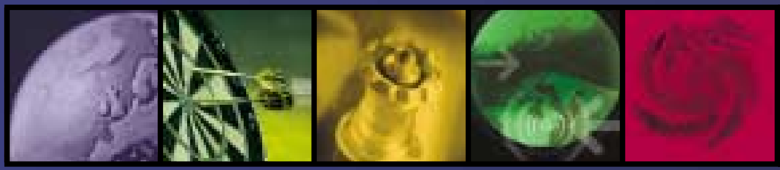


Annual Report 2000

Focusing on the Future

Bourse de Montréal Inc.

PROFILE

Bourse de Montréal Inc. has a long tradition of innovation. It was the first Canadian exchange to offer equity options, in 1975, and it went on to distinguish itself by creating a large futures market. It is this vitality that makes the Bourse special. And specialized, as well. Today, as a result of the restructuring of the Canadian exchanges, it acts as the Canadian Derivatives Exchange®. In addition to offering all investors financial and risk management tools adapted to market needs, it provides integrated financial services, including electronic trading, clearing, training, market information and regulation.

Message from the Chairman of the Board of Directors

Jacques O. Nadeau

Three hundred and sixty-six days of work and effort certainly cannot be described in a few lines, especially when they coincide with the beginning of a period of profound changes that will require months, if not years, of perseverance. That is the spirit that reigns at Bourse de Montréal Inc. Still, despite the enormous task at hand, all our staff members continue to do their utmost to take the Bourse further and make it a rapidly growing business of international stature.

I would like to take this opportunity to thank them for their patience and their belief in this endeavour. For carrying out this transformation will be a formidable and challenging pursuit, requiring of us to change our approaches and our culture, set new objectives and, above all, win over public opinion with our performance. I therefore offer sincere thanks to the people who have agreed to take up this challenge and who make the vision of Bourse de Montréal Inc. a reality day after day.

The model for the future

On the subject of change, we could devote much time to analyzing the various projects that are now part of the daily activities at the Bourse, coming as they have in rapid succession. For instance, we have implemented SAM (Montréal Automated System), a major project that will considerably change the Bourse's market model and make it even more efficient. I would also like to highlight the decision to demutualize, an effort which is and will continue to be one of the most important conditions for our success. This transformation goes beyond the corporate structure of the Bourse – the entire corporate culture benefits. Today, Bourse de Montréal Inc. is more geared to the management of results in the service of shareholder interests and is evolving in the direction of strong customer service with a focus on market needs.

It is perhaps useful to reiterate the reasons why the Bourse demutualized. Demutualization will eventually offer the Bourse greater access to capital. With its status as a business corporation and its structured and innovative business plan, Bourse de Montréal Inc. will be able to respond rapidly to changes and to the opportunities created by a highly competitive global market, adding value to the benefit of its shareholders. Moreover, it will be able to adapt to major industry trends such as advances in technology, the emerging global financial services market and changes in the competitive framework, most notably alternative trading systems and electronic communications networks.

In this constantly evolving environment, mutual companies cannot truly act on growth opportunities because they do not have the leeway that comes with the access to capital enjoyed by business corporations. By eliminating ownership restrictions, Bourse de Montréal Inc. can tap into a much larger pool of potential investors and partners. In short, demutualization gives the Bourse a more flexible structure that is better adapted to the new realities, enabling it to execute its business strategy.

A year of transition

The year 2000 unfolded in a context of profound change. For Bourse de Montréal Inc., as for any business, such a reality affects revenues. The Bourse had revenues of $31,656,258 in 2000, a decrease of 14% from 1999. As stated in the financial statements, this result, although expected, is due mainly to revenues lost as a result of the restructuring of the Canadian exchanges in 1999, and especially the transfer of the large capitalization market to the Toronto Stock Exchange.

A dynamic team

Before concluding, I must speak to certain important contributions. First is the considerable support provided by each member of the Board of Directors as well as the constant backing of the participants in our market. Without them, there would be no Bourse de Montréal Inc. I would especially like to thank them for their unwavering commitment and I encourage them to continue their support.

On behalf of the Board of Directors, I would also like to praise the work of the Bourse's management team. In less than a year, our new President, Luc Bertrand, has accomplished a great deal thanks to his leadership skills and his ability to mobilize. To that end, he has surrounded himself with competent and dynamic people. Some employees have recently joined us and have brought with them invigorating expertise. Others, of many years' standing, contribute to the success of our new vocation with their competence and in-depth knowledge of our market and clientele. It all adds up to an ideal formula for success.

Jacques O. Nadeau,
Chairman of the Board of Directors

Message from the President and Chief Executive Officer

Luc Bertrand

Bourse de Montréal Inc. is at a turning point of its history. In fact, it would be more accurate to speak not of its history but of its future, since the Bourse has embarked in the creation of a new destiny. The road it has chosen requires vision, profound conviction and no small measure of courage.

Imagine our consciously turning away from 125 years of history and changing course to ensure our long-term viability. It involves nothing less than a revolution – a word most appropriate for our situation. Here at the Bourse and elsewhere in world financial markets, we are experiencing a revolution from which we cannot escape. Nothing is as it was, and only those who choose to adapt – with vision and innovation – will make their mark and ensure their future. This is our foremost challenge.

Projects to serve the industry

The year 2000 was highly eventful. Many projects were undertaken, including demutualization and the implementation of SAM (Montréal Automated System). We also completed the last stage of the restructuring of the Canadian exchanges and assumed responsibility for the equity options previously traded on the Toronto Stock Exchange. At the same time, Bourse de Montréal Inc. became the sole owner of the Canadian Derivatives Clearing Corporation (CDCC). More than mere projects, these achievements are fundamental to our long-term development and viability.

To go forward, we must demonstrate a great deal of flexibility and pay close attention to the financial markets both at home and abroad. Looking back, we can appreciate what we have done to adapt to new market realities. Looking ahead, we must face the challenges we have come to identify if we are to meet industry needs and achieve sustainable growth. That is our primary focus. We firmly believe in the potential of our business and in the impact it will have on the industry as Canada's financial derivatives market.

A modern marketplace

By specializing in derivatives, Bourse de Montréal Inc. has not simply decided to change its field of activity, it has also opted for complete renewal. Originally a financial business, it is becoming a genuine service institution, active in clearing services, training, regulation, market information, electronic trading as well as the development of new financial products. With its tradition of expertise and industry knowledge, Bourse de Montréal Inc. is now more than ever a modern market attuned to the technology and telecommunications era.

As stipulated in the agreement on the restructuring of the Canadian exchanges, Bourse de Montréal Inc. has maintained an equity market for Quebec small caps that do not meet the listing requirements of the Toronto Stock Exchange. With its competent and committed team, the Bourse continues to offer listing and regulatory services to these companies.

Moving toward tomorrow

Following a year of change in 2000, Bourse de Montréal Inc. is already working on the development and implementation of new projects linked directly to its business strategy. New initiatives will be put in place very quickly. The first is the launch, in the second quarter of 2001, of the Derivatives Institute, whose mission it will be to educate the public in using derivatives to manage stock market risk and achieve investment goals. A true derivatives resource centre, the Derivatives Institute will offer courses and workshops and will also serve as a virtual training centre with its online services.

Innovative products

As the Canadian Derivatives Exchange®, we strongly believe in the development of new products that more effectively meet market needs and offer our clientele improved service. One prominent example is the introduction in January 2001 of single stock futures, a product that has generated much expectation in North America but is not yet available in the United States. Next will be the launch of futures contracts on sectorial indexes. These two innovations will complete the product line based on the S&P/TSE 60 Index, which was launched just over a year ago and has already seen strong growth. Moreover, we expect to introduce a new product segment with the launch of sponsored options. Other innovative and promising avenues, now under consideration, should be realized by the end of 2001.

Attending to market needs

Still, it is important to bear in mind that the growth of our business, while closely linked to the decisions made in the months and years to come, is also predicated on certain market and regulatory conditions. In this regard, we would like to underline our belief in the need for regulatory reform in both domestic and international markets.

In the context of global markets and continuing change, it is vital for the Canadian financial sector that market rules adequately reflect international trends. The Bourse recognizes the importance for a proper regulatory framework that is both flexible and efficient. For us, this is not merely a conceptual concern. Indeed, many of the Bourse's resources have already been dedicated to reviewing current regulations and developing a new proposal.

A leading-edge Bourse

The transfer of the Bourse's derivative products into SAM will be complete by late summer 2001, after which time they will all be traded electronically. Bourse de Montréal Inc. will then be the first traditional derivatives exchange in North America to be fully automated. SAM is far more than a mere technological tool; it enables the Bourse to improve the accessibility, visibility and quality of its market, while reducing transaction costs for investors and financial intermediaries.

To maintain its technological lead, Bourse de Montréal Inc. is devising solutions which will permit it to extend its remote access, thereby allowing market participants outside Canada efficient and instantaneous access to its products. This is only a brief review of our many projects. Other initiatives are soon to be announced.

I wish to express my sincere gratitude to all employees of Bourse de Montréal Inc. for their dedication and commitment, two values at the very heart of our successes and future accomplishments.

Luc Bertrand,
President and Chief Executive Officer

The Year in Review

Renewal sums up the year 2000 at the Bourse. As a result of the agreement to restructure the Canadian exchanges, concluded in March 1999, Bourse de Montréal Inc. cleared several hurdles to assume its new destiny as the Canadian Derivatives Exchange®. Renewal took place on a number of fronts, simultaneously and at a sustained pace. The following are a few of the year's highlights.

Range of products based on the S&P/TSE 60 Index grows

A new product, i60 Fund options[1] (options on the iUnits™ S&P®/TSE™ 60 Index Participation Fund) was launched on February 11, 2000. As part of the family of products based on the S&P/TSE 60 Index launched in September 1999 by Bourse de Montréal Inc., this new financial instrument can be used to effectively manage risk and increase return on assets. Moreover, it is part of a corporate strategy to offer derivatives based on underlying Canadian instruments in keeping with the global trend toward maximum market efficiency through complementary products.

Bourse de Montréal Inc.: Canada's only equity options market

On March 27, 2000, the Bourse completed the last major stage of the restructuring of the Canadian exchanges with the transfer to Bourse de Montréal Inc. of the 57 classes of equity options traded until then on the Toronto Stock Exchange. In addition to being the exclusive market for interest rate and index futures contracts, the Bourse became the only equity options market in Canada.

The transfer of equity options from Toronto to Montréal was a significant event for the Bourse, since it confirmed, more than ever, our position as the Canadian Derivatives Exchange®. The Bourse was thus able to forge ahead with its many innovative projects and ensure the growth of the options and futures markets in Canada.

Clearing: a vital market function

On March 31, 2000, in the last phase of the restructuring of the Canadian exchanges, Bourse de Montréal Inc. became the sole owner of the Canadian Derivatives Clearing Corporation (CDCC). The CDCC performs vital services for the financial industry as the issuer, clearinghouse and guarantor of exchange-traded interest rate and equity derivative contracts. It sees to the financial integrity and stability of Canada's derivatives market by acting as a guarantor. It ensures rapid and efficient settlement of derivatives transactions between the various intermediaries. It also records each operation and ensures its proper completion. Finally, it monitors positions and triggers margin calls, as necessary.

Montréal Automated System

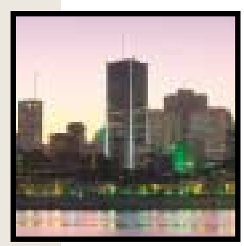
On September 14, 1999, Bourse de Montréal Inc. announced that it was joining GLOBEX® Alliance, a partnership of the Chicago Mercantile Exchange (CME), ParisBourse^{SBF} SA, the Singapore Exchange (SGX) and the Bolsa de Mercadorias & Futuros (BM&F) of Brazil[2]. At the same time, Bourse de Montréal Inc. announced that it intended to use the same electronic trading platform as its GLOBEX® Alliance partners. In March 2000, this intention was realized with the signing of an agreement with Atos-Euronext.

The platform, known as NSC and used under licence from its developer, Atos-Euronext, is the central component of SAM (Montréal Automated System). This system is the heart of the electronic environment created for the Bourse's market, as it records, manages and harmonizes all trades.

On September 25, 2000, only eight months after the agreement was announced, SAM made its debut when the Ten-year Government of Canada Bond Futures contract (CGB) was transferred to the platform. Long-term interest rate contracts were thus the first products traded with this new technology that considerably improves the quality of the market. The transfer of the BAX (Three-month Canadian Bankers' Acceptance Futures contract) and the OBX (Option on the Three-month Canadian Bankers' Acceptance Futures contract) followed on December 11. The transfer of the remaining products is slated for completion by late summer 2001 and will make Bourse de Montréal Inc. a fully automated exchange.

The Bourse demutualizes

At a Special General Meeting held on September 25, 2000, members of the Bourse unanimously approved its demutualization, only five months after the project was undertaken.

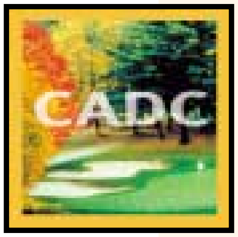


On October 1, 2000, the Bourse thus became a business corporation under the name of Bourse de Montréal Inc., with all the necessary attributes to ensure its rapid and dynamic development. The members of the Bourse exchanged their membership titles for shares and kept their trading privileges.

A self-regulatory organization

After demutualization, Bourse de Montréal Inc. was recognized as a self-regulatory organization by the Commission des valeurs mobilières du Québec (CVMQ). Since November 24, 2000, it has had a separate regulatory division to credibly oversee approved participants as well as the Bourse's markets. The division is governed by a special committee appointed by the Bourse's Board of Directors.

A successful conference

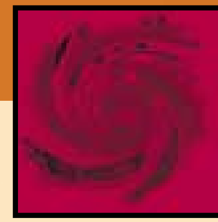


The first edition of the Canadian Annual Derivatives Conference (CADC) took place from October 15 to 18, 2000, in the picturesque setting of the celebrated Château Montebello. With its theme "The Latest Portfolio and Risk Management Strategies," CADC 2000 attracted a large number of speakers and participants from various sectors such as derivatives exchanges, other financial markets, brokerage firms, mutual fund companies, government bodies and the financial media.

The second edition of the CADC will also be held at the Château Montebello, in the fall of 2001.

[1] The iUnits™ S&P®/TSE™ 60 Index Participation Fund (i60 Fund) is managed by Barclays Global Investors Canada Limited (BGI Canada).

[2] On September 6, 2000, MEFF (the Spanish Futures and Options Exchange) also joined GLOBEX® Alliance.



Equity and index derivatives

Products	Number of classes	Traded value ($)	Volume	Open interest as of December 31, 2000
Equity Options and Long-Term Equity Options				
2000	110	2,562,844,689	4,861,030	632,960
1999	61	348,684,494	1,484,325	191,701
1998	58	330,941,116	1,423,371	156,568
1997	55	211,416,843	1,063,968	162,512
1996	42	178,801,059	728,093	126,879
S&P Canada 60(1) – Index Options and Long-Term Index Options				
2000	2	274,465,823	93,998	7,559
1999	2	66,775,030	42,310	24,815
Options and Long-Term Options on the iUnits™ S&P®/TSE™ 60 Index Participation Fund (i60 Fund)(2)				
2000	2	26,350,392	121,757	18,348

(1) Products based on the S&P/TSE 60 Index: launched on September 7, 1999
(2) Launched on February 11, 2000

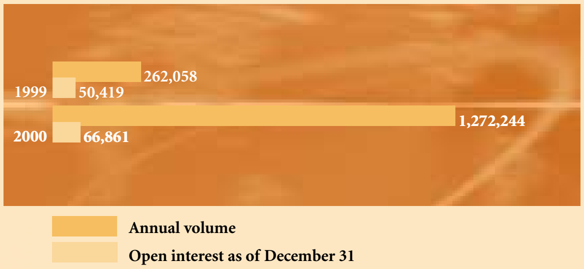
The five most active equity options classes	Symbol	Volume
Nortel Networks Corporation*	NT	1,095,680
BCE Inc.*	BCE	187,545
Bombardier Inc., Cl. B	BBD.B	166,405
ATI Technologies Inc.	ATY	160,100
Toronto-Dominion Bank (The)*	TD	154,374

* Volume from March 27, 2000, to December 31, 2000

- Equity options trading enjoyed the strongest increase in 2000. A total of 4,861,030 – including long-term equity options – contracts were traded, an increase of 227% over the previous year.
- On December 31, 2000, Bourse de Montréal Inc. boasted a total of 110 equity options classes (including the 57 options classes the Bourse received from the Toronto Stock Exchange last March 27, 2000).

SXF[1]

S&P Canada 60 Index Futures



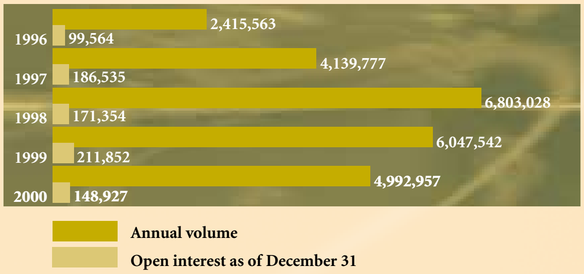
- The S&P Canada 60 Index Futures (SXF) has enjoyed spectacular growth since its launch on September 7, 1999.
- The SXF ended the year with an average daily volume of 5,069 contracts, as compared with 3,235 contracts in December 1999 – an increase of 57%.
- This product further ended the year with an open interest (number of contracts still outstanding) of 66,861 contracts, representing an increase of 33% over the previous year.
- Throughout 2000, SXF constantly set new records. On August 10, in less than a year of trading, it hit the one million mark for contracts traded, representing a value in excess of one trillion dollars.

[1] Products based on the S&P/TSE 60 Index: launched on September 7, 1999

Interest rates derivatives

BAX

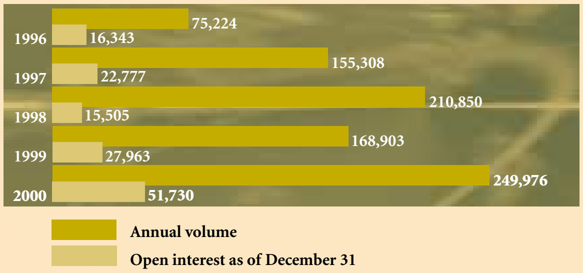
Three-month Canadian Bankers' Acceptance Futures



- The BAX (Three-month Canadian Bankers' Acceptance Futures) ended the year with a volume of 4,992,957 contracts traded. This decrease was due to the relative stability of Canadian interest rates, as compared with years past.

OBX

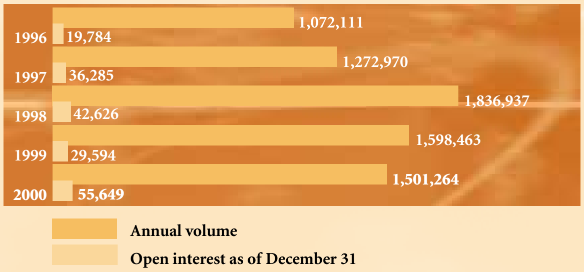
Option on Three-month Canadian Bankers' Acceptance Futures

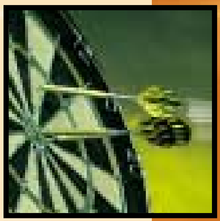


- The OBX (Option on Three-month Canadian Bankers' Acceptance Futures) has enjoyed an increase of 48%, ending the year with a total volume of 249,976 contracts traded.
- As of December 31, 2000, the open interest was of 51,730 contracts, an increase of 85% over the same period in 1999.

CGB

Ten-year Government of Canada Bond Futures





- As for CGB (Ten-year Government of Canada Bond Futures), its open interest on December 31, 2000, was 55,649, representing an increase of 88%.
- Moreover, the daily volume of CGB set a new record on November 27, reaching 50,880 contracts traded, beating its own record of 41,649 contracts set on August 26, 1998.

Products	Number of classes	Traded value ($)	Volume	Open interest as of December 31, 2000
Bond Options				
2000	3	15,826,941	8,877	273
1999	4	8,403,239	9,190	466
1998	4	20,265,907	18,583	747
1997	4	36,936,179	23,175	1,415
1996	4	28,985,841	30,159	1,695

Equities Division

The agreement entered in 1999 by Canadian stock exchanges resulted in the restructuring of capital markets according to market specialization. Pursuant to the agreement, the equities of large cap issuers are now traded on the Toronto Stock Exchange and small cap equities are traded on a new stock exchange, the Canadian Venture Exchange (CDNX), created by the merger of the Vancouver and Calgary stock exchanges.

Bourse de Montréal Inc. is now the sole marketplace in Canada for derivative products. It has, however, maintained a stock exchange to serve Quebec-based small cap issuers who do not meet Toronto Stock Exchange listing requirements. Therefore, Bourse de Montréal Inc. will continue to provide listing and regulatory services for these companies, but pursuant to an outsourcing arrangement, trading services for securities will be provided by the CDNX electronic trading platform.

Equity market

	2000
Value ($)	996,218,684
Volume	844,626,559
Number of transactions	314,071

	as of December 31, 2000
Number of companies	128
Number of issues	136

The 10 most active issues in 2000 (in terms of value)	**Value ($)**	**Volume**
Genomics One Corporation	212,739,299	19,401,162
Jitec Inc.	140,040,200	25,495,931
SAMSys Technologies Inc.	95,284,601	24,223,747
Photochannel Networks Inc.	67,263,366	40,668,850
Innovium Capital Corp.	66,518,506	45,431,716
Cenosis Inc.	65,834,037	14,164,304
Arenagold Resources Inc.	33,641,058	27,400,753
ZAQ Inc.	32,317,947	9,422,022
Freewest Resources Canada Inc.	30,884,503	42,940,869
Limtech lithium métal technologies inc.	26,150,507	23,440,391

Equity market (continued)

New listings

	2000
Number of companies	10
Number of issues	11

Initial Public Offerings (IPOs)

	2000
Number of IPOs	5
Amount	$21,631,990

Capitalization

	2000
Capitalization	$1,088,720,200

Management's Responsiblity for Financial Statements

The accompanying consolidated financial statements of Bourse de Montréal Inc. and its subsidiary, the Canadian Derivatives Clearing Corporation (CDCC), and all the information in this Annual Report, are the responsibility of management and are approved by the Board of Directors of Bourse de Montréal Inc.

The financial statements have been prepared by management in conformity with generally accepted accounting principles in Canada and include amounts that are based on best estimates and judgements. The financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

Management of the Company and of its subsidiary, in furtherance of the integrity and objectivity of data in the financial statements, have developed and maintain systems of internal accounting controls. Management believes that the systems of internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for the preparation of the financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the financial statements included in this Annual Report principally through its Audit Committee, consisting solely of outside directors. The Audit Committee reviews the Company's annual consolidated financial statements and formulates the appropriate recommendations to the Board of Directors. The auditors appointed by the shareholders have full access to the Audit Committee, with and without management being present.

These financial statements have been examined by the auditors appointed by shareholders, KPMG LLP, chartered accountants, and their report is presented hereafter.

Jacques O. Nadeau,
Chairman of the Board of Directors

Montréal, Canada
March 27, 2001

Auditors' Report to the Shareholders

We have audited the consolidated balance sheet of Bourse de Montréal Inc. (formerly Montreal Exchange) as at December 31, 2000, and the consolidated statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Montréal, Canada
February 16, 2001

Consolidated Balance Sheet

December 31, 2000, with comparative figures as at December 31, 1999

	2000	1999
Assets		
Current assets:		
Cash and cash equivalents (note 5)	**$ 5,662,412**	$ 605,099
Short-term investments (note 6)	**23,457,925**	16,848,299
Accounts receivable	**8,591,417**	4,036,554
Daily settlements due from clearing members	**17,529,000**	–
Amount receivable from the Toronto Stock Exchange (note 3)	**–**	5,500,000
Prepaid expenses	**1,498,118**	360,780
	56,738,872	27,350,732
Investments (note 6)	**7,592,042**	8,382,447
Investment in the CDCC (note 4)	**–**	566,667
Amount receivable from the Toronto Stock Exchange (note 3)	**–**	5,500,000
Clearing fund cash deposits (note 7)	**467,937**	–
Clearing members' cash margin deposits (note 7)	**1,158,827**	–
Capital assets (note 8)	**11,576,659**	14,560,327
Future income taxes (note 14)	**4,534,775**	–
Goodwill, net of accumulated amortization of $27,990	**345,207**	–
	$ 82,414,319	$ 56,360,173
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued charges	**$ 7,072,345**	$ 5,859,094
Sundry deposits	**13,268**	409,277
Daily settlements due to clearing members	**17,529,000**	–
	24,614,613	6,268,371
Deferred contributions (note 3)	**10,813,566**	24,932,568
Clearing fund cash deposits (note 7)	**467,937**	–
Clearing members' cash margin deposits (note 7)	**1,158,827**	–
Shareholders' equity (note 10):		
Capital stock	**44,749,001**	–
Retained earnings	**610,375**	25,159,234
	45,359,376	25,159,234
Commitments (note 12)		
Contingency (note 13)		
	$ 82,414,319	$ 56,360,173

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

Consolidated Statement of Earnings

Year ended December 31, 2000, with comparative figures for 1999

	2000	1999
Revenues:		
Transactions	**$ 11,519,611**	$ 12,890,272
Participants	**2,730,572**	2,578,553
Option clearing and exercise	**3,460,087**	–
Listed companies	**1,686,329**	9,281,252
Market data	**11,324,516**	10,838,956
Other	**935,143**	1,180,832
	31,656,258	36,769,865
Expenses:		
Salaries and benefits	**15,209,038**	13,165,202
Premises and equipment operations	**6,558,983**	6,237,852
Amortization of capital assets	**5,337,339**	5,916,932
General and administrative	**6,379,773**	5,557,855
Telecommunications	**1,748,173**	1,817,516
Public affairs	**1,401,061**	1,217,531
Amortization of goodwill	**27,990**	–
	36,662,357	33,912,888
(Loss) earnings before investment income and other items	**(5,006,099)**	2,856,977
Investment income	**3,524,284**	815,698
(Loss) earnings before undernoted items	**(1,481,815)**	3,672,675
Contributions from other Canadian stock exchanges (note 3)	**20,111,060**	–
Write-off of capital assets (note 8)	**(2,945,773)**	(3,907,705)
Restructuring costs	**–**	(4,109,743)
Earnings (loss) before income taxes	**15,683,472**	(4,344,773)
Income taxes (note 14):		
Current	**18,105**	–
Future	**367,427**	–
	385,532	–
Net earnings (loss)	**$ 15,297,940**	$ (4,344,773)
Earnings (loss) per share (note 15)	**$ 1.84**	$ (0.52)

See accompanying notes to consolidated financial statements.

Consolidated Statement of Retained Earnings

Year ended December 31, 2000, with comparative figures for 1999

	2000	1999
Retained earnings, beginning of year	**$ 25,159,234**	$ 29,504,007
Net earnings (loss) for the year	**15,297,940**	(4,344,773)
Transfer to capital stock on October 1, 2000 (note 10)	**(44,749,001)**	–
Future tax assets at October 1, 2000	**4,902,202**	–
Retained earnings, end of year	**$ 610,375**	$ 25,159,234

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended December 31, 2000, with comparative figures for 1999

	2000	1999
Cash flows from operating activities:		
Net earnings (loss)	**$ 15,297,940**	$ (4,344,773)
Adjustments for:		
Amortization of capital assets	**5,337,339**	5,916,932
Contributions from other Canadian stock exchanges	**(20,111,060)**	–
Deferred contributions charged to investment income	**(432,568)**	–
Write-off of capital assets	**2,945,773**	3,907,705
Amortization of discounts on investments	**(1,546,715)**	(564,733)
Amortization of goodwill	**27,990**	–
Future income taxes	**367,427**	–
Net change in non-cash operating assets and liabilities (note 16)	**(4,661,346)**	(1,657,047)
	(2,775,220)	3,258,084
Cash flows from investing activities:		
Purchase of capital assets	**(10,207,714)**	(6,497,179)
Purchase of investments	**(113,575,620)**	(108,091,460)
Sale of investments	**116,706,361**	95,196,612
Business acquisition, net of cash and cash equivalents (note 4)	**409,506**	–
	(6,667,467)	(19,392,027)
Cash flows from financing activities:		
Deferred contributions	**3,500,000**	13,932,568
Amount receivable from the Toronto Stock Exchange	**11,000,000**	–
	14,500,000	13,932,568
Net increase (decrease) in cash and cash equivalents	**5,057,313**	(2,201,375)
Cash and cash equivalents, beginning of year	**605,099**	2,806,474
Cash and cash equivalents, end of year	**$ 5,662,412**	$ 605,099

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended December 31, 2000

Bourse de Montréal Inc. (the "Company") was incorporated on September 29, 2000, under Part 1A of the Companies Act (Québec). Its principal business activity is to provide a marketplace for the buying and selling of securities and derivative products. Through its subsidiary, the Canadian Derivatives Clearing Corporation (CDCC), it is also the issuer, clearinghouse and guarantor of exchange-traded interest rate and equity derivative contracts traded in Canada.

1. Demutualization of the Montreal Exchange:

At a special general meeting of members held on September 25, 2000, the Montreal Exchange received the authorization to continue as Bourse de Montréal Inc. under Part 1A of the Companies Act (Québec).

Under the proposal, immediately prior to the demutualization, each member or person owning a Montreal Exchange membership title received 100,000 common shares in the capital of Bourse de Montréal Inc. The requisite approvals having been received following the share issue, the Montreal Exchange became on October 1, 2000, a for-profit, taxable, shareholder-owned corporation.

The Company has issued 8,300,000 common shares, on October 1, 2000, having an aggregate stated capital of $44,749,001 following the demutualization.

As set out in the proposal approved on September 25, 2000, each common share entitles its holder to one vote at all meetings of shareholders subject to certain restrictions with respect to the voting rights and transferability of the shares. No person or combination of persons acting jointly or in concert will be permitted to beneficially own or exercise control or direction over more than 10% of any class or series of voting shares of the Company.

At the time of the demutualization, accumulated excess in revenue over expenses was totally allocated to capital stock.

The Board of Directors of the Canadian Derivatives Clearing Corporation (the "CDCC") has also approved the CDCC to commence carrying on business on a "for profit" basis. When this change occurs, the activities of the CDCC will be subject to federal and provincial taxes. The conversion is subject to regulatory approval. At the auditors' report date, the approvals were not yet received.

2. Significant accounting policies:

(a) Consolidation:

The consolidated financial statements include the accounts of Bourse de Montréal Inc. and its wholly-owned subsidiary the CDCC and are prepared in accordance with Canadian generally accepted accounting principles. The CDCC is a non-profit organization as defined under Section 149 of the Income Tax Act (Canada) and, as such, is not subject to income taxes.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of liquid investments that have a settlement date of three months or less and are carried at cost which approximates their fair value.

(c) Short-term investments:

Short-term investments consist of temporary investments, such as bankers' acceptance, term deposit and treasury bill and bonds that have a settlement date in the next fiscal year. Short-term investments are carried at the lower of cost and fair value.

(d) Investments:

Investments in bonds are carried at cost adjusted with the amortization of premiums and discounts.

(e) Daily settlement due from and to clearing members of the CDCC:

The amounts due from and to clearing members as a result of marking open futures positions to market and settling options transactions each day are required to be collected from or paid to clearing members prior to the commencement of trading the next day. The amounts due from clearing members are presented as an asset in the balance sheet and are not offset against amounts due to other clearing members.

As at December 31, 2000, the largest amount due from a clearing member was $12,580,405 and the largest amount due to a clearing member was $11,247,030.

2. Significant accounting policies (continued):

(f) Capital assets:

Capital assets are carried at historical cost less accumulated amortization, which is provided using the following periods on the straight-line basis:

Asset	Period
Computer development, hardware and software	3 to 5 years
Furniture, fixtures and equipment	5 years

Leasehold improvements are being amortized over periods not exceeding the term of the leases.

(g) Goodwill:

Goodwill represents the excess price over the fair value of net assets of the business acquired and is amortized on a straight-line basis over a period of ten years. Management periodically reviews the carrying value and amortization period of goodwill. When circumstances or events indicate a possible decline in the net recoverable value of goodwill, an evaluation of undiscounted future cash flows of the underlying revenue which gave rise to goodwill is undertaken. If required, the carrying value of goodwill is then reduced. No such events or circumstances have occurred during the year.

(h) Stock option plan:

The Company has a stock option plan, as described in note 11. No expense relating to the benefit received by the beneficiary is recognized under this plan when stock options are issued to directors, officers and key employees. Any consideration paid by the latter upon exercise of the options is credited to capital stock.

(i) Revenue from listing and clearing fees:

Revenue from listing fees is recognized in the year of listing.

Revenue from clearing fees is recognized on the settlement date of the transaction that the fees apply to.

(j) Foreign currency translation:

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the time of the transaction.

Monetary assets and liabilities are translated into Canadian dollars at the year-end exchange rate, whereas non-monetary items are translated at the exchange rate prevailing at the time of the transaction.

(k) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are recognized in the balance sheet to account for future tax consequences arising from differences between the carrying amount of assets and liabilities and their corresponding tax basis. If required, a valuation allowance is recorded to reduce income tax assets to an amount that is more likely than not to be realized. The impact of changes in tax rates is recognized during the year in which the changes occur.

(l) Measurement uncertainty:

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

Significant areas requiring the use of management estimates relate to accounts receivable, daily settlements due from clearing members and the useful life of assets for amortization purposes and evaluation of their net recoverable amount. Consequently, actual results could differ from those estimates.

3. Canadian Exchanges restructuring:

On March 15, 1999, the four main Canadian exchanges, including the Montreal Exchange, entered into an agreement to restructure their fields of specialization. On November 10, 1999, an addendum to this agreement was also signed.

Under this agreement, each exchange will exclusively provide trading services as follows: all options and futures contracts at the Montreal Exchange, all senior securities at the Toronto Stock Exchange ("TSE") and all junior securities at the Canadian Venture Exchange ("CDNX") (exchange resulting from the merger of the Alberta Stock Exchange and the Vancouver Stock Exchange).

On December 3, 1999, the securities listed on the Montreal Exchange were transferred to the TSE. The options listed on the TSE were transferred to the Montreal Exchange in March 2000.

On March 31, 2000, the TSE transferred its investment in the CDCC to the Montreal Exchange, while the Montreal Exchange transferred its investment in The Canadian Depository for Securities Ltd. to the TSE under the agreement.

3. Canadian Exchanges restructuring (continued):

Under the ten-year agreement and the second addendum of the agreement signed on September 22, 2000, the Montreal Exchange has received $28,000,000 from the TSE and CDNX.

Under this second addendum, the Montreal Exchange will cease the listing of securities of junior issuers from Quebec as well as the delivery of related services. The outsourcing agreement entered into between the Montreal Exchange and CDNX will also be terminated.

The second payment of $3,500,000 received from CDNX on September 29, 2000, will have to be reimbursed by the Company to CDNX if the requisite approvals by the securities commissions of Quebec, Alberta and British Columbia have not been received.

Deferred contributions have varied as follows during the year:

	2000	1999
Balance, beginning of period	**$ 24,932,568**	$ –
Investment acquired in the CDCC	**8,705,000**	–
Contributions from other Canadian stock exchanges	**3,500,000**	24,932,568
Amount applied against capital assets	**(5,780,374)**	–
Amount charged to earnings	**(20,111,060)**	–
Amount charged to investment income	**(432,568)**	–
	$ 10,813,566	$ 24,932,568

Out of the amount of $10,813,566 as at December 31, 2000, $7,313,566 will be applied against capital assets relating to the derivative-based trading system and $3,500,000, representing the amount received from CDNX under the second addendum, will be charged to income once the requisite approvals from the securities commissions have been received.

4. Business acquisition:

On March 31, 2000, under the Canadian Exchanges restructuring memorandum dated March 15, 1999 (note 3), the Montreal Exchange received the remaining 50% of the shares of the CDCC, an issuer, clearinghouse and guarantor of all derivatives traded in Canada. Prior to this date, the Montreal Exchange held a 50% equity interest in the CDCC.

The transfer has been accounted for at fair value under the purchase method and the results of operations since the date of acquisition have been included in these consolidated financial statements.

Assets acquired:	
Cash and cash equivalents	$ 409,506
Short-term investments	7,403,247
Accounts receivable	779,083
Daily settlement due from clearing members	34,095,018
Prepaid expenses	138,160
Clearing members' margin deposits	6,311,463
Clearing fund deposits	2,092,142
Capital assets	1,030,816
	52,259,435
Liabilities assumed:	
Accounts payable and accrued liabilities	862,342
Daily settlement due to clearing members	34,095,018
Clearing members' margin deposits	6,311,463
Clearing fund deposits	2,092,142
	43,360,965
Net assets	8,898,470
Goodwill	373,197
	9,271,667
Investment in the CDCC at book value	(566,667)
Net assets received at fair value	$ 8,705,000

The deferred contributions in the balance sheet have been increased by the net assets received at fair value (note 3).

5. Cash and cash equivalents:

	2000	1999
Cash	$ 391,980	$ 605,099
Bankers' acceptance	5,270,432	–
	$ 5,662,412	$ 605,099

6. Investments:

	2000			1999		
	Effective rate at December 31, 2000	**Cost**	**Fair value**	Effective rate at December 31, 1999	Cost	Fair value
Short-term investments:						
Bankers' acceptance	**5.78%**	**$ 5,081,139**	**$ 5,079,371**	4.96%	$ 13,932,568	$ 13,928,271
Term deposit	**5.79%**	**6,689,967**	**6,688,254**	–	–	–
Bonds maturing in the next fiscal year	**6.01%**	**6,265,414**	**6,261,614**	7.25%	2,915,731	2,915,354
Treasury bill	**5.40%**	**5,421,405**	**5,438,015**	–	–	–
		23,457,925	**23,467,254**		16,848,299	16,843,625
Long-term investments:						
Bonds maturing between 1 year and less than 5 years	**6.75%**	**7,592,042**	**7,652,164**	6.94%	8,382,447	8,322,486
		$ 31,049,967	**$ 31,119,418**		$ 25,230,746	$ 25,166,111

The Company considers that an amount of $2,095,436 in bonds in 2000 (1999 – $2,095,436) is committed to the Contingency Fund.

The fair value of bankers' acceptance and bonds is calculated based on market value.

7. Clearing fund and members' margin deposits:

Cash deposits of clearing members are held in the name of the CDCC and are disclosed in the balance sheet under Clearing members' cash margin deposits and Clearing fund cash deposits. Government securities, letters of credit and other securities are deposited by the clearing members with approved depositories under irrevocable agreements. Clearing members may also deposit letters of credit and escrow receipts directly with the CDCC.

Non-cash margin and clearing fund deposits which are not included in the balance sheet as at December 31, 2000, are as follows:

	2000	1999
	(000's)	
Margin deposits:		
Government securities, at face value	**$ 1,013,698**	$ –
Letters of credit, at face value	**535,777**	–
Equity securities (to cover short positions), at market value	**369,081**	–
	$ 1,918,556	$ –
Clearing fund deposits:		
Government securities, at face value	**$ 185,552**	$ –

8. Capital assets:

	Cost	Accumulated amortization	2000 Net book value
Computer development, hardware and software	**$ 10,365,591**	**$ 6,890,274**	**$ 3,475,317**
Leasehold improvements	**20,169,770**	**14,508,115**	**5,661,655**
Furniture, fixtures and equipment	**3,645,950**	**3,115,093**	**530,857**
Clearing and trading systems under development	**7,689,204**	**–**	**7,689,204**
Contributions from other Canadian stock exchanges	**(5,780,374)**	**–**	**(5,780,374)**
	$ 36,090,141	**$ 24,513,482**	**$ 11,576,659**

	Cost	Accumulated amortization	1999 Net book value
Computer development, hardware and software	$ 14,776,137	$ 8,716,989	$ 6,059,148
Leasehold improvements	18,323,963	10,944,385	7,379,578
Furniture, fixtures and equipment	3,635,245	2,513,644	1,121,601
	$ 36,735,345	$ 22,175,018	$ 14,560,327

In 2001, the Company will cease using its current trading system and its outcry trading floor, in favour of a fully automated derivatives trading system currently under development. As a result, a write-down of $2,945,773 has been charged to earnings.

9. Operating lines of credit:

The Company has operating lines of credit of $5,000,000. When used, these lines of credit bear interest at the banks' prime rate and are renewable annually.

10. Capital stock:

Immediately prior to the demutualization, which took place on October 1, 2000, the authorized capital of the Montreal Exchange consisted of 105 memberships, of which 83 were outstanding.

At the time of the demutualization, each member or person owning a Montreal Exchange's membership title received 100,000 common shares in the capital stock of the Company. Therefore, 8,300,000 common shares were issued for a stated capital of $44,749,001. The accumulated surplus as at September 30, 2000, was thus allocated in whole to capital stock.

Information with respect to the allocated surplus is as follows:

	2000	1999
Surplus, beginning of year	**$ 25,159,234**	$ 29,504,007
Net earnings (loss) for the period from January 1 to September 30, 2000, and for the year ended December 31, 1999, respectively	**19,589,767**	(4,344,773)
Surplus as at September 30, 2000, and December 31, 1999, respectively	**44,749,001**	25,159,234
Accumulated surplus allocated to capital stock on October 1, 2000	**(44,749,001)**	–
	$ –	$ 25,159,234

The Board of the CDCC has determined that the CDCC should maintain a general operating reserve at an amount up to estimated expenses for one year plus the deductible amount under its insurance policies.

The Board of the CDCC approved the creation of a technology reserve to cover anticipated computer hardware and software expenditures amounting to $4,600,000. The CDCC commenced the development of a new clearing system in 1999 and has capitalized expenditures of $1,900,000 to December 31, 2000.

The relocation and restructuring cost reserve relates to the estimated cost of completing the move to new premises in 2000, the costs of the planned change in tax status, and certain business process and technology changes anticipated in 2001.

10. Capital stock (continued):

Amounts pertaining to the technology reserve and relocation and restructuring cost reserve are transferred to unappropriated surplus as related expenditures are charged to operations. As at December 31, 2000, the CDCC's appropriated surplus was as follows:

General operating reserve	$ 3,977,000
Technology reserve	4,600,000
Relocation and restructuring cost reserve	500,000
	$ 9,077,000

The following table summarizes the authorized capital stock issued as at December 31, 2000:

	2000	1999
Authorized:		
An unlimited number of shares, without par value:		
Common, voting and participating		
Preferred, non-voting, dividend to be determined upon issuance		
Issued:		
8,300,000 common shares	**$ 44,749,001**	$ –

No person or combination of persons will be permitted to beneficially own or exercise control or direction over more than 10% of any class or series of voting shares of the Company.

11. Stock option plan:

On October 30, 2000, the Board of Directors (the "Board") approved the creation of a common stock option plan (the "Plan") available to the Company's management. The term of each option and the number of underlying shares will be determined by the Board. Some 830,000 common shares are likely to be purchased under options granted pursuant to the stock option plan. The maximum number of common shares that can be granted to a single person is limited to 5% of the Company's issued and outstanding common shares. The exercise price of each option represents the amount as determined by the Board without being lower than the fair market value of the shares on the date of the grant. However, when the shares will be listed on a recognized stock exchange, the exercise price will correspond to the weighted average price of the shares for the five days preceding the date of grant of the options.

Under no circumstances, shall the term of an option exceed ten years from the date of its grant.

The plan has two components: performance options and options vested over time. Thus, 50% of the stock options will be vested after three years provided the required performance criteria as determined by the Board are met at the time of the grant, while the remaining 50% stock options will be vested over a three-year period and may be exercised in whole or in part at any time, as follows: 33.3% as of the first anniversary, 66.67% as of the second anniversary, and the whole as of the third anniversary of the grant.

On November 24, 2000, 630,000 common stock options were granted. The exercise price of these options is $4.96.

12. Commitments:

The Company rents its premises and equipment under operating leases expiring between 2001 and 2005.

As at December 31, 2000, total minimum lease payments and minimum payments required for each of the next years under these leases were as follows:

2001	$ 3,304,617
2002	2,784,161
2003	2,650,409
2004	2,543,205
2005	2,529,321
Total minimum lease payments	$ 13,811,713

In 2000, the Company entered into a contract with Atos-Euronext for the purchase and development of a fully automated derivative-based trading system. Under this contract, the Company will have to pay implementation costs of $1,085,063 in 2001. The Company also expects to incur $6,134,563 in 2001 to complete the development of its system.

The underlying license and maintenance agreements relating to the trading system are effective up to 2005. After that date, they are automatically renewable for successive one-year periods. Annual fees relating to these agreements amount to $234,000 for the year ending December 31, 2001, and to $1,534,000 for subsequent years.

12. Commitments (continued):

License and maintenance agreements also include access charges which vary based on usage. On an annual basis, access charges amount to a minimum of $27,300 and a maximum of $1,326,000.

The Company also signed a contract with GL Trade as part of the development of the new derivative-based trading system. Annual license costs payable starting in 2001 amount to $474,000. The license contract with GL Trade is automatically renewable for successive one-year periods.

On January 8, 2001, an agreement of $439,000 has been entered into for the creation of an educational website for the training segment. This site is expected to be launched in 2001.

During 1999, the CDCC commenced the development of a new clearing system with an estimated cost of $4,600,000 and has capitalized expenditures of $1,900,000 to December 31, 2000. As part of that project, the CDCC is committed to pay $1,277,000 to a third party developer in 2001 upon delivery of the system.

Contingency Fund:

The Contingency Fund was established to bear any potential claims arising from the Canadian Investor Protection Fund (the "Fund") and other related contingencies.

The Company is a participant, under a commitment for the industry, in the Fund created to reimburse investors in the event of an approved participants' insolvency. The Company is liable to reimburse the lesser of $2,000,000 and an amount equal to 10% of the total amount paid out of the Fund, subject to a minimum liability equal to the lesser of $1,000,000 and the total amount paid out of the Fund, for claims incurred in respect of clients of insolvent approved participants under its audit jurisdiction. In addition, the Company has guaranteed, jointly and severally with the other approved participants of the Fund, the operating lines of credit of the Fund. As at December 31, 2000, these operating lines of credit were unused. However, the Company may recover from its approved participants any amount paid under its commitments to the Fund.

13. Contingency:

The Company is party to an action for damages in the amount of $926,000 related to the closing of the trading floor. This litigation is in its preliminary stages and its outcome is not currently predictable. In the opinion of management, this claim is without substantial merit and, accordingly, no provision has been made for it as at December 31, 2000.

14. Income taxes:

(a) Income taxes:

The provision for income taxes differs from the amount determined by applying the combined federal-provincial tax rate to earnings before income taxes as set out by laws.

The reasons and tax consequences of this difference are as follows:

	2000	1999
Earnings before income taxes	**$ 15,683,472**	$ –
Less:		
Earnings before income taxes of the Montreal Exchange for the period from January 1 to September 30, 2000 i)	**19,589,767**	–
Loss before income taxes for the period from October 1 to December 31, 2000	**(3,906,295)**	–
Tax rate as set out by laws	**38.3%**	–
Income taxes computed	**(1,496,111)**	–
Change in valuation allowance	**1,352,883**	–
Adjustment to future tax assets and liabilities for enacted changes in tax rates	**547,015**	–
Proportionate share in the earnings of the CDCC from October 1 to December 31, 2000 ii)	**(48,390)**	–
Effect of permanent differences	**12,030**	–
Tax on large corporations	**18,105**	–
Income taxes	**$ 385,532**	$ –

14. Income taxes (continued):

(a) Income taxes (continued):

i) Pursuant to the demutualization on October 1, 2000, the Company became a profit-oriented organization subject to corporation tax. Revenues in excess of expenses for the period from January 1, 2000, to September 30, 2000, period during which the Montreal Exchange was a not-for-profit organization, is not subject to corporation tax.

ii) Excess of revenue over expenses of the CDCC is not subject to income taxes because the CDCC qualifies as a not-for-profit corporation on December 31, 2000. Excess of revenue over expenses is allocated to appropriated surplus.

(b) Future income tax:

The tax consequences arising from timing differences resulting in significant portions of income tax assets and liabilities are as follows:

	2000	1999
Future income tax assets:		
Deferred contributions	**$ 2,707,482**	$ –
Capital assets	**2,430,417**	–
Operation loss carry forward	**692,207**	–
Organization expenses	**39,192**	–
Long-term investments	**21,055**	–
Future income tax assets	**5,890,353**	–
Valuation allowance	**(1,352,883)**	–
	4,537,470	–
Future income tax liability:		
Investments	**2,695**	–
Future income tax liability	**2,695**	–
Future income tax assets, net amount	**$ 4,534,775**	$ –

15. Earnings per share:

Earnings per share is computed by dividing net earnings by the weighted average number of outstanding shares during the year. An assumption was made that shares issued on October 1, 2000, were outstanding at January 1, 2000, and January 1, 1999.

16. Supplemental cash flow information:

	2000	1999
(a) Interest paid	**$ –**	$ 4,971
(b) Net change in non-cash operating assets and liabilities:		
Accounts receivable	**$ (3,775,781)**	$ 598,943
Prepaid expenses	**(999,178)**	(92,177)
Accounts payable and accrued charges	**509,622**	(2,060,520)
Sundry deposits	**(396,009)**	(103,293)
	$ (4,661,346)	$ (1,657,047)
(c) Non-cash operations from:		
Investing activities:		
Investment acquired in the CDCC as part of the Exchanges restructuring	**$ 8,705,000**	$ –
Acquisition of the derivative-based trading system financed through deferred contributions	**5,780,374**	–
Purchase of capital assets financed through accounts payable	**124,349**	(283,062)
Amount receivable from the Toronto Stock Exchange	**–**	11,000,000
Financing activities:		
Investment acquired in the CDCC as part of the Exchanges restructuring	**8,705,000**	–
Deferred contributions used in the acquisition of the derivative-based trading system	**5,780,374**	–
Non-cash portion of deferred contributions	**–**	11,000,000

17. Segmented information:

The Company operates in two industry segments. All of the Company's operations are located in Canada and are defined like:

Exchange:

In 2000, this industry segment is a unique marketplace of exchange-traded interest rate and equity derivative contracts traded in Canada. In 1999, the Exchange was also a stock exchange which retains less than 20% of activities.

Clearinghouse:

This segment provides clearing and guaranty services of options and futures contracts.

	2000	1999
Revenues from external clients:		
Exchange	**$ 28,497,643**	$ 36,769,865
Clearinghouse	**3,158,615**	–
Investment income:		
Exchange	**2,924,807**	815,698
Clearinghouse	**599,477**	–
Amortization:		
Exchange	**5,148,106**	5,916,932
Clearinghouse	**189,233**	–
(Loss) earnings before unusual items:		
Exchange	**(1,831,657)**	3,672,675
Clearinghouse	**349,842**	–
Unusual items:		
Exchange	**17,165,287**	(8,017,448)
Clearinghouse	**–**	–
Income taxes:		
Exchange	**385,532**	–
Clearinghouse	**–**	–

17. Segmented information (continued):

	2000	1999
Net earnings (loss):		
Exchange	**$ 14,948,098**	$ (4,344,773)
Clearinghouse	**349,842**	–
Purchase of capital assets:		
Exchange	**7,880,032**	6,497,179
Clearinghouse	**2,327,682**	–
Assets:		
Exchange	**52,956,513**	56,360,173
Clearinghouse	**29,457,806**	–

18. Financial instruments:

(a) Credit risk:

The Company does not have a significant exposure to any individual customer. The Company reviews a customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information.

(b) Interest rate risk:

Any fluctuation in market interest rates will cause the market value of bankers' acceptance, term deposit, bonds and treasury bill to vary either upward or downward.

(c) Fair value of financial instruments:

The carrying amount of accounts receivable and accounts payable approximates their fair value because of the near-term maturity of those instruments.

19. Risk management:

In its role as clearinghouse, the CDCC assumes the obligations that arise from a defaulting member's derivative positions. The CDCC employs various techniques to minimize its exposure in the event of such a default. The principal technique is the collection of risk-based margin deposits in the form of cash, letters of credit, equities and liquid government securities (note 7). Should a clearing member fail to meet a daily margin call or otherwise not honour its obligations under open futures and options contracts, margin deposits would be available to apply against costs incurred by the CDCC in liquidating the positions.

The CDCC's margining system is now complemented by a stress test exception reporting system which is part of its Enhanced Capital Monitoring Program. This process, introduced in 2000, evaluates the financial strength of the members to meet margin requirements that may result from a sudden adverse change in the market. Members' portfolios are subject to these stress tests and those members that fail to meet the criteria established by the CDCC are required to deposit stress margin.

The CDCC also maintains a clearing fund through deposits of cash and securities from clearing members (note 7). This fund is available in the event that the cost of liquidating a defaulting member's positions exceeds the margin deposits collected from that member. The aggregate level of clearing funds required to be deposited by each clearing member is 12% of the largest aggregate daily margin requirement of that clearing member over the preceding calendar month.

If, on a member default, further funding is necessary to complete the liquidation, The CDCC has the right to require members to contribute an additional amount equal to their previous contribution to the clearing fund.

The CDCC has arranged a total of $50,000,000 in revolving standby credit facilities with Canadian Schedule I banks to provide liquidity in the event of default by a clearing member. Borrowings under the facilities, which are required to be collateralized, bear interest based on the bank's prime rate. None of these facilities were utilized during the year ended December 31, 2000.

20. Comparative figures:

Certain prior year's comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Our Management Committee

Giovanni Giarrusso
Senior Executive Vice-President, Markets and Corporate Affairs

René Millette
Chief Strategic Officer, Information Technology

Luc Bertrand
President and Chief Executive Officer

Philippe Loumeau
Senior Executive Vice-President, Business Development, Marketing and Strategy

Louise Laflamme
Senior Vice-President, Finance, Human Resources and Administration

Our Employees
as of March 31, 2001

A
Valérie AGUIRRE
Joao ALMEIDA
Claudio ANSUINI
Carole ARSENAULT
Luc ARSENAULT
Mathieu AVON

B
Frank BARILLARO
Martine BEAUDETTE
Colette BÉLANGER
Thomas BÉLANGER
Serge BÉLIVEAU
Jean BÉRARD
Bruno BERKOVITS
Éric BERNARD
Luc BERTRAND
Jacques BÉRUBÉ
Chantale BESSETTE
Léon BITTON
Gérald BOLDUC
Manon BOMBARDIER
Éric BOUCHARD
Nancy BOUCHER
Andrea BOULANGER
François BOURASSA
Richard BOURBONNIÈRE
Mark BOURCIER
Nicole BOURQUE
Colm Michael BOYLE
Nathalie BRASSARD
Marie-José BRIAND
Philippe BRIZARD

C
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Francesco CATANZARO
Line CHAPDELAINE
Danielle CHARBONNEAU
Marco CICCARELLI
Marie-Noëlle CLOUTIER
Steven CLOUTIER
Yves CLOUTIER
Francis COCHE
Patricia COUTU
Stéphane COUSINEAU

D
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Marco D'AMICO
Cathy DEARN
Philippe DENOLF
Yolande DESLANDES
Mathieu DESROCHERS
Josie DI IOIA
Natalino DI STEFANO
Franco D'ONOFRIO
Louis DOYLE
Alain DUMONT
Johanne DUPONT
Anne DURAND

E
Francine ETHIER

F
Raymond FORTIN
Steven FREIRE

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Brian Zave GELFAND
Martin GENDRON
Guylaine GEOFFROY
Mike GERACE
Giovanni GIARRUSSO
Virginie GONTHIER
Claudette GOSSELIN
France GOULET
Claudia GOURDE
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Marie-Sol GRONDIN
Martin GROULX
Jean GUILBAULT
Élyse GUILMETTE

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Francine HAMELIN
Miki HARRAR
Brian HILL
Sean HILL

I
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Laurent LAMI
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Nancy LANTAGNE
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Michel LAPRADE
Marie-Josée LARAMÉE
Christiane LAVALLÉE
Alain LAURENDEAU
Élaine LAURENT
Martyne LAVOIE
Sébastien LEBLANC
Sébastien LEBRUN-BRABANT
Gisèle LECAVALIER
Louise LECLAIR
Lucie LEDUC
Catherine LEFEBVRE
Thérèse LEFEBVRE
Céline LÉGARÉ
David LE HOUX
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Josée LEPAGE
Yves LEPAGE
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Piero LOMAGLIO
Philippe LOUMEAU

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Diane MATHIEU
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Sylvie MÉRINEAU
Italo MEROLA
Maria MIGUEL
René MILLETTE
Laflèche MONTREUIL
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Stéphane MORIN
Ralph MORISSEAU

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Lise TESSIER
Rosanna TETI
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Josée THIFFAULT
Amrita THIND
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Jean-Yves TREMPE
Errico TROPIANO

V
Cynthia VAN SUNDERT
François VENDETTE
Martin VERVILLE
Chantal VILLENEUVE

W
Éric WHEATLEY
David WILSON

MANAGEMENT
(December 2000)

Luc Bertrand
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Vice-President, Floor Operations

Line Chapdelaine
Manager, Communications

Beaudoin Daigneault
Director, Information Technology

Louis Doyle
Director, Equities Division

Giovanni Giarrusso
Senior Executive Vice-President, Markets and Corporate Affairs

Sonia Goyette
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Louise Laflamme
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Alain Laurendeau
Director, Finance and Administration

Philippe Loumeau
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Ann McCarthy
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René Millette
Chief Strategic Officer, Information Technology

Sylvain Racine
Director, Examination and Capital and Margin Policies, Regulatory Division

Joëlle Saint-Arnault
General Counsel and Secretary

Jacques Tanguay
Vice-President, Regulatory Division

Rosanna Teti
Vice-President, Information Technology

Jean-Yves Trempe
Director, Market Information

COMMITTEES
(December 2000)

BOARD OF DIRECTORS

Individuals related to an approved participant:

Jacques O. Nadeau
Chairman

Vice-Chairman of the Board
Yorkton Securities Inc.

Pierre Gloutney
Vice-Chairman

President, Chief Executive Officer and Director
Refco Futures (Canada) Ltd.

Luc Bachand
Executive Managing Director
BMO Nesbitt Burns Ltée/Ltd.

André Dubuc
Executive Vice-President, Treasury Capital Markets and Risk Management
Laurentian Bank of Canada

Jean-Pierre Gallardo
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FIMAT Derivatives Canada Inc.

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Goldman Sachs Canada Inc.

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Individuals who are not related to an approved participant:

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Governor Emeritus, McGill University and Journalist

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The Standard Life Assurance Company

Carmand Normand
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Newcastle Capital Management Inc.

Jacques Topping
Administrator
I.N.O.

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Luc Bertrand*
President and Chief Executive Officer
Bourse de Montréal Inc.

Giovanni Giarrusso*
Senior Executive Vice-President
Markets and Corporate Affairs
Bourse de Montréal Inc.

**Officer of the Company*

Participating Staff:

Joëlle Saint-Arnault

Claudine Samray

EXECUTIVE COMMITTEE

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Chairman

Vice-Chairman of the Board
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Pierre Gloutney
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President, Chief Executive Officer and Director
Refco Futures (Canada) Ltd.

Jean-Pierre Gallardo
President, Chief Executive Officer and Director
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James T. Kiernan
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Goldman Sachs Canada Inc.

Thomas S. Monahan
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CIBC World Markets Inc.

Luc Bertrand
President and Chief Executive Officer
Bourse de Montréal Inc.

Participating Staff:

Joëlle Saint-Arnault

Claudine Samray

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Executive Managing Director
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Managing Director, Global Investment Banking
CIBC World Markets Inc.

Francine Allaire
President and Chief Operating Officer
Desjardins Securities Inc.

Alain Auclair
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UBS Bunting Warburg Inc.

Julien Béliveau
Chairman of the Board and Chief Executive Officer
DLJ Canada Inc.

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RBC Dominion Securities Inc.

Pierre Rougeau
Director, Head of Quebec Investment Banking
UBS Bunting Warburg Inc.

Participating Staff:

Louis Doyle

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Réjean Duguay
Vice-President, Secretary-Treasurer and Director
Le Groupe Option Retraite Inc.

Gilles Ouimet
Vice-President and District Administrative Manager
Merrill Lynch Canada Inc.

Yves Ruest
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Laurentian Bank Securities Inc.

Pierre Trahan
President and Director
Darier, Hentsch (Canada) Inc.

André Zanga
Vice-President and Controler
Casgrain & Compagnie Limitée

Participating Staff:

Jacques Tanguay

Giovanni Giarrusso

Sylvain Racine

USERS' COMMITTEE

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Chairman

Executive Vice-President, Treasury
Capital Markets and Risk Management
Laurentian Bank of Canada

Kevin Duggan
Manager of Equity Derivative Trading
Ontario Teachers Pension Fund

Steven Elgee
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Equity Derivatives
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Jean-Pierre Gallardo
President, Chief Executive Officer
and Director
FIMAT Derivatives Canada Inc.

Karl Gauvin
Chief Investment Officer
TAL Global Asset
Management Inc.

Gérard Guilbault
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Securities Investments
Opvest

Peter Haynes
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Index Products
TD Newcrest Inc.

Jean-Hugues Lafleur
Director Financial Markets
Hydro-Québec

Richard Lesage
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Investment Officer
New Brunswick Investment
Management Corporation

Ian A. Macdonald
Managing Director, Global Equity
Division
Canadian Equity Derivatives
RBC Dominion Securities Inc.

Justin Paquet
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Managing Director
Fixed Income
National Bank Financial Inc.

Mario Therrien
Vice-President, Varan Tactical Asset
Management
Caisse de dépôt et placement du Québec

Participating Staff:

Claudine Samray

Léon Bitton

Philippe Loumeau

NOMINATING COMMITTEE

Jacques O. Nadeau
Chairman

Vice-Chairman of the Board
Yorkton Securities Inc.

Pierre Gloutney
Vice-Chairman

President, Chief Executive Officer
and Director
Refco Futures (Canada) Ltd.

René G. Jarry
Senior Executive Vice-President
National Bank Financial Inc.

Gretta Chambers
Governor Emeritus, McGill University
and Journalist

Luc Bertrand
President and Chief Executive Officer
Bourse de Montréal Inc.

FLOOR COMMITTEE – OPTIONS

Daniel Brabant
Chairman

Head Trader
BMO Nesbitt Burns Ltée/Ltd.

Stephen Wiseman
Vice-Chairman

Independent Trader

Fernando Calvo
Independent Trader

Mark Desjardins
Options Trader
TD Securities Inc.

Michel Lorber
Options Trader
National Bank Financial Inc.

Michel Sévigny
Vice-President
RBC Dominion Securities Inc.

Participating Staff:

Laflèche Montreuil

Carole Arsenault

Richard Bourbonnière

Philippe Denolf

AUDIT COMMITTEE

Louis Vachon
Chairman

Senior Vice-President
Treasury and Financial Markets
National Bank of Canada

Carmand Normand
President
Addenda Capital Inc.

Laurent Verreault
President and Chief
Executive Officer
Groupe Laperrière & Verreault inc.

Participating Staff:

Louise Laflamme

Luc Bertrand

SPECIAL COMMITTEE – REGULATORY DIVISION

Marie Giguère
Chairwoman

Senior Vice-President,
Chief Legal Officer and Secretary
Molson Inc.

Nabil Antaki
Professor, Faculty of Law
Université Laval

Pierre-Paul Côté
Professor, Faculty of Law
Université de Montréal

Jean-Pierre Gallardo
President, Chief Executive Officer
and Director
FIMAT Derivatives Canada Inc.

Pierre Lizé
Regional Director
Berkshire Investment Group Inc.

Louis Vachon
Senior Vice-President
Treasury and Financial Markets
National Bank of Canada

Luc Bertrand
President and Chief Executive Officer
Bourse de Montréal Inc.

Participating Staff:

Jacques Tanguay

Sylvain Racine

Catherine Lefebvre

HUMAN RESOURCES COMMITTEE

Jacques O. Nadeau
Chairman

Vice-Chairman of the Board
Yorkton Securities Inc.

Pierre Gloutney
Vice-Chairman

President, Chief Executive Officer and
Director
Refco Futures (Canada) Ltd.

Claude Garcia
President, Canadian Operations
The Standard Life Assurance Company

Thomas S. Monahan
Managing Director
CIBC World Markets Inc.

Luc Bertrand
President and Chief Executive Officer
Bourse de Montréal Inc.

Participating Staff:

Louise Laflamme

BUDGET COMMITTEE

Jacques O. Nadeau
Chairman

Vice-Chairman of the Board
Yorkton Securities Inc.

Pierre Gloutney
Vice-Chairman

President, Chief Executive Officer
and Director
Refco Futures (Canada) Ltd.

Luc Bertrand
President and Chief Executive Officer
Bourse de Montréal Inc.

Participating Staff:

Louise Laflamme

Approved Participants of Bourse de Montréal Inc.

as of December 31, 2000

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CTI Capital Inc.
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Darier, Hentsch (Canada) Inc.
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Derivatives: more vital than ever

Despite the phenomenal growth of the world's derivatives markets, many investors are still not familiar or at ease with derivatives. Yet derivatives are an indispensable ally for any stock market investor. Of course, these products can be extremely powerful and effective when used for speculative purposes, but they also offer many advantages to investors who want to reduce their risk. Derivatives go hand in hand with prudent portfolio management and a low-risk investment strategy.

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