as provided in the foregoing statement.

If any of the Company's technology violates proprietary rights, including copyrights and patents, the Company may be required to redesign its products or obtain licenses from third parties to continue offering the Company's products without substantially re-engineering such products or defending itself against infringement claims. This may affect the Company's operations and, in addition, the Company could suffer substantial costs in defending itself against infringement claims.

LETTERS OF CREDIT AND PERFORMANCE BONDS
In the case of a number of the contracts of the Company, letters of credit or performance bonds are required to be posted by the Company to cover advance payments or progress payments received by the Company and to cover the Company's performance obligations. If these letters of credit or performance bonds are called in accordance with the terms and conditions included therein, the effect of such calls could have an adverse effect on the results of operations and financial conditions. In some cases, the Company obtains wrongful call insurance from the Export Development Corporation of Canada in order to insure against any wrongful call of letters of credit or performance bonds.

CURRENCY EXCHANGE RATE RISK
The Company's results are reported in Canadian dollars. A substantial portion of the Company's revenues and a material portion of its expenses are denominated in U.S. dollars and in United Kingdom pound sterling, and are managed and hedged to ensure that foreign currency risk is minimized. Any fluctuations in the value of the Canadian dollar relative to the U.S. dollar or the pound sterling may result in variations in the revenues and earnings of the Company expressed in Canadian dollars as a result of the geographic mix of the Company's customers, and may have an impact on the Company's business, results of operations and financial condition.

ABILITY TO RAISE CAPITAL
Although the Company anticipates that it will be able to raise funds through the issue of common shares in the future, and that the net proceeds from such issue together with its existing credit facilities will be sufficient to meet the requirements of its current strategy, there can be no absolute assurance that the Company will be able to access the capital markets and will have sufficient capital to fully implement its strategy. It may not be possible to raise additional financing. Failure to obtain such financing could delay the Company's strategy.

CONCENTRATION OF SHARE OWNERSHIP
Certain companies hold more than 10% of the outstanding common shares of the Company. Any of these shareholders, individually, or together, will be able to exercise significant influence over all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. Governance may prove to be constraining on the Company's ability to make certain changes or take certain actions or may require costs to be incurred by the Company. The concentration of ownership could also have the effect of delaying or preventing a change in control that could be beneficial to the Company's shareholders or could accelerate a change of control that may not be beneficial to the Company's shareholders.

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 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 13, 2004

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of MacDonald, Dettwiler and Associates Ltd. as at December 31, 2003 and 2002 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada

February 13, 2004

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Consolidated Balance Sheets

(in thousands of dollars)
December 31, 2003 and 2002

		2003	2002
Assets			
Current assets:			
Cash and cash equivalents	$	34,221	23,983
Accounts receivable		106,140	130,524
Future income taxes (note 11(c))		215	12,087
Prepaid expenses		8,207	9,569
		148,783	176,163
Other long-term assets (note 4)		2,356	3,560
Capital assets (note 5)		46,587	58,028
Future income taxes (note 11(c))		11,716	3,683
Intangible assets (note 6(b))		63,174	62,571
Goodwill (note 6(a))		243,405	238,870
	$	516,021	542,875
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	$	115,836	96,598
Deferred revenues		20,723	61,410
Current portion of long-term debt and obligations under capital leases (note 7)		622	1,687
		137,181	159,695
Deferred revenues		16,550	37,450
Long-term debt and obligations under capital leases (note 7)		115,264	108,017
Future income taxes (note 11(c))		4,362	4,868
Other long-term liabilities (note 8)		15,701	16,978
		289,058	327,008
Shareholders' equity:			
Capital stock (note 9)		156,610	139,233
Contributed surplus		3,770	2,050
Retained earnings		112,511	68,857
Cumulative translation adjustment		(45,928)	5,727
		226,963	215,867
	$	516,021	542,875

Contingencies and commitments (notes 3 and 13)
Subsequent event (note 20)

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

Director ______________________ Director ______________________

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Consolidated Statements of Earnings

(in thousands of dollars, except per share amounts)

Years ended December 31, 2003 and 2002

	2003	2002
Revenues	$ 626,476	570,485
Expenses:		
Direct costs	457,818	423,916
Selling, general and administration	69,292	59,052
Amortization of capital and intangible assets	21,982	19,170
	549,092	502,138
Earnings before other items	77,384	68,347
Interest expense	(7,465)	(6,219)
Other income (expenses)	833	(47)
	(6,632)	(6,266)
Earnings before income taxes	70,752	62,081
Provision for income taxes (notes 11(a) and (b))	27,098	25,078
Net earnings	$ 43,654	37,003
Net earnings per common share (note 19):		
Basic	$ 1.16	1.02
Diluted	1.13	0.97

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, 2003 and 2002

	2003	2002
Retained earnings, beginning of year	$ 68,857	31,854
Net earnings	43,654	37,003
Retained earnings, end of year	$ 112,511	68,857

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, 2003 and 2002

	2003	2002
Cash flows provided by (used in):		
Operations:		
Net earnings	$ 43,654	37,003
Items not affecting cash:		
Amortization of capital and intangible assets	21,982	19,170
Future income taxes	3,308	2,708
Imputed interest	525	544
	69,469	59,425
Change in non-cash working capital items	(30,436)	(11,587)
	39,033	47,838
Investments:		
Purchase of capital assets	(12,471)	(18,221)
Acquisition of land information database and other intangibles	(11,597)	(7,365)
Acquisitions, net of cash acquired (note 3)	(25,412)	(42,597)
	(49,480)	(68,183)
Financing:		
Proceeds from borrowing	29,000	57,825
Repayment of long-term debt and obligations under capital leases	(22,698)	(27,264)
Proceeds from issue of capital stock (note 9)	14,383	12,435
Payment of promissory notes payable initially issued on acquisitions (note 3)	-	(15,739)
	20,685	27,257
Increase in cash	10,238	6,912
Cash and cash equivalents, beginning of year	23,983	17,071
Cash and cash equivalents, end of year	$ 34,221	23,983

Supplementary cash flow information (note 17).

See accompanying notes to consolidated financial statements.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Notes to Consolidated Financial Statements

(tabular amounts in thousands of dollars)
Years ended December 31, 2003 and 2002

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, is an information company that provides customers around the world with essential information for decision making in the workplace. The Company operates through two principal groups, Information Systems and Information Products.

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.

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 are eliminated on consolidation.

The Company's significant operating subsidiaries include the following:

Access BC Information Services Ltd.
DataQuick Information Systems, Inc.
Dynacs Inc.
Earth Satellite Corporation
MacDonald Dettwiler (Channel) Limited
MacDonald Dettwiler (Hub) Limited
MacDonald Dettwiler Limited
MacDonald Dettwiler Space and Advanced Robotics Ltd.
Millar & Bryce Limited
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. Revenues from long-term production type contracts, including amounts attributed to customer supplied materials, are recognized using the percentage of completion method based on the units of delivery method. The inception to date effect of any changes in estimates of contract price or costs to complete is recognized in the period when the change is determined by management.

Consideration from sales of information products, including those with multiple deliverables, 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 are transferred to direct costs at the time the product is delivered or the service is provided.

The Company recognizes the full sales amount as revenue for product sales where the Company acts as principal obligor to the customer and is responsible for compiling and formatting the source data, processing the order and delivering the product, collecting the proceeds for the sale and assuming the credit risk with respect to the customer.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Notes to Consolidated Financial Statements

(tabular amounts in thousands of dollars)
Years ended December 31, 2003 and 2002

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 exceed the amount billed to date.

(d) **Earnings per share:**
Basic earnings per common share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period.

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 and software	14% - 40%
Equipment	17% - 33%
Furniture and fixtures	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 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) **Pensions:**
The Company maintains defined benefit and defined contribution pension plans that provide retirement benefits for approximately 180 salaried employees of MacDonald Dettwiler Space and Advanced Robotics Ltd. 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 these 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.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Notes to Consolidated Financial Statements

(tabular amounts in thousands of dollars)
Years ended December 31, 2003 and 2002

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

(i) **Pensions (Continued):**
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 using the corridor method for the pension plan.

The Company also maintains a defined contribution 401(K) plan for all full-time employees of its U.S. subsidiaries.

(j) **Research and development:**
Research costs are expensed in the period incurred. Development costs are expensed in the period incurred unless the Company believes a development project meets generally accepted criteria for deferral and amortization. No such costs have been deferred as at December 31, 2003.

(k) **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 and if it is more likely than not that they will be utilized to reduce taxes payable.

(l) **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 year 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.

(m) **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 existing assets and liabilities and their respective income tax bases. 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 when a change in tax rates is substantively enacted. Future income tax assets are evaluated periodically and if realization is not considered "more likely than not" a valuation allowance is provided.

(n) **Intangible assets:**
Intangible assets acquired either individually or with a group of other assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values.

Intangible assets with finite useful lives are amortized over their estimated useful lives. The amortization methods and estimated useful lives of intangible assets are reviewed annually.

Intangible assets with indefinite useful lives are not amortized and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test compares the carrying amount of the intangible asset with its fair value, and an impairment loss is recognized in income for the excess, if any.

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Notes to Consolidated Financial Statements

(tabular amounts in thousands of dollars)

Years ended December 31, 2003 and 2002

(o) **Goodwill:**

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Company's reporting units that are expected to benefit from the synergies of the business combination.

Goodwill is not amortized and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary.

The second step has not been required but would be carried out if the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss. The implied fair value of the reporting unit's goodwill is determined in the same manner as the value of goodwill is determined in a business combination described in the preceding paragraph, using the fair value of the reporting unit as if it was the purchase price. When the carrying amount of a reporting unit's goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the earnings statement before extraordinary items and discontinued operations.

(p) **Stock-based compensation:**

The Company has a stock-based compensation plan for executives and other key employees. No compensation expense is recognized when either stock options or performance-based share options are issued to employees as options are issued at the market value of the shares at the date of the grant. Consideration paid by employees on the purchase of shares under the employee share purchase plan and exercise of stock options is recorded as share capital. The Company discloses the pro forma effect of accounting for these awards under the fair value based method (note 10(b)).

Compensation expense is however recorded for awards of restricted, performance-based common shares. The amount of compensation expense recorded is the fair value of the award at the measurement date, being the grant date, amortized over the performance-based vesting period. Awards of stock appreciation rights, convertible on exercise into restricted stock, are marked to market and are recorded as compensation expense.

3. **ACQUISITIONS:**

(a) On February 10, 2003, the Company acquired all of the outstanding common shares of Millar & Bryce Limited ("M&B"). M&B is a commercial provider of land information in Scotland. The initial aggregate net cash consideration was $19,590,000 (£7,789,000). In addition, contingent consideration of £1,500,000 is payable based on M&B achieving certain income targets to 2004. As of December 31, 2003, $1,730,000 (£750,000) has been accrued and recorded as additional goodwill.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. As M&B is in the process of obtaining a third-party review of the valuation, the allocation of the purchase price is subject to refinement.

	February 10, 2003	Contingent consideration	Total
Current assets	$ 3,487	-	3,487
Equipment	714	-	714
Goodwill and intangibles	22,871	1,730	24,601
Total assets acquired	27,072	1,730	28,802
Current liabilities	7,482	-	7,482
	$ 19,590	1,730	21,320
Cash consideration	$ 22,998	1,730	24,728
Cash of acquired operations	(3,408)	-	(3,408)
	$ 19,590	1,730	21,320

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Notes to Consolidated Financial Statements

(tabular amounts in thousands of dollars)
Years ended December 31, 2003 and 2002

3. **ACQUISITIONS (CONTINUED):**

(b) Pursuant to the acquisition of Triathlon Mapping Corp., additional consideration of $725,000 was paid to the former shareholder during 2003.

(c) On June 28, 2002, the Company entered into an agreement to acquire all of the outstanding shares of Dynacs Inc. ("Dynacs"). Dynacs is a systems company based in the United States. The agreement required the Company to invest $11,600,000 in Dynacs in order to repay existing creditors. During 2003, the Company paid $3,118,000 to the vendor as a result of Dynacs having met certain income targets in 2002. In addition, contingent consideration of up to $8,182,000 is payable based on Dynacs achieving certain income targets over the period to 2006.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

	June 28, 2002	Contingent consideration	Total
Current assets	$ 9,003	-	9,003
Goodwill	14,625	3,118	17,743
Total assets acquired	23,628	3,118	26,746
Current liabilities	(22,727)	-	(22,727)
Long-term liabilities	(901)	-	(901)
Purchase consideration	$ -	3,118	3,118

(d) On April 11, 2002, the Company entered into an agreement to acquire certain assets of Automated Mining Systems Inc. ("AMS") for $225,000 plus related acquisition costs of $84,000. AMS is a supplier of electronic products designed to enable robotic operation of underground mining equipment. The purchase price has been fully allocated to inventory. In accordance with the agreement, the Company is required to pay contingent consideration of up to $2,000,000, based on AMS achieving certain financial targets over the period to 2007. No amounts of contingent consideration have been accrued as at December 31, 2003.

(e) On January 29, 2002, the Company acquired all of the outstanding common shares of Earth Satellite Corporation ("EarthSat"). EarthSat is a provider of information products derived from satellite imagery and other sources. The aggregate purchase price was $46,704,000.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. Included in the current liabilities assumed are notes payable of $2,400,000 and $8,800,000 which are due to the vendors and are payable on the conversion of certain working capital amounts to cash. These notes were repaid during 2002.

	January 29, 2002
Current assets	$ 14,066
Equipment	1,069
Other long-term assets	122
Goodwill	46,458
Total assets acquired	61,715
Current liabilities	(16,660)
Long-term liabilities	(3,322)
	$ 41,733
Cash consideration	$ 46,704
Cash of acquired operations	(4,971)
	$ 41,733

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Notes to Consolidated Financial Statements

(tabular amounts in thousands of dollars)
Years ended December 31, 2003 and 2002

(f) As a result of receiving regulatory approvals related to the transfer of various pension plan assets 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 was required to pay $475,000 to SPAR during 2002.

(g) Pursuant to the acquisition agreement relating to the purchase of Atlantic Technologies LLC on November 3, 2000, the Company issued 170,307 common shares to the vendor on each of November 3, 2001, 2002 and 2003. This additional consideration was allocated to goodwill, and, accordingly, goodwill related to the acquisition increased by $2,994,000 in each of 2001, 2002 and 2003.

(h) Pursuant to the acquisition of FDI Forest Dimensions Inc. ("FDI") in 1999, additional consideration of $249,000 was paid during 2003 to the former shareholder. Additional consideration of up to $298,000 may be payable contingent upon FDI achieving certain revenue levels in the upcoming year.

4. OTHER LONG-TERM ASSETS:

	2003	2002
Non-interest bearing note receivable discounted at a rate of 4%	$ 2,127	2,040
Prepaid fees	651	869
Investments	849	651
	3,627	3,560
Less: current portion of note receivable	(1,271)	-
	$ 2,356	3,560

Future payments due under the note receivable are as follows:

2004	$ 1,271	1,271
2009	1,090	1,090
	2,361	2,361
Imputed interest	(234)	(321)
	$ 2,127	2,040

5. CAPITAL ASSETS:

2003	Cost	Accumulated amortization	Net book value
Computers and software	$ 112,257	76,588	35,669
Equipment	24,921	20,847	4,074
Furniture and fixtures	8,938	7,410	1,528
Leasehold improvements	20,259	14,943	5,316
	$ 166,375	119,788	46,587

2002	Cost	Accumulated amortization	Net book value
Computers and software	$ 111,565	66,348	45,217
Equipment	23,791	18,754	5,037
Furniture and fixtures	8,262	6,548	1,714
Leasehold improvements	19,771	13,711	6,060
	$ 163,389	105,361	58,028

As at December 31, 2003 total assets under capital leases included above have a cost of $5,984,000 (2002 - $8,600,000) and a net book value of $56,000 (2002 - $476,000).

MACDONALD, DETTWILER AND ASSOCIATES LTD.

Notes to Consolidated Financial Statements

(tabular amounts in thousands of dollars)
Years ended December 31, 2003 and 2002

6. GOODWILL AND OTHER INTANGIBLE ASSETS:

(a) The changes in the carrying amount of goodwill for the year ended December 31 is as follows:

2003	Information Systems	Information Products	Total
Balance as at January 1	$ 72,433	166,437	238,870
Goodwill acquired during period or on refinements of purchase price allocation (notes 3(a) and 3(c))	2,206	21,271	23,477
Goodwill related to contingent consideration (notes 3(a), 3(b), 3(c), 3(h) and 3(g))	3,118	5,698	8,816
Foreign exchange	(3,106)	(24,652)	(27,758)
Balance as at December 31	$ 74,651	168,754	243,405

2002	Information Systems	Information Products	Total
Balance as at January 1	$ 58,722	116,891	175,613
Goodwill acquired during period (note 3)	12,517	46,458	58,975
Goodwill related to contingent consideration (notes 3(d), 3(f) and 3(g))	475	3,074	3,549
Foreign exchange	719	14	733
Balance as at December 31	$ 72,433	166,437	238,870

(b) Intangible assets as at December 31 are as follows:

2003	Gross carrying amount	Accumulated amortization	Total
Amortized intangible assets:			
Licenses	$ 31,156	13,429	17,727
Unamortized intangible assets:			
Perpetual license	39,819	2,428	37,391
Intellectual property	8,788	732	8,056
	48,607	3,160	45,447
	$ 79,763	16,589	63,174

2002	Gross carrying amount	Accumulated amortization	Total
Amortized intangible assets:			
Licenses	$ 28,526	$10,121	18,405
Unamortized intangible assets:			
Perpetual license	37,287	2,967	34,320
Intellectual property	10,741	895	9,846
	48,028	3,862	44,166
	$ 76,554	13,983	62,571

The aggregate amortization expense for the year ended December 31, 2003 was $3,661,000 (2002 - $3,493,000).

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(c) In the fourth quarter of 2003, the Company completed its annual impairment test for goodwill and other intangible assets with an indefinite life, as required by the CICA Handbook Section 3062, and determined that these assets are not impaired.

7. **LONG-TERM DEBT AND OBLIGATIONS UNDER CAPITAL LEASES:**

	2003	2002
Loan payable in Canadian dollars, interest at bankers acceptance rates plus 0.70% – 1.75%, repayable on April 14, 2006. The revolving period can be extended, subject to bank approval, on an annual basis.	$ 115,000	107,000
Equipment loan, interest at LIBOR plus 2.25% – 4.33%, principal and interest repayable at US$31,500 monthly, maturing June 1, 2005.	585	1,313
Western Economic Diversification loan, non-interest bearing, repayable in annual instalments of $134,000 maturing March 31, 2005.	301	435
Equipment loan, interest at 7.25%	-	295
Western Economic Diversification loan, non-interest bearing	-	385
Obligations under capital leases	-	276
	115,886	109,704
Less: current portion	622	1,687
	$ 115,264	108,017

In April 2002, the Company amended its syndicated credit agreement and increased its facility from $190,000,000 to $300,000,000. The new three year revolving bank facility provides that up to $100,000,000 of the facility can be applied to letters of credit. The bank facility is 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 ended December 31, 2002, the Company entered into a fourteen month interest rate swap, effective November 2002. The interest rate swap allows the Company to pay a fixed interest rate of approximately 3.15% plus 0.70% - 1.75% on a debt of $70,000,000. The notional value of this swap decreased by $10,000,000 quarterly until October 2003, then increased to $70,000,000 until the expiry of the swap on December 31, 2003. Interest is paid monthly in arrears.

Principal repayments on long-term debt as at December 31, 2003 are as follows:

	Total
2004	$ 622
2005	264
2006	115,000
	$ 115,886

8. **OTHER LONG-TERM LIABILITIES:**

	2003	2002
Accrued acquisition and integration costs	$ 11,115	13,292
Pension (note 15)	2,654	2,638
Other long-term liabilities	1,932	1,048
	$ 15,701	16,978

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9. CAPITAL STOCK:

Authorized:

Unlimited number of common shares with no par value
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, 2001	35,677,099	$ 123,804
Common shares issued upon conversion of employee options (note 10(a))	923,407	10,009
Common shares issued related to acquisition (note 3(g))	170,307	2,994
Common shares issued related to private placement	45,175	1,037
Common shares issued in conjunction with employee share purchase plan (note 10(c))	68,412	1,389
Balance at December 31, 2002	36,884,400	139,233
Common shares issued upon conversion of employee options (note 10(a))	1,085,753	11,744
Common shares issued related to acquisition (note 3(g))	170,308	2,994
Common shares issued in conjunction with employee share purchase plan (note 10(c))	65,483	1,281
Common shares issued upon conversion of shareholder options (note 10(a))	127,500	1,358
Balance at December 31, 2003	38,333,444	$ 156,610

On February 7, 2002, the Company issued 45,175 common shares through a private placement for proceeds of $1,037,000. The common shares issued under the private placement are subject to restriction that limit the number of shares that the subscriber may sell, transfer or dispose to February 2005.

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 6,500,000 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. In 2003, the Company revised its fixed stock option plan to also issue performance-based stock options where the number of options that ultimately vest is based on the financial performance of the Company compared with certain performance targets. Of the options outstanding at December 31, 2003, 2,504,859 vest over a period of 3 years, to the extent of one-third per year on each anniversary date of the grant, 359,245 vest on December 22, 2004, and the remaining 443,323 vest on December 31, 2005. As at December 31, 2003, 1,845,292 (2002 - 1,282,433) options were exercisable.

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A summary of the status of the stock option plan as of December 31, 2003 and changes during 2003 and 2002 is presented below:

	Shares	Weighted average exercise price per share
Options outstanding, December 31, 2001	4,550,229	$ 14.66
Options granted during 2002	212,000	24.48
Options forfeited during 2002	(150,219)	17.17
Options exercised during 2002	(923,407)	10.86
Options outstanding, December 31, 2002	3,688,603	16.07
Options granted during 2003	907,740	23.08
Options forfeited during 2003	(75,663)	25.00
Options exercised during 2003	(1,213,253)	10.79
Options outstanding, December 31, 2003	3,307,427	$ 19.73

The following table summarizes information about fixed stock options outstanding at December 31, 2003:

	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	872,829	6.1	$ 10.65	872,829	$ 10.65
$ 14.00 to 23.00	1,191,538	6.0	22.12	416,529	21.46
$ 23.01 to 27.00	1,243,060	7.0	23.80	555,934	23.90
	3,307,427	6.5	$ 19.73	1,845,292	$ 17.08

At December 31, 2003, there were 123,692 options available to be granted.

(b) The Company applies settlement accounting to account for stock-based employee compensation awards, and, accordingly, no compensation expense has been recognized for the Company's fixed stock option plan. Had compensation expense for the Company's stock-based compensation issued on or after January 1, 2002 been determined based on the fair value at the applicable grant dates, the Company's net earnings for the year ended December 31, 2003 would have been reduced to the pro forma amounts indicated below. These pro forma figures do not reflect options granted prior to January 1, 2002, the date of adoption of the new standard. The reduction in net earnings would reduce disclosed basic and diluted earnings per common share by $0.04 (2002 - $0.02).

	2003	2002
Net earnings:		
As reported	$ 43,654	37,003
Pro forma	42,049	36,425

The fair value of each option grant was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.3 – 3.9%
Dividend yield	0%
Expected option lives	1.1 – 3.7 years
Volatility	23 – 29%

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10. STOCK-BASED COMPENSATION PLANS (CONTINUED):

(c) 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, 2003, 65,483 (2002 – 68,412) common shares were issued at an average price of $19.55 (2002 - $20.59) 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.

(d) During 2003, the Company awarded a maximum of 403,759 restricted, performance-based common shares. The amount of shares that ultimately vest is based on the actual financial performance of the Company over a three-year period. Compensation expense for the year ended December 31, 2003 includes $1,720,000 (2002 – nil) related to awards of restricted, performance-based shares and awards of stock appreciation rights that are convertible into restricted stock.

11. INCOME TAXES:

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

	2003	2002
Current	$ 23,765	20,195
Future	3,333	4,883
Provision for income taxes	$ 27,098	25,078

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

	2003	2002
Combined basic income tax rate	37.6%	39.6%
Income tax expense at the basic income tax rate	$ 26,603	24,596
Large corporation tax	1,219	756
Foreign earnings subject to different rates	(2,540)	(3,207)
Manufacturing and processing rate reduction	(795)	(1,273)
Change in statutory rates	272	723
Change in valuation allowance	2,146	3,872
Other	193	(389)
	$ 27,098	25,078

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(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, 2003 and 2002 are presented below:

		2003	2002
Warranty provisions and other liabilities	$	6,515	11,141
Losses carried forward		4,402	4,266
Share issue costs		317	651
Unbilled accounts receivable/deferred revenues		(7,673)	(2,677)
Investment tax credits		(3,346)	(1,294)
Current future income tax assets	$	215	12,087
Accrued acquisition and integration costs	$	4,586	4,989
Capital assets		11,077	(646)
Goodwill and other intangibles		(3,947)	(660)
Non-current future income tax assets	$	11,716	3,683
Accrued acquisition and integration costs	$	658	-
Capital assets		(794)	(1,154)
Goodwill and other intangibles		(4,226)	(3,714)
Non-current future income tax liabilities	$	(4,362)	(4,868)

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.

(d) At December 31, 2003, the Company has non-capital losses carried forward for Canadian and United Kingdom tax purposes totaling approximately $34,475,000 that are available to reduce taxable income of future years. These non-capital loss carryforwards expire as follows:

2007	$	167
2008		662
2009		4,489
2010		8,327
No expiry date		20,830
	$	34,475

The Company also has investment tax credits of approximately $9,404,000 available to offset future Canadian federal income taxes payable. The investment tax credits expire between 2010 and 2013.

12. **RESEARCH AND DEVELOPMENT:**

During the year ended December 31, 2003, the Company incurred $45,124,000 (2002 - $45,453,000) of research and development. Research and development expenditures have been included in direct costs and are reduced by investment tax credits and grants. Investment tax credits recognized on research and development activities during the year ended December 31, 2003 amounted to $16,184,000 (2002 - $10,005,000).

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13. **CONTINGENCIES AND COMMITMENTS:**

(a) At December 31, 2003, the Company was committed under operating leases, primarily relating to office space, for the following minimum annual rentals:

2004	$	12,095
2005		11,063
2006		11,167
2007		11,236
2008		10,983
Subsequent years to December 2013		33,449
	$	89,993

(b) 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. During 2001, the Company terminated the original license agreement with Orbimage and entered into a second agreement. The second agreement, at market value, provided that the Company would license certain rights to data from the Radarsat-2 satellite. As at December 31, 2002, US$30,000,000 had been received under the agreement. In conjunction with the second agreement, Orbimage agreed to relinquish certain data rights that had been licensed under the original agreement.

During 2003, the Company and Orbimage entered into a new agreement whereby the Company refunded consideration of US$12,000,000 to Orbimage. In turn, Orbimage agreed to return all rights to data for the Radarsat-2 satellite.

(c) As at December 31, 2003, the Company's banks have issued letters of credit to certain customers of the Company for $2,730,000 (2002 - $14,369,000) of which nil (2002 - $10,610,000) 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 $2,730,000 (2002 - $3,759,000) would be due to the Company's banks. In addition, the Company's banks have issued a letter of credit in the amount of $44,397,897 (2002 - $38,829,000) 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.

(d) Certain government assistance may be repayable based on future sales levels related to the projects funded. At December 31, 2003, the amount of government assistance received subject to possible repayment is approximately $7,902,000 (2002 - $7,229,000). Amounts, if any, that may be repayable would be accounted for in the period in which it is determined that repayment is likely.

(e) The Company has granted the EDC an option to require the Company to purchase up to 87,607 preferred shares in Digital Globe, Inc. 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 certain contracts between the Company and Digital Globe, Inc. 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 2003, each member contributed US$1,650,000 to LandMDA. The agreement contemplates further capital contributions by each member based on certain milestones.

(g) Pursuant to an agreement to provide electronic land information access and delivery services, with Local Government Information House in the United Kingdom, the Company is required to pay a periodic charge of £250,000 per quarter until March 2009.

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(h) In addition, the Company is either a plaintiff or a defendant to various legal proceedings. The actions brought against the Company from time to time represent actions against the Company and its subsidiaries under contracts and relating to procurement matters. The Company analyzes all legal proceedings and the allegations therein. The outcome of any of these proceedings, either individually or in the aggregate, is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

14. FINANCIAL INSTRUMENTS:

(a) **Fair values of financial instruments:**

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

The fair values of cash and short-term deposits, accounts receivable, accounts payable and accrued liabilities approximate their carrying values 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, 2003, the Company had forward foreign currency purchase contracts for $48,245,223 and forward foreign currency sales contracts for $14,975,212, expiring at various dates through 2011. Based on market exchange rates at December 31, 2003, the foreign currency contracts had a fair value of approximately $30,500.

15. PENSION AND RETIREMENT PLANS:

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

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

The total pension expense for the Company's defined contribution pension plans for the year ended December 31, 2003 was $1,831,000 (2002 - $1,147,000).

The status of the Company's defined benefit pension plans and post-retirement plans as of December 31, 2003 and 2002 is as follows:

		2003		2002
	Pension plans	Post-retirement plans	Pension plans	Post-retirement plans
Pension and post-retirement expense:				
Current service cost	$ 601	231	578	179
Interest cost	973	359	880	464
Expected return on plan assets	(1,397)	-	(1,408)	-
Amortization of past service costs	63	-	63	-
Amortization of losses (gains)	-	(529)	(81)	(89)
Net benefit plan expense	$ 240	61	32	554

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15. PENSION AND RETIREMENT PLANS (CONTINUED):

		2003		2002
	Pension plans	Post-retirement plans	Pension plans	Post-retirement plans
Accrued benefit obligation:				
Projected benefit obligations, beginning of year	$ 15,045	7,004	14,876	6,450
Service cost	742	231	713	179
Interest cost	973	359	880	464
Benefits paid	(150)	-	(150)	-
Actuarial (gains) losses	225	(1,460)	(1,274)	(89)
Projected benefit obligations, end of year	$ 16,835	6,134	15,045	7,004
Plan assets:				
Fair value of plan assets, beginning of year	$ 19,786	-	19,866	-
Actual return on plan assets	900	-	(65)	-
Employer contributions	285	-	-	-
Employee contributions	141	-	135	-
Benefits paid	(150)	-	(150)	-
Fair value of plan assets, end of year	$ 20,962	-	19,786	-
Funded status of the plan, end of year:				
Funded status – surplus (unfunded)	$ 4,127	(6,134)	4,741	(7,004)
Unamortized past service costs	417	-	480	-
Unamortized net actuarial (gains) losses	(133)	(931)	(855)	-
Net accrued benefit asset (liability)	$ 4,411	(7,065)	4,366	(7,004)

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

Discount rate, beginning of year	6.5%	6.5%	6.5%	7.0%
Discount rate, end of year	6.0%	6.3%	6.5%	6.5%
Expected rate of return on plan assets	7.0%	n/a	7.0%	n/a
Rate of compensation increase	4.5%	n/a	4.5%	n/a
Rate of increase in medical inflation	n/a	9.0% reducing by 0.5% per annum to 5.0% ultimate rate	n/a	9.5% reducing by 0.5% per annum to 5.0% ultimate rate

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16. **SEGMENTED INFORMATION:**

The Company has two operating segments, Information Products and Information Systems.

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	
	2003	2002	2003	2002	2003	2002	2003	2002
Revenues:								
Canada	$ 228,710	238,692	-	-	157,003	173,486	71,707	65,206
United States	228,453	254,247	-	-	94,429	111,641	134,024	142,606
Other	169,313	77,546	-	-	43,724	30,561	125,589	46,985
	$ 626,476	570,485	-	-	295,156	315,688	331,320	254,797
Earnings before undernoted	$ 106,166	91,679	-	-	55,033	50,825	51,133	40,854
Amortization of capital and intangible assets	(21,982)	(19,170)	-	-	(5,277)	(5,416)	(16,705)	(13,754)
Corporate expenses	(6,800)	(4,162)	(6,800)	(4,162)	-	-	-	-
Earnings before other items	77,384	68,347	(6,800)	(4,162)	49,756	45,409	34,428	27,100
Interest expense	(7,465)	(6,219)	(7,465)	(6,219)	-	-	-	-
Other income (expenses)	833	(47)	833	(47)	-	-	-	-
Earnings before income taxes	$ 70,752	62,081	(13,432)	(10,428)	49,756	45,409	34,428	27,100

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, intangible assets and goodwill are primarily located as follows:

	2003	2002
Canada	$ 127,714	131,776
United States	171,774	193,301
United Kingdom and other	53,678	34,392
	$ 353,166	359,469

The approximate sales to the significant customer relating to the Information Systems segment are as follows:

	2003	2002
Customer A	$ 109,660	138,215

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17. SUPPLEMENTARY CASH FLOW INFORMATION:

	2003	2002
Interest paid	$ 6,544	5,811
Interest received	746	266
Income taxes paid	16,629	4,757
Income taxes recovered	2,096	234
Non-cash financing and investing activities:		
Promissory notes issued on acquisition (note 3(e))	-	11,200
Contingent shares issued (note 3(g))	2,994	2,994

18. COMPARATIVE FIGURES:

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

19. EARNINGS PER SHARE:

	2003			2002		
	Earnings	Weighted average number of common shares outstanding	Per share amount	Earnings	Weighted average number of common shares outstanding	Per share amount
Earnings per common share:						
Basic	$ 43,654	37,764,546	1.16	37,003	36,352,342	1.02
Stock options	-	780,969	-	-	1,491,733	-
Contingently issuable shares	-	141,923	-	-	312,230	-
Diluted	$ 43,654	38,687,438	1.13	37,003	38,156,305	0.97

20. SUBSEQUENT EVENT:

In January 2004, the Company entered into a derivative contract to fix up to $80,000,000 of the Company's variable rate debt at rates from 3.55 to 4.60%. The consideration paid of $216,000 will be amortized over the term of the agreement. The contract expires on December 31, 2004.

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.

ROBERT W. DEAN (2)
Newport Beach, California
Consultant

BRIAN J. GIBSON (2)
Toronto, Ontario
Senior Vice President
Ontario Teachers Pension Plan

BRIAN G. KENNING (1)(3)
Vancouver, British Columbia
Managing Partner
Brascan Financial Corporation

ROBERT L. PHILLIPS (1)(2)
North Vancouver, British Columbia
President and Chief Executive Officer
BCR Group of Companies

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

FARES SALLOUM (3)
Plano, Texas
Retired

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

(1) Member of the Governance and Nomination Committee
(M. Shuparski, B. Kenning, R. Phillips, J. Shepard)
(2) Member of the Human Resources and Compensation Committee
(R. Phillips, R. Dean, B. Gibson, J. Shepard)
(3) Member of the Audit Committee
(B. Kenning, H. Richardson, F. Salloum, M. Shuparski)

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

PAUL GORTON
Director and Division General Manager

PETER 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

CHRISTOPHER DAVIES
Vice President, Finance

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. Canada V6C 3B9 Telephone (604) 661-0222 Fax (604) 661-9480
AUDITORS	KPMG LLP, Chartered Accountants
INVESTOR RELATIONS	Heather Harrison Telephone (604) 231-2064 Fax (604) 273-9830 invest@mda.ca
STOCK LISTING	MacDonald Dettwiler is listed on the Toronto Stock Exchange under the trading symbol MDA
ANNUAL MEETING	The annual meeting of shareholders will be held on Tuesday, May 11th, 2004 at 1:30 p.m. at the Hyatt Regency Hotel in Vancouver, B.C. Canada
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, as well as an overview of the Company.

Offices And Subsidiaries

CORPORATE HEADQUARTERS

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