U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 40-F

(Mark One)

[ ] REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

[X] ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended DECEMBER 31, 2001 Commission File Number 0-29954

THE THOMSON CORPORATION
(Exact name of Registrant as specified in its charter)

NOT APPLICABLE
(Translation of Registrant's name into English (if applicable))

ONTARIO
(Province or other jurisdiction of incorporation or organization)

2731
(Primary Standard Industrial Classification Code Number (if applicable))

98-0176673
(I.R.S. Employer Identification Number (if applicable))

METRO CENTER ONE STATION PLACE STAMFORD, CONNECTICUT UNITED STATES 06902
(203) 328-9400
(Address and telephone number of Registrant's principal executive offices)

CORPORATION SERVICE COMPANY 1177 AVENUE OF THE AMERICAS 17TH FLOOR NEW YORK, NEW YORK 10036-2721 (212) 299-9100
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act: None

Securities registered or to be registered pursuant to Section 12(g) of the Act: Common Shares

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

For annual reports, indicate by check mark the information filed with this Form:

[X] Annual information form [X] Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

630,740,649 COMMON SHARES; 6,000,000 SERIES II PREFERENCE SHARES; 18,000,000 SERIES V PREFERENCE SHARES

Indicate by check mark whether the Registrant by filing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934 (the "Exchange Act"). If "Yes" is marked, indicate the filing number assigned to the Registrant in connection with such Rule.

Yes [ ] No [X]

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

COMPLIANCE WITH AUDITOR INDEPENDENCE AND RECONCILIATION REQUIREMENT

The Registrant's financial statements have been reconciled to U.S. GAAP as required by Item 17 of Form 20-F under the Exchange Act. Such reconciliation is set forth in Exhibit 2 attached hereto.

UNDERTAKING

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in Exhibit number 1 constitute forward-looking statements, which are based on the Corporation's current expectations and assumptions, and are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. Such risks and uncertainties include, among others, general business and economic conditions and competitive actions.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

THE THOMSON CORPORATION

By: /s/ STEPHANE BELLO

Stephane Bello
Senior Vice President and Treasurer

Date: May 2, 2002

EXHIBIT INDEX

SERIALLY EXHIBIT NUMBER DESCRIPTION NUMBERED PAGE - ----- --------- ----------- ------------- 1. Annual Information Form (including 5 Management's Discussion and Analysis of Financial Condition and Results of Operations), dated May 2, 2002 2. Audited consolidated financial statements 74 for the fiscal years ended December 31, 1999, 2000 and 2001 and as at December 31, 2000 and 2001, including a Reconciliation to Generally Accepted Accounting Principles in the United States of America for the years ended December 31, 1999, 2000 and 2001 and as at December 31, 2000 and 2001 3. Consent of PricewaterhouseCoopers LLP, 119 independent chartered accountants, regarding Form 40-F 4. Consent of PricewaterhouseCoopers LLP, 120 independent chartered accountants, regarding incorporation by reference of its auditors' report in the Registration Statement on Form S-8 (No. 333-12284)

EXHIBIT 1

THE THOMSON CORPORATION

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2001

MAY 2, 2002

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In this annual information form, "Thomson," "we," "us" and "our" each refers to The Thomson Corporation and its consolidated subsidiaries unless the context requires otherwise.

Unless the context requires otherwise, references in this annual information form to '$' or 'dollars' are to United States (U.S.) dollars.

1. FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this annual information form constitute forward-looking statements. When used in this annual information form, the words "anticipate," "believe," "plan," "estimate" and "expect" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. These forward-looking statements are not historical facts but reflect our current expectation concerning future results and events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, which include, but are not limited to:

- actions of our competitors,
- failure of our significant investments in technology to increase our revenues or decrease our operating costs,
- failure to fully derive anticipated benefits from our acquisitions,
- failure to develop additional products and services to meet our customers' needs, attract new customers or expand into new geographic markets,
- failure to meet the special challenges involved in expansion of our operations outside North America,
- failure to recruit and retain high quality management and key employees,
- consolidation of our customers,
- increased self-sufficiency of our customers,
- increased accessibility to free or relatively inexpensive information sources,
- failure to maintain the availability of information obtained through licensing arrangements and changes in the terms of our licensing arrangements,
- changes in the general economy,
- inadequate protection of our intellectual property rights,
- an increase in our effective income tax rate,
- impairment of our goodwill and identifiable intangible assets, and
- failures or disruptions of our electronic delivery systems or the Internet.

We caution you not to place undue reliance on these forward-looking statements which reflect our view only as of the date of this annual information form. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

2. CORPORATE STRUCTURE

We were incorporated under the laws of Ontario, Canada by articles of incorporation dated December 28, 1977. Our articles have been amended from time to time, most recently on December 5, 1996 to create 18,000,000 Cumulative Redeemable Preference Shares, Series V (Series V preference shares), and were restated as amended on September 1, 1998. Our registered office is Suite 2706, Toronto Dominion Bank Tower, P.O. Box 24, Toronto-Dominion Centre, Toronto, Ontario M5K 1A1, Canada.

We beneficially own directly or indirectly 100% of the voting and non-voting securities of the subsidiaries listed below, each of which has total assets constituting more than 10% of our consolidated assets at December 31, 2001, and total revenues constituting more than 10% of our consolidated revenues at December 31, 2001. The aggregate of all subsidiaries excluded from the list constitutes less than 20% of our consolidated assets and consolidated revenues at December 31, 2001. Indentation indicates the voting securities are directly or indirectly owned by the subsidiary listed above.

SUBSIDIARIES	JURISDICTION OF INCORPORATION
Thomson Canada Limited	Ontario, Canada
Thomson U.S. Holdings Inc.	Delaware, U.S.A.
THI (U.S.) Inc.	Delaware, U.S.A.
Thomson U.S. Inc.	Delaware, U.S.A.
Thomson Delaware Holdings, Inc.	Delaware, U.S.A.
Thomson Newspapers Holding Corp.	Delaware, U.S.A.
National Education Corporation	Delaware, U.S.A.
NetG, Inc.	Delaware, U.S.A.
Thomson Financial Inc.	New York, U.S.A.
West Publishing Company	Minnesota, U.S.A.
West Publishing Corporation	Minnesota, U.S.A.
Thomson Learning Inc.	Delaware, U.S.A.
Thomson Professional & Regulatory Inc.	Texas, U.S.A.
The Dialog Corporation	Delaware, U.S.A.
Medical Economics Company Inc.	Florida, U.S.A.
Prometric Inc.	Maryland, U.S.A.
The Gale Group Inc.	Delaware, U.S.A.
Institute for Scientific Information Inc.	Pennsylvania, U.S.A
Thomson Holdings Inc..	Delaware, U.S.A.
The MEDSTAT Group, Inc.	Delaware, U.S.A.
Thomson Holdings SA	Luxembourg
Drake Beam Morin, Inc	Delaware, U.S.A.
Thomson Finance S.A.	Luxembourg
The Thomson Corporation PLC	England
The Thomson Organisation Ltd	England
TTC (1994) Limited	England
Thomson Information & Publishing Holdings Ltd.	England
Thomson Information & Solutions Ltd	England
Thomson Financial Ltd.	England
Datastream International Ltd	England

3. DESCRIPTION OF THE BUSINESS

OVERVIEW

We are a global leader in providing integrated information solutions to business and professional customers. In a global economy in which the flow of information is vital, we supply vast amounts of value-added information to our customers, in both print and electronic formats. We increasingly deliver our information electronically, with applications and tools that enable our customers to adapt it and combine it with their own information. By enhancing the timeliness and effectiveness of our customers' use of information, we help them serve their customers better.

We serve customers in the following sectors: law, tax, accounting, financial services, higher education, reference information, corporate training and assessment, scientific research and healthcare. We believe these sectors are fundamental to economic development globally and consequently have potential for consistent long-term growth.

We have a leading market position and well recognized and respected brands in each of our principal markets. Our revenues, which in 2001 totaled $7.2 billion, are generally recurring or predictable. Approximately 61% of our revenues in 2001 were generated under subscription arrangements, with advertising accounting for only 4%. Our revenues are also diversified. In addition to having multiple lines of business, we have over 20 million users and no single customer accounts for more than 2% of our revenues. In 2001, 82% of our revenues were from our operations in the United States and we have users in approximately 130 countries worldwide.

CORPORATE CENTER AND MARKET GROUPS

Our corporate center initiates and executes strategy and manages other company-wide functions. We organize our operations in four market groups that are structured on the basis of the customers they serve:

- Thomson Legal and Regulatory,
- Thomson Learning,
- Thomson Financial, and
- Thomson Scientific and Healthcare.

By centralizing key functions in our corporate center, we foster a company-wide approach while allowing our market groups sufficient operational flexibility and scope for initiative in dealing with customers. In addition to identifying new business opportunities and acquisitions, our corporate center oversees the planning processes of our market groups and their implementation of strategy and assesses their performance. Our corporate center develops and executes capital strategy, including tax planning, and determines the overall direction on technology. In addition, our corporate center has the responsibility for the appointment of senior executives and their training and development.

The following table summarizes certain information about our four market groups relating to 2001 revenues, employees and countries in which they operate.

MARKET GROUPS - OPERATIONS

	REVENUES(1) (in millions)	PERCENTAGE OF REVENUES(1)(2)	PERCENTAGE OF REVENUES FROM ELECTRONIC DELIVERY(1)	COUNTRIES(3)	EMPLOYEES
Thomson Legal and Regulatory........	$ 2,827	39%	52%	30	17,000
Thomson Learning....................	1,851	26	31	26	13,000
Thomson Financial...................	1,590	22	89	27	9,200
Thomson Scientific and Healthcare...	697	10	53	13	3,800

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(1) Represents revenues from ongoing businesses, which exclude disposals. Disposals are businesses sold or held for sale which do not qualify as discontinued operations.

(2) Percentages are calculated on the basis of revenues from ongoing businesses, including revenues of our corporate and other category. That category includes the results of Thomson Media, which was previously designated for sale but subsequently retained.

(3) Represents countries in which the relevant market group has operations.

We engage in businesses that we believe can readily be extended into new markets by capitalizing on our expertise in adapting existing successful products and services, our strong brands and our technology platforms. By delivering our products and services electronically, we have access to existing and new customers around the world. We have recently undertaken a significant initiative to increase the awareness of the Thomson brand, which involves linking the Thomson name with our many well recognized product and service brands. We believe the heightened awareness of the Thomson brand will become a significant asset in supporting our global growth initiatives.

INFORMATION AND TECHNOLOGY

We believe the breadth and depth of our value-added information and our technological strength are significant competitive advantages.

Compiled over many decades, our collection of information is one of the world's largest and we maintain much of it in electronic databases. Our Westlaw databases, for example, contain the equivalent of approximately 400 million printed pages and our Gale online reference library includes the equivalent of approximately 125 million printed pages. We have generally enhanced the value of our information, including that derived from public sources, by adding proprietary editorial content, formatting, organization and indexing. We also create some of our information, such as textbooks and course materials. We keep our information up to date with a large staff of professionals, researchers and technology specialists. Much of our information is not available to our customers from other sources in the value-added form in which we provide it.

Our customers rely on our information for its accuracy, comprehensiveness and utility as well as on the ready access to it that we provide. For example:

- lawyers depend on our Westlaw databases of legal cases, legislation and other legal information that we have supplemented with summaries and classified by topic areas and points of law,

- investment professionals and analysts work with our First Call Analyst database that aggregates 26 years of financial results and analysts' earnings estimates for over 18,000 companies, including all of the companies in the S&P 500 index,

- college professors teach from our Wadsworth and other textbooks authored by experts in the most popular disciplines, including the humanities, social sciences, languages, science, mathematics, engineering and business, which are augmented by electronic teaching aids, such as online interactive supplements and websites,

- librarians consult our Gale's online reference library of proprietary reference material, periodical content and primary source research information, and

- physicians and other healthcare professionals check our Physicians' Desk Reference product, a directory of Food and Drug Administration approved drug-labeling information.

Since the early 1990s, we have invested in technology to build platforms that have sufficient scale and scope to meet the needs of our customers globally. We have the flexibility to deliver our products and services to our customers electronically in a variety of ways, including over the Internet and our own proprietary platforms. As a result, our products and services are readily integrated into the systems of our customers. In 2001, 54% of our revenues were derived from products and services delivered electronically, up from 45% in 1997.

We also use technology to develop new products and services and to repackage and reuse our information and applications in a variety of ways to create integrated solutions that serve customers effectively. In developing products and services, we purchase or license and use widely available operating and data management systems, software and other components and we typically enhance them by adding applications and tools that we design.

KEY BRANDS, PRODUCTS AND SERVICES

The following table summarizes our key brands and products and services by market group and customers.

MARKET GROUP	CUSTOMERS	KEY BRANDS	KEY PRODUCTS AND SERVICES
Thomson Legal and Regulatory	lawyers, law students, legal professionals	West Westlaw Sweet & Maxwell	legal information-based products and services
	tax professionals, accountants	RIA Creative Solutions	tax and accounting information-based products and services
	business professionals	Dialog NewsEdge	online databases of business information and current and archived news
Thomson Learning	professors, students, business professionals	Wadsworth	textbooks and electronic course materials in the humanities and social sciences
		South-Western	textbooks and electronic course materials in business and economics
	libraries, corporations, reference centers	Gale	printed and electronic reference materials, electronic databases of magazine, newspaper and periodical content, microfilm collections and encyclopedias
	corporations, government agencies	Prometric	technology-based test delivery and assessment services including test preparation, test results processing and certification program creation
		NETg	online and instructor-led information technology and business skills training
Thomson Financial	portfolio managers, research analysts	First Call I/B/E/S	online databases of financial information including brokerage research, forecast data, market indices data, institutional holdings data, SEC filings and news
	investment bankers	Securities Data	online databases of global information on mergers and acquisitions
	institutional and retail traders, investment advisors	ILX	electronic financial information including real-time market data such as stock quotes and news
Thomson Scientific and Healthcare	pharmaceutical/biotechnology, chemical and engineering companies, government agencies, research libraries, universities	Derwent World Patent Index	indexed and abstracted databases of patents
		ISI Web of Science	website for research scientists providing access to over 8,500 abstracted and indexed journals, journal article cited references, meetings and conference proceedings
	physicians, other health professionals, pharmaceutical companies, hospitals, poison control centers, government agencies	Physicians' Desk Reference	database of Food and Drug Administration approved drug monographs, delivered in print and electronic formats
		Micromedex	drug, clinical, toxicological and environmental database products
	pharmaceutical companies, physicians	Gardiner-Caldwell Physicians World	continuing medical education training for physicians in connection with new drug launches

INTEGRATED INFORMATION SOLUTIONS

Based on the particular needs of a customer segment, we combine our products and services to create integrated information solutions. Our integrated information solutions provide our customers with value-added information from one or more sources along with applications and tools that enable them to use it in a manner that suits them best, including by adapting it and combining it with their own information. As customers take advantage of this flexibility, our solutions are increasingly integrated into their workflow.

We provide users with a wide variety of integrated information solutions. Some examples are:

- Westlaw enables lawyers to research points of law or related commentary online with sophisticated features that guide them through our databases,

- First Call Analyst integrates a range of our products and services and our customers' own data on a single delivery platform, allowing investment professionals and analysts to review the research of others and produce their own analysis, utilizing applications that, among other things, enable them to compare estimates of companies' earnings with actual results,

- NETg electronic courses and instructor-led sessions and Course Technology manuals and books are combined with Prometric specialized certification examinations to allow information technology professionals both to learn and to measure the results of their learning, and

- ISI Web of Science offers access to primary journal information, relevant literature, abstracts and citations across multiple databases as well as search, bibliography and writing tools, such as an automated alert feature that identifies relevant newly published material, enabling scientists to improve their productivity in research and writing.

Our integrated information solutions are evolving to reflect technological change and are becoming increasingly sophisticated and comprehensive in response to our customers' needs. In developing new products and services, we are focusing on expanding the range of our integrated information solutions for users. In addition, we are positioning ourselves to offer our customers enterprise solutions that improve productivity across entire organizations. For example, for financial services enterprises, by combining First Call Analyst and other products and services, we will be able to integrate each phase of the investment process from initial research through trading in securities to settlement of trades. We have also begun to help lawyers manage the business aspects of their professional practice, with our ProLaw software solution for document management, case management, recording lawyers' hours, billing and other records management and our FindLaw solution for marketing through an online legal directory and websites created for lawyers.

TRANSFORMATION

Since the 1980s, we have been engaged in publishing business and professional information, until recently within a multi-business enterprise. We have now largely completed a strategic transformation through which we have divested other businesses and have become focused on information businesses. We believe that as a result of our transformation, each of our market groups has sufficient scale and scope to compete effectively on a global basis and that we have greatly improved our ability to evolve and grow as a provider of integrated information solutions and generate strong financial results.

In addition to information publishing, in the early 1990s we carried on two other principal businesses: leisure travel services based in the United Kingdom and community and other newspapers in the United States, Canada and the United Kingdom. Both our travel and our newspaper businesses were cyclical and consumer-focused, with the latter highly dependent on advertising revenues. Recognizing that our information publishing business had the greatest potential for growth, especially by capitalizing on technological developments, we increasingly focused on building this business, utilizing the strong cash flow from our other businesses.

In 1996, we acquired West Publishing, a U.S.-based provider of primarily legal information, for $3.4 billion. We made West the core of our legal and regulatory group and became a leader in this sector. We have used West's leading technology platform as the base for expanding electronic delivery of our information-based products and services. In addition, by acquiring West we took a substantial step in shifting our strategy to focus on professional and business customers and a subscription-based revenue model.

Subsequently, we made other strategic acquisitions of information businesses, including:

- in our learning group, we greatly increased our scale by purchasing academic publishing and corporate training businesses of Harcourt for $2.1 billion in 2001 and we acquired Prometric, the leading provider of computer-based testing, for $775 million in 2000, and

- in our financial group, we greatly expanded the breadth and depth of our products and services by purchasing Primark, a global provider of financial information, and Carson, a global provider of investor relations products and services, for an aggregate amount of $1.3 billion in 2000.

In addition, we have regularly made other tactical acquisitions that complemented our existing information businesses. Many acquisitions were in effect the purchase of information or a product or service that we integrated into our operations to broaden the range of our offerings. As alternatives to the development of new products and services, these acquisitions had the advantages of faster integration into our product and service offerings and cost efficiencies.

As part of our transformation, we also divested successful but mature businesses that were no longer core holdings, including:

- our leisure travel business, which we disposed of in 1998 for proceeds of $1.9 billion, and

- our community newspapers and a related 50% interest in a newsprint manufacturing business, which we sold in 2000 and 2001 for aggregate proceeds of $2.8 billion.

The principal sources of funding for our transformation were divestitures and cash flow from operations, as well as debt and investment by Woodbridge under our dividend reinvestment plan.

While effecting our transformation, our EBITDA grew from $1.2 billion, or 17% of revenues from continuing operations, in 1995 to $1.8 billion, or 25% of revenues from continuing operations, in 2001. The following charts illustrate our transformation, showing the replacement of revenues and EBITDA from our former travel and newspaper businesses with revenues and EBITDA, respectively, from our information businesses.

[REVENUES FROM CONTINUING OPERATIONS BAR CHART]

[EBITDA FROM CONTINUING OPERATIONS BAR CHART]

STRATEGY

Our strategic objective is to be the foremost global provider of integrated information solutions to businesses and professionals in markets with consistent long-term growth prospects. In order to achieve this objective, we apply the following strategy consistently across our market groups.

CREATING VALUE FOR CUSTOMERS BY PROVIDING INTEGRATED INFORMATION SOLUTIONS

We provide integrated information solutions that create value for our customers. We supply value-added information and use technology to deliver it faster and in a form that enables our customers to use it flexibly and efficiently. As we meet our customers' needs for more and better solutions, we enhance their ability to serve their customers. Our solutions also become integral to our customers' workflow and businesses, which is conducive to a high level of customer retention. Accordingly, we seek to grow primarily by expanding our opportunities to serve our customers, in addition to improving our market share. To do so, we will continue to expand the breadth and depth of the integrated information solutions we offer to our customers.

LEVERAGING OUR TECHNOLOGICAL PLATFORMS AND OTHER ASSETS AND CAPABILITIES TO GENERATE GROWTH AND EXPAND MARGINS

We have technological platforms of scale and scope, high quality information, strong brands and skilled senior management and employees. We plan to capitalize on our technological strength and these other assets and capabilities to generate revenue growth and expand our profit margins.

We seek to leverage our investment in technology to lower the cost of developing and marketing new products and services and realize operating efficiencies. Using the systems we now have, we can adapt products and services developed for customers in one sector for those in others. Having designed a technological application to permit one customer to use our information, we can modify that application for utilization of the same or other information by another customer. We are using strong brands in one country - such as Westlaw in the United States - as the basis of entry into others. We are also building Thomson as a global co-brand to foster the development of our product and service brands. We continue to emphasize the recruitment, training and career development of our people, on whose ability and creativity our business depends. We deploy management across our market groups to broaden work experience, foster cross-fertilization of thinking and encourage a common management approach.

EXPANDING ELECTRONIC DELIVERY TO IMPROVE SCALABILITY

We believe that our focus on electronic delivery allows us to respond more effectively to our customers' needs, to provide products and services that have more features and to enhance our customers' ability to use our information as it suits them. We also believe that our focus on electronic delivery permits us to expand more readily into new markets. By expanding electronic delivery of products and services, which can generally be done at lower variable costs than those that are print-based, we believe that we will generate revenue growth and expand our profit margins.

EXPLOITING INTERNATIONAL EXPANSION OPPORTUNITIES

We plan to continue to invest outside of North America, which we expect will enable us to accelerate our overall rate of growth. Our businesses are readily expandable into new geographic markets and we intend to grow them internationally, particularly in Europe, Latin America and Asia-Pacific. Many of our products and services developed originally for the United States or other markets can be modified and offered internationally. Many of our customers operate internationally, which gives us the opportunity to expand with them. In addition, the scalability and flexibility of our technology platforms allow us to reach customers globally.

ASSESSING ACQUISITIONS

Within our existing businesses, we have opportunities to evolve and grow and can achieve our strategic objective. We plan to grow by reinvesting in our existing businesses. We will continue to regularly evaluate and make acquisitions that broaden the range of our product and service offerings. We will also continue to assess the acquisition of new businesses that can either improve our ability to serve our existing markets or allow us to enter new markets effectively. We believe that we have demonstrated the ability to identify acquisitions that enhance or complement our business, evaluate them in a disciplined manner and execute acquisition transactions effectively. We also believe that our experience in integrating acquired businesses allows us to eliminate cost redundancies and combine the acquired products and services with our existing offerings, resulting in incremental revenues, expanded profit margins and improved potential for revenue growth.

We also continue to assess strategic alliances and joint ventures, especially when entering new markets. Examples include U21global, our joint venture with 16 leading research universities from around the world to form an online university, and our Omgeo joint venture with The Depository Trust & Clearing Corporation that provides post-trade transaction services to our financial services customers.

ACHIEVING SUPERIOR LONG-TERM RETURNS AND MAINTAINING FINANCIAL DISCIPLINE

We manage our businesses and deploy our capital to maximize returns to shareholders over the long term. In growing our businesses, we will continue to rely on our recurring revenues, strong cash flow from our operations and our strong balance sheet.

We make disciplined investment decisions largely on the basis of return on invested capital and other long-term financial measurements such as discounted cash flow and internal rate of return. Since the early 1990s, we have invested to focus ourselves on providing integrated information solutions and to build technology platforms. Having made these investments, we aim to achieve improved returns on invested capital through sustained revenue growth, realizing operating efficiencies and leveraging our technology. We expect that the percentage of our revenues that we spend on technology will decrease, although we plan to continue to invest in technology at significant levels.

We assess each of our businesses on the basis of annual performance targets. In making any tactical acquisitions that complement our existing businesses, we will generally do so on the basis that the acquired business, while adding to our capacity for growth over the long term, will also be expected to increase our return on invested capital and earnings by the second year after it is acquired.

THOMSON LEGAL AND REGULATORY

Our legal and regulatory group provides integrated information solutions to legal, tax, accounting, intellectual property, compliance and business professionals. We offer a range of over 12,000 products and services primarily based on our electronic databases of legal, regulatory and business information and news. We maintain one of the largest electronic databases of legal, regulatory and business information and news in the world that currently includes more than 60 terabytes of data, which is equivalent to more than 800 million printed pages of information. Our information-based products and services are in most cases available in both print and electronic formats to satisfy our customers' requirements. Information is offered electronically primarily through the Internet and more recently through newly developed wireless technology. Information offered electronically is combined with analytical tools and software applications that enable our customers to search, analyze and manipulate the information to increase their productivity. We also offer non-content based products and services to our customers such as software to assist lawyers and accountants with management functions, including document management, case management, records management, billing and accounting. We also offer software that assists tax professionals with preparing and filing tax returns. More recently, we have begun to offer online legal directories to assist our customers in their client development initiatives and continuing legal educational programs. We have more than one million customer accounts with more than 120,000 users of our online services each day and provide integrated information solutions to more than 95% of the 100 largest law firms in the world.

We derive our legal, regulatory and business information and news from public sources and through licensing arrangements with third-party providers and continually update it. This information is continually updated. We also enhance this information with editorial analysis and organize, categorize and combine it with other value added features enabling our customers to more readily use it in their daily workflow.

In 2001, approximately 75% of our legal and regulatory group's revenues from ongoing businesses were derived from legal products and services, 18% were from tax and accounting products and services and 7% were from business information and news. The following table provides a breakdown of our legal and regulatory group's revenues from ongoing businesses in 2000 and 2001 as a percentage of the group's revenues from ongoing businesses by product format, revenue origin and revenue type.

REVENUE BREAKDOWN(1)

	2000	2001
REVENUE BY PRODUCT FORMAT:		
Electronic	52%	52%
Print	40	39
Other	8	9
REVENUE BY ORIGIN:		
North America	86%	85%
Europe	10	10
Asia-Pacific	3	3
Latin America	1	2
REVENUE BY TYPE:		
Subscription	91%	91%
Advertising	-	-
Other	9	9

- -----------------

(1) Represents percentages of revenues from ongoing businesses, which exclude disposals. Disposals consist of results of businesses sold or held for sale which do not qualify as discontinued operations.

Revenue is earned relatively evenly over the course of the year but is slightly higher in the fourth quarter since a significant number of our print-based products are updated during this period corresponding to most legislative sessions in the United States. Revenue is recognized in connection with subscriptions for our online services throughout the year and not in connection with the update of information. Since our product mix is becoming increasingly electronic, with most of our new products and services being developed in that format, future revenue will be earned more evenly throughout the year. Our subscription contracts generally have a term of one year and renewal dates are spread throughout the year.

In 2001, our largest customer was the United States federal government through its various agencies that together accounted for approximately 3% of the group's revenues. No other single customer accounted for more than 1% of the group's revenues.

MARKETS

According to our estimates, the global market for legal and regulatory information in which we operate generated more than $12 billion in revenues in 2001. We estimate that legal information represented approximately 57% of the market while regulatory information represented approximately 43%. Our estimates indicate that the market for legal and regulatory information in most developed countries is relatively mature with average annual revenue growth rates expected to be approximately 3%. Growth in this market tends to correlate with gross domestic product growth. However, we believe there are significant opportunities to expand the market by offering information combined with innovative software products and services.

In 2001, according to our estimates, we were the leader in the global legal and regulatory information market, accounting for approximately 21% of the market. This is primarily a result of our leading position in the United States legal information market, of which we estimate we accounted for approximately 48%.

As the economy becomes increasingly global, the demand for legal and regulatory information on a global basis is increasing. Similarly, some of our largest customers are becoming increasingly global. These customers require a broader array of products and services to meet their varied information needs. Increasingly, our global customers prefer their information needs to be met by one strategic partner as opposed to multiple providers to ensure consistency.

Technology also continues to affect the market for legal and regulatory information. The availability and reliability of the Internet and the demand for faster access to information has significantly increased the demand for products and services online. In addition, the Internet has made it much easier to both deliver and receive information and services. Many of our smaller customers can now access information and services over the Internet that were previously unavailable to them.

Competitive differentiation in the market for legal and regulatory information is becoming increasingly difficult to demonstrate through traditional means such as content and reliability. We believe that value-added products and services are increasingly becoming the point of competitive differentiation. As a result, information providers are putting a greater focus on, and offering a broader selection of, value-added products and services, including non-information based products. In addition, brands are becoming increasingly important as customers associate brands with value.

We believe that we maintain an advantage over our competitors as a result of the breadth and depth of our products and services and our ability to respond to market demands quickly and effectively. We believe our focus on technology as a critical component in meeting our customers' needs differentiates us from some of our competitors that have historically invested in technology at much lower levels.

Online business information and news services supply a variety of current and archival business information and news to professionals in a wide variety of areas such as marketing, strategic planning, business development and research and development. According to our estimates, the global market for online business information and news in which we operate generated more than $2 billion in revenues in 2001. We estimate that, in 2001, we were one of the leading providers of online business information and news with a market share of approximately 12%. According to our estimates, the global market for business information and news has had average annual revenue growth rates ranging from three to five percent in recent years. Similar to the legal and regulatory information market, the availability and reliability of the Internet has increased the demand for business information and news online, which is driving growth in this market.

OPERATIONS

Legal

Based primarily on our West business, we are the leading provider in the United States of legal information-based products and services, offering our customers access to over 16,000 databases. We provide integrated information solutions to virtually every large law firm, significant government institution and law school in the United States and increasingly to small and mid-sized law firms and corporate in-house legal professionals.

Our information includes case law, statutes, administrative material, law reviews and treatises, lawyer profiles, legal commentary, public records and legal forms, in print and electronic formats. Cases, statutes and other legal information published by our West business are generally enhanced by head-notes, synopses, key topic numbers and other editorial enhancements prepared by our staff of lawyers and editorial professionals. These editorial enhancements facilitate more productive searching and researching by our customers. For instance, our case synopses are a concise summary of an entire case which includes the legal determination, legal principles referred to, procedural history and related facts of the case. A case synopsis allows our customers to quickly determine the value and relevance of a case and allows our customers accessing Westlaw to uncover with a keyword search related cases that might otherwise have been missed since our case synopsis includes synonyms, acronyms, terms of art, generic names and legal relationship terms that may not be included in the case itself. We also enhance our legal content with a proprietary editorial feature known as the West Key Number System. The West Key Number System is a master classification system under which each point of law is assigned a key number and which includes more than 400 topic areas and 100,000 points of law. Our topical outline allows our customers to identify the key number that corresponds to a specific area of law. Using the key number, our customers can search for topically related cases and commentary.

Through West, we also offer KeyCite, an online citation research service that, among other things, enables our customers to trace the history of a case, statute, administrative decision or regulation to determine if it is still authoritative, to retrieve a list of cases that cite a particular case or compile a table of authorities. We launched KeyCite in 1997 and it is now used online by more legal professionals than any other competing service.

We also operate legal information businesses in Canada, the United Kingdom, Denmark, France, Ireland, the Netherlands, Spain, Sweden, Australia, Hong Kong, New Zealand, Brazil and Argentina through local operations and in Switzerland through a joint venture. Through these businesses we provide a range of primary materials such as case law and statutes and secondary materials such as treatises and legal commentary specific to the countries in which we operate.

Westlaw is our online delivery platform. Most of our customers access our products and services over the Internet through Westlaw.com. We also offer access to Westlaw using newly developed wireless technology. Westlaw offers numerous search features and navigation tools that enable our customers to search our databases to research points of law, build tables of authorities or search for other topically related commentary. Westlaw allows our customers to customize a search by limiting it to only those databases that are relevant to them. We recently introduced mywestlaw.com, an innovative set of features that allows individual users to customize Westlaw by focusing on specific jurisdictions or practice areas. Our offering of mywestlaw.com, together with increased use of the Internet, has allowed us to further penetrate the market for smaller and specialized law firms.

Westlaw was launched in the United Kingdom in 2000 and is now used by 76 of the 125 largest U.K. law firms. Westlaw UK offers a combination of legal information from the United Kingdom and the European Union, derived from our legal publishing businesses in those jurisdictions, together with information licensed from third-parties, such as business information and news from Dow Jones & Company, Inc. Customers may also access, on a transactional basis, legal and regulatory information from West in the United States and our other businesses such as Dialog, our global online provider of business information and news. In addition, we are currently offering Westlaw online services in Australia, Denmark, Spain and Sweden. In each case, we offer local content, owned or licensed by our operations in that region, and supplemented with relevant information from other regions of the world such as our databases of European Council directives maintained by our ELLIS business unit. We are currently developing Westlaw online services in Canada and Germany.

In addition to launching a customized online service in each of these countries, we also provide a basic Westlaw service, known as Westlaw International, in Argentina, Hong Kong, Japan, New Zealand and Singapore. Through Westlaw International, we are able to offer our current online products and services to customers in markets where we may not have an existing publishing presence or have not yet developed a fully customized Westlaw service.

In 2001, we acquired ProLaw, which offers software that assists primarily small and mid-sized law firms with front and back-office management functions including document management, case management, accounting, billing and records management. In 2001, we also acquired FindLaw, which maintains web-based services in the United States offering access to a legal directory, legal news, a legal career center and other legal resources. FindLaw charges law firms a fee to be included in its online legal directory but users may search its legal directories and other products and services free of charge. FindLaw also provides website design and hosting services to more than 6,000 law firms.

We offer integrated information solutions to assist professionals in developing and protecting trademarks. Through Thomson & Thomson, Compu-Mark and Brandy, a Japanese joint venture, we maintain a database containing all current trademark registrations in the United States, Japan, Malaysia, Singapore, Canada and most European countries. We also offer a wide range of products and services that cover all aspects of developing and protecting a trademark, including enabling customers to screen trademarks, determine the availability of trademarks, protect trademarks from infringement and search domain names.

Our West Education Group, formed in 2001, is a leading provider of educational solutions to legal professionals and law students in the United States. Through BAR/BRI, we provide bar examination review courses and materials. We also maintain a legal text book publishing business with over 1,200 titles making us a leading provider of casebooks and other learning materials to law students in the United States. In 2001, we launched West LegalEdCenter, a provider of continuing legal education materials which offers one of the largest selections of video and audio continuing legal education programs on the Internet including more than 1,800 hours of accredited content. In addition to providing a stable source of revenues, we believe that our educational business provides us with a competitive advantage by giving us the opportunity to develop relationships with our professional customers beginning during their formal training and continuing throughout their careers. For example, our presence in the legal education market enables us to develop a preference among junior legal professionals for our products and services, such as Westlaw. We believe these relationships increase demand for our products and services.

We primarily sell directly to our customers. In the United States, we have approximately 490 regionally-based sales representatives in addition to a team of more than 400 account managers and 120 sales representatives who work out of our offices to ensure that our existing customers' needs are met. In many of the countries in which we operate outside the United States we have a regional sales force that focuses on marketing and selling our products to customers located in that country.

Tax and Accounting

We provide tax and accounting professionals with integrated information solutions. We offer regulatory information such as relevant statutes, regulations, commentary and practice guides and tax and accounting software to assist our customers in their daily work. Over the past four years, we have made significant changes in our regulatory business by exiting businesses and product lines that provided low operating margins or were inconsistent with our overall strategy.

Our regulatory information is made available in both print and electronic formats. In 2001, we introduced a new version of our online product, Checkpoint 4.0, which provides our customers with increased speed of service and the flexibility to link to a broader collection of databases. We continue to add additional content in this area. As a result of these initiatives, the number of customers subscribing to the service increased by approximately 14% in 2001 and we believe we will be able to firmly establish ourselves as the market leader by continuing to develop our electronic services.

We also offer a comprehensive line of integrated tax, accounting and practice management software solutions to assist our customers in improving their productivity and profitability. Through Creative Solutions, we offer software products that perform payroll, write-up, bookkeeping, audit and practice management functions and enable our customers to interact with their clients through the Internet. In addition, we offer tax accounting software known as UltraTax which assists our customers in the preparation of tax returns and enables them to file tax returns electronically. Through our Fast-Tax Trust Services business, we provide our customers with a specialized range of products for managing trust accounting, from tax preparation software to complete tax preparation services. Our regulatory business is currently focused on integrating our developing software business and our information business to create a broader offering of solutions.

We market and sell our tax and accounting information and software products to tax and accounting professionals through our 96 regionally-based sales representatives and through our 161 sales representatives who work out of our offices. In addition, we have been successful in selling a significant amount of our products and services over the Internet. Focusing our marketing and sales efforts on Internet sales has allowed us to broaden our range of customers and reduce sales and marketing costs. We also use the Internet to provide product support to our existing customers.

While our principal market is the United States, we also provide tax and accounting professionals with information solutions in Canada, Sweden, Denmark, Australia, New Zealand and Brazil through domestic operations in each country.

Business Information and News

Our legal and regulatory group manages Dialog, a leading global online provider of business information and news to a wide range of customers of all our market groups, including business, science, engineering, financial and legal professionals. The information offered by this service includes content relating to pharmaceuticals, science and technology, medicine, intellectual property, government regulations, social sciences, food and agriculture, news and media, business and finance, reference, energy and the environment and chemicals. Dialog provides online access to 15 terabytes of data, which is equivalent to more than 350 million printed pages of information. This is comprised of approximately 1.3 billion records. These data are primarily licensed from third parties and are derived from more than 200,000 sources, such as publicly filed documents, industry literature and trade journals. This makes the Dialog database one of the largest of its kind in the world. In September 2001, we acquired NewsEdge, an online provider of current and archival news licensed from third parties, and integrated it with Dialog. Dialog and NewsEdge allow our customers to identify current information on particular topics and to search our archival databases for information on particular topics to assist in their research activities. Through Dialog Newsroom, we bundle Dialog's and NewsEdge's products and services together to provide our customers with a complete solution for news and business research and monitoring.

Dialog has operations in 29 countries and global customer support centers in London, Raleigh, North Carolina and Sydney, Australia. Dialog provides business information and news services to more than 25,000 corporate customers and more than 100,000 professional researchers and is accessed by over two million end-users worldwide. We market and sell Dialog through our global sales forces of 277 regionally-based sales representatives and 36 sales representatives who work out of our offices.

We are focusing on the expansion of Dialog by making it available in combination with Westlaw. In addition, through Dialog we are offering content from our other market groups such as patent information from Derwent in our scientific and healthcare group and reference information from Gale in our learning group. To support this initiative, we are converting Dialog's content formats so that they are compatible with Westlaw's next generation technology platform. This will improve our ability to offer content from our other market groups through Dialog and to combine Dialog with our other online services.

TECHNOLOGY

In our legal and regulatory group, we maintain a sophisticated electronic infrastructure and highly developed online systems and support capabilities to provide our customers with products and services primarily through the Internet. In particular, we maintain two data centers with several hundred servers that have the capacity to handle over 18 million transactions per day from 10,000 simultaneous users. We are continuing to develop the next generation of Westlaw's online delivery platform which utilizes new and highly scalable technologies resulting in significantly enhanced capabilities. This platform hosts other online services such as Checkpoint, and will soon host Dialog. Moving to our next generation platform will allow us to more easily combine content from our various online services, reduce product delivery costs and reduce development time for new products and services. We are also significantly upgrading and standardizing our applications and infrastructure, enabling us to support more sophisticated web transactions to enhance our ability generally to market and sell our products over the Internet.

STRATEGIC IMPLEMENTATION

Our legal and regulatory group is implementing our corporate strategy through the following initiatives:

- Broadening our offerings with non-content based products and services. We are continuing to develop and acquire innovative non-content based products and services which generate additional revenues and enable us to become further integrated into our customers' daily workflow. For example, we have introduced practice management software, continuing education programs and marketing services to our legal customers. Since these products are integral to our customers' businesses, they serve to strengthen our relationships with our customers.

- Expanding global access to our information through the Internet. To increase global access to our information through the Internet, we have followed the introduction of Westlaw in the United Kingdom by offering Westlaw online services in Australia, Denmark, Spain and Sweden. In addition, we are currently developing Westlaw online services in Canada and Germany. The global expansion of Westlaw was made possible by a combination of our Westlaw.com platform and our next generation online platform.

- Expanding into new markets in Europe, Latin America and Asia-Pacific. We continue to pursue opportunities to develop or acquire leading positions in markets that we believe offer stable long-term growth. We have over the past two years acquired businesses in Argentina, Australia, Brazil, France, Germany, New Zealand, Spain, Sweden and the United Kingdom. We continue to view Latin America as an area offering growth prospects due to the increasing use of technology, growing number of professionals and complexity of the legal system. Germany and Japan also offer significant opportunities due to the size and fragmentation of the markets.

- Combining our online services and offering content from other market groups. We are increasing our penetration of the legal, regulatory and business information and news markets by combining our online services and offering content from other market groups. For example, we are combining Dialog with Westlaw and offering the combined service to our existing customers. In addition, the combination of NewsEdge with Dialog and the addition of content from our other market groups has allowed us to pursue a broader customer base for Dialog. As we continue to move our key products and services to our common, next generation online platform, we are enhancing our ability to combine our online services and offer content from across our market group through our existing online services.

COMPETITION

Our primary competitors in the legal and regulatory information market are Reed Elsevier and Wolters Kluwer, who we compete with in the United States and in many of the other countries in which we operate. We also compete with smaller domestic competitors in our international markets.

In the business information and news market we compete with other business information and news aggregators, the most significant being Factiva, a joint venture between Reuters and Dow Jones. In addition, we compete with smaller competitors such as OneSource Information Services, Inc., Hoover's Inc., Ovid Technologies, a subsidiary of Wolters Kluwer, and STN International that focus on specific segments of the business information and news market.

PRINCIPAL PRODUCTS AND SERVICES

The following chart summarizes, by product and service type, the major brands and principal products and services of our legal and regulatory group.

PRODUCT AND SERVICE TYPE	CUSTOMERS	MAJOR BRANDS(1)	PRINCIPAL PRODUCTS AND SERVICES
Legal	lawyers law students law librarians trademark professionals legal professionals	West Westlaw (U.S., U.K., Australia, Denmark, Spain and Sweden) Carswell (Canada) Sweet & Maxwell (U.K., Asia) ELLIS (The Netherlands) Aranzadi (Spain) Civitas (Spain) Karnov (Denmark and Sweden) Lawpoint (Australia) Lawbook Co (Australia) Brookers (New Zealand) La Ley (Argentina) Sintese (Brazil)	legal information-based products and services
		ProLaw	law firm management software
		FindLaw	web-based legal directory and website creation and hosting services
		Foundation Press West Law School Publishing BAR/BRI West LegalEdCenter	text books, study aids, bar review courses and continuing education materials
		Thomson & Thomson Compu-Mark (Europe) Brandy(2) (Japan) O. Gracklauer (Germany)	trademark search and information services
Tax and Accounting	lawyers accountants consultants	RIA Checkpoint PPC GEE (U.K.) IOB (Brazil)	tax and accounting information-based products and services
		Creative Solutions Fast-Tax Trust Services	tax and accounting software and services
Business Information and News	business professionals scientists consultants	Dialog NewsEdge Profound Datastar Intelligence Data	online database of business and scientific information and current and archival news

(1) Where brands are principally associated with products and services offered in countries other than the United States, the countries are indicated in parentheses.

(2) Denotes a joint venture.

THOMSON LEARNING

Our learning group provides integrated learning solutions to colleges, universities, professors, students, libraries, reference centers, government agencies, corporations and professionals. We help customers find the learning resources they need, learn using print and electronic resources and measure their learning success.

Our publishing and reference business provides textbooks and related learning products used in colleges and universities, together with a broad range of online and print-based reference materials used in libraries, reference centers, colleges and universities. Our lifelong learning business provides electronic and print-based training, career education, vocational learning and testing and certification programs and materials to corporations, government agencies, universities, vocational schools, teachers and students.

Over the past two years, we have transformed our learning group by acquiring the higher education and corporate training businesses of Harcourt and by adding Prometric, a key testing and certification business.

In 2001, approximately 57% of our learning group's revenues from ongoing businesses were derived from our academic publishing and reference products and services and 43% were from our lifelong learning products and services. The following table provides a breakdown of our learning group's revenues from ongoing businesses in 2000 and 2001 as a percentage of the group's revenues from ongoing businesses by product format, revenue origin and revenue type.

REVENUE BREAKDOWN(1)

	2000	2001
REVENUE BY PRODUCT FORMAT:		
Electronic	31%	31%
Print	68	61
Other	1	8
REVENUE BY ORIGIN:		
North America	88%	85%
Europe	8	10
Asia-Pacific	3	4
Latin America	1	1
REVENUE BY TYPE:		
Subscription	14%	20%
Advertising	-	1
Other(2)	86	79

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(1) Represents percentages of revenues from ongoing businesses, which exclude disposals. Disposals consist of results of businesses sold or held for sale which do not qualify as discontinued operations.

(2) Other is primarily comprised of revenues from sales of our textbooks and related products.

The greater proportion of revenues of our academic publishing and reference business is earned in the third and fourth quarters primarily due to the buying patterns in this market. Revenues in our lifelong learning businesses are earned more evenly over the year. Our customer base is diversified, with no single customer representing more than 3% of our revenues.

MARKETS

The global learning market can be divided into the primary and secondary school segment, the higher education segment, including post-secondary, college and university education, the library reference segment and the corporate training and testing segment. We participate primarily in the higher education, library reference and corporate training and testing market segments. The higher education segment is less cyclical than the primary and secondary school segment because it does not rely on public school districts to adopt textbooks and other learning materials and is less exposed to government-related budget constraints. The higher education market is also less capital intensive because publishers in this market are not required, as in the primary and secondary school market, to invest funds for book development prior to receiving a commitment from state education bodies that their books will be adopted and purchased. We participate in the library reference market because it has high electronic information adoption rates and its electronic information can be easily combined with our higher education products and services. We participate in the corporate training and testing market because we believe it has strong growth potential due to high electronic information adoption rates, the cost efficiency of digital delivery and the increasing demand for corporate training and testing products.

While printed materials continue to be the most widely used learning resource, electronic resources are increasingly sought by instructors and students. With the shift to electronic resources, scale and operating efficiency are becoming increasingly important and accordingly significant investments need to be made in technology, marketing and distribution. Our acquisition of the higher education and corporate training businesses of Harcourt significantly increased the operational scale of our learning businesses. This acquisition also provided us with electronic capabilities that we are integrating with existing technologies and leveraging across our businesses to meet our customers' needs.

Academic Publishing and Reference

According to our estimates, the higher education publishing market in the United States, our primary market, generated approximately $3.4 billion in revenues in 2001 and outside the United States generated approximately $830 million. The higher education publishing market is generally not exposed to economic downturns and grew, globally, at an estimated rate of 5% in 2001 attributable in part to increasing university enrollments that were partially offset by the declining rate at which students purchased new textbooks. We are responding to this decreasing rate of new textbook purchases by supplementing our textbooks with electronic study and teaching aids that are not available with used books. We estimate that for 2001, our learning group had the second largest share of the higher education publishing market with approximately 22% in the United States and 15% outside the United States. In 2001, we estimate that our higher education business had the largest or second largest market share in 28 of the 36 academic disciplines in which we participate in the United States. We believe our strength in this market results from several factors, including the breadth and depth of our title list, author relationships, technology investments, scale and our specialized sales and marketing efforts.

According to our estimates, the global library reference market generated approximately $6.2 billion in revenues in 2001. We estimate that the highest growth sector of this market is the electronic products segment, where growth rates have reached as high as 10% in 2001. According to our estimates, growth for print-based products was approximately 5% in 2001. We estimate that in 2001, we had the largest market share in the global library print reference market with approximately 36% and the second largest market share in the global library electronic reference market with approximately 16%. We believe our strength in the global library reference market results from several factors, including our technology investment, entrenched customer relationships, proprietary content and bundled products.

A significant trend in the United States reference market is that consortia are increasingly being formed by libraries and reference centers to negotiate lower prices for information services. We are partially insulated from this pricing pressure because we offer our customers many highly valued proprietary products. We are also responding to this pressure by aggressively introducing new products and services designed to meet specific information needs.

Lifelong Learning

According to our estimates, the outsourced corporate training and testing market in the United States, our primary market, generated approximately $15.2 billion in revenues in 2001, of which approximately 70% was spent on instructor-led training. We believe that businesses are increasingly outsourcing training and are shifting spending from instructor-led to technology-based training. The corporate training and testing market can be affected by changes in the general economy as training budgets are often reduced in an economic downturn.

The corporate training and testing market has traditionally been characterized by numerous small providers of specialized products and services. The smaller companies servicing this market are facing increasing pressure to consolidate as customers are demanding training solutions that combine traditional training products with electronic products and validation of training programs. Customers are also increasingly addressing training on an enterprise-wide basis and in some cases on a global basis.

We believe we have one of the largest and broadest lifelong learning businesses, combining computer-based testing, electronic instructional materials for information technology and business skills training and print-based instructional materials for career education, technology and out-placement services.

OPERATIONS

Academic Publishing and Reference

We provide textbooks, study guides and teaching guides in print and electronic formats for use in colleges and universities and electronic, print and microfilm reference materials for libraries, reference centers, schools, colleges, universities and corporations. Our major textbooks are supplemented by electronic teaching aids, such as online interactive supplements and websites. We publish in selected disciplines that we believe offer the highest long-term growth and where we have or believe we can attain substantial market share such as in the humanities, social sciences, languages, science, mathematics, business and economics fields. We create proprietary reference material, aggregate periodical content and primary source research information and integrate this information into a broad array of sophisticated online reference libraries. Our online reference library is one of the largest in the world and currently includes four terabytes of data, which is the equivalent of approximately 125 million printed pages of information. We also maintain academic microfilm collections that we provide to our library customers. We are currently digitizing our microfilm collection and include this content in some of our electronic products.

Our textbooks and learning materials are authored by experts in the relevant discipline. We contract with our authors under long-term royalty arrangements. The authors work with our editors to prepare the original materials for new editions, revised editions and teaching supplements. The depth and breadth of our product offerings allow us to manage the release dates of major textbook titles so that revenues from new product releases are spread more predictably from year to year.

The online interactive supplements and websites that complement our textbooks and other printed materials are an integral part of our textbook offerings. The additional content and electronic tools are designed to make the learning experience more effective. They also encourage sales of our new textbooks because only students who purchase these books receive special electronic supplements. For example, we provide purchasers of some new textbooks with a time-limited subscription to our Gale InfoTrac College Edition reference database, which contains approximately 4,000 full-text publications and an historical archive of selected titles.

We are working to design new electronic products to promote more effective learning by students and more effective teaching and assessment by instructors. The Learning Equation, one of our new online instructional products, is designed to help college and university students who have difficulty learning math. Independent studies have shown this product to be more effective than traditional teaching methods. Another example is the Brooks/Cole Assessment, an electronic mathematics testing tool that recognizes mathematical symbols in questions and answers and is capable of evaluating student progress.

We also provide electronic resource centers that aggregate reference information about particular topics. The Gale Resource Centers are devoted to topics such as literature, history and health. Through a newly established alliance with Ingenta, a major aggregator of electronic journal information, we have expanded our reference content. With a single search using Gale's InfoTrac service, customers worldwide are able to access online journals through Gale and Ingenta. We are also extending our reference business into new markets by providing supplements to core curricula taught in primary and secondary schools and expanding the distribution of reference products in the international and primary and secondary school library markets.

We distribute our publishing and reference products internationally. We adapt textbooks and learning materials created for the United States market for sales abroad by, where necessary, translating them and supplementing them with local content. Our acquisition of the Harcourt higher education publishing businesses significantly increased the scale of our international business. The Harcourt businesses included strong titles in mathematics, statistics and the sciences which are more easily transferred to international markets than are, for example, humanities materials. In 2001, approximately 49% of the revenues earned from international sales of our academic publishing products and services were attributable to content created in local markets. In the international markets we distribute our higher education products and services predominately to universities, colleges, schools and reference libraries.

In response to significant demand for higher education products and services outside North America, we formed a joint venture together with 16 leading research universities from around the world to create an online university, U21global, which will be a degree-granting institution providing online educational services, backed by the member universities. We will use our existing academic content, reference information and testing services as a basis for new online offerings. U21global is based in Singapore and will initially serve the Asia-Pacific higher education market.

We are building on the position of our Heinle business as the third largest publisher of English materials for the higher education market to develop materials for the English as a foreign language and English as a second language learning markets. Demand for English-language training courses and related teaching and learning materials is expected to continue to grow as markets become increasingly global. The English-language training market is particularly appealing because these students tend to purchase a range of textbooks and ancillary workbooks and other learning aids. In addition, these materials tend to be updated less frequently, resulting in lower development expenses.

We maintain one of the largest dedicated sales forces in the higher education publishing market in the United States, with more than 400 salespersons organized into groups specializing in each of our key academic disciplines. Our sales efforts are focused on college and university professors because they decide which textbooks to use and these textbooks are in turn purchased by college or university bookstores and sold to students. The two largest distributors in the United States of our academic publishing products in 2001 were Barnes & Noble and Follett. Bookstores may return unsold books to us. Since 1998 we have lowered the return rate for our textbooks through a program that uses incentives to encourage bookstores and other resellers to order an appropriate number of books and discourage returns. Outside the United States, the sale of our higher education products is handled by our sales force of more than 300 salespersons.

Our academic reference materials are distributed through a 200-person sales force to academic and public libraries, corporations and other research-oriented customers. Our reference content is also resold through arrangements with a number of distributors.

Lifelong Learning

We provide outsourced electronic and print-based training, certification and testing solutions to corporations, government agencies, students and professionals. We also offer textbooks, study guides and teaching guides, in print and electronic formats, to technical and vocational schools, trade associations, professors, students and professionals. We are one of the world's largest providers of electronic and print material for broad-based information technology instruction. We offer our information technology and business skills training products and services to corporate information technology departments and corporate training departments and government agencies worldwide. We also provide strategic consulting and human resource out-placement services to corporate and professional customers.

One of the strengths of our training and testing business is the breadth of our offerings. We maintain a repository of more than 75,000 electronic learning objects, which are self-contained instruction modules to teach specific skills primarily focused on information technology and business. These learning objects are self-contained modules that are used to create flexible and personalized training programs tailored to the needs of students.

We also offer textbooks, teaching guides, study guides and practice tests to professionals who are seeking to maintain or upgrade their credentials and to professors and students in degree-granting technical and vocational schools. Our offerings are created for a wide variety of disciplines including administration, automotive, computer-assisted drafting, cosmetology, education, electronics, fire rescue, healthcare, security, travel and other trades.

We have formed an alliance with UNext, which owns Cardean University, a U.S.-based online university, to provide its online business courses to our customers. Through this relationship, we have access to electronic courses that complement our proprietary courses. These include an online master of business administration program and online courses in leadership, management, electronic commerce, marketing, finance, accounting and business communications.

We entered the testing and certification business in 2000 with our acquisition of Prometric and are now a leading global provider of computer-based test delivery and assessment services. In 2001, our testing business delivered over six million computer-based exams in 136 countries. In 2001, 34% of the revenues of our testing business were generated from information technology certification tests, 26% from professional certification tests, such as tests for investment brokers and registered nurses, 32% from academic tests, such as graduate record exams and tests of English as a foreign language, and 8% from government tests, such as driver's license tests in the United Kingdom.

We are focused on enhancing our ability to provide comprehensive training solutions to be marketed to our largest corporate customers. In particular, we are creating tests to match each of our learning objects so that customers may assess the effectiveness of the training products and services we deliver. We believe our testing technology provides our learning business with a significant advantage over our competitors, particularly in the electronic learning market, as corporate customers are increasingly focused on verifying the results of their training programs.

Our lifelong learning products and services are distributed through our 600-person sales force. We have focused our marketing and sales efforts in the corporate training market on customer segments with high training spending per employee, which include customers in the financial services, technology, manufacturing, energy and pharmaceuticals fields and governmental agencies. In most of these segments, our other market groups can provide industry expertise and have relationships with potential customers. Recently, we established a new sales group focused on offering comprehensive enterprise-wide training programs using all of the resources available within our learning group. In the corporate testing market our sales force focuses on entities sponsoring certification programs in such fields as information technology, government and education.

TECHNOLOGY

Technology is an integral element in the solutions of our learning group. We are currently focused on standardizing our technological infrastructure and platforms to support the development of new electronic products and services and delivery systems. At Gale, content is integrated on a single technology platform. With a single search, customers are able to access a variety of reference materials on topics such as literature, history and health through our Gale Resource Centers. In our higher education publishing business, we are using technology to develop electronic solutions that are designed to make the learning experience more effective such as Brooks/Cole Assessments. In our lifelong learning business, we have implemented new scheduling, registration and administrative systems that provide Prometric test-takers with flexible registration options and lower our costs. We are also using technology to consolidate our print and electronic materials and software-based applications to create online training products for the customers of our training business.

STRATEGIC IMPLEMENTATION

Our learning group is implementing our corporate strategy through the following initiatives:

- Developing integrated learning solutions. We are pursuing opportunities to combine our products and services across our business to better meet our customers' increasingly sophisticated needs. For example, we are matching print materials to our electronic learning objects and then designing tests for each learning object. This will allow us to provide learning solutions that can be designed to meet the particular needs of our customers. We are also aggregating content from our publishing and reference businesses into electronic libraries for particular segments of the professional learning market, which we offer alone or combined with other products.

- Continuing to develop electronic products and services. We continue to invest significant resources in developing new products and services that can be delivered electronically because we believe electronic products and services can improve the learning experience. These products and services can also be delivered to a larger, more dispersed audience in a customized form. In higher education, we are focused on developing additional online content and products that help make students and instructors more effective such as The Learning Equation, Brooks/Cole Assessment and Gale InfoTrac College Edition.

- Developing products to serve higher education markets outside North America. Significant demand for higher education exists outside North America that cannot be satisfied by traditional universities. In response to this demand, we are developing U21global, an online university based in Singapore. We will use our existing academic content, reference information and testing services as a basis for new online offerings, the first of which will be an online master of business administration program that is scheduled to be launched in 2003.

- Developing long-term strategic arrangements with global corporate customers. We are focused on using our leading corporate training position to establish significant long-term global arrangements with large corporate customers. We believe our broad product offering and strong electronic learning programs provide us with significant advantages over our competitors in this sector. As an example, we recently entered into a four year contract with General Motors to provide electronic learning programs through the Internet to General Motors' employees, including an online master of business administration. The courses will include supplementary print and electronic materials provided from across our learning group.

- Continuing to integrate our businesses and leverage our assets across our business. We continue to implement initiatives to use technology, customer service techniques, product development expertise and sales and marketing programs across our learning group. We are also implementing initiatives between our market groups to use common technology platforms and share sales and marketing information about customers. We believe our learning group can use relationships established by our other market groups to identify and successfully pursue corporate training customers. In particular, customers of our financial group are significant users of corporate training services. We believe recognition of the Thomson brand and our strong reputation in the financial services industry will allow us to increase our penetration of global financial services customers.

COMPETITION

The higher education publishing market in the United States and internationally has a small number of major participants. In addition to us, they include Pearson Education and McGraw-Hill.

Our principal competitors in the global library print reference market are Oceano Grupo Editorial and the Grolier unit of Scholastic Inc. and in the global library electronic reference market are Proquest Company and EBSCO Industries, Inc.

Our principal competitors in the global lifelong learning business include Pearson in the computer-based testing market and SmartForce, SkillSoft Corp., DigitalThink, Inc., New Horizons Worldwide, Inc. and Learning Tree International, Inc. in the electronic and print-based training markets.

PRINCIPAL PRODUCTS AND SERVICES

The following chart summarizes, by product and service type, the major brands and principal products and services of our learning group.

PRODUCT AND SERVICE TYPE	CUSTOMERS	MAJOR BRANDS(1)	PRINCIPAL PRODUCTS AND SERVICES
Academic Publishing and Reference	colleges, universities, professors, students, professionals	Wadsworth	textbooks and electronic course materials in the humanities and social sciences
		South-Western	textbooks and electronic course materials in business and economics
		Brooks/Cole	textbooks and electronic course materials in mathematics, the sciences and engineering
		Heinle	textbooks and electronic course materials for English, modern languages and English-language training
		Peterson's	college and university selection guides in print and electronic formats, online college registration and test preparation
		Nelson (Canada/Australia)	textbooks and electronic course materials for the school and higher education markets
		Paraninfo (Spain/Portugal)	Spanish-language higher education textbooks in business, economics and vocational subjects
		U21global (Asia-Pacific) (2)	online university courses
		WebCT(2)	course management software and enterprise software solutions for universities
	academic libraries, public libraries, corporations, reference centers, colleges, universities, schools	Gale Macmillan K.G. Saur (Germany)	printed and electronic reference materials, electronic databases of magazine, newspaper and periodical content, microfilm collections and encyclopedias
Lifelong Learning	corporations, government agencies	NETg	online and instructor-led information technology and business skills training

PRODUCT AND SERVICE TYPE	CUSTOMERS	MAJOR BRANDS(1)	PRINCIPAL PRODUCTS AND SERVICES
	universities, colleges, corporations	Course Technology	textbooks and print and electronic materials for information technology instruction
	corporations, professionals	DBM	outplacement services and strategic human capital consulting
	colleges, vocational schools, career schools, teachers, students	Delmar Learning Education Direct	textbooks and learning materials for technology, trade and career education
	corporations	UNext(2)	professional development and educational courses on business and related topics
	corporations, government agencies	Prometric Galton Brainbench(2)	technology-based test delivery and assessment services including test preparation, test results processing and certification program creation

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(1) Where brands are principally associated with products and services offered in countries other than the United States, the countries are indicated in parentheses.

(2) Denotes a minority investment or joint venture.

THOMSON FINANCIAL

Our financial group provides integrated information and workflow solutions to the global financial services industry. We offer a broad range of financial data and related products and services to assist investment bankers, stockbrokers, portfolio managers, financial planners and corporate executives. We focus on investment management, investment banking, sales and trading, corporate and wealth management customer segments. We have organized our financial group on this basis to ensure that we have a complete understanding of our customers in these segments and accordingly can serve their needs most effectively.

We provide our customers with financial information, including historical financial and economic information, broker research, earnings estimates, insider trading information, corporate information and public disclosure documents. We also provide access to real-time information including market data, trading information and financial news. This information is made more valuable to our customers as our products and services enable them to search, analyze and manipulate the data so that it can be used more effectively. We also offer our customers other services such as the dissemination of corporate news releases, back office data processing, transaction processing and, through our joint ventures, services that facilitate trade settlement and securities issuances. We offer our products and services separately and we are increasingly combining them to provide comprehensive information solutions.

We have a global research group of more than 1,700 employees in 12 countries that obtains and manages the financial information that we provide. We maintain one of the largest collections of databases of financial information in the world. The majority of our financial information is derived from public sources such as regulatory filings and analyst' reports. We also conduct our own surveys to create other data collections such as our database of institutional contacts. The information we collect is formatted, organized, indexed and edited by our research group to enhance its value to our customers and is continually updated. In addition, we license content from third party suppliers, such as Dow Jones for news. Having one global research group manage all of our financial content is cost efficient, ensures its consistency and quality and enables us to offer it across all of our customer segments.

We have more than 1,400 sales and customer service representatives who sell and service our products. Our sales force also includes our newly formed strategic relationship management group that services our largest clients on a global basis.

In 2001, we identified some print-based publishing businesses that did not fit within our strategy. We offered these businesses for sale but withdrew them from the market in light of economic conditions that affected the value we would have realized from their sale. They are now being managed as a standalone business unit outside of our financial group.

In 2001, our investment management unit accounted for approximately 32% of our financial group's revenues from ongoing businesses, our investment banking unit accounted for approximately 22%, our sales and trading unit accounted for approximately 29%, our corporate unit accounted for approximately 7% and our wealth management unit accounted for approximately 3%. The following table provides a breakdown of our financial group's revenues from ongoing businesses in 2000 and 2001 as a percentage of the group's revenues from ongoing businesses by product format, revenue origin and revenue type.

REVENUE BREAKDOWN(1)

	2000	2001
REVENUE BY PRODUCT FORMAT:		
Electronic	80%	89%
Print	6	3
Other	14	8
REVENUE BY ORIGIN:		
North America	82%	77%
Europe	15	20
Asia-Pacific	3	3
Latin America	-	-
REVENUE BY TYPE:		
Subscription	60%	66%
Advertising	1	1
Other	39	33

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(1) Represents percentages of revenues from ongoing businesses, which exclude disposals. Disposals consist of results of businesses sold or held for sale which do not qualify as discontinued operations.

Revenue is earned relatively evenly over the course of the year. Our subscription contracts generally have a term of one year and renewal dates are spread throughout the year. Some of our subscription contracts become rolling one to three month contracts after the first year.

In 2001, our top 25 customers represented approximately 29% of the group's total revenues, although no single customer represented more than 4% the group's total revenues. Generally, our largest customers use our products and services on a global basis. All of the underwriters are customers of our financial group.

MARKETS

According to our estimates, the global market for financial information generated more than $14 billion in revenues in 2001. We estimate that sales and trading represented approximately 44% of the global market, investment management represented approximately 32%, investment banking represented approximately 20% and corporate represented approximately 3%. Wealth management is a developing segment of the market. We estimate that in 2001, we had the fourth largest share of the sales and trading segment of the financial information market with approximately 7%, the third largest share of the investment management segment with approximately 11%, the third largest share of the investment banking segment with approximately 12% and the largest share of the corporate segment with approximately 22%.

Growth in the global market for financial information is correlated with activity in the financial markets because the need for information increases as activity levels increase. The annual revenue growth rate for this market in 2001, which we estimate to have been approximately 4%, was lower than in previous years due to reduced merger and acquisition and initial public offering volumes. We expect that growth in the financial information market will increase as market activity returns to traditional levels.

Consolidation in the financial services industry has affected the global market for financial information. Consolidation has reduced the number of customers in the market, which has the effect of intensifying competition. In addition, consolidation among some of our competitors has resulted in stronger competitors that have broader offerings of products and services and increased scale.

Our customers are becoming more sophisticated purchasers of information products and services and are demanding more powerful products and services customized to their needs. In addition, our customers are increasingly requiring comprehensive integrated information that meet all of their information and related workflow needs on a global basis.

The global market for financial information is dominated by a few major participants and we believe we have effectively differentiated ourselves from our major competitors. Our systems use more open architecture than our competitors, which allows our customers to more easily utilize other information and software applications with our products and services. Our products and services are also less bundled than those of some of our competitors, allowing our customers to purchase only the content and applications that they need. As a result, we often provide our products and services at a significantly lower cost to our customers than our competitors. In addition, our ILX system, which provides real-time market data, employs a technology platform that requires lower bandwidth and can support more users per server than systems offered by our competitors, also reducing costs to our customers.

Some of our competitors are focused solely or primarily on particular segments within the financial information market. Our primary advantage over these competitors is our ability to offer our customers a broader range of products and services to better satisfy their complete information needs.

OPERATIONS

Investment Management

Our investment management unit is focused on providing information solutions to assist portfolio managers, broker/dealers and research analysts in buy and sell side investment management activities such as investment analysis and research. We offer a range of customizable products and services permitting our customers to work through each phase of the investment process, including research and analysis, investment decisions, stock selection, trade execution and settlement. We offer our products separately and increasingly combined to provide comprehensive information solutions.

First Call is one of the principal products used by our investment manager customers. In 2001, we acquired the interests in First Call that we did not already own and fully integrated its operations with our other businesses. This allowed us to broaden the capabilities of First Call and develop First Call Analyst, an integrated information solution that enables our customers to combine their own data with real-time market data and other information available to us to assist them in improving their productivity and decision making. Through First Call Analyst, customers have access to real-time equity and fixed income brokerage research, current and historical analyst estimates, historical pricing data, global aggregated forecast data, pricing data for U.S., European, Asian and other non-U.S. companies, market indices data, institutional holdings data and SEC filings. It enables financial professionals to identify investment opportunities using any combination of more than 100 referential and quantitative criteria, view the history of an individual analyst's recommendations, estimates and published research and compare them against actual results to assess past performance, calculate estimates using their own information and assumptions and view their portfolio holdings. In addition, First Call Analyst allows financial professionals to export data so that it can be used in other software applications such as spreadsheet applications.

We also provide our customers with products enabling them to analyze portfolio characteristics, assess portfolio risk and performance and construct portfolios with desired rates of risk and return. Through PORTIA, we offer a portfolio management system, which provides back office investment accounting services to our customers.

Investment Banking

Our investment banking unit focuses on providing investment bankers and private equity professionals with integrated information solutions to assist them in pursuing and completing transactions, including precedent analysis, company and market due diligence, financial analysis and modeling, preparation of presentation materials and the offering of securities over the Internet.

For our investment banking customers, we provide online financial data and research on companies, industries and markets that allow them to develop and analyze financial forecasts, market share, competition, industry trends, economic climates and key industry participants. We offer mergers and acquisitions transaction data which is used by our customers to identify comparable transactions, business opportunities and business trends. We also offer institutional securities ownership information which enables our customers to determine who is buying, selling and holding securities. In addition, our customers can access news, stock price information and SEC filings.

We also offer ePIB, an electronic service which collects documents from the industry's leading financial databases and assembles a fully customized book of publicly filed and other documents in PDF format. This is used by investment bankers and private equity professionals in researching public companies and in making transaction proposals.

In 2001, we formed i-Deal, a partnership with Merrill Lynch, Salomon Smith Barney and Microsoft, which offers products that facilitate the offering of securities over the Internet. Through i-Deal, we provide a technology platform that automates the securities issuance process, increasing the speed and efficiency of underwriting securities for brokers and dealers. Users of i-Deal include investment banks, issuers, institutional investors and multi-dealer systems.

Sales and Trading

Our sales and trading unit focuses on providing information solutions to equity and fixed income sales and trading professionals to assist them with each element of the sales and trading process, including order indications, receipts and executions, investment decisions, process confirmations and trading.

Through ILX, we provide real-time financial information and market data such as stock quotes and news, combined with the ability to analyze and manipulate the data. The ILX system allows our customers to modify their workstations to meet their individual preferences and needs. In addition, the ILX system is compatible with all industry standard software such as word processing and spreadsheet software allowing the user to export and use our data in other software applications. Our system can also serve as a link to our other products such as First Call and other third-party products and services to provide the user with a variety of financial information. In addition, ILX can be modified by our customers to enable them to receive customized information such as bulletin boards and private research databases.

BETA Systems allows brokerage firms to outsource the majority of their back office data processing activities such as processing orders for securities and maintaining customer and firm accounts. Through BETA Systems, our customers are able to generate a range of customer account documents including monthly customer statements, trade confirmations and real-time portfolios. BETA Systems interfaces with major clearing services, depositories and exchanges to process orders for securities.

We also offer AutEx, which is a database and online real-time network for trade order indications and executions for listed and over-the-counter securities. Through AutEx, a broker/dealer is able to send a real-time indication of interest to buy or sell securities to portfolio managers. The indication of interest appears in the portfolio manager's AutEx screen and the portfolio manager can then contact the broker/dealer to make the trade. Once the trade is complete, the broker/dealer reports the transaction to all AutEx subscribers. This allows subscribers to obtain a summary of all trades and indications of interest at any time. AutEx offers global access to over 3,000 portfolio managers and broker/dealers worldwide and an average of 400,000 indications of interest are transmitted each day.

Corporate

Our corporate unit provides information solutions primarily to investor relations professionals and financial executives. We provide online access to financial information such as broker research, ownership and peer analysis, news, stock quotes, institutional profiles and contact data. We also provide services for the dissemination of corporate news releases. In 2001, we launched Outbound, designed to be a comprehensive offering of products and services for the investor relations professional. We also established an alliance with PR Newswire that allows us to distribute their news releases and corporate webcasts over First Call and ILX products.

Wealth Management

Our wealth management unit serves retail financial advisors, high net worth private client groups, financial and media portals and retail product distribution groups such as fund marketers.

The principal product offered by our wealth management unit is Thomson Advisor, a web-based application that provides financial advisors with an integrated information solution to assist them in advising their clients. Thomson Advisor provides financial advisors with access to databases of mutual funds, variable annuities and stocks so that they can get a complete picture of their clients' holdings. It also enables them to prepare portfolio worksheets charts and graphs to illustrate investment strategies and portfolio performance simulations to analyze various investment strategies for their clients.

Other Joint Ventures

In 2001, we contributed the assets of our electronic settlements business and formed Omgeo, a partnership with The Depository Trust & Clearing Corporation, to develop straight-through processing and trade settlement capabilities. Omgeo was formed to meet the expanding information and processing needs of our customers in the financial services industry resulting from the T+1 trading initiative expected to be implemented by the SEC. Omgeo will provide clients with a managed transition to a new and more efficient way of processing trades.

TECHNOLOGY

In our financial group, we maintain global data collection and management systems that have enabled us to assemble and manage one of the largest and broadest database collections of financial information in the world. We also maintain powerful delivery platforms which enable us to provide real-time market data through our ILX service quickly and reliably to our customers. In addition, we have delivery architectures which allow us to offer modular web-based services which can be bundled together to integrate a number of our products and services into a single product such as First Call Analyst, IR Channel and Thomson Advisor. Our systems allow us to combine these technologies with our other web-based products and services, which gives us an advantage over our major competitors. We also maintain private networks, or extranets, which enable us to provide innovative community solutions such as our AutEx service, which connects a large number of firms to a network and permits the online exchange of real-time trade order indications and executions.

STRATEGIC IMPLEMENTATION

Our financial group is implementing our corporate strategy through the following initiatives:

- Pursuing emerging high-growth opportunities. We are pursuing initiatives in high-growth sectors of the financial services industry. As a result of recent changes to securities laws and business events that have focused attention on public disclosure, investor relations has become an area of significant growth. Our corporate unit is now providing comprehensive information and services to investor relations professionals. In response to the T+1 trading initiative, we formed Omgeo. In addition, our financial group has formed i-Deal to support growth in the offering of securities over the Internet.

- Introducing new products to increase our market share in sales and trading. We are focused on increasing our institutional equity and fixed income market share in the sales and trading segment. We have introduced a new product, ILX FI Focus, that is designed to provide institutional fixed income traders with the information they require to manage their portfolios and to provide retail brokers with an alternative source of fixed income information. We have also introduced Global Active ILX, which provides institutional equity traders with real-time market data. In addition, we now offer Thomson Markets, a web-based desktop service that supplies real-time market data and content from some of our other services to the off-trading-floor market. In each segment, we believe we will be able to increase our market share because of our ability to provide our customers with individually tailored, competitively priced products.

- Increasing global penetration. Our financial group is focusing on increasing its penetration of the financial information markets in Europe and Asia-Pacific. We gained a larger presence in Europe from the acquisition of Primark in 2000 and we believe we can deliver a lower cost product to European sales and trading professionals relative to our competitors. In Asia, our focus is mainly on Japan, Hong Kong and Korea given the significant presence of financial institutions in these regions including some of our global clients. To increase our institutional equity market share, we are launching Global Active ILX in Europe and Asia. We have also introduced a version of AutEx in both Europe and Asia which together currently have more than 200 subscribers. In addition, our corporate unit has recently launched a capital markets surveillance product in both Europe and Asia.

- Developing integrated information solutions. We are focused on increasing the functionality of many of our key products and services. For example, in 2001 we launched Active ILX, a version of our ILX product that is a fully customizable component system enabling our customers to build a workspace that meets their needs. The workspace can combine ILX information such as stock quotes with a workbook area where saved pages of ILX information can be stored and desktop services which can run independently of the workspace.

- Consolidating our technology platforms. As a result of recent acquisitions, our products and services are currently made available to our customers using many different technology platforms. We have implemented a group-wide program to move our products to a reduced number of technology platforms. This will enhance our ability to combine our product and service offerings to provide integrated information solutions such as First Call Analyst and IR Channel to our customers. It will also allow us to customize our offerings to specific customers and groups of customers more readily.

- Integrating our operations. We have formed a strategic relationship management group that services our largest clients on a global basis. This approach allows us to identify and realize on opportunities to introduce broader product and service offerings to our existing customers. We have also centralized administrative functions, including information management, human resources and technology infrastructure development to reduce costs and utilize shared resources more effectively.

COMPETITION

Our financial group's two major competitors are Bloomberg and Reuters. Bloomberg is our principal competitor in the sales and trading and investment banking segments, primarily in fixed income trading, while Reuters is our principal competitor in institutional equities trading in the sales and trading segment.

Our financial group also competes in the sales and trading, investment management and investment banking segments with competitors such as FactSet Research System, Inc., Multex.com, Inc., Advent Software, Inc. and SunGard Data Systems Inc. who focus primarily on specific product and service areas within these segments.

PRINCIPAL PRODUCTS AND SERVICES

The following chart summarizes, by customer unit, the major brands and principal products and services of our financial group.

CUSTOMER UNIT	CUSTOMERS	MAJOR BRANDS	PRINCIPAL PRODUCTS AND SERVICES
Investment Management	portfolio managers, brokers/dealers, research analysts	First Call Analyst I/B/E/S Baseline Datastream	online database of real-time equity and fixed income brokerage research, current and historical analyst forecast estimates, company accounts data, pricing data, global aggregated forecast data at the country, sector and industry levels, market indices data, institutional holdings data, SEC filings and news
	portfolio managers	Vestek	performance attribution and portfolio construction tools
	operations managers, information technology managers	PORTIA Oneva	portfolio management systems and order management systems
Investment Banking	investment bankers, private equity professionals	Securities Data SDC Platinum Investext Global Access Thomson Analytics	online database of brokerage research, transactional data, institutional holdings data, current and historical earnings estimates, pricing information, SEC filings and news
		ePIB	web-based tool that assembles a book of publicly filed and other documents in PDF form
Sales and Trading	institutional traders, retail traders, investment advisors	ILX Active ILX Global Topic	electronic financial information, including real-time market data such as stock quotes and news

CUSTOMER UNIT	CUSTOMERS	MAJOR BRANDS	PRINCIPAL PRODUCTS AND SERVICES
		BETA Systems	back office data processing services
		AutEx	electronic database and real-time network for trade order indications and trade executions
Corporate	investor relations professionals, financial executives	IR Channel PRNewswire/First Call Wire Outbound	web-based software applications providing corporate news and information, stock surveillance services and outbound communications services
		Carson Market Intelligence Grabill - Bloom Prophecy	market intelligence and analytical services for market valuation analysis
Wealth Management	investment advisors	Thomson Advisor Investment View	web-based software applications that include risk assessment, financial planning and portfolio management

THOMSON SCIENTIFIC AND HEALTHCARE

Our scientific and healthcare group provides integrated information solutions to researchers, physicians and other professionals in the academic, corporate and healthcare communities. Our information solutions are primarily based on our electronic databases of scientific and healthcare information. We derive this information from public sources, academic, scientific, technical and medical journals, pharmaceutical companies and practicing professionals and we supplement it in some cases with proprietary analysis prepared by our staff of expert editors. Since we include information only from the most respected sources in the industry, our databases and websites are seen as important distribution channels by authors and publishers of journals. We enhance the value of the information by ranking, organizing and summarizing it to make it more accessible and of greater utility to our customers and we update it continuously.

Our scientific databases assist scientists in all stages of the research and development process, from scientific discovery to product manufacture. We combine our electronic information with analytical tools and applications to increase the speed and efficiency of our customers' research efforts. Our healthcare databases provide drug and clinical information, primarily at the point of care, to assist physicians in treating patients. Our databases are offered through the Internet, dedicated transmission lines, compact discs, hand-held wireless devices and in print format. We are a global leader in providing continuing medical education solutions to physicians, primarily through grants for continuing medical education from pharmaceutical companies as part of their new drug development and introduction programs. We also publish healthcare subscription journals, controlled circulation magazines, which are magazines delivered to healthcare professionals and generate revenues primarily through advertising, directories and newsletters for physicians, administrators, researchers and other healthcare professionals on a variety of topics relating to the business, science and regulation of healthcare.

In 2001, our scientific business accounted for $240 million, or 34% of our scientific and healthcare group's revenues from ongoing businesses, and our healthcare business accounted for $457 million, or 66% of the group's revenues from ongoing businesses. The following table provides a breakdown of our scientific and healthcare group's revenues in 2000 and 2001 as a percentage of the group's revenues from ongoing businesses by product format, revenue origin and revenue type.

REVENUE BREAKDOWN(1)

	2000	2001
REVENUE BY PRODUCT FORMAT:		
Electronic................................	53%	53%
Print.....................................	39	35
Other.....................................	8	12
REVENUE BY ORIGIN:		
North America.............................	87%	87%
Europe....................................	10	11
Asia-Pacific..............................	-	-
Latin America.............................	3	2
REVENUE BY TYPE:		
Subscription..............................	45%	43%
Advertising...............................	24	21
Other.....................................	31	36

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(1) Represents percentages of revenues from ongoing businesses, which exclude disposals. Disposals consist of results of businesses sold or held for sale which do not qualify as discontinued operations.

Revenue is earned relatively evenly over the course of the year, but is slightly higher in the fourth quarter due to the annual publication of the Physicians' Desk Reference in this period. Subscription contracts are generally for a term of one year and renewal dates are spread throughout the year.

In 2001, the largest customer of our scientific business accounted for approximately 1% of the revenues of that business and the largest customer of our healthcare business accounted for approximately 3% of the revenues of that business.

MARKETS

Scientific

The scientific information market can be divided into the primary publishing and secondary publishing segments. Primary publishers principally publish peer reviewed articles in journals, in print or electronic formats. Secondary publishers enhance the value of primary publication information by ranking and organizing the information so that it is more accessible to their customers. We operate predominantly in the secondary publishing market because we believe this market presents a greater opportunity for growth.

According to our estimates, the global secondary publishing market generated approximately $1.6 billion in revenue in 2001 and is growing at a rate of approximately 5% to 6 % annually. According to our estimates, in 2001, the top six companies in this segment accounted for slightly less than 50% of this market and we estimate that we were the market leader with a global market share of approximately 15%.

We believe that demand for scientific information will continue to grow because scientific research funding, research and development spending and library spending are all increasing. We estimate that spending by U.S. corporations on research and development increased more than 10% in each of 2000 and 2001. We also estimate that the number of patent applications filed in the key markets of Japan, Europe and the United States has increased an average of 15% annually over the past three years.

Customers of our scientific information products are consolidating, particularly our customers in the pharmaceutical and biotechnology industries. As our customers build scale through consolidation they are becoming more sophisticated users of information, demanding more multi-disciplinary data and products that can be used together with their own data and data from third parties. We believe that our strength in the scientific information market results from the depth and breadth of our multi-disciplinary product offerings and our ability to enhance the speed and efficiency of our customers' research efforts.

Healthcare

The global healthcare information market is a very broad market. While we participate in various segments, we are focused on the clinical and drug information and continuing medical education segments because we believe these areas offer stronger growth prospects than other segments.

According to our estimates, the healthcare information market in which we participate, excluding the continuing medical education segment, is predominantly in the United States and generated approximately $1.6 billion in revenues in 2001. We estimate that this market is growing at a rate of approximately 4% to 6% annually. We estimate that the top five participants in this segment accounted for approximately 70% of the market and that we had the second leading market share with approximately 20%.

Within the healthcare information market, there is a trend towards delivering information to physicians and other healthcare professionals at the point of care. The demand for point of care information is driven by a combination of consumer demand for quality healthcare, cost pressures and heightened awareness of medical errors. We believe our continuing investment in technology will enable us to meet the evolving demand for point of care solutions. Our principal healthcare products and services serve specific segments of the market and have strong competitive positions. For example, in the clinical and drug information segment, our Physicians' Desk Reference and the Micromedex family of products are well known brands and are well regarded for their comprehensive coverage and the reliability of their content.

According to our estimates, the continuing medical education market in the United States generated revenues of approximately $2.5 billion in 2001 and is growing at a rate of approximately 15% annually. We estimate that we are one of the leading providers of continuing medical education products and services worldwide. We are focused on this market because pharmaceutical companies are dedicating a significant and increasing amount of their promotional spending to this area. Continuing medical education is a significant element of major drug introductions by pharmaceutical companies because physicians must be made aware of the existence of a new drug and its benefits and risks before they will consider it as a treatment option for their patients. We believe that the scale of our continuing medical education business and the breadth of our continuing medical education product offerings, including print and electronic publications, instructor-led and online training and innovative software teaching and training tools, provide us with an advantage in competing for contracts against our competitors.

OPERATIONS

Scientific

Our scientific business provides integrated information solutions that enable access to, and management of, the highest quality and most relevant published materials for researchers, information specialists and administrators in diverse fields. Our objective is to be the primary resource for scientific information in the research and development process. We also provide products, such as bibliographic software programs that help our customers gather, manage and use our reference information. We customize our products for particular industries or other customer groups and make them available in one easily accessible, searchable database through the Internet, dedicated transmission lines, compact discs, hand-held wireless devices and in print format.

Our ISI Web of Science website provides a single point of entry for scientific researchers. This electronic service extends our users' access to research information by offering an integrated collection of citation databases covering over 8,500 primary scientific information journals, leading life sciences, social sciences, genomic and patent information databases, journal citation reports, meetings and conference proceedings databases and other websites selected by our editors. Our advanced interfaces allow our customers to link through our citator service to journals provided by other publishers and then to return seamlessly to our service to continue their research. The citations in our database cover the period from 1945 to the present. Due to the breadth of our historical coverage, our competitors in the scientific information market use our database. ISI Web of Science is used in many of the leading academic institutions and research libraries around the world, including, accordingly to our estimates, approximately 70% of the leading academic institutions and research libraries in North America, approximately 55% in Europe, Africa and the Middle East and approximately 45% in Asia-Pacific.

Through Derwent, we are the world's leading provider of indexed patent information and patent abstracts. Each week, we assess, classify, summarize and index over 27,000 patent documents from 37 international patent-issuing authorities. Our databases cover the period from 1963 to the present. We believe we currently have the most comprehensive and authoritative source of information on patented genetic sequences as our database consistently contains more sequence data than comparable public access databases. Our patent products and services can be used to monitor competitors, develop research and business strategies and protect patent portfolios. These products and services are used by the world's leading pharmaceutical companies, specialty chemical manufacturers and automotive and telecommunications manufacturing companies.

Our scientific business sells its products through a direct sales force of approximately 90 employees primarily located in our key markets of North America, Europe and Japan. We are focusing our sales efforts on academic and professional researchers in the pharmaceutical, biotechnology, chemical and engineering fields because we believe researchers in these fields will continue to spend significant amounts on research and development.

Healthcare

Our healthcare business provides integrated information solutions, primarily at the point of care, to physicians and other health professionals. Our drug and clinical point of care solutions enable physicians and other healthcare professionals to efficiently access the reference resources they need to make decisions while treating patients. Our range of point of care products includes our Physicians' Desk Reference, Drugdex, DrugReax, Emergindex, Poisindex and BioDex products. These products are comprehensive reference databases of drug, drug interaction, emergency procedure, poison and biohazard information compiled over more than 25 years that have been extracted from scientific and clinical literature by expert editors and from approved drug-labeling information and are relied on by more than 7,000 healthcare facilities in 90 countries.

Our Physicians' Desk Reference product is a drug database created from Food and Drug Administration approved drug-labeling information and is distributed in a print directory format and through the Internet. Pharmaceutical companies provide us with the drug-labeling information and list their products in the directory in part to satisfy the Food and Drug Administration's requirements to make their drug-labeling information available to physicians as well as to promote awareness of their drug products. Pharmaceutical companies sponsor the annual delivery of Physicians' Desk Reference to approximately 480,000 practicing physicians in the United States and we sell approximately 390,000 additional copies of the directory to other healthcare professionals and consumers. In April 2002, we released a hand-held wireless version of the Physicians' Desk Reference. We are currently working with the pharmaceutical industry on an initiative to develop a paperless system for delivery of the information in Physicians' Desk Reference to the approximately 66,000 drug and pharmaceutical dispensing outlets in the United States.

We developed BioDex in response to the anthrax scare in the United States in 2001. BioDex provides instant access to detailed information on more than 50 biological and chemical agents to law enforcement personnel, fire departments, hazardous material teams, emergency medical professionals and other government agencies. This includes information on patient management and treatment and personal protective clothing and equipment.

In the United States our Emergindex product is used in more than half of all hospital emergency rooms and our Poisindex reference product is used in all 66 poison control centers.

Through Medstat, we provide decision support systems, market intelligence, benchmark databases and research for managing the purchase, administration and delivery of health services and benefits. We also develop and provide products and methodologies for organizing and understanding the data. Our databases and research studies provide a vast collection of healthcare information for the research community and decision makers in state governments, hospitals, pharmaceutical and other companies and the health plan and insurance industry. This information helps these customers study and manage the cost, quality and strategic positioning of health services and benefits.

We provide continuing medical education, on behalf of pharmaceutical companies, to physicians, pharmacists and other health professionals. In the United States, physicians must take a minimum number of hours of continuing medical education annually and similar requirements for physicians are being introduced in other countries. Pharmaceutical companies provide unrestricted grants for continuing medical education as a component of major new drug introductions to make physicians aware of the existence of a drug and its benefits and risks so they will properly consider it as a treatment option for their patients. By utilizing other products in our scientific and healthcare group, such as our scientific databases that track the most cited scientific and medical authors, as well as our drug and clinical reference products, we are able to work with pharmaceutical companies to design effective targeted continuing medical education solutions. The acquisition of Physicians World and Gardiner-Caldwell has and will continue to enable us to leverage a broad range of expertise and products and services and provide substantial market coverage in the continuing education market, where customer proximity and service are critical to customer satisfaction and retention. Historically, continuing medical education has been provided in person through instructors. However, continuing medical education products are increasingly being provided through the Internet and compact discs to facilitate new drug launches on a global scale.

We also publish healthcare subscription journals, controlled circulation magazines, directories and newsletters for physicians, administrators, researchers and other healthcare professionals on a variety of topics relating to the business, science and regulation of healthcare. Our controlled circulation magazines generate revenue primarily through advertising. With more than 54,000 monthly subscribers, we believe that we are a significant publisher of newsletters for healthcare professionals.

We maintain a direct healthcare information sales force of approximately 115 employees focused on our primary markets in North America and Europe. We are currently introducing additional dedicated sales forces in the markets we believe have the strongest growth potential, including expanding our sales force directed at hospitals by 20% over the next two years.

TECHNOLOGY

Technology is an increasingly important element of the products and services of our scientific and healthcare group. We are focused on improving our delivery technology so that we have the ability to deliver our products in the media best suited to our customers. This includes delivery over dedicated networks, the Internet and hand-held wireless devices. Each of our scientific and healthcare businesses deploys a common flexible content management system that improves our ability to customize and combine our products and simplifies the new product development process. These content management systems provide efficiencies in the information collection and editorial process as we are able to automatically update all our databases concurrently.

Our scientific business is committed to expanding the functionality of our ISI Web of Science website by introducing new applications and our healthcare business is redesigning PDR.net, a website for Physicians' Desk Reference. In addition, we are moving all our drug and clinical information products to platforms that can be delivered to hand-held wireless devices as we anticipate this will become an increasingly important element of our strategy to deliver solutions at the point of care.

STRATEGIC IMPLEMENTATION

Our scientific and healthcare group is implementing our corporate strategy through the following initiatives:

- Expanding integrated solutions in key market segments. We are focused on the academic/government, pharmaceutical/biotech, specialty chemistry and engineering segments because we believe the demand for information in these areas will continue to increase. In each area we are pursuing opportunities to acquire additional information to expand our databases. We are also developing advanced search tools and interfaces that will allow our customers to search our databases and other sources of information in topic specific areas such as genomics, business methods and nanotechnology.

- Developing leading market positions in drug and clinical information products. We are developing new products and services in the areas of drug and clinical information because we believe it presents an important growth opportunity. Each new drug launch requires information about the use and effects of the drug to be provided to physicians and hospitals. We believe that continuing developments in the field of genomics will increase the rate of drug development in the future.

- Expanding our leading position in global continuing medical education. We continue to integrate our recently acquired Gardiner-Caldwell and Physicians World businesses, which provide us with a strong global position in the continuing medical education market. We are aggressively pursuing opportunities to increase our penetration in this fragmented market by developing new products and services, including ones that can be delivered to physicians electronically. This initiative will also allow us to benefit from increased new drug development and introduction programs.

- o Expanding delivery of our products to hand-held wireless devices. Increasingly, technology-based tools, such as hand-held wireless devices, are being used by physicians and hospitals to improve patient safety. We believe that it is essential to deliver our information to physicians directly at the point of care. To improve our ability to do this, we are developing platforms that will allow us to deliver information to a variety of hand-held wireless devices through the Internet.

- o Extending intellectual asset management offerings. The increased emphasis businesses place on their intellectual property portfolios provides us with an opportunity to expand on our patent information base to provide patent management workflow solutions. We are working to develop or acquire a range of products and services to respond to this market opportunity.

COMPETITION

Scientific

Our principal competitors in the scientific information market include Information Handling Services Group, American Chemical Society, Institute of Electrical and Electronics Engineers, Reed Elsevier and Wolters Kluwer.

Healthcare

Our principal competitors in the clinical and drug information market are Wolters Kluwer and First DataBank, a subsidiary of The Hearst Corporation. The remainder of our competition is from small, specialized providers of drug or clinical information.

The continuing medical education market is served by a large number of small participants including Boron, LePore & Associates, Inc., Discovery International, a division of The Medicus Group International, Impact Communications, Inc. and Ingenix Clinical Communications, a division of UnitedHealth Group, Inc.

Our significant competitors in the advertising journal market include Reed Elsevier, Wolters Kluwer, McGraw-Hill, the American Medical Association and the American Academy of Family Physicians.

PRINCIPAL PRODUCTS AND SERVICES

The following table summarizes, by product and service type, the major brands and principal products and services of our scientific and healthcare group.

PRODUCT AND SERVICE TYPE	CUSTOMERS	MAJOR BRANDS(1)	KEY PRODUCTS AND SERVICES
Scientific	corporations in the pharmaceutical/ bio-technology, chemical and engineering industries, government agencies, research libraries, universities	Derwent World Patent Index	indexed and abstracted database of patents containing over 20 million patents from over 37 patent authorities, dating back to 1963
		Derwent Geneseq	comprehensive database of patented genetic sequences
		ISI Web of Science	website for research scientists providing access to over 8,500 abstracted and indexed journals, unique source for journal article cited references, meetings and conference proceedings
		ISI Web of Knowledge	comprehensive application and content extensions that expand the ISI Web of Science website to include third party hosted content, editorially selected websites, and tools to access, analyze and manage research information

PRODUCT AND SERVICE TYPE	CUSTOMERS	MAJOR BRANDS(1)	KEY PRODUCTS AND SERVICES
		Current Contents	current awareness product providing access to scientific journal literature
		ResearchSoft	personal computer-based authoring tools designed to support publishing authors
Healthcare	physicians, health professionals, pharmaceutical companies, hospitals, poison control centers, corporations, government agencies, insurance companies	Physicians' Desk Reference	database of Food and Drug Administration approved drug monographs, delivered in print and electronic format
		Micromedex	clinical, toxicological and environmental database products
		Drugdex	evaluative drug database created and maintained by clinicians
		Emergindex	database of medical emergency procedures
		Poisindex	database of poison control procedures
		American Health Consultants	healthcare newsletter publisher and provider of continuing medical education
		Gardiner-Caldwell (United Kingdom) Physicians World	provider of continuing medical education focused on training physicians in connection with new drug launches
		Medical Economics	controlled circulation medical magazines
		CenterWatch	clinical trials publications and website
		Medstat	decision support products and services designed for managing healthcare costs and measuring healthcare quality

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(1) Where brands are principally associated with products and services offered in countries other than the United States, the countries are indicated in parentheses.

CORPORATE AND OTHER

We maintain our Thomson Media business unit and our investment in Bell Globemedia under the category corporate and other.

Thomson Media is a business unit established in 2001 to manage the print-based businesses that were previously maintained in our financial group. These include our American Banker and Bond Buyer publications.

We own 20% of Bell Globemedia, a media company based in Canada. BCE, a Canadian-based public company, owns 70% and Woodbridge owns the remaining 10%. Bell Globemedia's primary businesses are CTV, a national television network in Canada and The Globe and Mail, a national newspaper in Canada. We acquired our interest in Bell Globemedia in January 2001 by contributing the assets of The Globe and Mail and its related businesses.

INTELLECTUAL PROPERTY

Our principal intellectual property assets include our patents, trademarks, databases, copyrights in our content and other rights in our tradenames. Significant content is obtained through third party licensing arrangements with content providers. We have also registered a number of website domain names in connection with our publishing and

Internet operations. While we believe we have taken appropriate legal steps to protect our intellectual property, we can offer no assurance that such protection is adequate and that no misappropriation will occur. Nor can we assure you that our intellectual property rights will not be subject to any claim of infringement or invalidation.

PROPERTIES AND FACILITIES

The following table includes summary information with respect to facilities which are material to our overall operations.

FACILITY	SQUARE FOOTAGE	OWNED/LEASED	PRINCIPAL SERVICES
Stamford, Connecticut	60,000	Leased	Principal executive offices
Boston, Massachusetts (1)	564,390	Leased	Thomson Financial offices
New York, New York	284,000	Leased	Thomson Financial head office
Florence, Kentucky................	835,000	Leased	Thomson Learning distribution facility
Eagan, Minnesota	2,518,000	Owned	Thomson Legal and Regulatory head office

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(1) This property consists of three addresses located in Boston, Massachusetts.

We own and lease office space and other facilities around the world to support our businesses. We believe that our properties are in good condition and are adequate and suitable for our present purposes.

EMPLOYEES

We have more than 44,000 employees in 53 countries. Of that number, approximately 17,000 are employed by our legal and regulatory group, 13,000 by our learning group, 9,200 by our financial group, 3,800 by our scientific and healthcare group. The remaining employees are employed within Thomson Media and our corporate center. We believe that our employee relations are good.

LEGAL PROCEEDINGS

We are involved in various legal proceedings arising in the ordinary course of business. In our opinion, no legal proceedings, if decided adversely, could reasonably be expected to have a material adverse impact on our financial position or results of operations.

4. SELECTED FINANCIAL INFORMATION

(U.S. $ IN MILLIONS EXCEPT PER SHARE AMOUNTS) FOR THE YEARS ENDED DECEMBER 31	1999	2000	2001
Revenues	5,752	6,514	7,237
Earnings from continuing operations	409	571	657
Earnings from discontinued operations	123	652	92
Earnings attributable to common shares	532	1,223	749
Per common share:			
Earnings from continuing operations	$ 0.66	$ 0.92	$ 1.05
Earnings from discontinued operations	$ 0.20	$ 1.04	$ 0.14
Earnings attributable to common shares	$ 0.86	$ 1.96	$ 1.19
Total assets	13,806	15,699	18,402
Total long-term liabilities	4,333	4,916	6,352
Dividends per common shares (U.S. $)	$ 0.658	$ 0.685	$ 0.70
Dividends per Series II preferred shares (Cdn$)	$ 1.12	$ 1.26	$ 1.07
Dividends per Series V preferred shares (Cdn$)	$ 1.25	$ 1.25	$ 1.25

SUPPLEMENTAL INFORMATION

(U.S. $ IN MILLIONS EXCEPT PER COMMON SHARE AMOUNTS) FOR THE YEARS ENDED DECEMBER 31	1999	2000	2001
Earnings from continuing operations as above	409	571	657
Add back (deduct):			
Net (gains) on disposals of businesses and investments	(52)	(38)	(302)
Restructuring charges	38	37	30
Year 2000 costs	91	4	-
Tax on above items	(25)	(1)	66
One-time tax benefits	-	(105)	-
Adjusted earnings from continuing operations	461	468	451
Adjusted earnings per common share from continuing operations	$0.75	$0.75	$0.72

DIVIDENDS

POLICY AND REINVESTMENT COMMITMENT

We presently pay quarterly dividends on our common shares and intend to continue to do so.

Our policy is to pay dividends at a rate that takes into account all factors that our board of directors considers relevant, including our earnings, available free cash flow, financial condition and capital requirements. Our dividend rate also takes into account Woodbridge's agreement to reinvest, until June 30, 2005, at least 50% of the dividends it and its subsidiaries receive in newly issued shares under our dividend reinvestment plan. Woodbridge originally made this commitment in 1989 and it has since been extended, most recently on May 1, 2002.

Our board of directors periodically reviews our dividend policy. The declaration of dividends by our board of directors and the amount of those dividends may be adjusted or eliminated at the discretion of our board of directors.

PAYMENTS

During the past twelve months, quarterly dividends of $0.175 per common share were paid on June 15, 2001, September 17, 2001, December 17, 2001 and March 15, 2002. Dividends on our common shares are paid in United States dollars but our common shareholders have the option to receive dividends in equivalent Canadian funds. Some of our common shareholders who are resident in the United Kingdom hold related shares of The Thomson Corporation PLC, which give them the option to receive dividends from Thomson PLC in equivalent British pounds sterling. We have given notice that we will redeem the related shares of Thomson PLC on June 17, 2002 but will maintain the option for our common shareholders to receive dividends in equivalent British pounds sterling from us.

DIVIDEND REINVESTMENT PLAN

Under our dividend reinvestment plan, our common shareholders may elect to have their dividends reinvested in additional common shares which are newly issued rather than purchased in the market. The price per common share is calculated by reference to the weighted average price of our common shares on The Toronto Stock Exchange during the five trading days immediately preceding the record date for each dividend payment. No brokerage commissions are payable in connection with the purchase of common shares under our dividend reinvestment plan and all administrative costs are borne by us. Currently, our dividend reinvestment plan is not available to shareholders resident in the United States but we intend to extend it to these shareholders concurrently with our listing on the New York Stock Exchange.

PREFERENCE SHARE DIVIDENDS

Dividends on our Series II preference shares are payable quarterly at an annual rate of 70% of the Canadian bank prime rate applied to the stated capital of such shares.

Dividends on our Series V preference shares are payable monthly at a rate which floats in relation to changes in both the Canadian bank prime rate and the calculated trading price of the Series V preference shares. In no event, however, will the annual floating dividend rate applicable for a month be less than 50% of prime or greater than prime.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis, or MD&A, for the years ended December 31, 2000 and 2001 should be read with "Selected Financial Information" and our consolidated financial statements and related notes. Certain information contained in MD&A, particularly under the heading "Outlook," are forward-looking statements that are not historical facts but reflect our current expectation concerning future results. Our actual results may differ materially from the results discussed in the forward-looking statements because of a number of risks and uncertainties, including the matters discussed below.

OVERVIEW

We are a global leader in providing integrated information solutions to business and professional customers. We serve customers in the following sectors: law, tax, accounting, financial services, higher education, reference information, corporate training and assessment, scientific research and healthcare. We believe these sectors are both fundamental to economic development globally and consequently have potential for consistent long-term growth. We organize our operations in four market groups that are structured on the basis of the customers they serve:

- Thomson Legal and Regulatory,
- Thomson Learning,
- Thomson Financial, and
- Thomson Scientific and Healthcare.

We report the financial results of our four market groups together with those of our corporate and other reporting category. Corporate and other includes corporate costs, costs associated with our stock appreciation rights, minority interests and the results of Thomson Media which was previously designated for sale but subsequently retained.

We earn our revenues from sales of subscription-based products, other products and services and advertising. In 2001, approximately 61% of our revenues were generated under subscription agreements, 35% from other products and services and only 4% from advertising. A significant component of our revenues included in the category "other" is sales of textbooks from our publishing businesses. Our revenues are generally recurring or predictable. Our revenues are also diversified. In addition to having multiple lines of business, we have over 20 million users in approximately 130 countries worldwide and no single customer accounts for more than 2% of our revenues.

Subscription revenues are from sales of products and services that are delivered under contract over a period of time. These revenues are primarily recognized ratably over the term of the subscription. Our subscription arrangements are most often for a term of one year, after which they are renewable at our customers' option, and the renewal dates of our subscriptions are spread over the course of the year. In the case of some of our subscription arrangements, additional fees are realized based upon usage. Subscription payments received or receivable in advance of delivery of our products and services are included in our deferred revenue account on our consolidated balance sheet. As subscription-based products and services are delivered to subscribers, the proportionate share of deferred revenue is recognized as revenue in our consolidated statement of earnings and our deferred revenue account is reduced. At December 31, 2001, our deferred revenue account was $882 million, representing approximately 12% of our revenues in 2001.

Our revenues from sales of some products, primarily our textbooks, are recognized after we estimate customer returns. Our textbooks and related products are sold to bookstores on terms that allow them to return the books to us if they are unsold. We continue to pursue opportunities to reduce the number of books returned to us and have introduced programs which utilize incentives to encourage our customers to order an appropriate number of books. Since the introduction of these programs in 1998, our return rates have improved significantly.

We segment our financial results geographically by origin in our financial statements, on the basis of the location of our operations that produces the product or service. The following table presents a summary of our revenues, before intercompany eliminations, segmented geographically for the past two years.

	YEAR ENDED DECEMBER 31,			
	2000		2001	
	(IN MILLIONS)			
North America.......	$5,644	86%	$6,096	83%
International.......	911	14	1,232	17

Many of our products and services developed originally for North America can be modified and offered internationally without excessive customization or translation and represent an opportunity for us to earn incremental revenues. For some of the products and services we sell internationally, we incur additional costs to customize our products and services for the local market and this can result in lower margins where we cannot increase our prices proportionately.

We use a variety of media to deliver our products and services to our customers. Increasingly, our customers are seeking products and services delivered electronically. Information is delivered electronically over the Internet, through dedicated transmission lines, on compact discs and more recently through hand-held wireless devices. In 2001, 54% of our revenues from ongoing businesses were derived from products and services delivered electronically, an increase from 52% in 2000. As we expand electronic delivery of our products and services, we improve our ability to provide additional products and services to our existing customers and to access new customers around the world. This allows us to increase our revenues and expand our margins because products and services delivered electronically generally have lower variable costs then those that are print-based.

Our most significant expense is labor. Labor includes all costs related to our employees, including salaries, bonuses, commissions, benefits and payroll taxes but does not include costs related to our stock appreciation rights. Labor represented over 55% of our cost of sales, selling, marketing, general and administrative expenses (operating costs) in 2001. No other category of expenses accounts for more than 10% of our operating costs.

We make significant investments in technology because it is essential to providing integrated information solutions to our customers and because we intend to maintain the significant competitive advantage we believe we have in this area. Our technology expenditures include spending on computer hardware, software, electronic systems, telecommunications infrastructure, and digitization of content. Our technology spending is capitalized where we can demonstrate future benefits and otherwise expensed when incurred. Over the past three years our total capital expenditures have been $1.7 billion of which approximately 70% was on technology. We expect our investment in technology to continue at significant levels, although we expect the percentage of our revenues that we spend on technology will decrease because we have largely completed our transformation into a provider of integrated information solutions which required a significant initial investment in technology.

Beyond labor costs and technology spending, the operating costs of our market groups and our individual businesses vary widely. The most significant additional cost item is the cost related to the development and production of textbooks for our print businesses, including the costs of paper and the printing and binding of the books. In these businesses, some of our editorial costs are capitalized and depreciated over the expected life of the edition.

During the past three years we completed 88 acquisitions with an aggregate cost of over $5 billion. During this period, acquired businesses generated a significant portion of the growth in our revenue and a lesser portion of the growth in our operating profit. Generally the businesses we have acquired have had lower margins initially than our existing businesses.

The acquisition of Prometric, Primark and Carson in 2000 and the higher education and corporate training businesses of Harcourt in 2001 were large strategic acquisitions which significantly enhanced the scale and scope of the market group to which they were added. Our significant acquisitions have been initially dilutive to our earnings principally as a result of the amortization of goodwill and identifiable intangible assets.

Many of our other acquisitions were tactical acquisitions where we purchased information or products or services that we integrated into our operations to broaden the range of our product and service offerings. As alternatives to the development of new products and services, these acquisitions had the advantages of faster integration into our product and service offerings and cost efficiencies.

When integrating acquired businesses we focus on eliminating cost redundancies and combining the acquired products and services with our existing offerings. Because we often combine the acquired products and services with our existing offerings, it is increasingly difficult for us to determine the contribution acquired businesses make to our revenues and operating profits. In addition, we generally incur costs such as severance payments to terminate employees and contract cancellation fees when we integrate businesses. Prior to 2001, we were able to capitalize many of these costs which spread them over a longer period. Under new accounting rules applicable from January 1, 2001, certain costs that previously had been permitted to be capitalized as part of the purchase price now must be included as operating costs or restructuring costs.

At the time of an acquisition, acquired identifiable intangible assets are recorded at their fair value on our balance sheet. Goodwill represents the excess of the cost of the acquired business over values attributed to underlying net tangible assets and identifiable intangible assets. Prior to July 1, 2001, we were required to amortize all identifiable intangible assets and goodwill over their estimated lives which reduced our earnings. For business combinations consummated on or after July 1, 2001, identifiable intangible assets with indefinite lives and goodwill resulting from these business combinations are not amortized. Effective January 1, 2002, all identifiable intangible assets with indefinite lives and goodwill, including those acquired prior to July 1, 2001, will no longer be amortized. As a result of these changes in accounting standards, we will have lower amortization charges in the future. See "- Critical Accounting Policies - Valuation of Identifiable Intangible Assets and Goodwill."

Our consolidated financial statements are expressed in U.S. dollars but a portion of our business is carried on in currencies other than U.S. dollars. Changes in the exchange rate for such currencies into U.S. dollars can affect our revenues, earnings and the value of our assets and liabilities on our consolidated balance sheet either positively or negatively. For 2001, the effect of changes in exchange rates decreased our revenues by approximately 1% and our operating profit by less than 1%. The translation effects of changes in exchange rates on our consolidated balance sheet are recorded within the cumulative translation adjustment component of our shareholders' equity. For 2001, we increased our unrealized cumulative translation losses by $71 million, reflecting changes in exchange rates of currencies compared to the U.S. dollar, partially offset by reductions due to disposals of businesses.

SEASONALITY

Typically, a much greater portion of our operating profit and operating cash flow arises in the second half of the year. Customer buying patterns are concentrated in the second half of the year, particularly in the learning and regulatory markets, while costs are spread more evenly throughout the year. As a result, our operating margins generally increase as the year progresses. For these reasons, the performance of our business may not be comparable quarter to consecutive quarter and should be considered on the basis of results for the whole year or by comparing results in a quarter with results in the same quarter for the previous year.

USE OF EBITDA, ADJUSTED OPERATING PROFIT AND ADJUSTED EARNINGS FROM CONTINUING OPERATIONS

Earnings before interest, tax, depreciation, amortization, restructuring charges and Year 2000 costs (EBITDA), and operating profit before amortization, restructuring charges and Year 2000 costs (adjusted operating profit) are used by us to measure our operating performance, including our ability to generate cash flow. Among other things, EBITDA eliminates the differences that arise between businesses due to the manner in which they were acquired, funded or recorded. In particular, EBITDA excludes the effects of amortization of identifiable intangible assets and goodwill, which is a non-cash charge arising from acquisitions accounted for under the purchase method of accounting. Adjusted operating profit reflects depreciation expense but eliminates the effects of amortization of identifiable intangible assets and goodwill, restructuring charges and Year 2000 costs. Because we do not consider these items to be operating costs, we exclude them from the measurement of our operating performance. We also measure our earnings from continuing operations to adjust for non-recurring items (adjusted earnings from continuing operations) to assist in comparing them from one period to another. EBITDA, adjusted operating profit, adjusted earnings from continuing operations and related measures do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable with the calculation of similar measures for other companies, and should not be viewed as alternatives to operating profit, cash flow from operations, net income or other measures of financial performance calculated in accordance with GAAP. EBITDA and adjusted operating profit are included in our income statement which allows you to reconcile them with standard GAAP measures. We reconcile our adjusted earnings from continuing operations to our earnings from continuing operations under GAAP in the table below and in the following discussion.

RESULTS OF OPERATIONS

Our results from continuing operations exclude the results of our discontinued newspaper operations, discussed under "- Discontinued Operations" below. Our results from ongoing businesses for each of our market groups exclude the results of businesses sold or held for sale (disposals). The principal businesses included in disposals were The Globe and Mail, Mitchell International and Jane's Information Group in 2000 and The Globe and Mail, Jane's and various businesses in our financial group in 2001.

The following table presents a summary of our segmented and consolidated operating results from continuing operations for the past two years.

	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 2001
	(IN MILLIONS)	
REVENUES:		
Legal and Regulatory	$ 2,619	$ 2,827
Learning	1,388	1,851
Financial	1,201	1,590
Scientific and Healthcare	653	697
Corporate and other(1)	272	242
Intercompany eliminations	(29)	(32)
Ongoing businesses	$ 6,104	$ 7,175
Disposals(2)	410	62
Total revenues	$ 6,514	$ 7,237
EBITDA:		
Legal and Regulatory	$ 775	$ 855
Learning	358	406
Financial	330	405
Scientific and Healthcare	164	176
Corporate and other(1)	(98)	(52)
Ongoing businesses	$ 1,529	$ 1,790
Disposals(2)	5	(4)
Total EBITDA	$ 1,534	$ 1,786
ADJUSTED OPERATING PROFIT:		
Legal and Regulatory	$ 647	$ 708
Learning	234	264
Financial	220	257
Scientific and Healthcare	140	151
Corporate and other(1)	(106)	(60)
Ongoing businesses	$ 1,135	$ 1,320
Disposals(2)	(17)	(10)
Total adjusted operating profit	$ 1,118	$ 1,310
SUPPLEMENTAL INFORMATION:		
Earnings from continuing operations	$ 571	$ 657
Adjust for one-time items:		
Net (gains) on disposals of businesses and investments	(38)	(302)
Restructuring charges	37	30
Year 2000 costs	4	--
Tax on above items	(1)	66
One-time tax benefits	(105)	--
Adjusted earnings from continuing operations	$ 468	$ 451

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(1) Includes the following operating results of Thomson Media: revenues for 2000 - $272 million, 2001 - $242 million; EBITDA for 2000 - $43 million, 2001 - $12 million; adjusted operating profit for 2000 - $35 million, 2001 - $4 million.

(2) Disposals consists of the results of businesses sold or held for sale which do not qualify as discontinued operations.

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

Consolidated Operations

Our total revenues in 2001 increased by 11% to $7,237 million. Revenues from our ongoing businesses increased in 2001 by 18% to $7,175 million due to organic growth in each of our market groups, significant contributions from the acquisition of the higher education and corporate training businesses of Harcourt in July 2001, and the inclusion of the full year results of Primark and Carson which we acquired in September 2000. Revenues from electronic products and services accounted for 54% of our revenues from ongoing businesses, a slight increase from 52% in 2000.

Our revenues from North America in 2001, prior to the elimination of intercompany revenues, increased 8% to $6,096 million, accounting for 83% of our total revenues. Our revenues from outside North America increased 35% to $1,232 million, accounting for 17% of our total revenues.

Our EBITDA in 2001 increased 16% to $1,786 million, a margin of 24.7%, an increase from 23.5% in 2000. Our EBITDA from ongoing businesses increased 17% to $1,790 million, a margin of 24.9%, a slight decrease from our 25.0% margin in 2000.

Our total adjusted operating profit in 2001 increased 17% to $1,310 million, a margin of 18.1%, an increase from 17.2% in 2000. Our adjusted operating profit from ongoing businesses in 2001 increased 16% to $1,320 million, a margin of 18.4%, a slight decrease from our 18.6% margin in 2000.

The increases in our EBITDA and our adjusted operating profit resulted primarily from our increased revenues but were also impacted by lower expenses incurred in connection with our stock appreciation rights over the preceding year's. Costs related to our stock appreciation rights are linked to changes in the market price of our common shares and reflected a decrease in the trading price of our common shares during the year. The slight decrease in our margins for our ongoing businesses was primarily the result of integration costs incurred in connection with the acquisition of selected Harcourt businesses.

Depreciation in 2001 increased 14% to $476 million as a result of our recent acquisitions and increased capital expenditures over the preceding year's in three of our four market groups. Amortization in 2001 increased 36% to $444 million also as a result of our recent acquisitions.

We incurred restructuring charges in 2001 of $30 million, of which $20 million related to the integration of the Harcourt businesses, $8 million related to strategic initiatives in our legal and regulatory group commenced in the previous year to improve operational efficiencies and eliminate non-strategic and unprofitable products and $2 million related to the reorganization of certain magazine operations within our scientific and healthcare group to eliminate non-strategic and unprofitable products.

Our net gains on disposals of businesses and investments in 2001 of $302 million on a pre-tax basis related primarily to the $317 million gain on the disposal of The Globe and Mail in January 2001 and the $80 million gain on the disposal of Jane's in April 2001, which were partially offset by a reduction of $100 million in the carrying values of certain investments to reflect their fair market value.

Our interest expense and other financing costs in 2001 increased 16% to $236 million. The increase reflects increased borrowings to finance our acquisitions, in particular the acquisition of selected Harcourt businesses.

Our income tax expense in 2001 of $168 million represents 18.6% of our earnings before income taxes, dividends on our preferred shares and our proportionate share of losses on investments accounted for under the equity method. This compares with an equivalent rate in 2000 of 15.4%, excluding $105 million of tax benefits principally associated with the disposal of The Globe and Mail. Our low effective income tax rate compared to the statutory corporate income tax rate in Canada in 2001 of approximately 40%, was due principally to the lower effective tax rates applicable to our operating and financing subsidiaries in countries outside Canada. In addition, in 2000, we were able to utilize net operating loss carryforwards to reduce our effective income tax rate. We expect our effective income tax rate to increase over the next several years.

Our earnings in 2001 decreased 39% to $749 million principally as a result of the gain we recognized in 2000 on the disposition of substantially all of our newspaper group. Our earnings from continuing operations in 2001 increased 15% to $657 million.

After adjusting for the after-tax effects of restructuring charges, net gains on disposals of businesses and investments and Year 2000 costs, our adjusted earnings from continuing operations in 2001 were $451 million. This represents a decrease of 4% compared to 2000 on the same basis and also after removing the one-time tax benefit recognized in that year. Our adjusted earnings from continuing operations decreased in 2001 because growth from our existing businesses was more than offset by dilution from our recent acquisitions and our proportionate share of net losses of our investments accounted for under the equity method.

Our capital expenditures in 2001 increased 17% to $684 million. Approximately 70% of our capital expenditures related to our continued investment in technology to expand our operations and support the production and delivery of electronic products and services.

Thomson Legal and Regulatory

Revenues from our ongoing businesses in 2001 increased 8% to $2,827 million. The increase reflected a combination of modest growth in our existing businesses as well as contributions from acquisitions. The growth attributable to existing businesses reflected growth in revenues from Westlaw in excess of 10%, including the expansion of Westlaw outside the United States. Expansion in revenues from Westlaw reflected the continuing trend toward increased use of our electronic product and services. In addition, revenues from some of our print-based products, such as legal textbooks, increased. These increases were partially offset by unfavorable changes in currency exchange rates and reduced demand for trademark searches as a result of the weak economic climate. The increase in revenues attributable to acquisitions reflected acquisitions completed in 2001, including non-content businesses such as ProLaw and BAR/BRI, and the inclusion of the first full year of results from acquisitions made in 2000. Revenues from electronic products and services accounted for 52% of the group's revenues from ongoing businesses, unchanged from the previous year.

EBITDA from our ongoing businesses in 2001 increased 10% to $855 million and our adjusted operating profit from ongoing businesses in 2001 increased 9% to $708 million. Our EBITDA margin in 2001 increased to 30.2% compared to 29.6% in 2000 and our adjusted operating profit margin in 2001 increased to 25.0% compared to 24.7% in 2000. Increases in EBITDA and adjusted operating profit reflect the increased revenues discussed above. Margin improvements were the result of increased sales of higher-margin products, the realization of benefits from restructuring efforts in our tax and accounting businesses to eliminate non-strategic and unprofitable products, and cost management programs initiated in response to the weak economic climate.

Our capital expenditures in 2001 increased 10% to $198 million, reflecting recently acquired businesses, new product development, ongoing expenditures on infrastructure to support our online services and internal business systems and a one-time expenditure on a new enterprise resource planning system at West.

Thomson Learning

Revenues from our ongoing businesses in 2001 increased 33% to $1,851 million. While revenues from our existing businesses increased, a substantial portion of the overall increase resulted from the acquisition of the Harcourt businesses in July 2001, and from the inclusion of the first full year of results from acquisitions made in 2000. Our existing academic businesses generated increased revenues as a result of our targeted sales efforts, but this was partially offset by reduced revenues in our lifelong learning business due to a weaker market for information technology training and development. Revenues from electronic products and services accounted for 31% of the group's revenues from ongoing businesses, unchanged from the previous year.

EBITDA from our ongoing businesses in 2001 increased 13% to $406 million and our adjusted operating profit from ongoing businesses in 2001 increased 13% to $264 million. These increases were primarily the result of increased operating efficiencies, higher revenues throughout the group and cost savings resulting from the integration of the Harcourt businesses. Our EBITDA margin in 2001 decreased to 21.9% compared to 25.8% in 2000 and our adjusted operating profit margin in 2001 decreased to 14.3% compared to 16.9% in 2000. These margin decreases primarily resulted from one-time costs related to our acquisition of the Harcourt businesses, as well as lower revenues in our corporate training and testing business.

Our capital expenditures in 2001 increased 21% to $200 million, reflecting our ongoing investment in technology to support new and existing products, our one-time investment to build our new textbook distribution center, and spending related to the newly acquired Harcourt businesses.

Thomson Financial

Revenues from our ongoing businesses in 2001 increased 32% to $1,590 million, primarily as a result of the inclusion of the first full year of results of Primark and Carson, which we acquired in September 2000. The integration of Primark and Carson with our existing businesses allowed us to offer enhanced products to our customers and provided a strong market position in Europe. In our existing businesses, we experienced modest growth despite the negative financial impact of September 11 and weak financial markets, which led to reduced trading volumes, slower merger and acquisition and initial public offering activity, cost-cutting measures by our customers and industry consolidation. Revenues from electronic products and services represented 89% of the group's revenues from ongoing businesses, an increase from 80% in the previous year.

EBITDA from our ongoing businesses in 2001 rose 23% to $405 million and our adjusted operating profit from ongoing businesses in 2001 increased 17% to $257 million. The integration of Primark and Carson with our existing businesses allowed us to increase operating efficiencies because we reduced the number of separate databases we maintain and centralized certain administrative functions. Growth in EBITDA and adjusted operating profit from ongoing businesses reflects some of the synergies from this program. Our EBITDA margin in 2001 decreased to 25.5% compared to 27.5% in 2000 and our adjusted operating profit margin in 2001 decreased to 16.2% compared to 18.3% in 2000. The margin decreases relate to the businesses we acquired in 2000 which initially have lower margins than our existing businesses.

Our capital expenditures in 2001 increased 25% to $239 million, primarily reflecting one-time expenditures on the group's new headquarters in New York, ILX's new data center and Omgeo's trade management project.

Thomson Scientific and Healthcare

Revenues from our ongoing businesses in 2001 increased 7% to $697 million. About half of this increase was attributable to existing businesses, primarily within our scientific business. Within our scientific business, revenue increases resulted from the increased sales of the ISI Web of Science and Derwent's patent subscription products and gene sequence database, reflecting enhanced content offerings and the functionality of these products. In our healthcare business, our existing Micromedex drug and clinical information databases generated increased revenues. This was partly offset by a decrease in advertising revenues in our healthcare magazine businesses, as pharmaceutical company promotional spending shifted away from magazines. The remainder of the increase in revenues resulted from the inclusion of the first full year of results of Physicians World, which was acquired in August 2000. Revenues from electronic products and services represented 53% of the group's revenues from ongoing businesses, unchanged from the previous year.

EBITDA from our ongoing businesses in 2001 increased 7% to $176 million and our adjusted operating profit from ongoing businesses in 2001 increased 8% to $151 million. Our EBITDA margin in 2001 increased to 25.3% compared to 25.1% in 2000 and our adjusted operating profit margin in 2001 increased to 21.7% compared to 21.4% in 2000. These increases in EBITDA and adjusted operating profit from ongoing businesses reflected increased sales of higher margin electronic products, cost management initiatives as well as the full year effect of acquisitions completed in 2000. The growth was partially offset by investments in technology in our healthcare business to deploy a common flexible content management system that will improve our ability to customize and combine our products to better meet our customers' needs.

Our capital expenditures in 2001 decreased 16% to $26 million. They were made primarily to continue the development of a single content repository in our healthcare business. We also invested in new Internet and intranet system capabilities intended to increase product development and enhance product delivery.

Corporate and Other

Revenues in 2001, which relate solely to Thomson Media, declined 11% to $242 million primarily as a result of reduced advertising revenue across our publications.

EBITDA improved by $46 million to a loss of $52 million in 2001 and our adjusted operating profit in 2001 improved by $46 million to a loss of $60 million. These improvements were primarily the result of lower expenses in connection with stock appreciation rights and minority interests, partially offset by lower profits from Thomson Media.

DISCONTINUED OPERATIONS

In February 2000, we announced our intention to sell our newspaper group, as part of our strategic decision to focus on integrated information solutions for business and professional customers. The primary activities of this group were the publishing of newspapers and other advertising and specialty publications in the United States and Canada. In addition, this group held a 50% interest in Augusta Newsprint Company, a newsprint mill in Augusta, Georgia. During 2000, we completed the sale of 51 of 54 publications. We sold the remaining assets, including our interest in the newsprint mill, in 2001.

The following table presents a summary of our results from discontinued operations for the past two years.

	YEAR ENDED DECEMBER 31,	
	2000	2001
	(IN MILLIONS)	
Revenues	$592	$135
Earnings from operations	62	15
Net gain on sale	590	77
Earnings	652	92

LIQUIDITY AND CAPITAL RESOURCES

FINANCIAL POSITION

Our total assets at December 31, 2001 were $18,402 million. Our total assets increased by $2,703 million or 17% in 2001, primarily due to the acquisition of the Harcourt businesses.

Our total assets at December 31, 2001 were distributed across our market groups and corporate and other as follows:

	TOTAL ASSETS	PERCENTAGE OF TOTAL ASSETS
	(IN MILLIONS)	
Thomson Legal and Regulatory	$ 7,266	40%
Thomson Learning	5,216	28
Thomson Financial	3,165	17
Thomson Scientific and Healthcare	930	5
Corporate and Other	1,825	10
	$18,402	100%

Our total debt at December 31, 2001 was $4,744 million. Total debt consists of short-term indebtedness, the current portion of long-term debt and long-term debt. Our total debt in 2001 increased 66%, or $1,882 million, primarily due to our borrowings to fund the acquisition of the Harcourt businesses. After adding $238 million for the total liability for related currency swaps, our total debt was $4,982 million.

After deducting cash and cash equivalents of $532 million, our total net debt was $4,450 million. At the same date, our total shareholders' equity, including $442 million of preference share capital redeemable only at our option, was $8,220 million. Our ratio of net debt to shareholders' equity at December 31, 2001 was 0.54:1. This ratio increased from 0.35:1 at December 31, 2000 as a result of increased borrowings during 2001 associated with our acquisitions.

Presently, our long-term debt is rated "A3" (stable outlook) by Moodys, "A-" (negative outlook) by Standard & Poor's and "A (low)" by Dominion Bond Rating Service. Our short-term debt is rated "R-1 (low)" by Dominion Bond Rating Service. The maturity dates for our long-term debt are well balanced with no significant concentration in any one year.

CASH FLOW

Our principal sources of liquidity have been cash provided by our operations, proceeds from the disposition of non-strategic assets, borrowings under our revolving bank credit facilities and our commercial paper program, the issuance of public debt and the reinvestment of dividends primarily by Woodbridge. Our principal uses of cash have been to finance working capital, debt servicing costs, capital expenditures, acquisitions and dividend payments.

Cash provided by our operating activities in 2001 increased 45% to $1,623 million. This increase was attributable to income tax refunds received in 2001 of $172 million and a higher level of EBITDA which was partially offset by lower earnings from discontinued operations. Cash provided by our operating activities in 2000 decreased 3% to $1,116 million primarily because we had a higher level of working capital at the end of 2000 as a result of investments in working capital relating to acquisitions completed in 2000 and an overpayment of income taxes in late 2000 which was refunded in 2001.

Cash used in our investing activities in 2001 was $3,015 million. Our primary use of cash in 2001 was the $2,060 million used to acquire the Harcourt businesses. Cash used in our investing activities for 2000 was $1,400 million, which primarily reflects acquisitions completed during that year in the amount of $2,824 million after deducting $64 million in cash in these businesses when they were acquired. This was partially offset by the proceeds from the disposition of our newspaper businesses of $1,868 million.

Cash provided by our financing activities in 2001 was $1,591 million, principally reflecting borrowings to fund the acquisition of the Harcourt businesses which included the issuance of $1,801 million of public debentures. We also raised $250 million in 2001 from Woodbridge from the issuance by a subsidiary of ours of preferred shares. Cash provided by financing activities for 2000 was $294 million primarily from borrowings in 2000 associated with our acquisitions.

Dividends declared on our common shares in 2001 amounted to $439 million. Of this amount, $160 million was reinvested in common shares through our dividend reinvestment program, primarily by Woodbridge, resulting in common share dividend cash payments of $279 million. Dividends declared on our common shares in 2000 totaled $427 million. Of this amount, $156 million was reinvested in common shares through our dividend reinvestment program, primarily by Woodbridge, resulting in common share dividend cash payments of $271 million. We increased the quarterly dividend by 2.9% to $0.175 per common share, which was effective with the dividend paid on December 15, 2000.

In 2001, we increased our commercial paper program in Canada from the Canadian dollar equivalent of $314 million to $628 million, calculated using the exchange rate on December 31, 2001. At December 31, 2001, $600 million of commercial paper was outstanding. Presently, we maintain revolving credit facilities in the amount of $1,400 million which terminate in August 2004. These facilities also support our commercial paper program and therefore the amount available under our revolving credit facilities is reduced to the extent we have commercial paper outstanding. At December 31, 2001, we had outstanding $355 million under these facilities. At December 31, 2001, our credit facilities were supplemented by bridge financing facilities in the amount of $1,500 million used to complete the acquisition of the Harcourt businesses. At December 31, 2001, there were no amounts outstanding under the bridge facilities and they were terminated in January 2002. We also have access to global public capital markets.

At December 31, 2001, our capital commitments to investments and joint ventures totaled $50 million and our existing obligations under operating lease commitments amounted to $937 million. We guarantee certain obligations of our subsidiaries, including borrowings by our subsidiaries under our revolving credit facilities. These guarantees generally require that we maintain a minimum amount of share capital and retained earnings and that our debt-to-equity ratio not exceed 2.0:1.

We expect to generate cash from our operations that is adequate to fund our future cash dividends, debt service, projected capital expenditures and tactical acquisitions that we pursue in the normal course.

MARKET RISKS

We are exposed to potential losses arising from adverse changes in currency exchange and interest rates. We use hedging arrangements in the ordinary course of business to reduce our currency and interest rate exposures. In particular, where we borrow money in currencies other than U.S. dollars, we enter into currency swap arrangements only with counterparties that are significant financial institutions to convert our obligations into U.S. dollar amounts. At December 31, 2001, 97% of our indebtedness was denominated in U.S. dollars or had been swapped into U.S. dollar obligations. We do not enter into speculative positions through the use of derivatives or any other financial instruments.

At December 31, 2001, after taking into account interest rate swap agreements, 76% of our total debt was at fixed rates of interest and the remainder was at floating rates of interest. Using these numbers, a 1% change in interest rates would increase or decrease our full-year interest expense by approximately $12 million.

Based on our 2001 results of operations, a one cent change in either the average exchange rate for British pounds sterling into U.S. dollars or the average exchange rate for Canadian dollars into U.S. dollars would increase or decrease our adjusted operating profit by less than $1 million.

CRITICAL ACCOUNTING POLICIES

The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Our estimates are based upon historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of our ongoing evaluation of these estimates forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions.

Our most critical accounting policies are those that we believe are the most important in portraying our financial condition and results, and require the most subjective judgment and estimates on the part of management. A summary of our significant accounting policies, including the critical accounting policies discussed below, are set forth in the notes to our consolidated financial statements.

REVENUE RECOGNITION

Revenues from subscription-based products excluding software are primarily recognized ratably over the term of the subscription. Where applicable, usage fees are recognized as earned. Subscription revenue received or receivable in advance of the delivery of products or services is included in deferred revenue. Incremental costs that are directly related to the subscription revenue are deferred and amortized over the subscription period.

Revenues from sales of products such as textbooks that are separate and distinct from any other product and carry no further substantive performance obligations on our part after shipment, are recognized when delivery has occurred and significant risks and rewards of ownership have transferred to the customer, provided that the price is fixed or determinable and ultimate collection is reasonably assured. We recognize revenues from sales of discrete products net of estimated returns. Significant judgment is involved in estimating future returns. Estimates are made after taking into account historical experience and current market conditions. If future returns differ from our estimates, the impact would be recorded against future revenues and profits.

For all accounts receivable, we must make a judgment regarding the ability of our customers to pay and accordingly, we establish an allowance for estimated losses arising from non-payment. We consider customer credit-worthiness, current economic trends and our experience when evaluating the adequacy of this allowance. If future collections differ from our estimates, this would affect our future earnings.

CAPITALIZED SOFTWARE

A significant portion of our expenditures relate to software that is developed as part of our electronic databases, delivery systems and internal infrastructure, and, to a lesser extent, to software sold directly to customers. During the software development process, our judgment is required to determine which costs may be capitalized, as well as the expected period of benefit over which capitalized costs should be amortized. Due to rapidly changing technology and the uncertainty of the software development process itself, our future results could be affected if our current assessment of our various projects differs from actual performance.

VALUATION OF IDENTIFIABLE INTANGIBLE ASSETS AND GOODWILL

We account for our business acquisitions under the purchase method of accounting. The total cost of an acquisition is allocated to the underlying net assets based on their respective estimated fair values. As part of this allocation process, we must identify and attribute values and estimated lives to the intangible assets acquired. While we may employ an expert to assist us with these matters, such determinations involve considerable judgment, and often involve the use of significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These determinations will affect the amount of amortization expense recognized in future periods.

We review the carrying values of all identifiable intangible assets and goodwill, when certain conditions arise, to determine if any impairment has occurred. Examples of these conditions include:

- significant underperformance relative to historical or expected future operating results,
- significant changes in the manner of our use of the acquired assets or our strategy,
- significant negative industry or economic trends, or
- significant decline in our share price or market capitalization.

Prior to January 1, 2002, we determined impairment by comparing the undiscounted amount of expected future operating cash flows with the carrying amounts of such assets. Expected future cash flows are based upon our best estimate given the facts and circumstances at that time. Impairments in the carrying amount of identifiable intangible assets and goodwill are expensed.

Effective January 1, 2002, we adopted the provisions of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3062, "Goodwill and Other Intangible Assets." Accordingly, from that date we will test identifiable intangible assets with indefinite useful lives and goodwill by comparing carrying amounts to their fair values at least annually or when the conditions referred to above arise. The determination of fair value involves significant management judgment. Impairments in the carrying amounts of identifiable intangible assets with indefinite lives and goodwill will be expensed, except for impairments arising out of the initial adoption of this new accounting rule which will be treated as a change in accounting principle and charged directly to opening retained earnings in our consolidated balance sheet for fiscal 2002. We have recently completed our initial impairment review and have recognized an impairment charge in the first quarter of 2002 of $67 million, after tax. We anticipate recording an additional impairment charge of up to $100 million in the second quarter of 2002 in connection with the application of the new rule by our equity method investees. These charges will not affect our earnings under Canadian GAAP because they result from a change in accounting principle and will be charged directly to opening retained earnings in our consolidated balance sheet, but under U.S. GAAP these amounts will be charged to our earnings.

As the valuation of identifiable intangible assets and goodwill requires significant estimates and judgment about future performance and fair value, our future results could be affected if our current estimates of future performance and fair value change.

INCOME TAXES

We are required to estimate our income taxes in each of the jurisdictions in which we operate. This includes estimating a value for our existing net operating losses based on our assessment of our ability to utilize them against future taxable income before they expire. If our assessment of our ability to use our net operating losses proves inaccurate in the future, we might be required to recognize more or less of the net operating losses as assets, which would increase or decrease our income tax expense in the relevant year and this would affect our earnings in that year.

NEW ACCOUNTING PRONOUNCEMENTS

In 2001, CICA issued Handbook Section 3062 "Goodwill and Other Intangible Assets." This standard requires that goodwill and identifiable intangible assets with indefinite lives no longer be amortized. Instead, those assets are subject to annual impairment tests. For business combinations occurring before July 1, 2001, amortization continued until December 31, 2001. After that date, carrying amounts of goodwill and identifiable intangible assets with indefinite lives will no longer be amortized. For business combinations occurring on or after July 1, 2001, goodwill and identifiable intangible assets with indefinite lives will not be amortized. See "-- Critical Accounting Policies" and Note 1 to our consolidated financial statements.

In 2001, CICA issued Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments" which requires that if an entity does not use the fair value-based method to account for non-direct stock-based transactions with employees, the entity must disclose pro-forma net income and earnings per share as if the fair value-based method of accounting was used. Additionally, this standard provides specific rules for accounting for stock appreciation rights and stock-based payments to employees, as well as non-employees. The new section is effective for fiscal periods beginning on or after January 1, 2002. We do not use the fair value-based method and, therefore, will disclose the required pro forma information in our financial statements beginning in 2002.

In 2001, CICA issued Accounting Guideline AcG13, "Hedging Relationships," which addresses the identification, designation, documentation and effectiveness of hedging relationships and establishes conditions for applying hedge accounting. The guideline applies to hedging relationships in effect in fiscal years beginning on or after July 1, 2002.

In 2001, CICA issued Amended Handbook Section 1650, "Foreign Currency Translation" which eliminates the deferral and amortization of foreign currency gains and losses on foreign currency denominated long-term assets and liabilities.

We have determined that the adoption of Handbook Section 1650 will have no material impact on our financial position or results of operations. We have not completed our assessment of the impact of adopting Accounting Guideline AcG13.

QUARTERLY INFORMATION (UNAUDITED)

The following table presents a summary of our segmented and consolidated operating results from continuing operations for each of the eight quarters ended March 31, 2000 through December 31, 2001.

	QUARTER ENDED							
	MARCH 31,		JUNE 30,		SEPTEMBER 30,		DECEMBER 31,	
	2000	2001	2000	2001	2000	2001	2000	2001
	(UNAUDITED)(IN MILLIONS, EXCEPT PER SHARE DATA)							
REVENUES								
Legal and Regulatory	$ 505	$ 618	$ 637	$ 683	$ 664	$ 691	$ 813	$ 835
Learning	183	241	279	312	489	676	437	622
Financial........................	250	401	257	405	288	393	406	391
Scientific and Healthcare	146	157	155	161	148	160	204	219
Corporate and other(1)	53	54	79	71	62	54	78	63
Intercompany eliminations	--	(9)	(7)	(7)	(8)	(9)	(14)	(7)
	1,137	1,462	1,400	1,625	1,643	1,965	1,924	2,123
Disposals(3)....................	126	35	95	10	89	12	100	5
	1,263	1,497	1,495	1,635	1,732	1,977	2,024	2,128
EBITDA								
Legal and Regulatory	$ 103	$ 128	$ 188	$ 206	$ 195	$ 210	$ 289	$ 311
Learning.........................	(8)	(10)	37	46	183	205	146	165
Financial	68	94	71	99	76	99	115	113
Scientific and Healthcare........	25	28	34	34	30	35	75	79
Corporate and other(1)	(28)	(12)	(19)	(2)	(33)	(5)	(18)	(33)
	160	228	311	383	451	544	607	635
Disposals(3)	4	(1)	--	2	(1)	1	2	(6)
	164	227	311	385	450	545	609	629
ADJUSTED OPERATING PROFIT								
Legal and Regulatory	$ 71	$ 90	$ 153	$ 170	$ 164	$ 176	$ 259	$ 272
Learning........................	(29)	(35)	12	16	141	150	110	133
Financial	45	57	46	62	50	62	79	76
Scientific and Healthcare	19	21	28	29	24	29	69	72
Corporate and other(1)	(30)	(14)	(21)	(4)	(34)	(8)	(21)	(34)
	76	119	218	273	345	409	496	519
Disposals(3)	(4)	(2)	(4)	1	(11)	--	2	(9)
	72	117	214	274	334	409	498	510
EARNINGS (LOSS) ATTRIBUTABLE TO COMMON SHARES:								
From continuing operations	$ (42)	$ 151	$ 74	$ 110	$ 168	$ 147	$ 371	$ 249
From discontinued operations	20	16	30	7	503	64	99	5
	$ (22)	$ 167	$ 104	$ 117	$ 671	$ 211	$ 470	$ 254
BASIC EARNINGS (LOSS) PER COMMON SHARE:(2)								
From continuing operations	$ (0.07)	$ 0.24	$ 0.12	$ 0.18	$ 0.27	$ 0.23	$ 0.59	$ 0.40
From discontinued operations	0.03	0.03	0.05	0.01	0.81	0.11	0.16	--
	$ (0.04)	$ 0.27	$ 0.17	$ 0.19	$ 1.08	$ 0.34	$ 0.75	$ 0.40
DILUTED EARNINGS (LOSS) PER COMMON SHARE: (2)								
From continuing operations	$ (0.07)	$ 0.24	$ 0.12	$ 0.18	$ 0.27	$ 0.23	$ 0.59	$ 0.40
From discontinued operations	0.03	0.03	0.05	0.01	0.80	0.11	0.16	--
	$ (0.04)	$ 0.27	$ 0.17	$ 0.19	$ 1.07	$ 0.34	$ 0.75	$ 0.40

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(1) Both 2000 and 2001 quarterly results have been restated to include the reclassification of Thomson Media.

(2) Per common share amounts for the quarter are computed independently and due to the computation formula, the sum of the quarters may not equal the year-to-date period.

(3) Disposals consist of results of businesses sold or held for sale which do not qualify as discontinued operations.

OUTLOOK

Going forward, the level of our profitability will depend primarily on our ability to generate increased revenues from our existing assets while continuing to improve our profit margins across our businesses. We are currently focused on generating revenues by increasing the market penetration of our products and services with our existing customers, expanding the sales of our products and services in new markets and investing in new products and services. We are also focused on continuing to integrate our businesses, which will allow us to eliminate cost redundancies and more effectively use our assets and capabilities across our business.

Our long-term financial targets are to achieve average annual revenue growth of between 7% to 9% and to expand our EBITDA margin. We expect that for 2002 our revenue growth and our EBITDA margin, excluding one-time costs we will incur in connection with the integration of the Harcourt businesses, will meet these targets.

6. MARKET FOR SECURITIES

Our common shares are listed and trade on the Toronto Stock Exchange under the symbol "TOC". In addition, our common shares, together with related common shares of The Thomson Corporation PLC, are listed in the United Kingdom on the London Stock Exchange. We have applied to list the common shares distributed by us under our preliminary short form prospectus dated May 2, 2002 on the Toronto Stock Exchange and we have applied to list our common shares, including those distributed under such prospectus, on the New York Stock Exchange.

Our Series II and Series V preference shares are also listed on the Toronto Stock Exchange.

7. DIRECTORS AND OFFICERS

The names, municipalities of residence, offices and principal occupations of our directors, executive officers and other officers are shown below. Each director has been a director since the date indicated below and has been elected or appointed to serve until our next annual meeting on May 8, 2002, where they are all expected to be re-elected. We have an executive committee, a corporate governance committee, a human resources committee and an audit committee and the members of each such committee are shown below. All of our directors, executive officers and other officers have been engaged for more than five years in their present principal occupations or in other capacities within Thomson, except where noted. At May 1, 2002, our directors, executive officers and other officers as a group beneficially owned, directly or indirectly, or exercised control or direction over, 73% of our common shares.

DIRECTORS AND OFFICERS NAME AND MUNICIPALITY OF RESIDENCE	OFFICE AND PRINCIPAL OCCUPATION	DIRECTOR SINCE
K.R. Thomson(1) (2) Toronto, Ontario	Chairman of Thomson	1978
W.G. Beattie(1)(3)(4)(6) Toronto, Ontario	Deputy Chairman of Thomson and President of The Woodbridge Company Limited (investment company)	1998
R.J. Harrington Stamford, Connecticut	President and Chief Executive Officer of Thomson	1993
R.D. Barbaro(3)(5) Toronto, Ontario	Chairman and Chief Executive Officer of the Ontario Lottery and Gaming Corporation (gaming)	1993
R.D. Daleo(7) Stamford, Connecticut	Executive Vice President and Chief Financial Officer of the Corporation	2001
S.A. Denning(4) Greenwich, Connecticut	Executive Managing Member of General Atlantic Partners, LLC (private equity investment firm)	2000
J.F. Fraser, O.C.(3) Winnipeg, Manitoba	Chairman of Air Canada (airline)	1989
V.M. Kempston Darkes, O.C.(5)(8) Miami, Florida	Group Vice President, General Motors Corporation, President Latin America, Africa and Middle East (automobile manufacturer)	1996
R.L. Martin(5)(9) Toronto, Ontario	Dean of the Joseph L. Rotman School of Management at the University of Toronto (post secondary education)	1999
V.K. Opperman(5) Minneapolis, Minnesota	President and Chief Executive Officer of Key Investments Inc. (holding company)	1996
D.H. Shaffer(10) Stamford, Connecticut	Executive Vice President of Thomson and President and Chief Executive Officer of Thomson Learning	1998
D.K.R. Thomson(2) Toronto, Ontario	Deputy Chairman of The Woodbridge Company Limited (investment company)	1988
P.J. Thomson Toronto, Ontario	Deputy Chairman of The Woodbridge Company Limited (investment company)	1995
R.M. Thomson, O.C.(3)(4) Toronto, Ontario	Corporate Director	1984

DIRECTORS AND OFFICERS NAME AND MUNICIPALITY OF RESIDENCE	OFFICE AND PRINCIPAL OCCUPATION	DIRECTOR SINCE
J.A. Tory(1)(4) Toronto, Ontario	President of Thomson Investments Limited (holding company)	1978
Brian H. Hall Colorado Springs, Colorado	Executive Vice President of Thomson and President and Chief Financial Officer of Thomson Legal and Regulatory	N/A
Ronald H. Schlosser Stamford, Connecticut	Executive Vice President of Thomson and President and Chief Executive Officer of Thomson Scientific and Healthcare	N/A
James C. Smith Ridgefield, Connecticut	Executive Vice President, Executive Development and Corporate Affairs	N/A
Patrick J. Tierney New York, New York	Executive Vice President of Thomson and President and Chief Executive Officer of Thomson Financial	N/A
Stephane Bello(11) Mamaroneck, New York	Senior Vice President and Treasurer	N/A
David W. Binet(12) Toronto, Ontario	Secretary to the Board of Directors and Vice President of The Woodbridge Company Limited (investment company)	N/A
Brian H. Hall Colorado Springs, Colorado	Executive Vice President of Thomson and President and Chief Financial Officer of Thomson Legal and Regulatory	N/A
David J. Hulland Stamford, Connecticut	Senior Vice President, Finance	N/A
John Kechejian Monroe, Connecticut	Vice President, Investor Relations	N/A
Janey M. Loyd(13) Ramsey, New Jersey	Vice President, Communications	N/A
John J. Raffaeli, Jr. (14) Pound Ridge, New York	Senior Vice President, Human Resources	N/A
James J. Spach New York, New York	Senior Vice President, Organizational Development	N/A
Joseph J.G.M. Vermeer New Canaan, Connecticut	Senior Vice President, Director of Taxes	N/A
Linda J. Walker Easton, Connecticut	Vice President, Controller	N/A

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(1) Member of the executive committee.
(2) After our annual meeting of shareholders on May 8, 2002, David K.R. Thomson will be appointed Chairman following the retirement of Kenneth R. Thomson. Kenneth R. Thomson will continue to serve as a director.
(3) Member of the corporate governance committee.

(4) Member of the human resources committee.
(5) Member of the audit committee.
(6) Prior to 1998, Mr. Beattie was a partner in the law firm Tory Tory DesLauriers and Binnington.
(7) In 1997, Mr. Daleo was appointed Senior Vice President, Finance and Business Development of Thomson and was subsequently appointed Executive Vice President, Business Operations and Planning. In 1998, he became the Executive Vice President and Chief Financial Officer.
(8) Prior to 2001, Ms. Kempston Darkes was President and General Manager of General Motors of Canada Limited.
(9) Prior to 1998, Mr. Martin was co-head of Monitor Company and founding chairman of Monitor University, the firm's educational arm.
(10) Prior to joining Thomson in 1998, Mr. Shaffer was the Chief Executive Officer of Josten's Learning Corporation and was previously engaged in various senior executive positions with The McGraw Hill Companies Inc.
(11) Prior to 2001, Mr. Bello was Assistant Treasurer of General Motors Corporation. He previously held a number of senior business development and financial positions in Brussels and New York.
(12) Prior to joining us in 1999, Mr. Binet was a partner in the law firm Tory Tory DesLauriers and Binnington.
(13) Prior to joining us in 1999, Ms. Loyd was a Vice President of Marketing and Communications for LAI Worldwide. Prior to 1997, she held various positions with Tambrands, Inc., including Vice President of Business Development and Communications.
(14) Prior to joining us in 1998, Mr. Raffaeli was a Managing Director of Human Resources for UBS.

8. ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness and principal holders of our common shares, is contained in our information circular, dated April 9, 2002. Additional financial information is provided in our audited consolidated financial statements for the year ended December 31, 2001. Copies of these documents may be obtained upon request from The Thomson Corporation, Suite 2706, Toronto Dominion Bank Tower, P.O. Box 24, Toronto-Dominion Centre, Toronto, Ontario, M5K 1A1, Canada.

Upon request by any person when we are in the course of a distribution of our securities pursuant to a short-form prospectus or when a preliminary short form prospectus has been filed, we will provide: one copy of this annual information form with any documents incorporated by reference; comparative financial statements for the most recently completed financial year with the accompanying auditors' report and any interim financial statements; our information circular in connection with our most recent annual meeting of shareholders; and any other document incorporated by reference into a preliminary short form prospectus or short form prospectus. When we have not filed a preliminary short form prospectus or are not in the course of a distribution, we shall provide any of the foregoing documents subject to our right to require people who do not hold our securities to pay a reasonable charge.

REPORT OF INDEPENDENT CHARTERED ACCOUNTANTS

To the shareholders of The Thomson Corporation:

We have audited the consolidated balance sheet of The Thomson Corporation (the "Corporation") as at December 31, 2000 and 2001 and the consolidated statement of earnings and retained earnings and of cash flow for each of the years in the three year period ended December 31, 2001 which appear in Exhibit 2 of this Form 40-F. These consolidated financial statements are the responsibility of the Corporation'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 Corporation as at December 31, 2000 and 2001 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2001 in accordance with Canadian generally accepted accounting principles.

Our audits of the consolidated financial statements referred to above also included an audit of the financial statement schedule of the Reconciliation to Generally Accepted Accounting Principles in the United States of America which also appears in Exhibit 2 of this Form 40-F. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/S/PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS

Toronto, Canada

February 27, 2002, except as to Note 1 to the consolidated financial statements and Notes 11 and 17 to the financial statement schedule, which are as of April 25, 2002, respectively.

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COMMENTS BY AUDITORS FOR UNITED STATES OF AMERICA READERS ON CANADA - UNITED STATES OF AMERICA REPORTING DIFFERENCES

In the United States of America, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is a change in accounting principles that has a material effect on the comparability of the company's consolidated financial statements, such as the changes described in Notes 1, 3 and 14 to the consolidated financial statements of The Thomson Corporation which appears in Exhibit 2 of this Form 40-F. Our report to the shareholders dated February 27, 2002, except as to Note 1 to the consolidated financial statements and Notes 11 and 17 to the financial statement schedule, which are as of April 25, 2002, respectively, is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting principles in the auditors' report when the change is properly accounted for and adequately disclosed in the consolidated financial statements.

/S/ PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS

Toronto, Canada

February 27, 2002, except as to Note 1 to the consolidated financial statements and Notes 11 and 17 to the financial statement schedule, which are as of April 25, 2002, respectively.

THE THOMSON CORPORATION

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1999, 2000 AND 2001
(MILLIONS OF U.S. DOLLARS, EXCEPT PER COMMON SHARE AMOUNTS)

	1999	2000	2001
Revenues	5,752	6,514	7,237
Cost of sales, selling, marketing, general and administrative expenses	(4,345)	(4,980)	(5,451)
Earnings before interest, tax, depreciation, amortization, restructuring charges and Year 2000 costs	1,407	1,534	1,786
Depreciation (note 6)	(386)	(416)	(476)
Operating profit before amortization, restructuring charges and Year 2000 costs	1,021	1,118	1,310
Amortization (notes 7 and 8)	(258)	(327)	(444)
Restructuring charges (note 16)	(38)	(37)	(30)
Year 2000 costs (note 23)	(91)	(4)	--
Operating profit after amortization, restructuring charges and Year 2000 costs	634	750	836
Net gains on disposals of businesses and investments	52	38	302
Net interest expense and other financing costs (note 2)	(186)	(204)	(236)
Income taxes (note 3)	(63)	15	(168)
Equity in losses of associates, net of tax (note 11)	--	--	(50)
Earnings before dividends declared on preference shares	437	599	684
Dividends declared on preference shares (note 12)	(28)	(28)	(27)
Earnings from continuing operations	409	571	657
Earnings from discontinued operations (note 22)	123	652	92
Earnings attributable to common shares	532	1,223	749
Retained earnings at beginning of year	5,099	5,225	5,943
Effect of adoption of accounting standard (note 14)	--	(78)	--
Dividends declared on common shares (note 13)	(406)	(427)	(439)
Retained earnings at end of year	5,225	5,943	6,253
Basic and diluted earnings per common share (note 4):			
From continuing operations	$ 0.66	$ 0.92	$ 1.05
From discontinued operations	$ 0.20	$ 1.04	$ 0.14
Basic and diluted earnings per common share	$ 0.86	$ 1.96	$ 1.19

The related notes form an integral part of these consolidated financial statements.

THE THOMSON CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2000 AND 2001
(MILLIONS OF U.S. DOLLARS)

	2000	2001
ASSETS		
Cash and cash equivalents	337	532
Accounts receivable, net of allowances (2000 -- $285; 2001 -- $381)	1,522	1,662
Inventories (note 5)	232	256
Prepaid expenses and other current assets	384	313
Current assets of discontinued operations (note 22)	53	--
Current assets	2,528	2,763
Property and equipment (note 6)	1,379	1,552
Identifiable intangible assets (note 7)	4,659	4,921
Goodwill (note 8)	6,171	7,903
Other non-current assets	827	1,263
Non-current assets of discontinued operations (note 22)	135	--
Total assets	15,699	18,402
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Short-term indebtedness	312	620
Accounts payable and accruals	1,626	1,855
Deferred revenue	772	882
Current portion of long-term debt (note 11)	229	473
Current liabilities of discontinued operations (note 22)	26	--
Current liabilities	2,965	3,830
Long-term debt (note 11)	2,321	3,651
Other non-current liabilities	1,264	1,262
Deferred income taxes (note 3)	1,284	1,439
Non-current liabilities of discontinued operations (note 22)	47	--
Total liabilities	7,881	10,182
SHAREHOLDERS' EQUITY		
Share capital (notes 12 and 13)	2,035	2,198
Cumulative translation adjustment (note 18)	(160)	(231)
Retained earnings	5,943	6,253
Total shareholders' equity	7,818	8,220
Total liabilities and shareholders' equity	15,699	18,402

Approved by the Board

/s/ Kenneth R. Thomson /s/ Richard J. Harrington

The related notes form an integral part of these consolidated financial statements.

THE THOMSON CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 1999, 2000 AND 2001
(MILLIONS OF U.S. DOLLARS)

	1999	2000	2001
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Earnings from continuing operations	409	571	657
Add back (deduct) items not involving cash:			
Amortization of development costs and capitalized software (notes 9 and 10)	109	112	104
Depreciation (note 6)	386	416	476
Amortization (notes 7 and 8)	258	327	444
Net gains on disposals of businesses and investments	(52)	(38)	(302)
Deferred income taxes (note 3)	(58)	(71)	75
Equity in losses of associates, net of tax (note 11)	--	--	50
Other, net	62	9	34
Changes in working capital and other items (note 20)	(86)	(331)	78
Cash provided by operating activities -- discontinued operations (note 22)	121	121	7
Net cash provided by operating activities	1,149	1,116	1,623
INVESTING ACTIVITIES			
Acquisitions of businesses and investments, less cash therein of $37 million, $64 million and $45 million in 1999, 2000 and 2001, respectively (note 17)	(337)	(2,824)	(2,419)
Proceeds from disposals of businesses and investments (note 17)	412	387	209
Additions to property and equipment, less proceeds from disposals of $5 million, $17 million and $16 million in 1999, 2000 and 2001, respectively	(472)	(585)	(684)
Other investing activities, net	(162)	(226)	(359)
Proceeds from disposals of newspaper businesses, net of tax (note 22)	--	1,868	239
Cash used in investing activities -- discontinued operations (note 22)	(32)	(20)	(1)
Net cash used in investing activities	(591)	(1,400)	(3,015)
FINANCING ACTIVITIES			
Proceeds from debt	6	200	2,054
Repayments of debt	(176)	(425)	(281)
Net (repayments) borrowings under short-term loan facilities	(90)	790	116
Dividends paid on common shares (note 13)	(255)	(271)	(279)
Other financing activities, net	--	--	(19)
Net cash (used in) provided by financing activities	(515)	294	1,591
	43	10	199
Translation adjustments	(8)	(2)	(4)
Increase in cash and cash equivalents	35	8	195
Cash and cash equivalents at beginning of year	294	329	337
Cash and cash equivalents at end of year	329	337	532

Supplemental cash flow information is provided in Notes 2, 17 and 20.

The related notes form an integral part of these consolidated financial statements.

THE THOMSON CORPORATION

SEGMENTED INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 1999, 2000 AND 2001
(MILLIONS OF U.S. DOLLARS)

Thomson is a global provider of integrated information solutions for business and professional customers. Thomson operates in four reportable market segments mainly in the United States, the United Kingdom, and Canada (note 24).

BUSINESS SEGMENTS -- 1999

	LEGAL AND REGULATORY	LEARNING	FINANCIAL	SCIENTIFIC AND HEALTHCARE	CORPORATE AND OTHER(1)	ELIMINATIONS	TOTAL
Revenues	2,375	1,099	1,213	806	259	--	5,752
Earnings before interest, tax, depreciation, amortization, restructuring charges and Year 2000 costs	706	258	314	174	(45)	--	1,407
Depreciation	(128)	(109)	(102)	(39)	(8)	--	(386)
Operating profit before amortization, restructuring charges and Year 2000 costs	578	149	212	135	(53)	--	1,021
Additions to capital assets(2)	350	230	169	60	13	--	822
Assets -- continuing operations	6,557	1,921	1,380	1,245	1,167	--	12,270
-- discontinued operations	--	--	--	--	1,536	--	1,536
Total assets	6,557	1,921	1,380	1,245	2,703	--	13,806

BUSINESS SEGMENTS -- 2000

	LEGAL AND REGULATORY	LEARNING	FINANCIAL	SCIENTIFIC AND HEALTHCARE	CORPORATE AND OTHER(1)	ELIMINATIONS	TOTAL
Revenues	2,620	1,405	1,503	743	272	(29)	6,514
Earnings before interest, tax, depreciation, amortization, restructuring charges and Year 2000 costs	774	345	335	178	(98)	--	1,534
Depreciation	(128)	(126)	(125)	(29)	(8)	--	(416)
Operating profit before amortization, restructuring charges and Year 2000 costs	646	219	210	149	(106)	--	1,118
Additions to capital assets(2)	887	1,235	1,724	83	18	--	3,947
Assets -- continuing operations	7,065	3,000	3,176	945	1,325	--	15,511
-- discontinued operations	--	--	--	--	188	--	188
Total assets	7,065	3,000	3,176	945	1,513	--	15,699

BUSINESS SEGMENTS -- 2001

	LEGAL AND REGULATORY	LEARNING	FINANCIAL	SCIENTIFIC AND HEALTHCARE	CORPORATE AND OTHER(1)	ELIMINATIONS	TOTAL

Revenues	2,827	1,852	1,641	707	242	(32)	7,237
Earnings before interest, tax, depreciation, amortization, restructuring charges and Year 2000 costs	855	402	405	176	(52)	--	1,786
Depreciation	(146)	(142)	(155)	(25)	(8)	--	(476)
Operating profit before amortization, restructuring charges and Year 2000 costs	709	260	250	151	(60)	--	1,310
Additions to capital assets(2)	592	2,368	353	76	21	--	3,410
Total assets	7,266	5,216	3,165	930	1,825	--	18,402

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(1) Corporate and other includes the results of Thomson Media, a non-reportable segment, as well as corporate costs, minority interests and costs associated with the Company's stock appreciation rights. Thomson Media's results include revenues of: 1999 -- $259 million; 2000 -- $272 million; 2001 -- $242 million, earnings before interest, tax, depreciation, amortization, restructuring charges and Year 2000 costs of: 1999 -- $56 million; 2000 -- $43 million; 2001 -- $12 million and operating profit before amortization, restructuring charges and Year 2000 costs of: 1999 -- $48 million; 2000 -- $35 million; 2001 -- $4 million. In addition to Thomson Media assets of $392 million, $408 million and $335 million as at December 31, 1999, 2000 and 2001, respectively, Corporate and other assets include cash, investments and overfunded pension assets.

(2) Capital assets include property and equipment, identifiable intangible assets and goodwill.

The related notes form an integral part of these consolidated financial statements.

THE THOMSON CORPORATION

SEGMENTED INFORMATION (BY COUNTRY OF ORIGIN)
(MILLIONS OF U.S. DOLLARS)

GEOGRAPHIC SEGMENTS -- 1999

	UNITED STATES	UNITED KINGDOM	CANADA	OTHER COUNTRIES	ELIMINATIONS	TOTAL
Revenues	4,759	436	302	255	--	5,752
Earnings before interest, tax, depreciation, amortization, restructuring charges and Year 2000 costs	1,228	80	37	62	--	1,407
Depreciation	(334)	(25)	(13)	(14)	--	(386)
Operating profit before amortization, restructuring charges and Year 2000 costs	894	55	24	48	--	1,021
Capital assets(1)	8,461	398	132	542	--	9,533
Assets - -- continuing operations	10,420	670	196	984	--	12,270
- -- discontinued operations	1,396	--	140	--	--	1,536
Total assets	11,816	670	336	984	--	13,806

GEOGRAPHIC SEGMENTS -- 2000

	UNITED STATES	UNITED KINGDOM	CANADA	OTHER COUNTRIES	ELIMINATIONS	TOTAL
Revenues	5,318	497	326	414	(41)	6,514
Earnings before interest, tax, depreciation, amortization, restructuring charges and Year 2000 costs	1,369	84	4	77	--	1,534
Depreciation	(355)	(26)	(15)	(20)	--	(416)
Operating profit before amortization, restructuring charges and Year 2000 costs	1,014	58	(11)	57	--	1,118
Capital assets(1)	10,091	1,004	155	959	--	12,209
Assets - -- continuing operations	12,587	1,282	233	1,409	--	15,511
- -- discontinued operations	110	--	78	--	--	188
Total assets	12,697	1,282	311	1,409	--	15,699

GEOGRAPHIC SEGMENTS -- 2001

	UNITED STATES	UNITED KINGDOM	CANADA	OTHER COUNTRIES	ELIMINATIONS	TOTAL
Revenues	5,943	600	153	632	(91)	7,237
Earnings before interest, tax, depreciation, amortization, restructuring charges and Year 2000 costs	1,570	120	21	75	--	1,786
Depreciation	(409)	(34)	(7)	(26)	--	(476)
Operating profit before amortization, restructuring charges and Year 2000 costs	1,161	86	14	49	--	1,310
Capital assets(1)	12,315	1,014	139	908	--	14,376
Total assets	15,217	1,324	587	1,274	--	18,402

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(1) Capital assets include property and equipment, identifiable intangible assets and goodwill.

The related notes form an integral part of these consolidated financial statements.

(UNLESS OTHERWISE STATED, ALL AMOUNTS ARE IN MILLIONS OF U.S. DOLLARS)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements of The Thomson Corporation (Thomson or the Company) include all controlled companies and its proportionate share in joint venture interests, and are prepared in accordance with accounting principles generally accepted in Canada. All intercompany transactions and balances are eliminated on consolidation.

ACCOUNTING ESTIMATES

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

FOREIGN CURRENCY

Assets and liabilities of self-sustaining subsidiaries denominated in currencies other than U.S. dollars are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are accumulated in a separate component of shareholders' equity. Other currency gains or losses are included in earnings.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, demand deposits and investments with an original maturity at the date of purchase of three months or less.

INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Cost is determined using either the average cost or first-in, first-out method.

DEVELOPMENT COSTS

Development costs which meet certain criteria specified in generally accepted accounting principles, including reasonable assurance regarding future benefits, are capitalized and amortized over the anticipated period of benefit, not to exceed three years. The capitalized amounts, net of accumulated amortization, are included in "Other non-current assets" in the consolidated balance sheet.

CAPITALIZED SOFTWARE

Certain costs incurred in connection with the development of software to be used internally are capitalized once certain criteria specified in generally accepted accounting principles are met. The capitalized amounts, net of accumulated amortization, are included in "Property and equipment" in the consolidated balance sheet.

In connection with the development of software that is intended to be marketed to customers, certain costs are capitalized once technological feasibility of the product is established and a market for the product has been identified. The capitalized amounts, net of accumulated amortization, are included in "Other non-current assets" in the consolidated balance sheet. The capitalized amounts are amortized over the expected period of benefit, not to exceed three years, and such amortization expense is included within "Cost of sales, selling, marketing, general and administrative expenses" in the consolidated statement of earnings and retained earnings.

INVESTMENTS

The equity method of accounting is used to account for investments in businesses over which Thomson has the ability to exercise significant influence. Under the equity method, investments are initially recorded at cost and the carrying amounts are adjusted to reflect the Company's share of net earnings or losses of the investee companies, and are reduced by dividends received.

The cost method of accounting is used to account for investments in businesses over which Thomson does not have the ability to exercise significant influence.

Declines in market values of investments are expensed when such declines are considered to be other than temporary.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and building improvements	5-40 years
Furniture, fixtures and equipment	3-10 years
Computer hardware	3-5 years
Internal-use computer software	3-10 years

IDENTIFIABLE INTANGIBLE ASSETS AND GOODWILL

Upon acquisition, identifiable intangible assets are recorded at fair value and are subsequently amortized over their estimated economic lives. Goodwill represents the excess of the cost of the acquired businesses over values attributed to underlying net tangible assets and identifiable intangible assets. Goodwill resulting from business combinations consummated on or before June 30, 2001 is amortized over periods not exceeding 40 years. In accordance with Canadian Institute of Chartered Accountants (CICA) Handbook Section 3062, "Goodwill and Other Intangible Assets," for business combinations consummated after June 30, 2001, identifiable intangible assets with indefinite lives and goodwill resulting from such business combinations are not amortized.

The carrying values of identifiable intangible assets and goodwill are reviewed, if certain conditions arise, to determine if any impairment has occurred. Impairment is determined by comparing the undiscounted amount of expected future operating cash flows with the carrying amounts of such assets. Any impairment in the amount of identifiable intangible assets and goodwill is expensed.

In accordance with other provisions of CICA Handbook Section 3062, which became effective as of January 1, 2002, identifiable intangible assets with indefinite lives and goodwill resulting from business combinations that are consummated on or before June 30, 2001 will no longer be amortized. Such assets, however, will be subject to tests for impairment at least annually, with such tests based upon comparisons of carrying amounts to applicable fair values. Any impairment in the carrying amount of identifiable intangible assets with indefinite lives and goodwill will be expensed.

DERIVATIVE FINANCIAL INSTRUMENTS

Thomson utilizes hedging arrangements to reduce its currency risk and interest rate risk exposures. While the hedging instruments are subject to the risk of loss from changes in exchange and interest rates, these losses are offset by gains on the exposures being hedged.

Gains and losses on derivative contracts designated as hedges of existing assets and liabilities are accrued as exchange rates change, thereby offsetting gains and losses from the underlying assets and liabilities. Gains and losses on foreign exchange contracts designated as hedges for firm commitments or anticipated transactions are recorded in consolidated earnings when the related transaction is realized.

The differential paid or received on interest rate swap agreements is recognized as part of net interest expense.

REVENUE RECOGNITION

Discrete Products

Revenues from sales of discrete products (defined as products that are separate and distinct from any other product and carry no further substantive performance obligations on the part of the Company after shipment) are recognized when delivery has occurred and significant risks and rewards of ownership have transferred to the customer, provided that the price is fixed or determinable and ultimate collection is reasonably assured. Revenues from sales of these products are recognized net of estimated returns.

Subscription-based Products (excluding software)

Revenues from sales of subscription-based products are primarily recognized ratably over the term of the subscription. Where applicable, usage fees above a base period fee are recognized as earned. Subscription revenue received or receivable in advance of the delivery of services or publications is included in deferred revenue. Incremental costs that are directly related to the subscription revenue are deferred and amortized over the subscription period.

Software-related Products and Services

Revenues from software-related products are recognized when the following four criteria are met:

- Persuasive evidence of an arrangement exists;

- Installation (where required) and delivery have occurred;

- The fee is fixed or determinable; and

- Collectibility is probable.

If the above criteria are met, the license fee generally is recognized ratably on a straight-line basis over the license period. Alternatively, if there is no associated licensing period, nor future obligations, revenues are recognized in accordance with the recognition policies described under Discrete Products above.

Certain contracts specify separate fees for software and ongoing fees for maintenance and other support. If sufficient vendor specific objective evidence of the fair value of each element of the arrangement exists, the elements of the contract are unbundled and the revenue for each element is recognized as appropriate.

Other Service Contracts

For a majority of service or consulting arrangements, revenues are recognized using either the percentage-of-completion method of accounting or the straight-line method. Under the percentage-of-completion method, revenues are recognized based on a comparison of employee time and other costs incurred to perform the related services to the total estimated time and costs to be incurred for the project. Under certain contracts, contractual milestones are also considered.

STOCK-BASED COMPENSATION PLANS

Thomson has both a Stock Appreciation Rights (SAR) Plan and a stock incentive plan, which are described in note 19.

Under the SAR plan, compensation expense is recognized as SARs change in value based on the fair market value of the Company's common stock at the end of each reporting period.

Under the stock incentive plan, Thomson can grant stock options and other equity-based awards to certain employees and members of the Thomson Board of Directors for up to 20,000,000 shares of common stock. The options vest over a period of four to five years. The maximum term of an option is 10 years from the date of grant. Options under the plan are granted at the closing price of the Company's common stock on the day prior to the date of grant. No compensation expense is recognized with respect to stock options.

DEFERRED INCOME TAXES

Deferred income taxes are determined based on the differences between the financial reporting and tax bases of assets and liabilities using the enacted or substantially enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. Deferred income tax assets are recorded if management determines that it is more likely than not that such deferred income tax assets will be realized within the foreseeable future. The income tax provision for the period is the tax payable for the period and the change during the period in deferred income tax assets and liabilities.

RECENTLY ISSUED ACCOUNTING STANDARDS

Effective January 1, 2001, the Company adopted the revised CICA Handbook Section 3500, "Earnings per Share." As a result of adopting this Section, the Company now uses the treasury stock method to calculate diluted earnings per common share. Diluted earnings per common share are computed similar to basic earnings per common share except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that stock options are exercised, and that the Company will use any proceeds to purchase its common shares at their average market price during the period. The weighted average shares are increased by the difference between the number of assumed options exercised and the number of shares purchased by the Company, as well as any other dilutive securities. Prior year earnings per common share amounts have been restated to reflect the adoption of this standard.

In November 2000, the Emerging Issues Committee (EIC) of the CICA issued EIC-114, "Liability Recognition for Costs Incurred on Purchase Business Combinations." The consensus reached in EIC-114 must be applied to all business combinations consummated after December 31, 2000. Under that consensus, costs related to the acquiring company and certain restructuring and integration costs may no longer be considered part of the purchase price allocation.

In 2001, the CICA issued Handbook Section 1581, "Business Combinations," and Handbook Section 3062, "Goodwill and Other Intangible Assets." Handbook Section 1581, which Thomson applied to all business combinations occurring on or after July 1, 2001, institutes new requirements related to the recognition of certain identifiable intangible assets separate from goodwill.

Handbook Section 3062 requires that goodwill and identifiable intangible assets with indefinite lives no longer be amortized. Instead, those assets are subject to periodic impairment tests. Handbook Section 3062 is effective as follows:

(i) For business combinations occurring before July 1, 2001, amortization will continue until December 31, 2001. After that date, carrying amounts of goodwill and identifiable intangible assets with indefinite useful lives will no longer be amortized.

(ii) For business combinations occurring on or after July 1, 2001, goodwill and identifiable intangible assets with indefinite useful lives are not amortized.

The Company recently completed its initial impairment review under the requirements of Handbook Section 3062 and will recognize a non-cash, after tax charge directly to opening retained earnings of $67 million in the first quarter of 2002. The Company anticipates recording an additional transition charge of up to $100 million in the second quarter in connection with the application of the new standard by its equity method investees.

In addition to the above, the CICA issued the following additional pronouncements in 2001:

- Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments." The new Section is effective for fiscal periods beginning on or after January 1, 2002 and requires that if an entity does not use the fair value-based method to account for non-direct stock-based transactions with employees, the entity must disclose pro-forma net earnings and earnings per share as if the fair value-based method of accounting applied. Additionally, this standard provides specific rules for accounting for stock appreciation rights and stock-based payments to employees, as well as non-employees.

- Accounting Guideline AcG13, "Hedging Relationships." The Guideline addresses the identification, designation, documentation and effectiveness of hedging relationships. It establishes conditions for applying hedge accounting. The Guideline applies to hedging relationships in effect in fiscal years beginning on or after July 1, 2002.

- Amended Handbook Section 1650, "Foreign Currency Translation." The amended section, which becomes effective for fiscal periods beginning on or after January 1, 2002, eliminates the deferral and amortization of unrealized translation gains and losses on long-term monetary items.

Thomson has not completed its assessment of the impact of adopting Accounting Guideline AcG13. The Company has determined that the adoption of Handbook Sections 3870 and 1650 will have no material effect on the Company's financial position or results of operations.

COMPARATIVE AMOUNTS

Where necessary, certain amounts for 1999 and 2000 have been reclassified to conform to the current year's presentation. Reportable segments for all periods have been reclassified to exclude the operations and other balances of a newly formed operating segment, Thomson Media, which were previously included in the Financial group. Thomson Media does not qualify as a reportable segment under the quantitative thresholds of CICA Handbook Section 1701, "Segment Disclosures." Additionally, certain investments, as well as goodwill recognized in connection with the provisions of CICA Handbook Section 3465, "Income Taxes" which were previously recorded within the Corporate and other business segment, have been reallocated to the respective market groups and geographic segments.

NOTE 2: NET INTEREST EXPENSE AND OTHER FINANCING COSTS

	1999	2000	2001
Interest income	19	17	20
Interest on short-term indebtedness	(24)	(21)	(25)
Interest on long-term debt	(181)	(200)	(231)
	(186)	(204)	(236)

Interest paid on short-term indebtedness and long-term debt during 1999, 2000 and 2001 was $201 million, $205 million and $217 million, respectively, and interest received during 1999, 2000 and 2001 was $17 million, $16 million and $20 million, respectively.

NOTE 3: INCOME TAXES

In 2000, Thomson adopted the provisions of CICA Handbook Section 3465, "Income Taxes." The revised tax accounting standard had the effect of lowering the effective book tax rates with no effect on cash taxes paid. The principal impact of the standard arises from restating business combinations where, as a result of purchasing stock, the excess purchase price over the tax basis of the net assets acquired is not deductible for tax purposes. The comparative earnings for 1999 have been restated to reflect the amortization of the additional goodwill and the release of the related additional deferred income tax resulting from the retroactive adoption of the revised income tax standard.

Components of the provision for income taxes are as follows:

	1999	2000	2001
Current income tax provision from continuing operations.....	(121)	(56)	(93)
Deferred income tax benefit (provision) from continuing operations	58	71	(75)
Income tax (provision) benefit	(63)	15	(168)

The tax effects of the significant components of temporary differences giving rise to the Company's deferred income tax assets and liabilities at December 31 are as follows:

	2000	2001
Liabilities for differences between book and tax bases of assets	1,440	1,504
Total other assets, net of other liabilities	(156)	(65)
Net deferred income tax liability	1,284	1,439

The Canadian corporate tax rate is approximately 44% for both 1999 and 2000 and approximately 40% for 2001. The following is a reconciliation of income taxes calculated at the Canadian corporate tax rate to the income tax (provision) benefit:

	1999	2000	2001
Earnings before taxes *	500	584	902
Income taxes at the Canadian corporate tax rate	(222)	(259)	(363)
Differences attributable to:			
Non-deductible goodwill amortization	(35)	(69)	(43)
Effect of income recorded at rates lower than the Canadian tax rate	132	222	212
Recording of net operating losses not previously recorded	30	124	8
Other, net	32	(3)	18
Income tax (provision) benefit on continuing operations	(63)	15	(168)

* Represents earnings from continuing operations before dividends declared on preference shares, equity in losses of associates and income taxes.

Thomson and its subsidiaries have certain tax loss carryforwards, the benefit of which has not been recorded in the financial statements. Such tax loss carryforwards approximate $580 million, the majority of which expire between 2003 and 2008, with the remainder having an indefinite life. The ability to realize these benefits is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose.

NOTE 4: EARNINGS PER COMMON SHARE

Basic earnings per common share are calculated using the weighted average number of common shares outstanding during the period. Diluted earnings per common share are calculated using the weighted average number of common shares outstanding adjusted to include the potentially dilutive effect of outstanding stock options and other securities. The weighted average number of common shares outstanding for the year ended December 31, 1999, 2000 and 2001 was 618,092,000, 623,242,191 and 627,747,972, respectively. A reconciliation of the weighted average number of common shares outstanding used in the basic earnings per common share and the diluted earnings per common share computations is presented below.

	1999	2000	2001
Basic	618,092,000	623,242,191	627,747,972
Effect of stock incentive plans	--	534,114	491,494
Diluted	618,092,000	623,776,305	628,239,466

NOTE 5: INVENTORIES

Inventories consist of the following:

	2000	2001
Raw materials	37	45
Work in process	40	32
Finished goods	155	179
	232	256

NOTE 6: PROPERTY AND EQUIPMENT

	2000	2001
Land, buildings and building improvements	407	470
Furniture, fixtures and equipment	734	786
Computer hardware	1,044	1,109
Internal-use computer software	823	1,019
	3,008	3,384
Accumulated depreciation	(1,629)	(1,832)
	1,379	1,552

Fully depreciated assets are retained in asset and accumulated depreciation accounts until such assets are removed from service. In the case of disposals, assets and related accumulated depreciation amounts are removed from the accounts, and the net amounts, less proceeds from disposals, are included in income. The depreciation charge in 1999, 2000 and 2001 was $386 million, $416 million and $476 million, respectively, of which $101 million, $120 million and $148 million in 1999, 2000 and 2001, respectively, represented amortization of capitalized internal-use computer software.

NOTE 7: IDENTIFIABLE INTANGIBLE ASSETS

	2000	2001
Identifiable intangible assets	5,597	6,081
Accumulated amortization	(938)	(1,160)
	4,659	4,921

The amortization charge in 1999, 2000 and 2001 was $132 million, $167 million and $257 million, respectively.

NOTE 8: GOODWILL

	2000	2001
Goodwill	6,777	8,679
Accumulated amortization	(606)	(776)
	6,171	7,903

The amortization charge in 1999, 2000 and 2001 was $126 million, $160 million and $187 million, respectively.

NOTE 9: DEVELOPMENT COSTS

Information relating to development costs associated with internal ventures is as follows:

	1999	2000	2001
Expenditures	(135)	(108)	(47)
Development costs capitalized	110	70	24
Amortization of amounts previously capitalized	(93)	(99)	(79)
Net expense	(118)	(137)	(102)

As at December 31, 2000 and 2001, other non-current assets include $110 million and $36 million of unamortized deferred development costs, respectively.

NOTE 10: CAPITALIZED SOFTWARE INTENDED TO BE MARKETED

	2000	2001
Capitalized software	89	115
Accumulated amortization	(47)	(55)
	42	60

The amortization charge in 1999, 2000 and 2001 was $16 million, $13 million and $25 million, respectively.

NOTE 11: FINANCIAL INSTRUMENTS

CARRYING AMOUNTS

Amounts recorded in the consolidated balance sheet are referred to as "carrying amounts" and are based on period-end exchange rates, as applicable.

For non-US dollar denominated debt which is hedged into US dollars by derivative contracts, the primary debt carrying amounts are reflected in "Long-term debt" in the consolidated balance sheet. The related receivables or payables arising from the translation gains and losses on the derivative contracts, which effectively offset the losses and gains on translation of the primary debt, are included within "Other non-current liabilities" and "Accounts payable and accruals" in the consolidated balance sheet, as appropriate.

FAIR VALUES

The fair values of cash and cash equivalents, accounts receivable, short-term indebtedness and accounts payable approximate their carrying amounts because of the short-term maturity of these instruments. The fair value of long-term debt, including the current portion, is estimated based on either quoted market prices for similar issues or current rates offered to Thomson for debt of the same maturity. The fair values of interest rate swaps and related forward contracts are estimated based upon discounted cash flows using applicable current market rates. The fair values of the foreign exchange contracts reflect the estimated amounts at which the Company would have to settle all outstanding contracts on December 31. The fair values of publicly traded long-term investments are based on quoted market prices. The fair values of privately held long-term investments are estimated by management. The fair values represent point-in-time estimates that may not be relevant in predicting the Company's future earnings or cash flows.

CREDIT RISK

Thomson attempts to minimize its credit exposure on derivative contracts by entering into transactions only with counterparties that are major investment-grade international financial institutions.

The Company places its cash investments with high-quality financial institutions and limits the amount of exposure to any one institution. At December 31, 2001, a significant portion of the Company's cash was on deposit with five such institutions.

SHORT-TERM INDEBTEDNESS

Short-term indebtedness is principally comprised of $297 million and $600 million of commercial paper at December 31, 2000 and 2001, respectively. The average interest rate on this debt was 5.9% and 2.3% for 2000 and 2001, respectively.

LONG-TERM DEBT

The following is a summary of long-term debt:

	CARRYING AMOUNT			FAIR VALUE		
	PRIMARY DEBT INSTRUMENTS	CURRENCY SWAP INSTRUMENTS	HEDGED DEBT	PRIMARY DEBT INSTRUMENTS	CURRENCY SWAP INSTRUMENTS	HEDGED DEBT
AS AT DECEMBER 31, 2000						
Bank and other	756	11	767	756	11	767
10.55% Debentures, due 2001	167	49	216	169	47	216
7.90% Debentures, due 2002	167	43	210	172	37	209
7.70% Debentures, due 2003	167	29	196	175	20	195
9.15% Debentures, due 2004	167	15	182	183	(3)	180
7.95% Debentures, due 2005	167	19	186	179	5	184
7.15% Debentures, due 2006	167	18	185	175	8	183
6.50% Debentures, due 2007	167	13	180	168	9	177
Private placements, due 2001-2010	625	--	625	645	--	645
	2,550	197	2,747	2,622	134	2,756
Current portion	(229)	(49)	(278)			
	2,321	148	2,469			

	CARRYING AMOUNT			FAIR VALUE		
	PRIMARY DEBT INSTRUMENTS	CURRENCY SWAP INSTRUMENTS	HEDGED DEBT	PRIMARY DEBT INSTRUMENTS	CURRENCY SWAP INSTRUMENTS	HEDGED DEBT
AS AT DECEMBER 31, 2001						
Bank and other	590	2	592	590	10	600
7.90% Debentures, due 2002	157	53	210	163	45	208
7.70% Debentures, due 2003	157	39	196	168	26	194
9.15% Debentures, due 2004	157	25	182	175	2	177
7.95% Debentures, due 2005	157	29	186	172	10	182
6.20% Debentures, due 2006	157	9	166	163	10	173
7.15% Debentures, due 2006	157	28	185	167	12	179
6.50% Debentures, due 2007	157	23	180	161	12	173
6.55% Medium-term notes, due 2007	283	13	296	291	12	303
6.90% Medium-term notes, due 2008	251	9	260	260	6	266
6.85% Medium-term notes, due 2011	251	3	254	252	7	259
6.20% Notes, due 2012	700	--	700	674	--	674
Floating rate notes	125	--	125	125	--	125
Private placements, due 2002-2010	575	--	575	612	--	612
Redeemable preference shares (note 21)	250	--	250	250	--	250
	4,124	233	4,357	4,223	152	4,375
Current portion	(473)	(56)	(529)			
	3,651	177	3,828			

The floating rate notes will mature on March 20, 2003 and are subject to extension by the holders for additional one-year periods from March 20, 2003 to March 22, 2004 and from March 22, 2004 to March 21, 2005. Interest, which is payable quarterly, is equal to US$ LIBOR plus (i) 0.45% for the period from issuance through March 19, 2003, (ii) 0.55% for the period from March 20, 2003 through March 21, 2004, and (iii) 0.65% for the period from March 22, 2004 through March 20, 2005.

Bank and other debt at December 31, 2000 and 2001 is primarily US dollar denominated. The debentures and medium-term notes are Canadian dollar denominated and are fully hedged into US dollars. The 6.20% Notes, floating rate notes, private placements and redeemable preference shares are US dollar denominated. After taking account of hedging arrangements, the carrying amount of long-term debt, all of which is unsecured, is denominated in the following currencies:

	2000	2001
U.S. dollar	2,664	4,231
Other currencies	83	126
	2,747	4,357

Maturities of long-term debt after accounting for hedges in each of the next five years and thereafter are: $529 million in 2002, $323 million in 2003,

$704 million in 2004, $311 million in 2005, $651 million in 2006 and $1,839 million thereafter.

At December 31, 2001, undrawn bank facilities, which include a bridge loan facility expiring April 2002 and a revolving credit facility expiring August 2004, amounted to $1,792 million.

In January 2002, Thomson issued $400 million US dollar denominated principal amount of unsecured notes due February 1, 2008 bearing an annual rate of interest of 5.75%, payable semi-annually. The net proceeds of $397 million were principally used to repay existing indebtedness which created sufficient credit availability under existing bank facilities for the Company to cancel its $1,500 million bridge loan facility in January 2002.

INTEREST RATE RISK EXPOSURES

Thomson enters into interest rate swap agreements to reduce the impact of changes in interest rates. Upon issuance, the Company converts certain fixed rate non-US dollar denominated debt to US dollar floating rate debt via the use of currency swap instruments. The use of interest rate swaps converts the debt back to fixed rates. The notional amount of interest rate swap agreements is used to measure interest to be paid or received and does not represent the amount of exposure to credit loss. The fair value of interest rate swap agreements as at December 31, 2000 and 2001 was $21 million and $75 million in favor of the counterparties, respectively. The Company's notional amounts of interest rate swaps related to long-term debt as at December 31, 2001 are summarized as follows:

	MATURING IN:		
	LESS THAN 1 YEAR	1 TO 5 YEARS	TOTAL
Notional amounts of interest rate swaps	159	1,093	1,252

After taking account of hedging arrangements, the fixed and floating mix of long-term debt is as follows:

	2001	AVERAGE INTEREST RATE	% SHARE	2000	AVERAGE INTEREST RATE	% SHARE
Total fixed	2,103	6.9%	77%	3,760	6.6%	86%
Total floating	644	6.5%	23%	597	3.7%	14%
	2,747	6.8%	100%	4,357	6.2%	100%

Including the effect of short-term indebtedness, the proportion of fixed to floating rate debt is 76% to 24%, respectively. Floating interest rate long-term debt is LIBOR-based and, consequently, interest rates are reset periodically.

HEDGES OF NET INVESTMENTS IN FOREIGN AFFILIATES

At December 31, 2000, Thomson had in place a forward exchange contract to hedge investments in Japanese Yen denominated net assets. The contracted US dollar equivalent of commitments to sell Japanese Yen was $29 million at December 31, 2000. The carrying amount and fair value of this contract at December 31, 2000 were $12 million and $8 million, respectively. During 2001 this contract was closed out, with the difference between carrying value and fair market value of $4 million increasing the cumulative translation adjustment account.

FOREIGN EXCHANGE CONTRACTS

Thomson uses foreign exchange contracts to manage foreign exchange risk. Generally, foreign exchange contracts are designated for existing assets and liabilities, firm commitments or anticipated transactions that are expected to occur in less than one year.

At December 31, 2001, the fair value of foreign exchange contracts was approximately $1 million in favor of Thomson, which consisted of foreign exchange contracts with gains of $2 million and losses of $1 million.

INVESTMENTS

At December 31, 2000 and 2001, investments accounted for using the equity method had a carrying amount of $65 million and $501 million, respectively, of which $380 million in 2001 represents the Company's investment in Bell Globemedia Inc. (see note 21). Those investments did not have market quotations. Losses from equity method investments were $50 million in 2001.

Investments accounted for using the cost method totaled $134 million and $126 million as at December 31, 2000 and 2001, respectively. As at December 31, 2000 and 2001, the estimated fair market value of these investments was $112 million and $126 million, respectively, of which $6 million and $2 million were publicly traded securities, respectively.

The investments accounted for under both the equity and cost methods are included in "Other non-current assets" in the consolidated balance sheet.

During 2001, Thomson determined that certain of its investments had experienced losses in value that were other than temporary. A reduction in the carrying values of those investments of $100 million for the year ended December 31, 2001 is included in "Net gains on disposals of businesses and investments" in the consolidated statement of earnings and retained earnings. No such losses were incurred during the years ended December 31, 1999 and 2000.

NOTE 12: PREFERENCE SHARE CAPITAL

	2000		2001	
	NUMBER OF SHARES	STATED CAPITAL	NUMBER OF SHARES	STATED CAPITAL
Series II	6,000,000	110	6,000,000	110
Series V	18,000,000	332	18,000,000	332
		442		442

The authorized preference share capital of Thomson is an unlimited number of preference shares without par value. The directors are authorized to issue preference shares without par value in one or more series, and to determine the number of shares in, and terms attaching to, each such series.

SERIES II, CUMULATIVE REDEEMABLE PREFERENCE SHARES

The Series II preference shares are non-voting and are redeemable at the option of Thomson for Cdn $25.00 per share, together with accrued dividends. Dividends are payable quarterly at an annual rate of 70% of the Canadian bank prime rate applied to the stated capital of such shares. The total number of authorized Series II preference shares is 6,000,000.

SERIES V, CUMULATIVE REDEEMABLE PREFERENCE SHARES

The Series V preference shares are non-voting and were redeemable at the option of Thomson on January 2, 2002 for Cdn $25.00 per share and are redeemable thereafter for Cdn $25.50, together with accrued dividends. Through January 1, 2002, dividends were payable quarterly at Cdn $1.25 per share per annum. Beginning January 1, 2002, dividends will be payable monthly at a rate which floats in relation to changes in both the Canadian bank prime rate and the calculated trading price of the Series V preference shares. In no event, however, will the annual floating dividend rate applicable for a month be less than 50% of prime or greater than prime. The total number of authorized Series V preference shares is 18,000,000.

The Series II and Series V Cumulative Redeemable Preference Shares rank between themselves equally and ratably without preference or priority with respect to the payment of dividends or the return of capital on the liquidation, dissolution, or winding-up of the Company.

NOTE 13: COMMON SHARE CAPITAL AND DIVIDENDS

THOMSON COMMON SHARES

	1999		2000		2001	
	NUMBER OF SHARES	STATED CAPITAL	NUMBER OF SHARES	STATED CAPITAL	NUMBER OF SHARES	STATED CAPITAL
Balance at beginning of year...	615,823,077	1,288	621,393,384	1,439	625,764,085	1,593
Issued..........................	5,570,307	151	4,370,701	156	4,976,564	163
Redemption of related Thomson PLC shares...................	--	--	--	(3)	--	--
Issuance of Thomson PLC "A" ordinary shares..............	--	--	--	1	--	--
Balance at end of year.........	621,393,384	1,439	625,764,085	1,593	630,740,649	1,756

The common shares, which have no par value, are voting shares. The authorized common share capital of Thomson is an unlimited number of shares.

Holders of the common shares may participate in the Dividend Reinvestment Plan (DRIP) under which cash dividends are automatically reinvested in new common shares having a value equal to the cash dividend. Such shares are valued at the weighted average price at which the common shares traded on the Toronto Stock Exchange during the five trading days immediately preceding the record date for such dividend. Share issuances made in 1999, 2000 and 2001 consisted of DRIP of $151 million, $156 million and $160 million, respectively, and $3 million of stock options that were exercised in 2001.

THOMSON PLC COMMON SHARES

Holders of 232,644,452, 5,999,257 and 5,574,476 of Thomson common shares at December 31, 1999, 2000 and 2001, respectively, also hold the same number of related common shares of The Thomson Corporation PLC (Thomson PLC) with a par value of one sterling penny each. The holders of these shares have the alternative to receive their dividends in pounds sterling from Thomson PLC. During 1999, 2000 and 2001, 1,202,863, 226,649,141 and 429,164, respectively, of the Thomson PLC shares were redeemed at par for less than $0.1 million in aggregate in 1999 and 2001, and $3 million in 2000. The majority of the 2000 redemptions were accounted for by The Woodbridge Company Limited (Woodbridge) and its affiliates (see note 21).

THOMSON PLC "A" ORDINARY SHARES

In 2000, Thomson PLC issued 10,982,764 "A" ordinary shares with a par value of four sterling pence each to Woodbridge out of 15 million shares available to be issued (see note 21). Such shares are entitled to 5% of the votes at general meetings of the shareholders of Thomson PLC and may be redeemed by Thomson PLC at any time after January 1, 2004 at their par value. Dividends on these shares rank pari passu with dividends on the ordinary shares of Thomson PLC and cannot exceed 5% of the par value thereof, and the holder cannot receive by way of payment on winding up or return of capital an amount in excess of such par value.

Included in the stated capital of Thomson at December 31, 1999, 2000 and 2001 is $4 million, $0.7 million and $0.7 million, respectively, related to the Thomson PLC common and "A" ordinary shares.

DIVIDENDS

Dividends on the Thomson common shares are declared and payable in US dollars. Dividends declared per common share in 1999, 2000 and 2001 were 65.8 cents, 68.5 cents and 70.0 cents, respectively. Equivalent dividends of 40.2162 pence, 45.0312 pence and 48.5674 pence in 1999, 2000 and 2001, respectively, were paid per related common share of Thomson PLC. Shareholders have the option of receiving dividends on the Thomson common shares in equivalent Canadian funds.

In the consolidated statement of cash flow, dividends paid on common shares in 1999, 2000 and 2001 are shown net of $15 million, $9 million and $10 million, respectively, reinvested in common shares issued under the DRIP and $136 million, $147 million and $150 million, respectively, through private placements of common shares with the Company's major shareholders. These private placements, together with the DRIP, satisfied the commitment of the Company's major shareholders to participate in the DRIP for at least 50% of the dividends declared on the Thomson common shares directly and indirectly owned by them. The Company's major shareholders acquired these common shares on the same terms and conditions under which Thomson issues common shares to shareholders participating in the DRIP.

NOTE 14: EMPLOYEE FUTURE BENEFITS

Thomson sponsors both defined benefit and defined contribution employee future benefit plans covering substantially all employees. Effective January 1, 2000, Thomson changed its method of accounting for employee future benefits to conform with the requirements of CICA Handbook Section 3461, "Employee Future Benefits." Under the new method, costs for all employee future benefits are accrued over the periods in which employees earn the benefits.

The change was applied retroactively, on a cumulative adjustment basis, with no restatement of prior financial statements. As a result of the adoption, at January 1, 2000, liabilities for employee future benefits were increased by $118 million and retained earnings were decreased by $78 million, net of tax. The adoption of the new standard had no material impact on earnings.

DEFINED BENEFIT PLANS

Thomson sponsors defined benefit plans providing pension and other post-retirement benefits to substantially all employees. The costs of defined benefit plans are actuarially determined using the projected benefits method prorated on service and management's best estimates of expected plan investment performance, increases in salaries, and ages of employees upon retirement. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment. The excess of net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of the plan assets is amortized over the average remaining service period of active employees.

The following significant weighted average actuarial assumptions were employed to determine the periodic pension and post-retirement plans expense and the accrued benefit obligations:

	PENSIONS			OTHER POST-RETIREMENT PLANS		
	1999(*)	2000	2001	1999(*)	2000	2001
Expected long-term rate of return on plan assets...........................	8.9%	9.0%	8.9%	N/A	N/A	N/A
Discount Rate...........................	7.2%	7.2%	6.8%	7.6%	7.7%	7.2%
Rate of compensation increase...........	4.7%	4.8%	4.9%	5.6%	5.6%	5.6%

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* As Thomson changed its method of accounting for employee future benefits effective January 1, 2000, the 1999 information is presented for informational purposes only.

The Company's net defined benefit plan expense (income) is comprised of the following elements:

	PENSIONS			OTHER POST-RETIREMENT PLANS		
	1999(*)	2000	2001	1999(*)	2000	2001
Current service cost	34	32	32	1	1	1
Interest cost	92	95	101	5	5	6
Expected return on plan assets	(122)	(130)	(140)	--	--	--
Amortization of net transition obligation	2	2	2	--	--	--
Amortization of net actuarial (gains) losses	1	(1)	(3)	(5)	(6)	(2)
Amortization of prior service cost	--	--	2	--	--	--
Non-routine events	--	(6)	14	--	(6)	(1)
Change in valuation allowance provided against accrued benefit asset	--	9	(5)	--	--	--
Net defined benefit plan expense (income)	7	1	3	1	(6)	4

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* As Thomson changed its method of accounting for employee future benefits effective January 1, 2000, the 1999 information is presented for informational purposes only.

The pension-related non-routine events for 2000 include a curtailment gain of $8 million and a special termination charge of $2 million. In 2001, the non-routine events include a curtailment charge of $6 million, a settlement charge of $5 million and a special termination charge of $3 million. All of the above amounts relate to the sale of The Globe and Mail and other Thomson Newspapers operations (see note 22).

In 2000, the non-routine event recorded in connection with other post-retirement plans was a settlement gain of $6 million related to the sale of Thomson Newspapers operations. The non-routine events recorded in 2001 consist of a curtailment gain of $1 million related to the sale of The Globe and Mail and other Thomson Newspapers operations (see note 22).

The following information summarizes activity in the pension and other post-retirement benefit plans for the Company:

	PENSIONS		OTHER POST-RETIREMENT PLANS	
	2000	2001	2000	2001
ACCRUED BENEFIT OBLIGATION				
Beginning accrued benefit obligation	1,369	1,411	66	78
Current service cost	32	32	1	1
Interest cost	95	101	5	6
Employee contributions	5	4	1	--
Actuarial losses	10	49	16	11
Non-routine events	(3)	(6)	(5)	(1)
Acquisitions, net	20	46	--	5
Benefits paid	(72)	(81)	(6)	(7)
Translation adjustments	(45)	(21)	--	--
Ending accrued benefit obligation	1,411	1,535	78	93

	PENSIONS		OTHER POST-RETIREMENT PLANS	
	2000	2001	2000	2001
PLAN ASSETS				
Beginning fair value of plan assets	1,612	1,750	--	--
Actual return (loss) on plan assets	233	(203)	--	--
Employer contributions	11	14	5	7
Employee contributions	5	4	1	--
Benefits paid	(72)	(81)	(6)	(7)
Acquisitions, net	11	8	--	--
Translation adjustments	(50)	(24)	--	--
Ending fair value of plan assets	1,750	1,468	--	--
FUNDED STATUS -- SURPLUS (DEFICIT)	339	(67)	(78)	(93)
Unamortized net actuarial (gain) loss	(233)	167	(26)	(12)
Unamortized past service costs	2	13	(1)	--
Unamortized net transitional obligation	2	--	--	--
Fourth quarter activity	3	3	1	2
Accrued benefit asset (liability)	113	116	(104)	(103)
Valuation allowance	(37)	(32)	--	--
Accrued benefit asset (liability), net of valuation allowance	76	84	(104)	(103)

The accrued benefit obligations of unfunded pension plans at December 31, 2000 and 2001 were $85 million and $121 million, respectively. The accrued benefit obligations of underfunded plans at December 31, 2000 and 2001 were $33 million and $369 million, respectively, with an associated fair value of plan assets of $28 million and $340 million, respectively.

The average healthcare cost trend rate used was 6.75%, which is reduced 0.5% per year until 2005. A 1.0% change in the trend rate would result in an increase or decrease in the accrued benefit obligation for post-retirement benefits of approximately 9% at December 31, 2001.

DEFINED CONTRIBUTION PLANS

The Company and its subsidiaries sponsor various defined contribution savings plans that have provisions for company-matching contributions. Total expense related to defined contribution plans was $43 million in 1999 and 2000, and $62 million in 2001.

NOTE 15: CONTINGENCIES AND COMMITMENTS

CLAIMS AND LEGAL ACTIONS

At December 31, 2001, certain lawsuits and other claims in the normal course of business were pending against Thomson. While the outcome of these matters is subject to future resolution, management's evaluation and analysis of such matters indicates that, individually and in the aggregate, the probable ultimate resolution of such matters will not have a material effect on the Company's consolidated financial statements.

INVESTMENTS AND JOINT VENTURES

The Company has investments in several limited partnerships. Under the terms of the limited partnership agreements, the Company is required to provide additional capital contributions of up to $21 million to such limited partnerships upon written request from the general partners. Additionally, the Company is a party to a joint venture agreement that requires the Company to contribute a maximum of $29 million over the next five years conditional upon the attainment of certain operational milestones of the joint ventures.

LEASES

Operating lease payments in 1999, 2000 and 2001 were $116 million, $168 million and $193 million, respectively. The future minimum operating lease payments are $159 million in 2002, $145 million in 2003, $129 million in 2004, $110 million in 2005, $96 million in 2006 and $298 million thereafter.

NOTE 16: RESTRUCTURING CHARGES

During 1999 and 2000, the Company incurred restructuring charges of $38 million and $21 million, respectively, stemming from strategic initiatives to rationalize product lines and sales channels, reduce personnel, enhance administrative efficiencies, and focus on core product and service lines. Additionally, in 2000, the Company incurred restructuring charges of $16 million in connection with a plan to reorganize certain businesses within the financial group as a result of the acquisition of Primark Corporation.

During 2001, the Company recorded restructuring charges of $30 million. In connection with the integration of the acquired select businesses of Harcourt General Inc. (Harcourt) into the learning group, $20 million of charges were recorded, while an additional $2 million of charges were incurred for the reorganization of certain magazine operations within the scientific and healthcare group. The remaining $8 million resulted from additional spending in the legal and regulatory group on strategic initiatives previously approved.

The following table presents an analysis of the total charges incurred by group:

	1999	2000	2001
Legal and Regulatory	10	12	8
Learning	8	2	20
Financial	16	15	--
Scientific and Healthcare	--	4	2
Corporate and other	4	4	--
	38	37	30

The following table presents the activity in and balances of the restructuring liability accounts, included in "Accounts payable and accruals" and "Other non-current liabilities" in the consolidated balance sheet from January 1, 1999 through December 31, 2001:

	TYPE OF COSTS				
	SEVERANCE	CONTRACT CANCELLATION COSTS	OTHER EXIT COSTS	CAPITAL ASSET WRITE-OFFS	TOTAL
Balance 1/1/99	--	--	--	--	--
Charges	19	14	5	--	38
Utilization	(19)	(7)	--	--	(26)
Balance 12/31/99	--	7	5	--	12
Charges	4	28	2	3	37
Utilization	(4)	(22)	(2)	(2)	(30)
Balance 12/31/00	--	13	5	1	19
Charges	--	15	9	6	30
Utilization	--	(17)	(2)	(3)	(22)
Balance 12/31/01	--	11	12	4	27

Of the restructuring charges recorded in 1999 and 2000, $19 million and $33 million represented expected cash outlays and $19 million and $4 million represented non-cash write-offs, respectively. Substantially all of the 2001 restructuring charges recorded represented expected cash outlays. Management expects that a majority of the initiatives which began in 2001 will be completed in 2002.

NOTE 17: ACQUISITIONS AND DISPOSALS OF BUSINESSES AND INVESTMENTS

ACQUISITIONS

Businesses were acquired during 1999, 2000 and 2001 for aggregate cash consideration of $351 million, $2,777 million and $2,355 million, respectively. Included within the cash consideration for 2000 acquisitions is $243 million related to the repayment of debt in conjunction with the acquisition of Primark Corporation. All acquisitions have been accounted for using the purchase method and the results of acquired businesses are included in the consolidated financial statements from the dates of acquisition. The details of net assets acquired are as follows:

	1999	2000	2001		
	TOTAL	TOTAL	HARCOURT	OTHER	TOTAL
Cash and cash equivalents	37	64	1	44	45
Accounts receivable	14	269	83	30	113
Inventory	15	13	20	4	24
Prepaid expenses and other current assets	3	43	8	6	14
Property and equipment	4	230	45	15	60
Identifiable intangible assets	88	617	371	63	434
Goodwill	262	2,498	1,972	244	2,216
Other non-current assets	2	33	25	--	25
Total assets	425	3,767	2,525	406	2,931
Accounts payable and accruals	(22)	(417)	(276)	(47)	(323)
Deferred revenue	(26)	(190)	(97)	(43)	(140)
Other non-current liabilities	(26)	(383)	(92)	(21)	(113)
Total liabilities	(74)	(990)	(465)	(111)	(576)
Net assets	351	2,777	2,060	295	2,355

Allocations related to certain acquisitions may be subject to adjustment pending final valuation.

Aggregate cash consideration relating to investments in businesses totaled $23 million, $111 million and $109 million in 1999, 2000 and 2001, respectively. These investments are included in "Other non-current assets" in the consolidated balance sheet.

Additionally, the Company recorded reserves related to acquisitions consummated during 2001 totaling $65 million. Those reserves, which were recorded in accordance with EIC-114, comprise the following costs:

TYPE OF COST	INITIAL RESERVE	UTILIZATION	BALANCE 12/31/01
Severance and other employee-related costs	38	(10)	28
Lease cancellation and idle facility costs	20	(2)	18
Other exit costs	7	(2)	5
	65	(14)	51

In connection with the acquisition of the Harcourt businesses, $52 million of acquisition reserves were established. Of this amount, $31 million relates to severance and other employee-related costs, $17 million relates to lease cancellation and idle facility costs, and $4 million relates to other exit costs.

The following summarizes major acquisitions:

DATE	COMPANY	DESCRIPTION
September 2001	NewsEdge Corporation	A provider of real-time news and information products and services to corporations and professional service firms worldwide.
July 2001	Harcourt General Inc. (select businesses)	Higher education and lifelong learning businesses.
June 2001	First Call Corporation (acquired 48% minority interest not previously owned by Thomson)	A provider of real-time, commingled broker research, analyst estimates, workflow and technology-based solutions.
September 2000	Primark Corporation	A provider of financial and economic information products and solutions to financial, corporate and governmental decision-makers globally.
September 2000	The Carson Group	A financial information organization specializing in global shareholder research and related advisory services.
May 2000	Dialog's Information Services Division	An online information service provider.
March 2000	Prometric	A provider of computer-based testing and assessment services
July 1999	Macmillan Library Reference USA	A provider of encyclopedia-type publications.

July 1999	Editorial Aranzadi SA	A publisher of a wide range of publications for legal practitioners and students in Spain.

In 2001, cash consideration of $2,189 million was paid for acquisitions consummated after June 30, 2001. Those acquisitions are subject to the provisions of CICA Handbook Section 3062, which require that goodwill and identifiable intangible assets with indefinite useful lives not be amortized. In connection with those acquisitions, goodwill of $2,106 million and identifiable intangible assets of $400 million were recorded. The identifiable intangible assets are summarized as follows:

	HARCOURT	OTHER	TOTAL	WEIGHTED-AVERAGE AMORTIZATION PERIOD (YEARS)
Finite useful lives:				
Tradenames	--	11	11	17
Customer relationships	50	6	56	6
Databases and content	201	--	201	15
Other	--	5	5	8
	251	22	273	
Indefinite useful lives:				
Tradenames	120	7	127	
	371	29	400	

NON-CASH ASSET EXCHANGES

In November 2001, Thomson exchanged assets with a fair market value estimated at $44 million, along with cash consideration of $10 million, for an investment in i-Deal, a partnership which will automate the process of issuing securities over the Internet. The resulting loss on this transaction of $9 million is included in "Net gains on disposals of businesses and investments" in the consolidated statement of earnings and retained earnings. The investment is being accounted for using the equity method of accounting.

In April 2001, Thomson contributed assets with a book value of $32 million in exchange for a 50% joint venture interest in Omgeo, a global trade processing business. This transaction had no impact on the consolidated earnings of Thomson.

In January 2001, Thomson exchanged its interest in The Globe and Mail and other assets for a 20% equity interest in Bell Globemedia Inc. (BGM), a Canadian multimedia company. This transaction was recorded at 80% of the estimated fair value of net assets received, as Thomson continues to maintain a 20% indirect interest in The Globe and Mail. The resulting net gain of $317 million is included within "Net gains on disposals of businesses and investments" in the consolidated statement of earnings and retained earnings. Included in "Income taxes" in the consolidated statement of earnings and retained earnings is a charge of $75 million related to the transaction. This investment is being accounted for using the equity method and is included in "Other non-current assets" in the consolidated balance sheet. As of December 31, 2001, the Company's net investment in BGM was $380 million. Additionally, the Company maintains an associated liability for certain lands to be contributed to BGM on or before March 31, 2002. There will be no impact on consolidated earnings in connection with this future contribution, as the lands are recorded at estimated fair value as of December 31, 2001. As discussed in note 21, Woodbridge is an investor in BGM.

In 2000, Thomson disposed of a business valued at $49 million via a non-cash exchange. The resulting loss of $9 million on this disposal is included within "Net gains on disposals of businesses and investments" in the consolidated statement of earnings and retained earnings in 2000.

DISPOSALS

Thomson received $412 million, $387 million and $209 million cash consideration in 1999, 2000 and 2001, respectively, from the disposals of businesses and investments within the following segments:

	1999	2000	2001
Legal and Regulatory	107	--	--
Learning	38	76	53
Financial	154	5	49
Scientific and Healthcare	70	231	105
Corporate and other	43	75	2
	412	387	209

In April 2001, Thomson sold Jane's Information Group to a subsidiary of Woodbridge (see note 21). Thomson retained a financial advisor that provided a fairness opinion on the sale price of $110 million. Accordingly, the transaction was recorded at this determined fair value. The gain on disposal of $80 million is included in "Net gains on disposals of businesses and investments" in the consolidated statement of earnings and retained earnings.

NOTE 18: CUMULATIVE TRANSLATION ADJUSTMENT

An analysis of the cumulative translation adjustment shown separately in shareholders' equity in the consolidated balance sheet is as follows:

	2000	2001
Balance at beginning of year	(110)	(160)
Realized from disposals of businesses	--	66
Translation	(50)	(137)
Balance at end of year	(160)	(231)

NOTE 19: STOCK-BASED COMPENSATION

STOCK APPRECIATION RIGHTS PLAN

Thomson has a Stock Appreciation Rights (SAR) plan that provides for the granting of SARs to officers and key employees. The SAR provides the holder with the opportunity to earn a cash award equal to the fair market value of the Company's common shares less the price at which the SAR was issued. Compensation expense is measured based on the market price of Thomson common shares at the end of the reporting period. The SARs outstanding under the plan have been granted at the closing price of the Company's common shares on the day prior to the date of grant, vest over a four- to eight-year period, and expire five to eleven years after the grant date. The compensation expense is recognized over the applicable period. At December 31, 2001, the authorized number of SARs was 20,500,000 and there were 3,261,870 units available for grant. Thomson recognized expense of $16 million and $55 million for the years ended December 31, 1999 and 2000, respectively, and recognized a benefit of $14 million related to the SAR plan for the year ended December 31, 2001 in the consolidated statement of earnings and retained earnings.

A summary of the status of the Thomson SAR plan as of December 31, 1999, 2000 and 2001, and changes during the years ended on those dates is as follows:

	1999		2000		2001	
	SARS	CANADIAN $ WEIGHTED-AVERAGE EXERCISE PRICE	SARS	CANADIAN $ WEIGHTED-AVERAGE EXERCISE PRICE	SARS	CANADIAN $ WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at beginning of year.....................	6,843,987	27.30	5,907,854	28.28	4,393,204	31.11
Granted....................	17,500	44.09	377,940	47.28	225,117	48.45
Exercised..................	(711,958)	21.26	(1,148,398)	25.30	(675,837)	27.46
Cancelled..................	(241,675)	22.56	(744,192)	25.81	(517,740)	30.14
Outstanding at end of year.....................	5,907,854	28.28	4,393,204	31.11	3,424,744	33.11
Exercisable at end of year.....................	1,770,048	26.50	1,344,958	29.09	1,710,169	30.23

The following table summarizes information on SARs outstanding at December 31, 2001:

	SARS OUTSTANDING			SARS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT 12/31/01	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	CANADIAN $ WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 12/31/01	CANADIAN $ WEIGHTED-AVERAGE EXERCISE PRICE

16.00 -- 17.25	36,700	2.8	17.04	26,200	16.98
21.77 -- 32.125	1,327,453	3.9	22.65	798,311	22.88
35.00 -- 44.50	1,674,534	6.6	37.36	845,432	36.30
48.40 -- 57.45	386,057	9.5	52.18	40,226	57.40

STOCK INCENTIVE PLAN

On January 24, 2000, the Board of Directors approved the adoption of a stock incentive plan. As of December 31, 2000 and 2001 there were 15,540,940 and 12,772,187 shares available for grant, respectively.

A summary of the status of the stock incentive plan as of December 31, 2000 and 2001, and changes during the years ended on those dates is as follows:

	2000		2001	
	OPTIONS	CANADIAN $ WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	CANADIAN $ WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at beginning of year	--	--	4,459,060	50.02
Granted	4,511,560	49.91	2,939,453	48.45
Exercised	--	--	(100,000)	41.00
Cancelled	(52,500)	41.00	(170,700)	47.18
Outstanding at end of year	4,459,060	50.02	7,127,813	49.56
Exercisable at end of year	--	--	932,781	51.42

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

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT 12/31/01	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	CANADIAN $ WEIGHTED-AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 12/31/01	CANADIAN $ WEIGHTED-AVERAGE EXERCISE PRICE
41.00 -- 44.40	1,771,800	8.1	41.02	332,400	41.00
45.90 -- 48.40	2,828,283	9.9	48.37	--	--
50.25 -- 57.45	2,527,730	9.0	56.89	600,381	57.19

NOTE 20: SUPPLEMENTAL CASH FLOW INFORMATION

Details of "Changes in working capital and other items" in the consolidated statement of cash flow are:

	1999	2000	2001
Accounts receivable	(99)	(42)	(50)
Inventories	(11)	4	(3)
Prepaid expenses and other current assets	10	(26)	(17)
Accounts payable and accruals	(6)	(41)	(13)
Deferred revenue	38	(12)	(5)
Income taxes	30	(147)	226
Other	(48)	(67)	(60)
	(86)	(331)	78

Income taxes paid during 1999, 2000 and 2001 were $91 million, $829 million and $141 million, respectively. The amount paid in 2000 included $605 million related to the sale of Thomson Newspapers. The amount paid in 2001 included $72 million related to the sale of Augusta Newsprint Company. Income tax refunds received during 2000 and 2001 were $49 million and $172 million, respectively. See note 22 for discussion of Augusta Newsprint Company and Thomson Newspapers.

NOTE 21: RELATED PARTY TRANSACTIONS

Through Woodbridge and its affiliates, the Thomson family owns approximately 73% of the common shares of Thomson. During the years ended December 31, 2001 and 2000, Thomson entered into the following transactions with Woodbridge:

On April 4, 2001, Thomson sold Jane's Information Group to a subsidiary of Woodbridge (see note 17) and, on September 7, 2001, Thomson sold its 50 percent interest in Augusta Newsprint Company to Woodbridge (see note 22).

In February 2001, a subsidiary of Woodbridge purchased $250 million of preferred shares of a subsidiary of Thomson, which pay annual cumulative dividends at 4.6%. In February 2002, the shares were exchanged for a separate preferred issuance in the same face amount. These new shares pay a fixed annual dividend of 4.5%, and are redeemable at the option of either Woodbridge or the Company beginning February 2006 and annually thereafter. At December 31, 2001, the preference shares were included within "Long-term debt" in the consolidated balance sheet, as they were refinanced in February 2002 with new preference shares due in 2006.

On January 9, 2001, Thomson completed a transaction with BCE Inc. and Woodbridge in which Thomson exchanged its interest in The Globe and Mail and other related assets for a 20% equity interest in a new multimedia company, Bell Globemedia Inc. (see note 17). Woodbridge holds a 9.9% interest in Bell Globemedia Inc.

In October 2000, Woodbridge subscribed in cash for 10,982,764 "A" ordinary shares of Thomson PLC with a par value of four sterling pence each for $0.6 million. In November 2000, Thomson PLC redeemed 226,223,830 of the common shares of Thomson PLC held by Woodbridge and its affiliates at their aggregate redemption price at par for $3 million (see note 13).

NOTE 22: DISCONTINUED OPERATIONS

On February 15, 2000, Thomson announced its intention to sell the newspaper interests of Thomson Newspapers (TN). The primary activities of TN were the publishing of daily and non-daily newspapers, and other advertising and specialty publications in the US and Canada. The results, cash flows, and assets and liabilities of TN have been accounted for as a discontinued operation.

During 2000, Thomson sold 51 of the 54 publications that had previously been identified for sale for proceeds of $2,473 million. During 2001, the remaining three publications were sold for proceeds of $121 million. Additionally, Thomson sold its 50% interest in Augusta Newsprint Company, a newsprint mill in Augusta, Georgia, to Woodbridge for $190 million. Thomson retained a financial advisor that provided a fairness opinion on the sales price. Accordingly, the sale of Augusta Newsprint Company was recorded at that determined fair value.

The earnings from discontinued operations are summarized below:

	1999	2000	2001
Revenues from discontinued operations	817	592	135
Earnings from operations before income taxes	139	62	27
Income taxes	(16)	--	(12)
Earnings from operations	123	62	15
Gain on sale of discontinued operations	--	1,053	173
Tax on gain	--	(463)	(96)
Net gain on sale of discontinued operations	--	590	77
Earnings from discontinued operations	123	652	92

Operating loss before amortization, restructuring charges and Year 2000 costs during the period from January 1, 2000 to the measurement date of February 15, 2000 was $7 million.

At December 31, 2000, non-current assets of discontinued operations principally comprised property and equipment, identifiable intangible assets and goodwill.

NOTE 23: YEAR 2000

During 1999 and the first quarter of 2000, Thomson incurred costs in connection with the "Year 2000" issue. That issue related to concerns that most computer programs recognize an applicable year by its last two digits, rather than all four; as a result, concerns existed that any computer having time-sensitive software may not have accurately recognized the turn of the century. As Thomson incurred costs to address the Year 2000 issue, costs relating to maintenance and modification were expensed as incurred, while the costs of new hardware and software with future benefits were capitalized and are being amortized over their useful lives. In 1999 and 2000, Thomson expensed $91 million and $4 million, respectively, of such costs against continuing operations.

NOTE 24: SEGMENTED INFORMATION

See pages F-6 and F-7.

The reportable segments of Thomson are strategic business groups that offer products and services to target markets. The accounting policies applied by the segments are the same as those applied by the Company. The Company's four reportable segments are:

LEGAL AND REGULATORY

Providing integrated information and solutions to legal, tax, accounting, intellectual property, compliance and business professionals.

LEARNING

Providing integrated learning products, services and solutions to individuals, post-secondary learning institutions and businesses.

FINANCIAL

Providing integrated information and workflow solutions to the worldwide financial community.

SCIENTIFIC AND HEALTHCARE

Providing integrated information, services and solutions to researchers and other professionals in the healthcare, academic, scientific and governmental marketplaces.

In connection with the 2001 decision to retain and manage as an independent group certain Thomson Financial businesses previously held for sale, a new operating segment known as Thomson Media was established. As Thomson Media does not meet the quantitative thresholds to be considered a reportable segment, it is included within the Corporate and other category. Segmented information for 1999 and 2000 has been reclassified on the same basis.

Additionally, certain investments, as well as goodwill recognized in connection with the provisions of CICA Handbook Section 3465, "Income Taxes" previously recorded within the Corporate and other business segment have been reallocated to the respective market groups.

NOTE 25: SUBSEQUENT EVENTS (UNAUDITED)

On May 2, 2002, Thomson filed a preliminary prospectus with securities regulatory authorities in Canada, and, pursuant to the Canada/United States of America multi-jurisdictional disclosure system, a registration statement with the U.S. Securities and Exchange Commission, in connection with a proposed public offering of common shares in the United States by Thomson and its principal shareholder, The Woodbridge Company Limited. Thomson will not receive any proceeds from the sale of shares by Woodbridge. Proceeds received by Thomson will be used for general corporate purposes including the repayment of existing indebtedness. Thomson expects this offering to be completed by the end of the second quarter 2002 and, in connection with the offering, has applied to list its common shares on the New York Stock Exchange.

Concurrent with the U.S. listing, Thomson will redeem the related common shares of Thomson PLC, its wholly owned UK subsidiary. Holders of the Thomson PLC common shares, which have a par value of one sterling penny each, will receive a notice specifying how these shares will be redeemed. This decision reflects the comparatively few Thomson PLC shares outstanding and the administrative and other costs required to maintain this share structure. The anticipated impact of the redemption on the consolidated financial statements is not expected to be material.

Additionally, on May 2, 2002, Woodbridge announced the extension of its commitment to reinvest at least 50% of the dividends received by it and its subsidiaries in newly issued common shares under the Thomson dividend reinvestment plan for a further three years to June 2005. The commitment was originally made in June 1989, has since been extended twice, and was scheduled to expire in June 2002.

THE THOMSON CORPORATION

RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
IN THE UNITED STATES OF AMERICA

FOR THE YEARS ENDED DECEMBER 31, 1999, 2000 AND 2001
AND AS AT DECEMBER 31, 2000 AND 2001

The consolidated financial statements of The Thomson Corporation (the "Company") have been prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"), which differ in some respects from generally accepted accounting principles in the United States of America ("U.S. GAAP"). The following schedule presents the material differences between Canadian and U.S. GAAP. As noted in Note 2, the Consolidated Statement of Income for 1999 does not include all information required to be presented.

THE THOMSON CORPORATION

RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN THE UNITED STATES OF AMERICA

(MILLIONS OF U.S. DOLLARS, EXCEPT PER COMMON SHARE AMOUNTS)

		FOR THE YEAR ENDED DECEMBER 31,		
	NOTES	1999	2000	2001
Net income attributable to common shares under Canadian GAAP		532	1,223	749
Differences in GAAP increasing/(decreasing) reported net income:				
Dividends declared on preference shares	8	28	28	27
Development costs	4	5	29	74
Identifiable intangible assets and goodwill	5	(65)	91	(121)
Employee benefits	7	4	--	--
Related party transactions	9	--	--	(169)
Derivative instruments and hedging activities	11	--	--	(31)
Income taxes	6	(19)	(39)	23
Net income under U.S. GAAP		485	1,332	552
Other comprehensive income:				
Foreign currency translation		(26)	(50)	(71)
Unrealized net gains/(losses) on marketable securities (net of taxes in 1999 -- $22; 2000 -- $(22); 2001 -- $0)	10	93	(115)	22
Minimum pension liability (net of taxes in 2001 -- $2)	7	--	--	(5)
Cumulative effect of adoption of SFAS 133 (net of taxes in 2001 -- $0)	11	--	--	15
Net unrealized losses on SFAS 133 cash flow hedges (net of taxes in 2001 -- $0)	11	--	--	(10)
		67	(165)	(49)
Other comprehensive income		552	1,167	503
Basic and diluted earnings per common share, calculated before other comprehensive income items, under U.S. GAAP	8	$0.74	$ 2.09	$0.84

		AS AT DECEMBER 31,	
	NOTES	2000	2001
Shareholders' equity as reported under Canadian GAAP		7,818	8,220
Differences in GAAP increasing/(decreasing) reported shareholders' equity:			
Development costs	4	(110)	(36)
Identifiable intangible assets and goodwill	5	(532)	(653)
Minimum pension liability	7	--	(7)
Marketable securities	10	(22)	--
Derivative instruments and hedging activities	11	--	(26)
Income taxes	6	158	183
Shareholders' equity under U.S. GAAP		7,312	7,681

The accompanying notes are an integral part of this schedule.

The following schedule presents the Consolidated Statement of Income in accordance with U.S. GAAP, which differs from the presentation used in the Company's primary financial statements. As noted in Note 2, 1999 does not include a breakout of selling, marketing and corporate expenses.

THE THOMSON CORPORATION

CONSOLIDATED STATEMENT OF INCOME

(MILLIONS OF U.S. DOLLARS, EXCEPT PER COMMON SHARE AMOUNTS)

FOR THE YEAR ENDED DECEMBER 31,		1999		2000		2001	
	NOTES	CANADIAN GAAP	U.S. GAAP	CANADIAN GAAP	U.S. GAAP	CANADIAN GAAP	U.S. GAAP
Revenues	1	5,752	5,752	6,514	6,514	7,237	7,237
Costs & expenses:							
Operating expenses	2,4,5,7	(4,345)	(4,375)	(3,793)	(3,804)	(4,161)	(4,188)
Selling, marketing and corporate expenses	2	--	--	(1,187)	(1,187)	(1,290)	(1,290)
Depreciation		(386)	(386)	(416)	(416)	(476)	(476)
Amortization	5	(258)	(290)	(327)	(360)	(444)	(476)
Restructuring charges		(38)	(38)	(37)	(37)	(30)	(30)
Year 2000 costs		(91)	(91)	(4)	(4)	--	--
		(5,118)	(5,180)	(5,764)	(5,808)	(6,401)	(6,460)
Operating profit		634	572	750	706	836	777
Net gains on disposals of businesses and investments	5,9	52	63	38	62	302	228
Net interest expense and other financing costs	11	(186)	(186)	(204)	(204)	(236)	(267)
Income from continuing operations before income taxes		500	449	584	564	902	738
(Provision)/benefit for income taxes	6	(63)	(84)	15	25	(168)	(145)
Equity in losses of equity-method investees, net of tax		--	--	--	--	(50)	(50)
Dividends declared on preference shares	8	(28)	--	(28)	--	(27)	--
Income from continuing operations		409	365	571	589	657	543
Income from discontinued operations	5,9	123	120	652	743	92	9
Net income		532	485	1,223	1,332	749	552
Dividends declared on preference shares	8	--	(28)	--	(28)	--	(27)
Net income attributable to common shareholders		532	457	1,223	1,304	749	525
Basic and diluted earnings per common share:	8						

Continuing operations...........	$ 0.66	$ 0.55	$ 0.92	$ 0.90	$ 1.05	$ 0.82
Discontinued operations.........	0.20	0.19	1.04	1.19	0.14	0.02
Net income per common share.......	$ 0.86	$ 0.74	$ 1.96	$ 2.09	$ 1.19	$ 0.84

The accompanying notes are an integral part of this schedule.

The following is a listing of accounts in the Company's Consolidated Balance Sheet affected by the differences between Canadian and U.S. GAAP:

THE THOMSON CORPORATION

SELECT BALANCE SHEET ACCOUNTS

(MILLIONS OF U.S. DOLLARS)

AS AT DECEMBER 31,		2000		2001	
	NOTES	CANADIAN GAAP	U.S. GAAP	CANADIAN GAAP	U.S. GAAP
Identifiable intangible assets, net	5	4,659	4,293	4,921	4,536
Goodwill, net	5	6,171	5,888	7,903	7,594
Other non-current assets	4,10	827	706	1,263	1,227
Total assets		15,699	14,929	18,402	17,672
Accounts payable and accruals	5	1,626	1,591	1,855	1,846
Long-term debt	11	2,321	2,321	3,651	3,688
Other non-current liabilities	5,7,11	1,264	1,193	1,262	1,226
Deferred income taxes	6	1,284	1,126	1,439	1,256
Total liabilities		7,881	7,617	10,182	9,991
Additional paid-in capital	9	--	--	--	169
Retained earnings		5,943	5,459	6,253	5,545
Accumulated comprehensive income	3,7,10,11	(160)	(182)	(231)	(231)
Total shareholders' equity		7,818	7,312	8,220	7,681
Total liabilities and shareholders' equity		15,699	14,929	18,402	17,672

The accompanying notes are an integral part of this schedule.

NOTES TO RECONCILIATION TO GAAP IN THE UNITED STATES OF AMERICA
(MILLIONS OF U.S. DOLLARS, EXCEPT PER COMMON SHARE AMOUNTS)

1. REVENUES

The Company sells information and content to its customers in various formats and utilizes several methods of delivery (e.g., print, CD-ROM, dedicated transmission lines, Internet, etc.). The Company considers the sale of information, no matter what the form and method of distribution to be revenues from tangible products, as presented in its Consolidated Statement of Income. Consulting, advertising and other services provided by the Company comprise less than 10% of total revenues.

2. COSTS & EXPENSES

Included in Operating Expenses are costs and expenses associated with the Company's operating units, except for selling, marketing and promotion expenses and the headquarters costs of these units. Such costs and expenses are included under Selling, Marketing and Corporate Expenses along with the Company's corporate expenses. U.S. GAAP requires operating and selling, general and administrative type costs to be separately disclosed. Segmentation of 1999 costs into these categories was not available.

3. ACCUMULATED COMPREHENSIVE INCOME

Under Canadian GAAP, the cumulative translation adjustment is shown separately in shareholders' equity in the Company's Consolidated Balance Sheet, whereas under U.S. GAAP the adjustment is reported within Accumulated Comprehensive Income. For presentation purposes, the cumulative translation adjustment, for Canadian GAAP, is included under the caption Accumulated Comprehensive Income in the Select Balance Sheet Accounts schedule.

4. DEVELOPMENT COSTS

Under Canadian GAAP, certain costs classified as development are deferred and amortized over their estimated useful lives. Under U.S. GAAP, all development costs are expensed as incurred. The difference between U.S. GAAP and Canadian GAAP represents the gross development costs capitalized in the respective year, net of the reversal of amortization expense recorded for Canadian GAAP relating to amounts previously capitalized.

5. IDENTIFIABLE INTANGIBLE ASSETS AND GOODWILL

Under U.S. GAAP, the allocation of the purchase price of acquisitions prior to January 1, 2001, and amortization of intangible assets differs from Canadian GAAP. These historical differences primarily relate to (i) costs that are required to be recorded as operating expenses under U.S. GAAP, which, prior to January 1, 2001 (the effective date of the Emerging Issues Committee 114, "Liability Recognition for Costs Incurred on Purchase Business Combinations," which conforms Canadian GAAP to U.S. GAAP), were capitalized under Canadian GAAP; (ii) a gain resulting from a 1997 disposal mandated by the U.S. Department of Justice which has been treated as a reduction of goodwill under Canadian GAAP; (iii) overall increased amortization charges; and (iv) differences in gain or loss calculations on business disposals resulting from the above factors.

(MILLIONS OF U.S. DOLLARS, EXCEPT PER COMMON SHARE AMOUNTS)

Following were the significant identifiable intangible asset balances as at December 31, as accounted for under U.S. GAAP:

	2000	2001
Trade names	1,263	1,415
Customer lists and relationships	1,470	1,615
Databases and content	839	1,100
Publishing rights	1,800	1,732
Other	225	219
Identifiable intangible assets -- gross	5,597	6,081
Less: accumulated amortization	(1,304)	(1,545)
Identifiable intangible assets -- net	4,293	4,536

See note 17 for discussion of new accounting standard relating to intangible assets and goodwill.

6. INCOME TAXES

On January 1, 2000, the Company adopted The Canadian Institute of Chartered Accountants (CICA) Handbook Section 3465, "Income Taxes," on a retroactive basis with restatement. The new accounting standard is substantially similar to U.S. GAAP. Adjustments to the net deferred tax liability balances on the balance sheet only relate to the tax effects of other U.S. GAAP reconciling items.

One difference between the two standards is that, under Canadian GAAP, disclosure of a deferred tax asset is not required when management believes it is more likely than not that the asset will not be realized. U.S. GAAP requires disclosing the gross components of deferred tax assets and reflecting a valuation allowance if it is more likely than not that the asset will not be realized. The table below disclosing the Company's deferred tax assets and liabilities reflects the U.S. GAAP requirements.

Another difference between the two standards is that, under Canadian GAAP, changes to future tax rates need only be substantially enacted to be considered, whereas for U.S. GAAP, changes to future rates must be enacted by law. This difference did not have a material impact on the U.S. GAAP presentation as discussed in these notes.

(MILLIONS OF U.S. DOLLARS, EXCEPT PER COMMON SHARE AMOUNTS)

The components of income/(loss) from continuing operations before provision for income taxes on a U.S. GAAP basis are as follows:

YEAR ENDED DECEMBER 31,	1999	2000	2001
Canada	(168)	(148)	(157)
U.S. and other jurisdictions	617	712	895
Total	449	564	738

The provision/(benefit) for income taxes consists of:

	1999	2000	2001
Canadian income taxes:			
Current	1	1	1
Deferred	--	(105)	75
Total Canadian	1	(104)	76
U.S. and other jurisdictions' income taxes:			
Current	120	55	92
Deferred	(37)	24	(23)
Total U.S. and other jurisdictions	83	79	69
Total worldwide	84	(25)	145

The deferred tax assets/(liabilities) as at December 31, on a U.S. GAAP basis consisted of the following items:

	2000	2001
Acquisition reserves	58	89
Accrued expenses	111	181
Financial instruments	83	101
Investments	81	28
Tax loss and credit carryforwards	323	349
Other	189	197
Total deferred tax asset	845	945
Valuation allowance	(280)	(355)
Net deferred tax asset	565	590
Intangible assets	(1,426)	(1,495)
Fixed assets	(94)	(135)
Other	(171)	(216)
Total deferred tax liability	(1,691)	(1,846)
Net deferred tax liability	(1,126)	(1,256)

The valuation allowances of $280 and $355 at December 31, 2000 and 2001, respectively, relate primarily to Canadian and United Kingdom net operating loss carryforwards (NOLCs). The valuation allowances reflect management's belief that it is more likely than not that a portion of these assets will not be realized. The increase in the valuation allowance from 2000 to 2001 primarily relates to additional Canadian net operating losses sustained in 2001. At December 31, 2001, the Company had Canadian NOLCs of $533 and NOLCs in other jurisdictions of $47. The Canadian NOLCs will expire, if not previously utilized, as follows: 2003 -- $62; 2004 -- $59; and the majority of the remainder in 2007 and 2008. The majority of the NOLCs from other jurisdictions may be carried forward indefinitely.

(MILLIONS OF U.S. DOLLARS, EXCEPT PER COMMON SHARE AMOUNTS)

The following is a reconciliation of the income taxes calculated at the Canadian corporate tax rate (44% in 1999 and 2000 and 40% in 2001) with the income tax provision/(benefit):

	1999	2000	2001
Income from continuing operations before income taxes	449	564	738
Income taxes at Canadian corporate tax rate	199	250	297
Differences attributable to:			
Non-deductible goodwill amortization	33	65	39
Effect of income recorded at rates lower than the Canadian tax rate	(189)	(280)	(225)
Changes in valuation allowances	30	(63)	48
Other, net	11	3	(14)
Income tax provision/(benefit)	84	(25)	145

The total amount of undistributed earnings of non-Canadian subsidiaries for income tax purposes was approximately $5.9 billion at December 31, 2001. It is the Company's intention to reinvest undistributed earnings of its non-Canadian subsidiaries and, thereby, indefinitely postpone their remittance. Accordingly, no provision has been made for non-Canadian withholding taxes or Canadian income taxes that may become payable if undistributed earnings from non-Canadian subsidiaries were paid as dividends to the Company. The additional taxes on that portion of the undistributed earnings, which is available for dividends, are not practicably determinable.

7. EMPLOYEE BENEFITS

On January 1, 2000, the Company adopted CICA Handbook Section 3461, "Employee Future Benefits," on a cumulative adjustment basis applied retroactively without restatement of prior years. This Canadian standard is similar to U.S. GAAP and requires costs for employee future benefits be accrued over the periods in which employees earn the benefits. Prior to adopting the new Canadian standard, certain employee future benefits were expensed as incurred.

Under U.S. GAAP, recognition of an additional minimum liability is required when the accumulated benefit obligation exceeds the fair value of the plan assets to the extent that such excess is greater than the accrued pension costs otherwise recorded. No such adjustment is required under Canadian GAAP. There was no additional minimum pension liability necessary as at December 31, 2000. At December 31, 2001, an additional minimum pension liability would have been required under U.S. GAAP.

8. EARNINGS PER COMMON SHARE

The basic and diluted earnings per common share (calculated before other comprehensive income items) differ from the Canadian GAAP earnings per common share as a result of the reconciling items in the determination of net income under U.S. GAAP. In 2000, the Company implemented a stock incentive plan. Because the number of weighted average options outstanding and other dilutive securities under the stock incentive plan were immaterial, the diluted earnings per common share amounts for 2000 and 2001 under U.S. GAAP are reported at the same amount as the basic earnings per common share amounts under U.S. GAAP. Under U.S. GAAP, earnings per common share amounts are computed after deducting from net income $28 of preference share dividends in each of 1999 and 2000 and $27 of preference share dividends in 2001. Under Canadian GAAP, such dividends are included as a component of net income.

(MILLIONS OF U.S. DOLLARS, EXCEPT PER COMMON SHARE AMOUNTS)

9. RELATED PARTY TRANSACTIONS

In April 2001, the Company sold Jane's Information Group to its majority shareholder, The Woodbridge Company Limited (Woodbridge). Additionally, in September 2001, the Company sold its 50 percent interest in Augusta Newsprint Company (Augusta), a discontinued operation, to Woodbridge.

In accordance with Canadian GAAP, the Company recognized gains on these related party transactions in its Consolidated Statement of Income. Under U.S. GAAP, such related party gains are not recognizable in the Consolidated Statement of Income, but rather must be reflected as an equity transaction.

10. MARKETABLE SECURITIES

Under U.S. GAAP, investments with readily determinable fair values, which are classified as available-for-sale securities, are reported at fair value, with unrealized gains and losses excluded from income and reported within Other Comprehensive Income (OCI), net of tax. Under Canadian GAAP, such investments are recorded at cost, with no adjustments for changes in fair values, unless management has assessed a decline in value to be other than temporary, for which a charge to income would be recognized.

Following below is a summary of the amounts recorded to Accumulated Comprehensive Income and reclassified to income for the periods presented herein under U.S. GAAP, net of tax:

Accumulated net unrealized gains on marketable securities at December 31, 1999	93
Reclassification of net gains to income	(43)
Changes in fair value of marketable securities	(72)
Accumulated net unrealized losses on marketable securities at December 31, 2000	(22)
Reclassification of net losses to income	22
Accumulated net unrealized gains/(losses) on marketable securities at December 31, 2001	--

11. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

There are primarily two types of exposures that the Company seeks to hedge by way of derivative instruments. These are exposures arising from adverse changes in currency exchange and interest rates. The Company uses currency swap arrangements to convert its obligations borrowed in currencies other than U.S. dollars into U.S. dollar amounts. Interest rate swaps are utilized to maintain an appropriate mix of the Company's debt portfolio between fixed and floating rates. Under Canadian GAAP, the fair values of these derivative instruments are disclosed in the notes to the Company's financial statements, but not recorded in the Company's Consolidated Balance Sheet. In order to reconcile to U.S. GAAP, effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), as amended by SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." Under SFAS 133, all derivative instruments are recognized on the balance sheet at their fair values, and changes in fair value are recognized (i) immediately in income for fair value hedges or for risk management strategies that do not qualify as, or are not designated as, hedges; or, (ii) initially in OCI and subsequently reclassified to income when the transaction being hedged effects income for cash flow hedges. Any ineffective portion of hedges is recognized in income as it occurs.

As a result of adopting SFAS 133, and in accordance with the transition provisions, as of January 1, 2001, the Company recorded a transition credit of $15 to OCI related to its cash flow hedges. The transition impact on the Consolidated Statement of Income was not material and, thus, the adoption of SFAS 133 did not have a material impact on earnings per common share.

(MILLIONS OF U.S. DOLLARS, EXCEPT PER COMMON SHARE AMOUNTS)

Following is additional information and disclosures concerning derivative instruments:

CASH FLOW HEDGES

The Company hedges variability in cash flows which arise from changes in exchange rates of certain non-US dollar denominated debt and floating rate debt, as well as the effects of changes in exchange rates on forecasted foreign currency denominated transactions. For cash flow hedges, the effective portion of the change in fair value of the derivative instrument is recorded in OCI and reclassified to income when the earnings effects of the hedged item are recognized in income.

Following below is a summary of the cash flow hedging activity recorded to OCI and amounts reclassified to income in 2001 (amounts net of tax):

	2001 (LOSS)/GAIN
Cumulative effect of adoption of SFAS 133 on January 1, 2001..	15
Reclassification of net losses to income...................	25
Changes in fair value of cash flow hedges..................	(35)

Accumulated net unrealized gains as at December 31, 2001....	5
	===

The accumulated net unrealized gains as at December 31, 2001, are comprised of unrealized gains of $47 and unrealized losses of $42. It is expected that the net impact of amounts reclassified from OCI to income in 2002 will be a benefit to the Consolidated Statement of Income of approximately $1.

In 2001, there were no forecasted transactions being hedged that failed to occur. At December 31, 2001, the maximum term of derivative instruments that hedge forecasted transactions is twelve months.

FAIR VALUE HEDGES

Under SFAS 133, fair value hedges are defined as those that offset the risk of changes in the fair values of assets, liabilities and firm commitments. For example, upon issuance, the Company converts certain fixed rate non-US dollar denominated debt to US dollar floating rate debt via the use of currency swap instruments. Changes in fair value of derivatives designated and effective as fair value hedges are recorded in income along with the corresponding change in the fair value of the hedged item attributable to the risk being hedged.

NON-QUALIFIED DERIVATIVES

SFAS 133 specifies criteria that must be met in order to apply hedge accounting. Derivatives that do not qualify for hedge accounting are marked to market through income. The amount of change in fair value of derivatives not designated as hedges at December 31, 2001, which were required to be marked to market through income was a loss of $31, and is included in Net Interest Expense and Other Financing Costs in the Company's Consolidated Statement of Income. These non-qualified derivatives relate to four interest rate swap agreements.

INCOME EFFECTS OF DERIVATIVES

In the context of hedging relationships, "effectiveness" refers to the degree to which fair value changes in the hedging instrument offset corresponding fair value changes in the hedged item. For the year ended December 31, 2001, the ineffective portion of qualifying hedges was not significant.

(MILLIONS OF U.S. DOLLARS, EXCEPT PER COMMON SHARE AMOUNTS)

12. DEBT MATURITIES

Following are the maturities of long-term debt before accounting for hedges in each of the next five years and thereafter: $473 in 2002, $284 in 2003, $679 in 2004, $282 in 2005, $614 in 2006 and $1,792 thereafter.

13. CASH FLOW

The Company's Consolidated Statement of Cash Flow is prepared in accordance with Canadian GAAP, which is consistent with the principles for cash flow statements in International Accounting Standard No. 7. Accordingly, as permitted by the Securities and Exchange Commission, a reconciliation of cash flows to U.S. GAAP has not been provided.

14. ACCOUNTING FOR STOCK BASED COMPENSATION

Under Canadian GAAP, the Company's Stock Incentive Plan is accounted for in a manner materially similar to U.S. GAAP, APB Opinion 25, "Accounting for Stock Options Issued to Employees." Had compensation cost for the Company's stock incentive plans been determined based upon the fair value at the date of grant, consistent with the methodology prescribed under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

	2000		2001	
	U.S. GAAP	PRO FORMA	U.S. GAAP	PRO FORMA
Net income	1,332	1,330	552	545
Earnings per common share:				
Basic	$2.09	$2.09	$0.84	$0.83
Diluted	$2.09	$2.09	$0.84	$0.82

These pro forma amounts may not be representative of future disclosures because the estimated fair value of options is amortized to expense over the vesting period, and additional options may be granted in future years.

Using the Black-Scholes option pricing model the estimated weighted average fair value of options granted at date of grant was estimated to be $10.20 in 2000 and $8.56 in 2001. The Black-Scholes model was developed for the use in estimating the fair value of traded options that have no vesting restrictions. In addition, such models require the use of subjective assumptions, including expected stock price volatility. In management's opinion, such valuation models do not necessarily provide a reliable single measure of the fair value of its employee stock options. The principal assumptions used in applying the Black-Scholes option pricing model were as follows:

	2000	2001
Risk-free interest rate	5.9%	4.7%
Expected dividend yield	2.3%	2.1%
Expected stock price volatility	27.9%	26.7%
Expected life (in years)	6	6

No stock options were granted or outstanding in 1999.

15. UNAUDITED PRO FORMA INFORMATION

The following 1999 and 2000 unaudited pro forma information presents the results of operations of the Company as if the significant 2000 acquisitions had taken place on January 1, 1999 and 2000, respectively. Additionally, the 2000 and 2001 unaudited pro forma information includes the estimated effect of significant

(MILLIONS OF U.S. DOLLARS, EXCEPT PER COMMON SHARE AMOUNTS)

2001 acquisitions as if the acquisitions had occurred on January 1, 2000 and 2001, respectively. For each period shown, the unaudited pro forma information does not include adjustments to reflect the estimated effects of disposals of businesses, including the disposal of Mitchell International in April 2000, The Globe and Mail in January 2001, and Jane's Information Group in April 2001. Revenues from these and other smaller businesses disposed of over the period totaled $628 in 1999, $410 in 2000, and $62 in 2001. Refer to Note 17 of the Company's consolidated financial statements for a description of significant acquisitions in each year.

The unaudited pro forma results may not be indicative of the results that would have been reported if the transactions had actually occurred at the beginning of the respective periods, or of operating results that may be attained in the future. The following unaudited pro forma information does not reflect any synergies anticipated by the Company as a result of the acquisitions, and assumes that the Company would have obtained similar financing as that which followed the acquisitions. Income from continuing operations is after income taxes, interest, and amortization charges. The pro forma data includes the full year effect of each of these items for each significant acquisition.

	1999		2000		2001	
	UNAUDITED U.S. GAAP	UNAUDITED PRO FORMA	U.S. GAAP	UNAUDITED PRO FORMA	U.S. GAAP	PRO FORMA
Revenues	5,752	6,676	6,514	7,665	7,237	7,614
Income from continuing operations	365	243	589	390	543	452
Income from discontinued operations	120	120	743	743	9	9
Net income	485	363	1,332	1,133	552	461
Basic and diluted earnings per common share	$ 0.74	$ 0.54	$ 2.09	$ 1.77	$ 0.84	$ 0.69

16. VALUATION ACCOUNT ACTIVITY

The following table presents the activity in the Company's allowances against accounts receivable for the years ended December 31, 2000 and 2001:

		ADDITIONS			
	BEGINNING OF YEAR BALANCE	CHARGED TO EXPENSE	OTHER*	WRITE-OFFS	END OF YEAR BALANCE
2000	273	379	14	(381)	285
2001	285	425	58	(387)	381

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* Other includes additions from acquisitions, net of reductions from disposals and impact from foreign currency translation.

17. NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142). This standard, which must be adopted as of January 1, 2002, is similar in all material respects to CICA Handbook Section 3062 "Goodwill and Other Intangible Assets," which also must be adopted under Canadian GAAP as of January 1, 2002. The Company recently completed its initial impairment review under the requirements of Handbook

Section 3062 and SFAS 142, and will recognize a charge in its first quarter of 2002 of $67 and $66, net of tax, respectively, associated with its adoption. The Company anticipates recording an additional transition charge of up to $100 in the second quarter in connection with the application of the new goodwill and other intangible assets standard by its equity method investees. These charges will not affect income under Canadian GAAP because they result from a change in accounting principle and will be charged directly to retained earnings in the Consolidated Balance Sheet, but, under U.S. GAAP these amounts will be charged to income.

Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143), was issued in June 2001. SFAS 143 establishes accounting and reporting standards for obligations associated with the retirement of tangible long-lived assets. For purposes of its reconciliation to U.S. GAAP, the Company is required to adopt SFAS 143 as of January 1, 2003. The adoption of this standard is not expected to have a material impact on the Company's financial position or results of operations.

In August 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). For purposes of its reconciliation to U.S. GAAP, the Company is required to adopt SFAS 144 as of January 1, 2002. The Company has determined that adoption of the Statement will not have a material effect on the Company's financial position or results of operations, but may result in certain future disposals being classified as discontinued operations.

EXHIBIT 3

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CONSENT OF INDEPENDENT CHARTERED ACCOUNTANTS

We hereby consent to the use in this Annual Report on Form 40-F of our report dated February 27, 2002, except as to Note 1 to the consolidated financial statements and Notes 11 and 17 to the financial statement schedule, which are as of April 25, 2002, respectively, relating to the financial statements and financial statement schedule of The Thomson Corporation which appear in Exhibit 2 of this Form 40-F. We also consent to the use in this Annual Report on Form 40-F of our Comments by Auditors for United States of America Readers on Canada - - United States of America Reporting Differences dated February 27, 2002, except as to Note 1 to the consolidated financial statements and Notes 11 and 17 to the financial statement schedule, which are as of April 25, 2002, respectively.

/S/PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS

Toronto, Canada

February 27, 2002, except as to Note 1 to the consolidated financial statements and Notes 11 and 17 to the financial statement schedule, which are as of April 25, 2002, respectively.

EXHIBIT 4

CONSENT OF INDEPENDENT CHARTERED ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-12284) of our report dated February 27, 2002, except as to Note 1 to the consolidated financial statements and Notes 11 and 17 to the financial statement schedule, which are as of April 25, 2002, respectively, relating to the financial statements and financial statement schedule of The Thomson Corporation (the "Corporation") which appear in Exhibit 2 of the Corporation's Annual Report on Form 40-F. We also consent to the incorporation by reference of our Comments by Auditors for United States of America Readers on Canada - United States of America Reporting Differences dated February 27, 2002, except as to Note 1 to the consolidated financial statements and Notes 11 and 17 to the financial statement schedule, which are as of April 25, 2002, respectively.

/S/ PRICEWATERHOUSECOOPERS LLP
CHARTERED ACCOUNTANTS

Toronto, Canada
May 2, 2002