

W. P. STEWART & CO., LTD.

2000 ANNUAL REPORT



...**ABOVE** *average* **RETURNS**
Below *average* Risk...

“ ABOVE AVERAGE RETURNS ”

A

t W.P. Stewart our investment objective is to provide clients with well above average investment returns over a long period of time, while accepting below average risk to do so.

This should provide above average returns to our shareholders, as well.

Cover photo:

Trinity Hall, our headquarters office building in Hamilton, Bermuda, was built in 1930 adjacent to and on the property of The Cathedral of the Most Holy Trinity. The building was sold in the early 1970s and converted into a commercial office facility. The building is now owned by Kirk Management Ltd., a real estate joint venture in which the Company has a 40% ownership interest.

FINANCIAL HIGHLIGHTS

	As of and for the year ended December 31,		
	2000	1999	Increase (Decrease)
ASSETS UNDER MANAGEMENT (in billions):			
Clients' Portfolios	\$ 10.3	\$ 12.3	(16.3%)
OPERATING DATA (in millions):			
Revenues	\$203.3	\$193.3	5.2%
Net Income	\$ 99.1	\$ 94.8	4.5%
SHAREHOLDERS' EQUITY (in millions):			
	\$ 82.8	\$ 38.9	112.9%
PER SHARE DATA:			
Basic Earnings Per Share	\$ 2.37	\$ 2.37	0.0%
Diluted Earnings Per Share	\$ 2.18	\$ 2.21	(1.4%)
Cash Earnings Per Share (diluted)*	\$ 2.33	\$ 2.29	1.7%
Cash Dividends Per Share	\$ 1.73	\$ 1.94	(10.8%)

*See Note (5)—Selected Financial Data

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000 was a year of significant accomplishment for W.P. Stewart.

In early December, we successfully completed a public offering of approximately 25% of our common shares. Our Company's shares are now listed for trading on both the New York Stock Exchange and the Bermuda Stock Exchange. This was the last of several major steps taken over the past few years to transform our Company into a truly global investment firm serving clients throughout the world, with an equally international shareholder constituency.

It was also a year of significant challenge, as it was for most investors. The technology bubble of 1999 and its subsequent burst in 2000 created quite a strain. Booming technology-related shares represented most of the stock market gains in 1999 and early 2000. However, in accordance with our valuation discipline, during this period we substantially reduced our holdings in many of the large tech companies that were leading the market averages higher. As a result, our performance in 1999 and in the early part of 2000 significantly lagged the market.

Many newer clients, who had joined us following our 30-35% returns in 1995-98, became dissatisfied and left us for "more aggressive managers". Very uncharacteristically, we suffered a significant outflow of funds in 2000 and this will affect our revenue and profits in 2001.

As we moved through the year, however, market sentiment changed and our earlier under-weighting in technology and the "flight to quality" by investors, generally, helped us to substantially out-perform the market for the full year.

In fact, our traditional investment process delivered another five-year performance record well above our absolute goal of 15% compounded annually. The W.P. Stewart U.S. Equity Composite compound annual return for the five-year period ending

December 31, 2000 was 21.4%, pre-fee (20.0%, post-fee), compared to 18.3% for the S&P 500 during the same period. This should provide our client service and asset gathering teams with an excellent opportunity to attract new clients.

A NEW DIMENSION

We operate in a huge, growing, global market for the management of high net-worth individuals' core equity capital. Our business model has been driven by these simple principles: setting achievable goals—the most important being the doubling of our clients' money every five years, adhering to a proven investment philosophy, following a disciplined investment appraisal technique and emphasizing risk avoidance in everything we do.

We achieved considerable success as a private firm. This historical achievement has resulted in a strong Company with a solid foundation of capital, operating earnings and, most importantly, a strong and supportive base of clients for whom we manage their core equity capital.

Our commitment to increasing the value of our clients' portfolios, together with the new dimension of building value for all shareholders, is supported by a set of clearly defined business objectives and a comprehensive business plan.

GROWTH OBJECTIVES

We enter this new phase in our corporate history with these objectives:

- To remain focused on increasing the value of client investment portfolios entrusted to us through a research approach that is highly selective in building double-digit annual growth in the relatively non-cyclical earning power behind each client portfolio.

- To extend and broaden our investment geography through the enhancement of our European research and portfolio management center in London and the close working relationship with our 40% owned affiliate, Bowen Asia Limited, in Hong Kong.
- To improve the existing service we deliver to our clients through the development of a comprehensive program to meet their information needs wherever they are located. We have put together a strong internal team of client service professionals through the acquisition of our most successful and experienced strategic marketing partners.
- To grow the amount of assets under management by:
 - continuing to provide above average returns at below average risk for our existing clients' portfolios over a long period of time,
 - expanding existing client relationships, and
 - attracting new clients through our internal asset gathering professionals and developing improved support services for our external marketing partners.
- To grow the business profitably with a view to achieving significantly above average returns for our shareholders, over the longer term.

CONFIDENCE IN THE FUTURE

The market is now getting back to basics. In a slowing economy, profit growth will be harder to achieve. In this environment, our traditional investment focus on very high quality, steadily growing businesses should present us with a great opportunity to improve both absolute and relative performance for our clients.

We have a disciplined investment philosophy that has enabled W.P. Stewart to establish a strong long-term track record of investment performance and have virtually always met our absolute goal of doubling the value of our clients' portfolios every five years. We have a dedicated team of investment professionals that includes some of the finest, most experienced research analysts/portfolio managers in our business. We have strong relationships with a significant and growing number of high net-worth clients around the world. We have valuable strategic marketing partners that strengthen our global asset gathering efforts. We have an intensely supportive culture reinforced by the fact that every W.P. Stewart employee is or will have the opportunity to become a shareholder of the Company. And we are all totally focused on our traditional portfolio management process.

There have been many changes and challenges as we progressed through this past year. I am grateful to all our employees for their professionalism, commitment and support throughout this period. Without their hard work we would not be the Company we are today.

At W.P. Stewart, we are proud of our past and confident of our future. The principles that guided us in the past remain the basis of our Company's business philosophy: a disciplined approach to investing, an intensive focus on research, a dedication to client satisfaction and a commitment to being "in for the long run".



William P. Stewart
Chairman and Chief Executive Officer
March, 2001

HISTORICAL INVESTMENT RETURNS

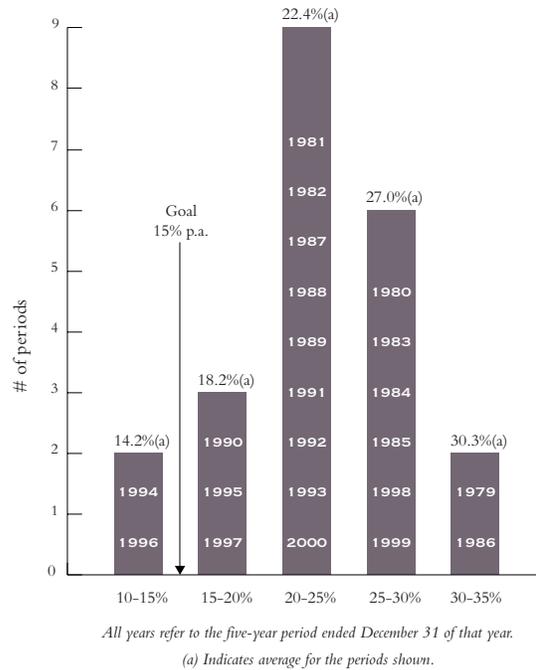
At W.P. Stewart we are long-term investors. Our goal is to double the value of clients' portfolios every five years (pre-fee), equivalent to a 15% compound annual return. Actual returns, year to year, will vary.

There have been 22 five-year periods since we started the Company in 1975. We exceeded our 15% goal in 20 of those 22 periods, frequently by a wide margin, and achieved our goal in the next quarter in the other two five-year periods.

In 2000, while the performance of the W.P. Stewart U.S. Equity Composite (see note below chart) was down 1.3% (pre-fee) and 2.5% (post-fee), this was significantly better than the S&P 500 which declined 9.1%. The compound annual return for the five years ending December 31, 2000, was 21.4%, pre-fee and 20%, post-fee.

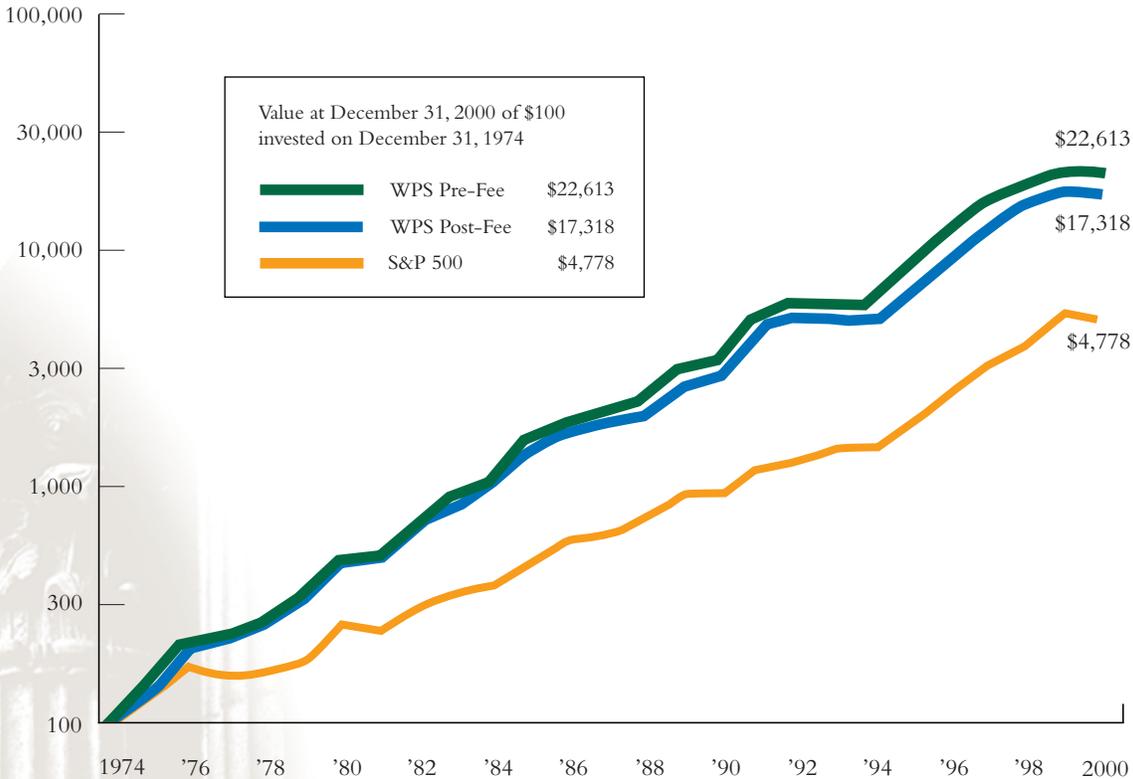
We have achieved a 23.2% compound annual return (pre-fee) and a 21.9% compound annual return (post-fee) over the 26-year period to December 31, 2000. This compares with 16% for the S&P 500 over the same period.

ROLLING 5-YEAR RECORD VS. W.P. STEWART GOAL
5-Year Annualized Returns (Pre-Fee)



U.S. EQUITY COMPOSITE VS. S&P 500
Year Ended December 31

Log Index: 12/31/74 = 100



Note: The U.S. Equity Composite includes an immaterial amount of non-U.S. equities.
Past performance is not indicative of future returns.



New York

*"A team approach
to research"*



London

RESEARCH AND PORTFOLIO MANAGEMENT



We are a research intensive firm with the objective of investing our clients' capital in what we believe are some of the world's finest growing businesses—large companies that are leaders in their field. We call these "Growth Bonds" which we define as equity in steadily growing, generally non-cyclical, highly profitable, cash generating industry leaders.

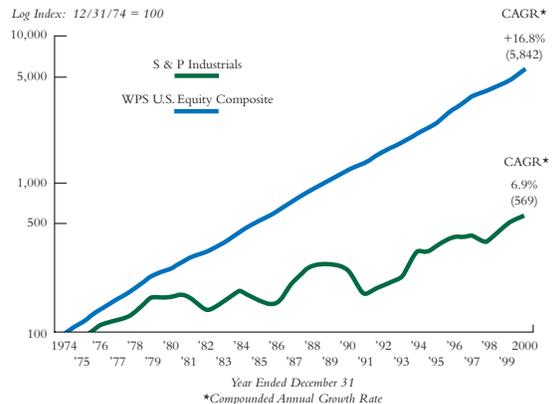
Our New York research and sub-advisory portfolio management team is our foundation upon which we are still building. We are gradually making progress toward our long-term goal: to identify, analyze and appraise every established, high quality growth company traded on the world's major markets. The establishment of W.P. Stewart & Co. (Europe), Ltd. in 1999 and our 40% ownership in Bowen Asia Limited, incorporated in 1994, have enabled us to expand our non-U.S. research capability and provide sub-advisory investment services with a global perspective.

In each research center, we employ a rigorous appraisal technique to assess the intrinsic value of the shares of each of the companies we follow. At any given time, very few businesses meet our standards. Accordingly, our investment universe is typically limited to fewer than 50 companies from each of the United States, Europe, Japan and Asia-ex-Japan. We then concentrate our clients' investments in a portfolio of 15-20 companies which appear to offer the greatest long-term potential.

The businesses in which we invest normally increase profits every year and achieve cumulative earnings growth at a rate we expect will approximately double the earning power behind a client's portfolio within five years.

We believe that our concentration in generally less cyclical businesses reduces risk relative to the broad market averages. In the four down years experienced in the market during our history (1977, 1981, 1990 and 2000) the S&P 500 declined approximately 7.4%, 5.0%, 3.1% and 9.1%, respectively. In those years, the pre-fee returns for our U.S. Equity Composite were 16.0%, 10.8%, 13.2% and -1.3%, respectively.

PORTFOLIO EARNING POWER



Developing communications and reporting practices to serve our clients worldwide



CLIENT SERVICE AND ASSET GATHERING



Our business is based on a clientele that is primarily relationship oriented. Most of our existing clients have been referred to us by other clients or by our strategic marketing partners.

In addition, our clients are predominantly high net-worth individuals. Approximately 60% of our assets under management relate to high net-worth individuals and another approximately 30% relate to foundations, charities or other institutions associated with these individuals.

We have worked hard at building these client relationships and intend to work even harder to keep them. About 70% of the assets we currently manage have been with us for over five years. In the 1995–1999 period our average retention rate exceeded 95%, although in 2000 it dropped to approximately 91%.

Over the past two years we have put together a new, internal client service and asset gathering team by acquiring one of our two most successful and experienced external, strategic marketing partners and reaching agreement in principle to acquire the other. As a result we now have client service and asset gathering professionals operating in each of the United States, Europe and Asia.

With this team we are leveraging the potential of our existing client base and our other external marketing partners to accelerate the future growth of assets under management.

We are working to improve client communications in all forms; to enhance support for our external marketing partners; to broaden the availability of our investment advisory services through new pooled funds in Europe and the United States; and to develop a wealth management referral system to help clients in the selection of quality professionals in such areas as law, accounting and insurance.

We have a mission to grow clients' assets at approximately 15% compounded annually over each five-year period. We also have a mission to provide clients and their professional advisers with the highest possible level of service.

ASSETS UNDER MANAGEMENT—U.S./NON-U.S.
U.S. dollars in millions - December 31, 2000

U.S. Clients.....	\$ 8,037
Non-U.S. Clients	2,287
Total	<u>\$10,324</u>

Building long-term value for clients and shareholders requires an effective support infrastructure covering many areas of administration and operations. At W.P. Stewart we maintain a highly trained and experienced team of professionals to support the investment and client service functions in the Company.

Information systems and communication technology are key factors in our day to day operations. We have a strong team guiding and administering our technology support systems that effectively link our people and operations wherever these might be.

Our trading personnel within W.P. Stewart Securities Limited, our broker-dealer subsidiary,

administer the implementation of investment decisions in a tested and proven cost effective manner. Our fund administration and new account administration staff provide important support to the many elements of client account record-keeping and reporting.

The finance and legal teams support and strengthen the very integrity of the Company, including its systems, procedures and controls, which is of paramount importance to our clients and shareholders.

And our general office staff assists in the day to day activities of all our employees in their work and in their interaction with clients.

Our people are our strength.



Strong
PROFESSIONAL
Support



CLIENT ASSETS UNDER MANAGEMENT
HISTORICAL SUMMARY
(U.S. dollars in millions)

	As of and for the year ended December 31,			
	2000	1999	1998	1997
ASSETS UNDER MANAGEMENT:				
Beginning Assets Under Management	\$12,255	\$11,157	\$ 8,562	\$ 6,396
Ending Assets Under Management	\$10,324	\$12,255	\$11,157	\$ 8,562
NET FLOWS OF ASSETS UNDER MANAGEMENT:				
Existing Accounts				
Contributions	\$ 750	\$ 814	\$ 1,007	\$ 747
Withdrawals	(1,344)	(1,345)	(1,426)	(1,086)
Net Flows to Existing Accounts	(594)	(531)	(419)	(339)
Accounts Opened	277	859	552	437
Accounts Closed	(999)	(259)	(57)	(65)
Net Flows of Assets Under Management	\$(1,316)	\$ 69	\$ 76	\$ 33
ACCOUNT RETENTION:				
Number of Accounts at Beginning of Period	2,383	1,980	1,598	1,319
Number of Accounts Closed During Period	221	98	43	47
Retention Rate	90.7%	95.1%	97.3%	96.4%
ASSETS UNDER MANAGEMENT BY RELATIONSHIP TYPE:				
Value of Assets:				
Direct Relationship	\$ 9,320	\$11,061	\$10,135	\$ 7,645
Consultant Relationship	1,004	1,194	1,022	917
Total	\$10,324	\$12,255	\$11,157	\$ 8,562
Number of Accounts:				
Direct Relationship	2,136	2,221	1,865	1,496
Consultant Relationship	210	162	115	102
Total	2,346	2,383	1,980	1,598

SELECTED FINANCIAL DATA

The following table sets forth selected financial and unaudited other data for W.P. Stewart & Co., Ltd. and its subsidiaries and predecessors for the periods and as of the dates indicated. The data set forth below are presented on a consolidated or a combined/consolidated basis.

The income statement and balance sheet data set forth below as of and for the years ended December 31, 2000, 1999, 1998, 1997 and 1996 are derived from our audited financial statements. The financial data set forth below should be read in conjunction with "Operating and Financial Review and Prospects" and the combined/consolidated audited financial statements and related notes of W.P. Stewart & Co., Ltd. and its subsidiaries and predecessors included elsewhere in this annual report.

	As of, and for the year ended, December 31, ⁽¹⁾				
	2000	1999	1998	1997	1996
(In thousands, except per share data)					
INCOME STATEMENT DATA:					
Revenues:					
Fees	\$149,351	\$153,307	\$121,043	\$ 88,580	\$61,622
Commissions.....	48,273	35,511	27,574	20,379	15,941
Interest and Other.....	5,680	4,501	3,662	1,719	1,423
	203,304	193,319	152,279	110,678	78,986
Expenses:					
Employee Compensation and Benefits.....	38,546	37,385	29,718 ⁽²⁾	34,446	25,746
Marketing Fees	10,581	13,916	11,480	6,572	3,848
Commissions, Clearance and Trading.....	9,412	7,973	7,743	5,816	5,340
Research and Administration.....	14,523	13,775	11,195	9,468	6,726
Depreciation and Amortization	7,538	3,918	493	553	160
Other Operating	12,529	13,187	10,430	4,300	2,190
	93,129	90,154	71,059	61,155	44,010
Income Before Taxes.....	110,175	103,165	81,220	49,523	34,976
Provision for Taxes ⁽³⁾	11,029	8,410	8,654	3,854	3,210
Net Income	\$ 99,146	\$ 94,755	\$ 72,566	\$ 45,669	\$31,766
Earnings Per Share⁽⁴⁾:					
Basic Earnings Per Share	\$ 2.37	\$ 2.37	\$ 1.89	\$ 1.26	\$ 1.11
Diluted Earnings Per Share	\$ 2.18	\$ 2.21	\$ 1.80	\$ 1.23	\$ 1.06
BALANCE SHEET DATA:					
Total Assets.....	\$115,537	\$ 72,721	\$ 43,258	\$ 18,507	\$10,958
Total Liabilities	\$ 32,705	\$ 33,820	\$ 26,179	\$ 2,890	\$ 4,033
Shareholders' Equity	\$ 82,832	\$ 38,901	\$ 17,079	\$ 15,617	\$ 6,925
OTHER DATA (UNAUDITED):					
Cash Earnings Per Share (diluted) ⁽⁵⁾	\$ 2.33	\$ 2.29	\$ 1.81	\$ 1.24	\$ 1.06
Cash Dividends Per Share	\$ 1.73	\$ 1.94	\$ 1.72	\$ 1.08	\$ 1.09

(1) Beginning in 1996, the results of operations of Capital Managers Limited are included in our results of operations. Capital Managers Limited, a Bermuda company, was merged into W.P. Stewart & Co., Ltd. on October 30, 1998. Capital Managers Limited, which was incorporated in August 1996, was the owner of 100% of the outstanding shares of W.P. Stewart Securities Limited, a Bermuda-based broker-dealer, beginning on July 1, 1997. Capital Managers Limited acquired effective control of W.P. Stewart Asset Management Ltd., a Bermuda-based investment advisory subsidiary, on December 30, 1996. Accordingly, W.P. Stewart Asset Management Ltd. has been consolidated with Capital Managers Limited for financial statement purposes.

(2) In 1998, the percentage of operating profit allocated to compensation was reduced as part of a generational transition by which the founding partners reduced their participation and increased participation was given to the next generation of managers. This transition involved retirements, reassignments, reallocation of compensation and an increase in equity participation in our company. See "Operating and Financial Review and Prospects".

(3) Prior to June 30, 1998, our U.S. predecessor company operated as an S Corporation under the provisions of the Internal Revenue Code and, accordingly, was not subject to U.S. federal income tax; however, it was subject to certain state and local income taxes.

(4) Common shares purchased by our employees are subject to vesting. For treatment of non-vested common shares see Note 4 of "Notes to the Combined/Consolidated Financial Statements".

(5) Cash earnings per share (diluted) is calculated by adding depreciation and amortization, net of taxes, to net income and dividing that amount by the number of weighted average diluted shares outstanding.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

OVERVIEW

W.P. Stewart & Co., Ltd., together with its subsidiaries, is a research-focused investment counselor that manages assets for high net-worth individuals and institutions located throughout the world. Our principal source of revenues is investment advisory fees and, accordingly, fluctuations in financial markets and client contributions and withdrawals have a direct effect on revenues and net income. Significant components of our expenses are variable in nature and partially offset fluctuations in revenue.

Advisory fees are computed quarterly based on account market values and fee rates pursuant to investment advisory contracts with clients. Clients are billed quarterly, in advance.

Commission revenues earned on our brokerage activities, substantially all of which relate to client accounts, vary directly with account trading activity and new account generation. Transaction costs are reviewed quarterly and are competitive.

Interest and other revenues primarily include interest earned on notes receivable for employee purchases of common shares, interest earned on our cash management activities and equity income relating to our investments in unconsolidated affiliates.

We provide competitive rewards to our employees through our compensation and benefits policy, together with our employee equity ownership practices. Employee compensation and benefits are our largest operating expense, the most significant component of which is compensation paid to our research analysts/portfolio managers. Compensation for all employees varies with operating profit. At the beginning of each year, each employee is allocated a participation in our compensation pool. Compensation paid depends upon our actual operating profit (as adjusted for amortization of intangibles and retirement benefits). We review from time to time the percentage of operating profit made available for the compensation pool and review annually the allocation of the compensation pool among all employees.

Marketing fees are fees paid to select banks, investment firms and individuals in at least 10 countries with whom we have formal marketing arrangements that make up our network of symbiotic marketers. We consider the banks, investment firms and individuals who gather assets for us to be symbiotic marketers of our services because of the mutual benefits that flow from the relationship—they are able to offer premier equity investment management services to their clients and we are able to extend the reach of our asset-gathering efforts. These marketing fees are based on the market value of referred accounts and vary based on new account generation and fluctuations in the market value of referred accounts.

Commissions, clearance and trading expenses include fees paid at the direction of clients to consultants based on commissions

relating to referred accounts, and clearance and trading fees incurred related to the brokerage activities. These transaction-related costs vary directly with trading activity.

Research and administration expenses include research, travel and entertainment, communications, occupancy and equipment.

Other operating expenses include professional fees consisting of accounting, auditing, tax, legal and consulting fees and charitable contributions. A significant component of professional fees for the year ended December 31, 2000 was nonrecurring and was related to our global expansion, and for the year ended December 31, 1999 was nonrecurring and was related to our global consolidation and our preparation for our initial public offering in December, 2000.

The income tax status of the W.P. Stewart group of companies has changed significantly since 1997. Prior to July 1, 1997, our brokerage activities were conducted through our U.S. predecessor company which then operated as an S Corporation under the provisions of the Internal Revenue Code of 1986, as amended, and, accordingly, the operating results were subject to U.S. federal income tax at the shareholder level and not at the corporate level. Since July 1, 1997, the brokerage activities have been performed in Bermuda by a subsidiary incorporated as an exempt company under the laws of Bermuda and are not subject to U.S. taxes.

Prior to our merger with our U.S. predecessor company as of July 1, 1998, our investment advisory and research activities were performed primarily through our U.S. predecessor company which operated as an S Corporation under the provisions of the Internal Revenue Code and, accordingly, the operating results were subject to U.S. federal income tax at the shareholder level and not at the corporate level. Since our merger with our U.S. predecessor company, the investment advisory activities have been performed by W.P. Stewart & Co., Ltd. and certain subsidiaries incorporated as exempt companies under the laws of Bermuda. A significant component of the operating profits of these subsidiaries, which are derived from activities outside of the United States, is not expected to be subject to U.S. federal income tax.

Also since our merger with our U.S. predecessor company, research and sub-advisory activities have been conducted by W.P. Stewart & Co., Inc., which operates as a C Corporation and whose operating results are subject to U.S. federal, state and local tax at the corporate level.

All of our employees are given the opportunity to become shareholders during their first year of employment with us. As a result, virtually all of our employees are shareholders of W.P. Stewart & Co., Ltd. and all participate in the results of our operations.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

(continued)

RESULTS OF OPERATIONS**Year Ended December 31, 2000 as Compared to Year Ended December 31, 1999***Assets Under Management*

Assets under management decreased \$2.0 billion or 16.3% to \$10.3 billion at December 31, 2000 from \$12.3 billion at December 31, 1999. The decrease in assets under management included depreciation of \$700 million, net outflows from existing accounts of \$1.3 billion and closed accounts of \$1.0 billion, which were partially offset by new accounts of \$250 million and contributions to existing accounts of \$750 million.

Revenues

Revenues for the year ended December 31, 2000 increased \$10.0 million or 5.2% to \$203.3 million from \$193.3 million earned during the year ended December 31, 1999. The changes were due to a \$4.0 million or 2.6% decrease in fee revenue, a \$12.8 million or 35.9% increase in commission revenue and an increase of \$1.2 million in interest and other revenues. Interest and other revenues increased due to an increase of approximately \$1.0 million from our proportionate earnings of two of our unconsolidated affiliates, and more efficient utilization of cash on hand. The average fee earned from client accounts, including performance fees that applied to two accounts, decreased to 1.27% at December 31, 2000 from 1.31% at December 31, 1999 due to a slight change in client account mix to larger accounts with lower fees. The increase in commission revenue was primarily due to a reallocation of and a rebalancing in accounts during the year.

Expenses

Expenses, excluding income taxes, for the year ended December 31, 2000 increased \$2.9 million or 3.3% to \$93.1 million from \$90.2 million incurred during the year ended December 31, 1999. The changes were primarily due to a decrease in variable expenses, including a decrease of \$3.3 million in fees paid to marketers, which are directly related to assets under management of referred accounts, and an increase of \$1.4 million in commissions, clearance and trading costs, which vary with account activity. Other operating expenses decreased \$0.7 million, primarily due to a \$2.5 million reimbursement received from the selling shareholders in connection with our initial public offering. Employee compensation and benefits increased \$1.2 million due to an increase in adjusted operating profit. Research and administration increased \$0.7 million, reflecting a substantial reduction in administrative costs related to our global expansion.

Depreciation and amortization increased \$3.6 million. Included in depreciation and amortization is amortization of intangibles of \$1.4 million of assets acquired (customer list and goodwill) related to our global expansion activities. Depreciation expense associated with our aircraft was \$5.5 million.

Income tax expense increased \$2.6 million to \$11.0 million in 2000 from \$8.4 million in 1999 due to the Company's effective tax rate increasing to 10% in 2000 from 8.2% in 1999.

Net Income

Net income for the year ended December 31, 2000 increased \$4.3 million or 4.6% to \$99.1 million from \$94.8 million earned during the year ended December 31, 1999 as a result of the items described above.

Year Ended December 31, 1999 as Compared to Year Ended December 31, 1998*Assets Under Management*

Assets under management increased \$1.1 billion or 9.8% to \$12.3 billion at December 31, 1999 from \$11.2 billion at December 31, 1998. The increase in assets under management included appreciation of \$1.0 billion and net new assets of \$0.1 billion. Gross new assets generated included new accounts of \$859 million and contributions to existing accounts of \$814 million which were partially offset by closed accounts of \$259 million and withdrawals of \$1.3 billion.

Revenues

Revenues for the year ended December 31, 1999 increased \$41.0 million or 26.9% to \$193.3 million from \$152.3 million earned during the year ended December 31, 1998. The increase was due to a \$32.3 million or 26.7% increase in fee revenue, a \$7.9 million or 28.8% increase in commission revenue and an increase of \$0.8 million in interest and other revenues. The increase in fee revenue was primarily due to a 22% increase in average assets under management, an increase in the average fee rate from client accounts, including performance fees that applied to two accounts, from 1.24% to 1.31%, and the fee revenue earned by an entity acquired during 1999. Commission revenue increased primarily due to activity in new accounts.

Expenses

Expenses, excluding income taxes, for the year ended December 31, 1999 increased \$19.1 million or 26.9% to \$90.2 million from \$71.1 million incurred during the year ended December 31, 1998. The increase was primarily due to an increase in variable expenses, including increases of \$2.4 million in fees paid to marketers, which are directly related to assets under management of referred accounts, and an increase of \$0.2 million in commissions, clearance and trading costs, which vary with account activity. Employee compensation and benefits increased \$7.7 million due to an increase in adjusted operating profit. Research and administration and other operating expenses increased \$2.6 million and \$2.8 million, respectively, due to our global consolidation activities.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

(continued)

Depreciation and amortization increased \$3.4 million. Included in depreciation and amortization is amortization of intangibles of \$0.3 million of assets acquired (customer list and goodwill) related to our global expansion activities. Depreciation expense associated with the aircraft was \$3.2 million.

Income tax expense decreased \$0.3 million to \$8.4 million in 1999 from \$8.7 million in 1998 due to the Company's effective tax rate decreasing to 8.2% in 1999 from 10.7% in 1998.

Net Income

Net income for the year ended December 31, 1999 increased \$22.2 million or 30.6% to \$94.8 million from \$72.6 million earned during the year ended December 31, 1998 as a result of the items described above.

Liquidity and Capital Resources

Our financial condition is highly liquid with principal assets including cash, short-term investments and receivables from clients. Short-term investments are primarily money market instruments. Liabilities include operating payables and accrued compensation. Our investment advisory activities do not require us to maintain significant capital balances. However, the activities of W.P. Stewart Securities Limited, our Bermuda-based broker-dealer, and the sub-advisory activities of W.P. Stewart & Co. (Europe), Ltd., our London-based research affiliate, require us to maintain certain minimum levels of capital.

We continually monitor and evaluate the adequacy of the capital maintained for our brokerage and sub-advisory activities. W.P. Stewart Securities Limited and W.P. Stewart & Co. (Europe), Ltd. have consistently maintained net capital in excess of the regulatory requirements prescribed by the Securities and Exchange Commission and the Investment Management Regulatory Organisation Limited, respectively, as well as by other regulatory authorities. Historically, we have met our liquidity requirements with cash generated from our operations.

In 1998, we became a 40% joint venture owner of a building in Hamilton, Bermuda which is our headquarters building. Capital expenditures associated with the building approximated \$2.5 million during 1998 and 1999.

In addition, in 1998 a newly-formed limited liability company wholly owned by us acquired, by assignment, the rights and obligations of Shamrock Aviation, Inc., a company controlled by certain shareholders of W.P. Stewart & Co., Ltd., under a purchase agreement to buy a Challenger aircraft for \$22.5 million. The aircraft was placed in service on April 8, 1999. General Electric Capital Corporation is financing the aircraft with 10-year, amortizing loans with fixed rates that range from 6.87% to 7.35%. During 1999, we paid \$22.5 million under the purchase agreement, of which General Electric Capital Corporation provided \$19.6 million under the loans. A company under common control with Shamrock Aviation, Inc., controlled by certain shareholders of W.P. Stewart & Co., Ltd., operates the Challenger aircraft for us. We are charged actual cost of operations for such operating services. We believe that ownership of this aircraft enables us to efficiently manage the heavy travel schedules of our investment and research professionals, at rates more favorable to us than would be charged by an unaffiliated charterer.

We believe that our cash flow from operations is sufficient to meet our debt and other obligations as they come due as well as anticipated capital requirements.

Inflation

Our assets are largely liquid in nature and therefore not significantly affected by inflation. However, the rate of inflation may affect our expenses, such as information technology and occupancy costs which may not be readily recoverable in the pricing of the services that we provide. To the extent inflation results in rising interest rates and has other negative effects upon the securities markets, it may adversely affect our financial position and results of operations.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31,		
	2000	1999	1998
ASSETS:			
Cash and cash equivalents	\$ 56,764,420	\$ 24,791,813	\$ 9,132,255
Fees receivable	3,277,399	2,124,435	4,452,611
Fees receivable—affiliates	2,718,058	1,271,211	53,850
Receivable from broker-dealer	1,605,520	2,187,133	2,326,223
Investments in unconsolidated affiliates (net of accumulated amortization of \$0, \$135,334 and \$0 for 2000, 1999 and 1998, respectively)	3,649,298	7,189,982	1,261,454
Receivables from affiliates, net	318,755	249,005	125,465
Investments, available for sale (cost \$575,140, \$571,840 and \$571,840 for 2000, 1999 and 1998, respectively)	1,025,458	589,710	607,580
Investments in aircraft (net of accumulated depreciation of \$8,706,682, \$3,208,316 and \$0 for 2000, 1999 and 1998, respectively)	13,744,793	19,243,159	20,682,075
Goodwill (net of accumulated amortization of \$691,120, \$97,714 and \$0 for 2000, 1999 and 1998, respectively)	10,419,127	2,900,472	—
Customer lists (net of accumulated amortization of \$1,011,819, \$54,107 and \$0 for 2000, 1999 and 1998, respectively)	14,344,573	3,561,775	—
Furniture, equipment and leasehold improvements (net of accumulated depreciation and amortization of \$1,325,482, \$676,273 and \$349,440 for 2000, 1999 and 1998, respectively)	4,944,497	3,709,851	1,855,948
Interest receivable on shareholders' notes	366,030	536,365	380,155
Other assets	2,358,663	4,365,947	2,380,809
	\$115,536,591	\$ 72,720,858	\$ 43,258,425
LIABILITIES AND SHAREHOLDERS' EQUITY:			
Liabilities:			
Loans payable	\$ 18,646,226	\$ 19,157,645	\$ 17,340,000
Employee compensation and benefits payable	447,973	1,781,169	—
Marketing fees payable	2,261,591	2,010,470	1,554,664
Marketing fees payable—affiliates	1,274,955	1,848,084	416,093
Taxes payable	1,324,017	2,102,072	3,404,000
Professional fees payable	3,448,332	2,832,234	2,389,685
Dividends payable	10,643	59,853	—
Accrued expenses and other liabilities	5,291,236	4,028,149	1,074,351
	32,704,973	33,819,676	26,178,793
Commitments and contingencies			
Shareholders' equity:			
Common shares (see Notes 1 and 2) \$0.001 par value (125,000,000 shares authorized, 47,912,112, 47,225,336 and 43,255,656 shares issued and outstanding for 2000, 1999 and 1998, respectively)	47,912	47,225	43,256
Subscriptions for common shares	4,036,200	—	—
Additional paid-in capital	101,482,513	81,646,968	37,069,794
Contingently returnable shares (2,601,699, 2,600,665 and 0 shares for 2000, 1999 and 1998, respectively)	(35,541,596)	(28,061,175)	—
Accumulated other comprehensive income	217,413	(13,920)	—
Retained earnings	31,630,834	10,922,661	1,998,118
	101,873,276	64,541,759	39,111,168
Less: shareholders' notes receivable	(15,005,458)	(25,640,577)	(22,031,536)
Less: subscriptions receivable	(4,036,200)	—	—
	82,831,618	38,901,182	17,079,632
	\$115,536,591	\$ 72,720,858	\$ 43,258,425

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

COMBINED / CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31,		
	2000	1999	1998
Revenue:			
Fees	\$149,350,452	\$153,306,676	\$121,043,040
Commissions	48,273,444	35,510,982	27,574,389
Interest and other	5,679,876	4,500,782	3,662,084
	203,303,772	193,318,440	152,279,513
Expenses:			
Employee compensation and benefits	38,545,634	37,385,006	29,718,220
Marketing fees	10,581,144	13,915,886	11,480,163
Commissions, clearance and trading.....	9,411,648	7,973,290	7,743,118
Research and administration	14,522,756	13,774,753	11,194,758
Depreciation and amortization.....	7,537,669	3,917,782	493,581
Other operating.....	12,529,425	13,187,190	10,429,558
	93,128,276	90,153,907	71,059,398
Income before taxes	110,175,496	103,164,533	81,220,115
Provision for taxes.....	11,029,612	8,409,958	8,654,000
Net income.....	\$ 99,145,884	\$ 94,754,575	\$ 72,566,115
Earnings per share:			
Basic earnings per share	\$ 2.37	\$ 2.37	\$ 1.89
Diluted earnings per share	\$ 2.18	\$ 2.21	\$ 1.80

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

COMBINED / CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2000	1999	1998
Cash flows from operating activities:			
Net income	\$ 99,145,884	\$ 94,754,575	\$ 72,566,115
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,537,669	3,917,782	493,581
Equity in income of unconsolidated affiliates	(500,575)	(445,150)	—
Changes in operating assets and liabilities:			
Fees receivable	(2,599,811)	1,110,815	(475,098)
Receivable from broker-dealer	581,613	139,090	(1,934,043)
Investments owned, at market	—	17,870	1,935,170
Other assets	1,794,758	(1,714,946)	(1,800,758)
Employee compensation and benefits payable	(1,333,196)	1,781,169	—
Marketing fees payable	(322,008)	1,887,797	997,059
Taxes payable	(778,055)	(1,301,928)	3,095,500
Professional fees payable	616,098	442,549	2,018,073
Accrued expenses and other liabilities	1,263,087	2,953,798	(162,092)
Net cash provided by operating activities	105,405,464	103,543,421	76,733,507
Cash flows (used in) investing activities:			
Investments in unconsolidated affiliates	—	(929,963)	(570,114)
Investments, available for sale	(3,300)	—	—
Purchase of intangible assets	(3,374,363)	(3,789,900)	—
Receivables from affiliates, net	(69,750)	(123,540)	221,393
Investment in aircraft	—	(1,769,400)	(20,682,075)
Purchase of furniture, equipment and leasehold improvements	(1,858,166)	(2,276,215)	(947,756)
Net cash (used in) investing activities	(5,305,579)	(8,889,018)	(21,978,552)
Cash flows (used for) financing activities:			
Proceeds from loans payable	—	2,280,000	17,340,000
Payments on loans payable	(511,419)	(462,355)	—
Proceeds from issuance of common shares	770,641	708,867	401,848
Repurchase of common shares	(106,020)	—	—
Proceeds from notes receivable for common shares	10,237,220	4,418,952	2,779,955
Interest receivable on shareholders' notes	170,335	(156,210)	(105,547)
Distributions and dividends to shareholders	(78,486,921)	(85,770,179)	(74,285,147)
Net cash (used for) financing activities	(67,926,164)	(78,980,925)	(53,868,891)
Effect of exchange rate changes in cash	(201,114)	(13,920)	—
Net increase in cash and cash equivalents	31,972,607	15,659,558	886,064
Cash and cash equivalents, beginning of year	24,791,813	9,132,255	8,246,191
Cash and cash equivalents, end of year	\$ 56,764,420	\$ 24,791,813	\$ 9,132,255
Supplemental disclosures of cash flows information:			
Cash paid during the period for:			
Income taxes	\$ 10,118,293	\$ 7,773,786	\$ 5,849,535
Interest expense	\$ 1,307,480	\$ 1,301,584	\$ —

Supplemental Schedule of Non-cash Investing and Financing Activities:

As discussed in Note 2, in 2000 20% of the original shares issued in connection with our acquisitions of NS Money Management (Bermuda) Limited, First Long Island Investors, Inc. and TPRS Services N.V. ceased to be subject to repurchase, and were recorded with a fair value of \$2,340,553, \$3,124,800 and \$2,999,808, respectively. In addition, as discussed in Note 2, the Company issued common shares with a fair value of \$3,623,928 to acquire the remaining 50% of TPRS Services N.V. In 1999 the Company issued common shares with a fair value of \$1,939,675, \$2,589,600, \$2,486,016 and \$299,628 to acquire its investments in NS Money Management (Bermuda) Limited, First Long Island Investors, Inc., TPRS Services N.V. and Bowen Asia Limited, respectively.

As discussed in Note 10, the Company issued common shares for notes receivable for the years ended December 31, 2000, 1999 and 1998, in the amounts of \$1,400,861, \$12,736,845 and \$5,248,871, respectively, and cancelled outstanding notes of \$1,798,760 and \$4,708,852 for the years ended December 31, 2000 and 1999, respectively.

At December 31, 2000 and 1999, the Company had dividends payable to shareholders of \$10,643 and \$59,853, respectively.

As discussed in Note 9, the Company had subscriptions for 310,000 common shares at December 31, 2000.

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

COMBINED / CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2000, 1999 and 1998

	Common Shares	
	Shares	Amount
Balance at December 31, 1997	13,995,912	\$ 108,468
W.P. Stewart & Co., Inc. retired shares	(3,498,978)	(3,499)
Issuance of common shares, at \$0.001 par value W.P. Stewart & Co., Ltd.	29,321,436	29,321
Issuance of common shares, at \$0.01 par value Capital Managers Limited		
Cash	3,407,371	34,074
Notes receivable		
Capital Managers merger common shares par value adjustment		(125,138)
W.P. Stewart & Co., Inc. merger.....		
Net income		
Dividends and distributions		
Issuance of common shares, at \$0.001 par value W.P. Stewart & Co., Ltd.	29,915	30
Proceeds from notes receivable for common shares		
Balance at December 31, 1998	43,255,656	43,256
Issuance of common shares, at \$0.001 par value		
Acquisitions	3,346,552	3,346
Cash	60,717	60
Notes receivable	1,144,500	1,145
Cancellation of common shares, at \$0.001 par value	(582,089)	(582)
Net income		
Dividends		
Other comprehensive income.....		
Proceeds from notes receivable for common shares		
Balance at December 31, 1999	47,225,336	47,225
Issuance of common shares, at \$0.001 par value		
Acquisitions	814,000	814
Cash	59,189	59
Notes receivable	107,593	108
Subscriptions for common shares.....		
Contingently returnable shares, no longer subject to repurchase		
Repurchase of common shares, at \$0.001 par value	(8,143)	(8)
Cancellation of common shares, at \$0.001 par value	(285,863)	(286)
Net income		
Dividends		
Other comprehensive income.....		
Proceeds from notes receivable for common shares		
Subscriptions receivable		
Balance at December 31, 2000.....	47,912,112	\$ 47,912

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

Subscriptions	Additional Paid-In Capital	Contingently Returnable Shares	Accumulated Other Comprehensive Income	Retained Earnings	Notes Receivable	Total
\$ —	\$ 28,358,002	\$ —	\$ —	\$ 6,712,981	\$ (19,562,620)	\$ 15,616,831
	3,499					—
	(29,321)					—
	367,774					401,848
	5,248,871				(5,248,871)	—
	125,138					—
	2,995,831			(2,995,831)		—
				72,566,115		72,566,115
				(74,285,147)		(74,285,147)
						30
					2,779,955	2,779,955
—	37,069,794	—	—	1,998,118	(22,031,536)	17,079,632
	35,840,937	(28,061,175)				7,783,108
	708,807					708,867
	12,735,700				(12,736,845)	—
	(4,708,270)				4,708,852	—
				94,754,575		94,754,575
				(85,830,032)		(85,830,032)
			(13,920)			(13,920)
					4,418,952	4,418,952
—	81,646,968	(28,061,175)	(13,920)	10,922,661	(25,640,577)	38,901,182
	18,118,826	(14,495,712)				3,623,928
	770,582					770,641
	1,400,753				(1,400,861)	—
4,036,200						4,036,200
	1,449,870	7,015,291				8,465,161
	(106,012)					(106,020)
	(1,798,474)				1,798,760	—
				99,145,884		99,145,884
				(78,437,711)		(78,437,711)
			231,333			231,333
					10,237,220	10,237,220
(4,036,200)						(4,036,200)
\$ —	\$101,482,513	\$(35,541,596)	\$217,413	\$31,630,834	\$(15,005,458)	\$82,831,618

NOTES TO THE COMBINED/CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PRESENTATION

The accompanying combined/consolidated financial statements of W.P. Stewart & Co., Ltd., formerly Global Reach Limited, a Bermuda exempt company incorporated on August 16, 1996 and a registered investment adviser under the United States of America (“US”) Investment Advisers Act of 1940, as amended (“WPS & Co., Ltd.”) and, together with its subsidiaries and predecessors, the “Company”) are presented on a combined/consolidated basis and include the historical operations of the Company.

For the year ended December 31, 1998, the Company’s combined/consolidated statement of operations includes the statement of operations of W.P. Stewart & Co., Inc. for the period from January 1, 1998 through June 30, 1998 and the consolidated statement of operations of W.P. Stewart & Co., Ltd. for the period from July 1, 1998 through December 31, 1998 combined with the consolidated statement of operations of Capital Managers Limited (formerly W.P. Stewart & Co., Ltd.) for the period from January 1, 1998 through October 31, 1998. (See Note 2)

NOTE 2: BACKGROUND AND ORGANIZATION

For the years ended December 31, 2000, 1999 and 1998, the combined/consolidated Company consisted of several worldwide affiliated entities under common control, which provide investment advisory and related securities brokerage services. The Company’s revenues will fluctuate based upon the market performance of its client’s investments in US and European financial markets. The background and organization of the entities presented in the Company’s combined/consolidated financial statements is as follows:

The Company’s subsidiaries and affiliates include:

- W.P. Stewart Asset Management Ltd. (“WPSAM”), formerly W.P. Stewart & Company, Limited, a wholly-owned subsidiary, which was incorporated in Bermuda on July 10, 1995 and is an investment adviser for clients throughout the world.
- W.P. Stewart Securities Limited (“WPSSL”), a wholly-owned subsidiary, incorporated as an exempt company under the laws of Bermuda on January 2, 1996. WPSSL acts as an introducing broker, clearing all transactions with, and for, customers of its affiliates on a fully-disclosed basis through an independent clearing broker. WPSSL is a registered broker-dealer under the US Securities Exchange Act of 1934, as amended, and is a member of the National Association of Securities Dealers.
- W.P. Stewart Fund Management Limited (“WPS Dublin”), a wholly-owned subsidiary of WPSAM, was incorporated in Ireland on January 27, 1997. The primary business of WPS Dublin is providing management and administrative services to investment funds. WPS Dublin is the manager of W.P. Stewart Funds plc and W.P. Stewart Global Fund plc, two umbrella-type open-ended investment companies regulated by the Central Bank of Ireland.

- W.P. Stewart & Co., Inc. (“WPSI”), formerly WPS III, Inc., which was incorporated in Delaware on May 15, 1998 and became a wholly-owned subsidiary of WPS & Co., Ltd. on June 30, 1998. WPSI is a registered investment adviser under the US Investment Advisers Act of 1940. Its principal business is to provide investment research and sub-advisory services to the Company.
- W.P. Stewart & Co. (Europe), Ltd. (“WPS Europe”) formerly W.P. Stewart Global Management, Ltd., is a wholly-owned subsidiary of the Company and was formed on September 14, 1998 in the United Kingdom under the laws of England and Wales, as a private limited company. WPS Europe is a member of and regulated by the Investment Management Regulatory Organisation Limited (“IMRO”). Its principal business is to provide investment research and sub-advisory services to the Company.
- WPS Aviation Holdings LLC (“WPS Aviation”) was formed in Delaware on November 12, 1998, and is a wholly-owned subsidiary of WPSI.
- W.P. Stewart & Co., Inc. (“Historic WPS”) was incorporated in Delaware on August 2, 1973. Historic WPS was a registered investment adviser under the US Investment Advisers Act of 1940 and provided investment management services to high net worth individuals and institutions from its inception until it ceased operations on June 30, 1998.
- Global Reach Limited (“Global Reach”), a Bermuda holding company, was incorporated as an exempt company under the laws of Bermuda on August 16, 1996. On October 21, 1997, Global Reach changed its name to W.P. Stewart & Co., Ltd. (“WPSCL”) and on March 13, 1998, WPSCL changed its name to Capital Managers Limited (“Capital Managers”).

Global Consolidation Activities

On June 30, 1998, the shareholders of Historic WPS exchanged all 3,498,978 of their shares for 29,321,436 shares (an exchange ratio of 8.38:1) of WPS II, Inc. WPS II, Inc. is a holding company that is owned ratably by the former shareholders of Historic WPS. Tendered shares of Historic WPS were retired, and WPS II, Inc. thus became the sole shareholder of Historic WPS.

In an amalgamation and merger effective July 1, 1998, WPS II, Inc. transferred all of its net operating assets and the continuing investment management business of Historic WPS to WPS & Co., Ltd., the surviving entity. In exchange, WPS II, Inc. received 29,321,436 shares of WPS & Co., Ltd.

On October 30, 1998, Capital Managers merged into WPS & Co., Ltd. WPS & Co., Ltd. exchanged its shares, on a one-for-one basis, for all outstanding shares of Capital Managers and remained in existence as the surviving entity. As a result of the merger, on October 30, 1998, WPS & Co., Ltd. became the sole owner of all of the subsidiary entities of Capital Managers.

NOTES TO THE COMBINED / CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Recent Acquisitions

On May 19, 1999, the Company consummated its acquisition of 50% of the capital stock of TPRS Services N.V. ("TPRS"), a newly formed Curaçao company that is engaged in marketing of investment services, in exchange for 1,152,000 common shares of the Company, subject to repurchase provisions. On December 29, 2000 the Company consummated its acquisition of the remaining 50% of TPRS in exchange for 814,000 common shares of the Company, subject to repurchase provisions.

On June 1, 1999, the Company consummated its acquisition of all of the outstanding capital shares of NS Money Management (Bermuda) Limited, currently known as NS Money Management Ltd. ("NSMM"), a Bermuda holding company, in exchange for 898,831 common shares of the Company, subject to repurchase provisions. NSMM operates as an investment adviser for clients located throughout the world.

On October 1, 1999, the Company consummated its acquisition of all of the outstanding capital stock of First Long Island Investors, Inc. ("FLII") a newly formed company engaged in marketing of investment services, in consideration for 1,200,000 common shares of the Company, subject to repurchase provisions. Operations of this entity continue under the name W.P. Stewart Asset Management (NA), Inc.

The repurchase provisions of the TPRS, NSMM and FLII acquisition agreements specify that 80% of the Company's common shares issued in connection therewith can be repurchased ("contingently returnable shares") at par value by the Company up

to a maximum of 20% per year as of January 1, 2000, 2001, 2002 and 2003, except in the case of the December 29, 2000 TPRS acquisition where the reference dates are July 1, 2001, 2002, 2003 and 2004, if assets under management which were part of the acquisitions decrease below defined reference amounts at the specified dates.

The recorded purchase price for each acquisition is determined by the sum of:

1. the number of shares issued on acquisition not subject to repurchase multiplied by the fair value of each of those shares at acquisition date; and
2. the number of shares that cease to be subject to repurchase at each anniversary date multiplied by the fair value of each of those shares at that date; and
3. the cumulative cash dividends paid on shares subject to repurchase.

The shares issued in connection with the TPRS, NSMM and FLII acquisitions were initially reported in shareholders' equity (within share capital and as a contra-equity account captioned contingently returnable shares) at their issuance prices as of the dates the acquisitions were consummated. On the dates on which the contingently returnable shares cease to be subject to repurchase, the contra-equity account is relieved and any difference between the initial issue price and the then current fair value of the shares is charged or credited to additional paid-in capital. Cash dividends on shares no longer subject to repurchase are recorded as a reduction of shareholders' equity.

The following table shows information for each acquisition as of and for the year ended December 31, 2000.

Acquisition	Aggregate Number of Shares	Shares Not Subject to Repurchase	Contingently Returnable Shares	Cash Dividends Paid on		Intangible Amortization for the Year
				Contingently Returnable Shares	Purchase Price Allocation	
TPRS	1,966,000	623,600	1,342,400	\$1,195,776	\$12,208,632	\$ 534,783
NSMM	898,831	359,532	539,299	932,987	5,821,131	299,671
FLII	1,200,000	480,000	720,000	1,245,600	7,968,688	557,922
	4,064,831	1,463,132	2,601,699	\$3,374,363	\$25,998,451	\$1,392,376

The following table shows information for each acquisition as of and for the year ended December 31, 1999.

Acquisition	Aggregate Number of Shares	Shares Not Subject to Repurchase	Contingently Returnable Shares	Cash Dividends Paid on		Intangible Amortization for the Year
				Contingently Returnable Shares	Purchase Price Allocation	
TPRS	1,152,000	230,400	921,600	\$1,327,104	\$ 4,389,120	\$ 135,334
NSMM	898,831	179,766	719,065	1,035,453	2,547,591	74,305
FLII	1,200,000	240,000	960,000	432,000	3,598,288	54,107
	3,250,831	650,166	2,600,665	\$2,794,557	\$10,534,999	\$263,746

NOTES TO THE COMBINED/CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 3: ACCOUNTING POLICIES

These combined/consolidated financial statements are presented in conformity with accounting principles generally accepted in the US. The functional currency for the Company and its affiliates is the US dollar with the exception of WPS Europe for which the pound sterling is the functional currency.

The process of preparing combined/consolidated financial statements in conformity with generally accepted accounting principles in the US requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the combined/consolidated financial statements, as well as the reported amounts of revenue and expenses during the reporting periods. Actual results may differ from those estimates.

Principles of Consolidation

The Company consolidates all affiliated entities in which it has a majority ownership interest or maintains effective control. All material inter-company transactions have been eliminated.

Business Combinations

The Company's policy is to account for purchase business combinations as of the date the acquisitions are consummated.

Cash and Cash Equivalents

The Company considers cash in banks, money market funds and short-term highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. The Company custodied the majority of its cash as of December 31, 2000 and 1999 at The Bank of Bermuda, a Bermuda-domiciled bank, and is exposed to credit risk resulting from this concentration of cash.

Investments in Unconsolidated Affiliates

The Company includes its investments in the common stock of investees in which it owns between 20–50% in the caption "Investments in Unconsolidated Affiliates" and accounts for such investments under the equity method of accounting.

Investments, Available for Sale

Investments in equity securities have been classified as "available for sale" in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" and, as such, are recorded at quoted market values. Transactions are recorded on a trade date basis. Unrealized gains and losses are recorded in accumulated other comprehensive income within shareholders' equity.

Furniture, Equipment, Leasehold Improvements and Investment in Aircraft

Furniture, equipment, leasehold improvements and investment in aircraft are stated at cost less accumulated depreciation and amortization. Depreciation is computed using straight-line and accelerated methods over the estimated useful lives of the assets.

Software costs are amortized over a three year period. Leasehold improvements are amortized over the shorter of the lease term or the estimated life of the improvements. The aircraft is depreciated using an accelerated method over seven years.

Revenue Recognition*Fees*

Fees for the management of client accounts are based on terms stated in client contracts and are based upon a percentage of assets under management determined as of the last day of the prior quarter as specified in the contracts. Fees are recognized in the period in which they are earned. Included within fees are performance fees which the Company earns in accordance with specified performance terms in certain client contracts. Performance fees are recorded as of the date on which they are earned.

Commissions

Commissions on brokerage activities and related trading costs are recorded on a trade date basis.

Income Taxes

The Company uses the asset and liability method required by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"), to record income taxes. SFAS 109 states that "deferred tax assets and liabilities are recognized principally for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts". A valuation allowance is established to reduce deferred tax assets to amounts that are expected to be realized.

Foreign Currency Translation

The Company accounts for foreign currency translation in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation". Assets and liabilities are translated at the exchange rate in effect at year-end, and revenue and expenses are translated at the average rates of exchange prevailing during the year. Gains or losses resulting from foreign currency transactions are included in net income. The United States dollar effect that arises from translating the net assets of WPS Europe is recorded in accumulated other comprehensive income, a separate component of shareholders' equity.

Intangible Assets

Customer lists are amortized on a straight-line basis over 15 years. Goodwill arising from the Company's recent acquisitions (see Note 2) is accounted for by the purchase method and is amortized on a straight-line basis over 20 years. The carrying value of the intangibles acquired is reviewed for impairment whenever events or changes in circumstances indicate that they may not be recoverable based upon expectations of future undiscounted cash flows over their remaining lives. Where the undiscounted cash flow is less than the carrying amount of the asset, an impairment loss will be recognized. The loss will be the difference between the fair value of the asset and the carrying value of the asset.

NOTES TO THE COMBINED / CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Earnings Per Share

Basic earnings per share are calculated using the weighted average number of shares outstanding.

Diluted earnings per share are calculated using the treasury stock method.

Business Segments

The Company operates predominantly in one business segment, the investment advisory and asset management industry.

**Reclassification of Comparative
Financial Statements**

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

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). In June 1999, the FASB issued Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133". In June 2000, the FASB issued Statement of Financial Accounting Standards No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", which amends certain provisions of SFAS 133. These Statements establish accounting and reporting standards requiring that all derivatives, including certain derivative instruments embedded in other contracts, be recorded on the balance sheet as either an asset or liability measured at fair value and that changes in fair value be recognized currently in earnings, unless specific hedge accounting criteria are met. These Statements became effective for the Company on January 1, 2001.

In September 2000, the FASB issued Statement of Financial Accounting Standards No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities" ("SFAS 140"). SFAS 140 revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of the provisions of Statement of Financial Accounting Standards No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", without reconsideration. SFAS 140 is effective for transfers and servicing of financial assets and extinguishment of liabilities occurring after March 31, 2001. In addition, SFAS 140 is effective for recognition and reclassification of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000.

The Company does not anticipate that the application of the provisions of SFAS 133 or SFAS 140 will have a material impact on the Company's results of operations or financial position.

Effective as of January 1, 2000, the Company adopted Statement of Financial Accounting Standards No. 136, "Transfer of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others" ("SFAS 136"). This Statement did not have any impact on the Company.

NOTE 4: EARNINGS PER SHARE

	2000	1999	1998
Basic Earnings Per Share:			
Net income.....	\$99,145,884	\$94,754,575	\$72,566,115
Weighted average basic shares outstanding.....	41,873,418	40,035,574	38,374,290
Net income per share.....	\$ 2.37	\$ 2.37	\$ 1.89
Diluted Earnings Per Share:			
Net income.....	\$99,145,884	\$94,754,575	\$72,566,115
Weighted average basic shares outstanding.....	41,873,418	40,035,574	38,374,290
Add: unvested and contingently returnable shares.....	3,650,203	2,827,964	2,041,286
Weighted average diluted shares outstanding.....	45,523,621	42,863,538	40,415,576
Net income per share.....	\$ 2.18	\$ 2.21	\$ 1.80

Basic earnings per share is computed by dividing the net income applicable to common shares outstanding by the weighted average number of shares outstanding, excluding unvested employee and contingently returnable shares. Diluted earnings per share is computed using the same method as basic earnings per share, but also reflects the impact of contingently returnable shares and unvested shares issued to employees of the Company or its affiliates using the treasury stock method.

On December 31, 2000, 1999 and 1998, respectively, 47,912,112, 47,225,336 and 43,255,656 shares were issued and outstanding. The shareholders of record are entitled to full voting rights (see Note 11) and dividends on these shares; 2,515,657, 3,797,477 and 4,042,399 of these shares were unvested and held by the Company's or affiliates' employees on December 31, 2000, 1999 and 1998, respectively.

NOTE 5: COMPREHENSIVE INCOME

The following table details the components of comprehensive income as described in Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income".

	2000	1999	1998
Net income.....	\$99,145,884	\$94,754,575	\$72,566,115
Other comprehensive income, net of tax			
Unrealized gains on marketable investments.....	432,447	—	—
Foreign currency translation adjustment...	(215,034)	(13,920)	—
Comprehensive income.....	\$99,363,297	\$94,740,655	\$72,566,115

NOTES TO THE COMBINED / CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 6: INVESTMENTS IN UNCONSOLIDATED AFFILIATES

Investments in unconsolidated affiliates include the following:

	2000	1999	1998
Investment in TPRS			
Services, N.V.	\$ —	\$4,698,936	\$ —
Investment in Bowen			
Asia Limited.....	2,641,387	1,629,591	400,000
Investment in Kirk			
Management Ltd.....	1,007,911	861,455	861,454
Total.....	\$3,649,298	\$7,189,982	\$1,261,454

Bowen Asia Limited (“Bowen”), is a company incorporated in the British Virgin Islands. As of January 1, 1998 the Company held a 22.5% interest in Bowen. During the year ended December 31, 1999, the Company purchased an additional interest in Bowen for \$1,229,591 (\$929,963 and 27,769 shares of the Company), increasing the Company’s investment to 40%.

The Company owns a 40% interest in Kirk Management Ltd., a real estate joint venture incorporated in Bermuda. Kirk Management Ltd. owns Trinity Hall, a building located in Hamilton, Bermuda which is leased by the Company from the joint venture, and serves as the Company’s headquarters.

In connection with our acquisition of TPRS, TPR & Partners NV and TPR Curaçao N.V. (the sellers) in 1999 signed a promissory note to WPSAM in the amount of \$2,750,000. The note bore interest at the rate of 6.625% per annum and was collateralized by shares of W.P. Stewart & Co., Ltd. issued in the acquisition. The terms of the repayment provided for quarterly installments of principal and interest commencing on October 20, 1999. During December 2000, this amount was repaid in full.

NOTE 7: RELATED PARTY TRANSACTIONS

Research and administrative expenses include travel expenses of approximately \$2,302,000, \$3,352,700 and \$2,747,000 for the years ended December 31, 2000, 1999 and 1998, respectively, paid to Shamrock Aviation, Inc. (“Shamrock”), a company owned by principal shareholders of the Company (see Note 8). The terms of an operating agreement with Shamrock in effect during the period from 1996 until April 30, 1999 provided that the Company would pay to Shamrock approximately \$175,000 per month for the use of airplanes owned by Shamrock. Since April 30, 1999, the Company has continued to use one airplane owned by Shamrock and has compensated Shamrock for its use by paying charter fees.

The Company has entered into an agreement pursuant to which an entity affiliated with Shamrock has agreed to provide operational and maintenance services at cost for the Challenger aircraft owned by the Company (see Note 8). These costs, reflected in research and administration expenses, include approximately \$2,141,700 and \$1,683,900 for the years ended December 31, 2000 and 1999, respectively.

Included in other assets at December 31, 1998, is a non-interest bearing advance in the amount of \$1,630,000, which is due from Shamrock in connection with an aircraft purchase made at the request of WPSI for the use of WPSI. The amount was repaid in full in June 1999.

A portion of the office space located in New York includes space occupied by Stewart family interests. WPSI is reimbursed on a monthly basis for rent and other costs associated with the space. Such costs approximated \$184,900, \$257,400 and \$237,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

WPS Dublin serves as the investment manager to an Irish fund solely advised by WPS Investissements S.A., a Swiss investment money management firm. WPS Investissements S.A. is principally owned by Mr. William P. Stewart III, a beneficial owner of a minority interest in the Company. The Company has no ownership interest in either the Irish fund or WPS Investissements S.A. WPS Dublin collects and remits to WPS Investissements S.A. all of the advisory fees in respect of such fund. Such fees amounted to \$327,711, \$1,222,915 and \$515,601 for the years ended December 31, 2000, 1999 and 1998, respectively. In addition, the Company pays to WPS Investissements S.A. a portion of the brokerage commissions charged to the fund from securities transactions for such fund. Such commissions amounted to \$20,089, \$20,585 and \$43,125 for the years ended December 31, 2000, 1999 and 1998, respectively.

The Company pays Bowen, a principal owner of which is a beneficial owner of a minority interest in the Company, fees for solicitation, sub-advisory, and research services. Such costs approximated \$520,900, \$491,000 and \$218,000 for the years ended December 31, 2000, 1999 and 1998, respectively. During 2000, the Company entered into an agreement with Bowen Capital Management, an affiliate of Bowen Asia Limited, which will entitle the Company to receive solicitation fees for client referrals to Bowen Capital Management. Total fees under the terms of this agreement for the year ended December 31, 2000 are \$30,539.

The Company accrued a contribution of approximately \$484,000 for the year ended December 31, 1999, which was paid on March 15, 2000, and contributed \$1.7 million on December 31, 1998 to the W.P. Stewart & Co. Foundation, Inc. (the “Foundation”), a private charitable foundation incorporated on December 7, 1998. The Foundation makes charitable grants at the discretion of a committee appointed by the Foundation’s board from members of the board of directors of WPSI and WPS & Co., Ltd. This committee has been created to monitor and direct the Company’s charitable activities.

The Company pays TPRS fees for marketing services. These fees amounted to approximately \$5,694,885 and \$1,840,000 for the years ended December 31, 2000 and 1999, respectively. Inter-company eliminations of approximately \$2,847,443 and \$920,000 resulting from the Company’s 50% ownership in TPRS up to December 29, 2000, resulted in a net expense to the Company of \$2,847,442 and \$920,000 for the years ended December 31, 2000 and 1999, respectively.

NOTES TO THE COMBINED / CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Certain directors of the Company have served as directors of funds from which the Company has received investment advisory fees and commissions. Such fees and commissions were \$11,629,389, \$14,706,927 and \$11,022,989 for the years ended December 31, 2000, 1999 and 1998, respectively.

Included in receivables from affiliates is a subordinated loan of \$212,526 and accrued interest on such loan in the amount of \$17,416 due from Kirk Management Ltd., a 40% unconsolidated affiliate of the Company. The loan has no fixed repayment date.

In connection with the Company's initial public offering completed in December 2000, the Company has been reimbursed by the selling shareholders in the amount of \$2,500,000.

NOTE 8: LONG-TERM DEBT

On December 16, 1998, WPS Aviation assumed from Shamrock Aviation, all the rights and obligations of a purchase agreement ("Challenger Purchase Agreement") dated July 8, 1998, relating to the purchase of a Canadair 604 Aircraft. On December 17, 1998, WPS Aviation entered into a 10 year, amortizing loan agreement with General Electric Capital Corporation to finance the obligations of the Challenger Purchase Agreement. The loan was for the principal sum of \$17,340,000 at a fixed interest rate of 6.87% to be paid in 120 monthly installments of principal and interest of \$133,326 and a final installment of \$11,621,076 plus any outstanding principal and interest. The first monthly periodic installment was due and paid on January 17, 1999 and the remaining installments were and are due and payable on the same day of each succeeding month.

On February 10, 1999, WPS Aviation entered into an additional 10 year, amortizing loan agreement with General Electric Capital Corporation for the principal sum of \$757,382 at a fixed interest rate of 6.89% to be paid in an initial installment of \$1,015 and 118 monthly installments of principal and interest of \$5,869 and a final installment of \$507,635 plus any outstanding principal and interest. The first monthly periodic installment was paid on March 17, 1999 and the remaining installments were and are due and payable on the same day of each succeeding month.

On March 30, 1999, WPS Aviation entered into an additional 10 year, amortizing loan agreement with General Electric Capital Corporation for the principal sum of \$1,522,618 at a fixed interest rate of 7.35% to be paid in an initial installment of \$5,285 and 116 monthly installments of principal and interest of \$12,380 and a final installment of \$1,021,114 plus any outstanding principal and interest. The first monthly periodic installment was paid on May 17, 1999 and the remaining installments were and are due and payable on the same day of each succeeding month.

Future principal payments on the loans as of December 31, 2000 are as follows:

2001	\$ 547,769
2002	586,833
2003	628,683
2004	673,519
2005	721,554
Thereafter (through 2009)	15,487,868
	<u>\$18,646,226</u>

All loans are collateralized by the Challenger aircraft.

Interest expense on these loans totaled \$1,307,480 and \$1,301,584 for the years ended December 31, 2000 and 1999, respectively.

The fair value of these loans based on discounted cash flow techniques as of December 31, 2000 amounts to \$18 million.

Provisions of the loan agreements require the Company to maintain certain financial ratios and a minimum level of \$15 million of tangible net worth (as defined in the loan agreements).

NOTE 9: COMMITMENTS AND CONTINGENCIES

At December 31, 2000, the Company was contingently liable on three irrevocable standby letters of credit. One letter of credit is in the amount of \$1,000,000 in favor of Wachovia Corporate Services Inc. ("Wachovia") and collateralizes amounts received from the Company's clients that Wachovia wires daily to the Company's account at The Bank of Bermuda. The second letter of credit is in the amount of \$200,000, in favor of WPSI's landlord. The third letter of credit is in the amount of \$699,033 in favor of WPS Europe's landlord. This amount is guaranteed by the Company, and is secured by a fixed deposit cash account, which will remain intact over the term of the lease. This amount is reflected in other assets at December 31, 2000 and 1999.

In February 1999, the Company entered into an agreement with Shamrock in which Shamrock agreed to delay the sale of an aircraft owned by Shamrock so that such aircraft will continue to be available for use in the Company's business. At the same time, Shamrock agreed to release WPSI from any and all obligations to participate in the purchase of an additional aircraft of approximately \$37 million, delivery of which is scheduled for early 2001. In return, the Company has agreed to indemnify Shamrock for any loss in value of the aircraft Shamrock has agreed not to sell from the time the agreement was made until the aircraft is sold or replaced. The value of that aircraft as of the date of Shamrock's agreement with the Company was estimated to be \$27,000,000. Based upon that appraisal received, management does not believe that this agreement will have any material adverse effect on the financial condition or results of operations of the Company.

NOTES TO THE COMBINED / CONSOLIDATED FINANCIAL STATEMENTS

(continued)

WPSSL conducts business with a clearing broker on behalf of its customers subject to a clearing agreement. WPSSL earns commissions as an introducing broker for the transactions of its customers, which are normally settled on a delivery-against-settlement basis. Under the clearing agreement, WPSSL has agreed to indemnify the clearing broker for non-performance by any customers introduced by WPSSL. WPSSL is subject to credit risk to the extent that the clearing broker may be unable to repay amounts owed.

The Company accepted subscriptions from employees to purchase 310,000 common shares, at an aggregate purchase price of \$4,036,200. Pursuant to the subscription agreements, the employees' right to receive shares was not subject to sale, assignment or transfer. All shares were issued on February 1, 2001.

NOTE 10: NOTES RECEIVABLE FOR COMMON SHARES

In connection with the issuance of shares to employees of the Company's predecessor the Company received collateralized promissory notes. The notes are full recourse, bear interest at 6.5% or 10% per annum and are collateralized by the shares issued. The principal amount of such notes is payable in quarterly installments until paid in full. Each principal payment, as defined in each of the promissory notes, is generally paid in an amount equal to one-fifteenth or one twenty-eighth of the original purchase amount reduced by any prepaid principal amount. However, if the amount of the Company's distributions, as defined in the pledge and assignment agreement between the borrower and the Company, payable to the borrowers for the calendar quarter immediately preceding the relevant payment date, is not sufficient to pay the principal and interest payments due, the borrower must make a principal payment equal to the greater of the amount equal to the assigned payment, as defined, less the interest payment due or an amount equal to one twenty-third of the original principal amount reduced by any prepaid principal amount.

In connection with the issuance of shares subsequent to October 1, 1997 to employees of the Company and to employees of certain affiliates, the Company received collateralized promissory notes. The notes are full recourse, bear interest at 10% per annum and are collateralized by the shares issued. Each principal payment, as defined in each of the promissory notes, is equal to one twenty-eighth of the total outstanding note receivable.

Pursuant to employee purchase agreements for common shares, in the event a purchaser, as defined, is not in the employment of, or does not serve as a director of, the Company or any of its affiliates, the purchaser, as defined, shall transfer to the Company all rights to shares that have not vested at the time of such termination. The remaining balance of the outstanding notes receivable related to the unvested shares shall be abated.

On April 1, 1998, Capital Managers issued an additional 761,810 common shares to certain employees and employees of affiliates, for installment notes totaling \$5,248,871. The installment notes are

full recourse, bear interest at 10% per annum and are collateralized by the shares issued. Each principal payment, as defined in each of the promissory notes, is equal to one twenty-eighth of the total outstanding note receivable. The repayment terms associated with these notes are the same as described for all notes issued subsequent to October 1, 1997.

In connection with the merger of Capital Managers into WPS & Co., Ltd. on October 31, 1998, all of the Capital Managers outstanding notes receivable for common shares were transferred to WPS & Co., Ltd.

During the year ended December 31, 1999, the Company issued an additional 1,144,500 common shares, to certain employees and employees of affiliated entities, for installment notes totaling \$12,736,845. The installment notes are full recourse, bear interest at 10% per annum and are collateralized by the shares issued. Each principal payment, as defined in each of the promissory notes, is equal to one twenty-eighth of the total outstanding note receivable. The repayment terms associated with these notes are the same as described for all notes issued subsequent to October 1, 1997.

In addition, pursuant to the terms of the purchase agreements, during the year ended December 31, 1999, 582,089 unvested common shares of former employees were repurchased and their installment notes totaling \$4,708,852 were abated.

During the year ended December 31, 2000, the Company issued an additional 107,593 common shares, to certain employees and employees of affiliated entities, for installment notes totaling \$1,400,861. The installment notes are full recourse, bear interest at 10% per annum and are collateralized by the shares issued. Each principal payment, as defined in each of the promissory notes, is equal to one twenty-eighth of the total outstanding note receivable. The repayment terms associated with these notes are the same as described for all notes issued subsequent to October 1, 1997.

In addition, pursuant to the terms of the purchase agreements, during the year ended December 31, 2000, 285,863 unvested common shares of former employees were repurchased and their installment notes totaling \$1,798,760 were abated.

All the common shares issued above are subject to vesting provisions.

Future minimum payments expected to be received on the notes as of December 31, 2000 are as follows:

2001	\$ 3,221,470
2002	2,910,474
2003	2,915,495
2004	2,921,038
2005	2,017,787
Thereafter (through 2007).....	1,019,194
	<u>\$15,005,458</u>

Interest income on the notes was \$2,337,933, \$2,667,825 and \$2,181,830 for the years ended December 31, 2000, 1999 and 1998, respectively.

NOTES TO THE COMBINED / CONSOLIDATED FINANCIAL STATEMENTS

(continued)

NOTE 11: SHAREHOLDERS' VOTING RIGHTS

The Company's Bye-Laws limit the voting power of natural persons to 5%, and the voting power of other entities, "groups" (as defined in the US Securities Exchange Act of 1934) and persons other than natural persons (legal persons) to 9.5%, of the votes attributable to the outstanding shares of the Company regardless of how many of our shares (including common shares) they own or control. This restriction does not apply to parties who were shareholders immediately before our initial public offering, including WPS II, Inc. and certain individuals designated by the Company's Board of Directors who are currently affiliated with the Company. Votes that could have been cast by shareholders but for these voting restrictions are allocated to the other holders of the common shares pro-rata based on the number of shares they hold, except that no shareholder subject to the restrictions may receive an allocation to the extent that it would result in the shareholder holding more than 5% (for natural persons) or 9.5% (for legal persons, entities or groups) of the total voting power. The Company's Board of Directors may approve the exemption of other persons or groups from this restriction.

In addition, the Bye-Laws provide that no person or group (other than WPS II, Inc. or its affiliates, direct or indirect subsidiaries of the Company, certain employee benefit plans designated by the Board of Directors which may be established by the Company or as otherwise exempted by the Board of Directors) deemed to be a beneficial owner of common shares may vote more than 20% of the total number of votes attributable to the common shares outstanding.

NOTE 12: INCOME TAXES

Under current Bermuda law, the Company and its Bermuda subsidiaries are not required to pay any Bermuda taxes on their income or capital gains. The Company and its Bermuda subsidiaries will be exempt from such forms of taxation in Bermuda until March 2016.

Income from the Company's operations in the United States and from US subsidiaries of the Company is subject to income taxes imposed by US authorities.

The provision for income taxes detailed below represents the Company's estimate of taxes on income applicable to US jurisdictions and is calculated at rates equal to the statutory income tax rate in each jurisdiction.

The income tax provision, all current, for the years ended December 31, 2000, 1999 and 1998 is as follows:

	2000	1999	1998
Federal.....	\$ 8,568,658	\$6,190,927	\$3,112,000
State and local.....	2,460,954	2,219,031	5,542,000
	\$11,029,612	\$8,409,958	\$8,654,000

A reconciliation of the statutory Bermuda rate and the effective rate is as follows:

	2000	1999	1998
Statutory Bermuda rate	0%	0%	0%
Earnings in jurisdictions taxed at rates different from the statutory Bermuda rate.....	10%	8.2%	10.7%
	10%	8.2%	10.7%

Prior to June 30, 1998, Historic WPS operated as an S Corporation under the provisions of the United States Internal Revenue Code and, accordingly, was not subject to US federal income tax; however, it was subject to certain state and local taxes.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. At December 31, 2000, a deferred tax asset of \$145,000, arising from currently non-deductible charitable contributions, is fully subject to a valuation allowance due to uncertainty regarding the extent to which such contributions will be deductible in the five-year carryover period provided by US law.

NOTE 13: PENSION BENEFITS

The Company sponsors a defined contribution profit-sharing plan (including a 401(k) feature), covering substantially all employees. Contributions to the profit-sharing plan are determined quarterly by the Board of Directors. On January 1, 1997, the Company started a defined contribution money-purchase plan. In addition, on January 1, 2000, the Company started a Bermuda pension plan. These plans cover substantially all employees who meet the minimum age and service requirements. Contributions cannot exceed \$30,000 annually, per employee.

Total employer contributions amounted to \$1,165,643, \$867,304 and \$942,838 for the years ended December 31, 2000, 1999 and 1998, respectively. Participants are immediately vested in their account balances.

NOTE 14: LEASE COMMITMENTS

The Company has several lease agreements in various locations including Bermuda, New York, Maine and London. The lease agreements are for various periods through December 31, 2021. The leases are subject to escalation charges based on increases in real estate taxes and maintenance costs.

Future minimum rental commitments under non-cancellable operating leases in effect as of December 31, 2000 were as follows:

2001	\$ 1,970,680
2002	1,970,680
2003	1,987,038
2004	1,959,090
2005	1,984,764
Thereafter (through 2021)	9,758,358
	\$19,630,610

NOTES TO THE COMBINED / CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Total rent expense for all operating leases was \$1,785,499, \$1,640,838 and \$1,341,508, for the years ended December 31, 2000, 1999 and 1998, respectively.

Included in the table above is an annual amount of \$180,000 and an aggregate 20 year total commitment amount of \$3,600,000 payable to Kirk Management Ltd., a 40% unconsolidated affiliate of the Company, which owns Trinity Hall, the Company's headquarters in Hamilton, Bermuda.

NOTE 15: GEOGRAPHIC AREA DATA

The Company's primary business is the provision of investment advisory services to clients located throughout the world, in primarily two geographic areas, as follows:

	Fee Revenue		
	2000	1999	1998
US.....	\$113,865,779	\$115,187,546	\$ 94,620,595
Non-US.....	35,484,673	38,119,130	26,422,445
Total.....	\$149,350,452	\$153,306,676	\$121,043,040

NOTE 16: SUBSEQUENT EVENTS

The Company's agreement in principle to acquire TPR & Partners NV ("TPR"), an asset gathering firm based in The Netherlands, has been modified slightly. The parties have agreed that the Company will acquire 100% of the shares of TPR in exchange for 330,000 common shares of the Company. The closing of this transaction and the issuance of the common shares are expected to occur during the second quarter of 2001. TPR would

become an indirect subsidiary of W.P. Stewart Asset Management (Europe), Ltd. ("WPSAM-Europe"), a subsidiary of the Company which was recently formed to conduct the Company's European asset gathering and client servicing activities. The principals of TPR and certain other key employees of WPSAM-Europe would own non-voting shares of WPSAM-Europe entitling them to up to approximately 25% of any dividends declared and paid by WPSAM-Europe. This minority interest, less any portion previously repurchased from employees whose service terminates prematurely and not reissued to other employees, would be acquired by the Company on December 31, 2004 at a price determined on the basis of the performance of WPSAM-Europe for the year 2004.

On January 18, 2001, the Company declared a dividend of \$0.30 per share to shareholders of record as of January 26, 2001, payable on January 31, 2001 in the aggregate amount of \$14,373,634.

On January 1, 2001, in accordance with the TPRS, NSMM and FLII acquisition agreements, repurchase provisions on 20% of the initial number of shares issued and recorded as contingently returnable shares as at December 31, 2000 lapsed (see Note 2). Accordingly, the shareholders' equity account "contingently returnable shares" was relieved of \$7,015,291 and additional paid-in capital was credited with \$7,457,404, being the excess of the shares' fair value over their initial issue price. The respective purchase price allocations were increased accordingly.

As of January 1, 2001, the Company had the right to repurchase 6,000 contingently returnable shares. Such right has not been exercised.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Shareholders of W.P. Stewart & Co., Ltd.

In our opinion, the accompanying consolidated statements of financial condition and the related combined/consolidated statements of operations and changes in shareholders' equity and of cash flows present fairly, in all material respects, the financial position of W.P. Stewart & Co., Ltd. and its subsidiaries and predecessors (the "Company") at December 31, 2000, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require we plan and perform the audit to obtain reasonable assurance about 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers



Chartered Accountants
Hamilton, Bermuda
February 14, 2001

CORPORATE DATA

**W.P. STEWART & CO., LTD.
OFFICE LOCATIONS**

W.P. Stewart & Co., Ltd. 1,2,3 & 4
Hamilton, Bermuda

W.P. Stewart Asset Management Ltd. 3
Hamilton Bermuda

W.P. Stewart & Co., Inc. 2 & 3
New York, New York, USA

**W.P. Stewart & Co.
(Europe), Ltd.** 2,3 & 4
London, England

W.P. Stewart Asset Management (NA), Inc. 4
Jericho, New York, USA

W.P. Stewart Asset Management, Inc. 4
Portland, Maine, USA

TPR & Partners NV 4 *
Amsterdam, The Netherlands

TPRS Services N.V. 4
Willemstad, Curaçao
The Netherlands-Antilles

W.P. Stewart Fund Management Limited 5
Dublin, Ireland

Bowen Asia Limited 2 & 3 **
Hong Kong, China

Legend:

1. Headquarters
2. Research Center
3. Investment Management
4. Client Service and Asset Gathering
5. Fund Management Company

Note:

* Pursuant to an agreement in principle, TPR & Partners NV is expected to become part of W.P. Stewart Asset Management (Europe), Ltd., a newly formed client servicing and asset gathering subsidiary of the Company.

** The Company currently owns 40% of Bowen Asia Limited and has entered an agreement pursuant to which it has an option to increase ownership to 50% or more in 2004.

Statements made in this report concerning our assumptions, expectations, beliefs, intentions, plans or strategies are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that may cause actual results to differ from those expressed or implied in these statements. Such risks and uncertainties include, without limitation, the adverse effect from a decline or volatility in the securities markets, a general downturn in the economy, the effects of economic, financial or political events, a loss of client accounts, inability of the Company to attract or retain qualified personnel, a challenge to our U.S. tax status, competition from other companies, changes in government policy or regulation, a decline in the Company's products' performance, inability of the Company to implement its operating strategy, inability of the Company to manage unforeseen costs and other effects related to legal proceedings or investigations of governmental and self-regulatory organizations, industry capacity and trends, changes in demand for the Company's services, changes in the Company's business strategy or development plans and contingent liabilities. The information in this report is as of the date of this report, and will not be updated as a result of new information or future events or developments.

INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers
Hamilton, Bermuda

SHAREHOLDERS' MEETING

The Annual General Meeting of Shareholders will be held in The Harbour View Ballroom at The Fairmont Hamilton Princess hotel in Hamilton, Bermuda at 10:30 a.m. on Monday, April 23, 2001.

COMMON SHARE LISTING

The Company's principal listing is on the New York Stock Exchange and the trading symbol is "WPL". The Company's secondary listing is on the Bermuda Stock Exchange and the trading symbol is "WPS".

Trading in the shares commenced on December 8, 2000. Prior to that date there was no public market for the Company's common shares.

During the 15 trading days between December 8 and December 31, 2000 the high price for the shares was \$27.25 and the low price was \$23.50.

FORM 20-F AND SHAREHOLDER PUBLICATIONS

This report is also available on the Company's website at www.wpstewart.com under the Investor Relations section.

A copy of the Company's annual report to the U.S. Securities and Exchange Commission (Form 20-F) will be furnished without charge to any shareholder upon written request.

Copies of all documents filed with the SEC are also available on the SEC's EDGAR server at <http://www.sec.gov>.

REGISTRARS & TRANSFER AGENTS

The Bank of Bermuda Limited
6 Front Street
Hamilton HM 11
Bermuda

EquiServe L.P.
525 Washington Blvd
Jersey City, New Jersey 07310
U.S.A.

COUNSEL

Appleby Spurling & Kempe
Cedar House, 41 Cedar Avenue
P.O. Box HM 1179
Hamilton HM EX
Bermuda

Dorsey & Whitney LLP
250 Park Avenue
New York, New York 10177
U.S.A.

DIRECTORS & OFFICERS

DIRECTORS



William P. Stewart
Chairman and Chief Executive Officer



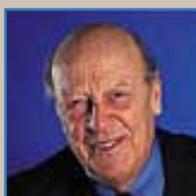
John C. Russell
Deputy Chairman and Managing Director



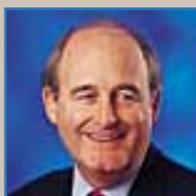
Richard C. Breeden
*President and CEO of R.C. Breeden & Co.
Former Chairman of the U.S. Securities and
Exchange Commission
Greenwich, Connecticut*



Dr. Edgar Brunner
*Retired Chairman of Bankers Trust AG, Zürich, Switzerland.
Formerly President of the Swiss Private Bankers Association and
a member of the Bern Council of Burgers
Bern, Switzerland*



Beat Notz
*Principal of the Notz Stucki Group
Geneva, Switzerland*



Henry B. Smith
*President and CEO of The Bank of Bermuda Limited
Hamilton, Bermuda*



Heinrich Spängler
*Chairman and CEO of Bankhaus Carl Spängler & Co.
Salzburg, Austria*

EXECUTIVE OFFICERS

William P. Stewart
Chairman and Chief Executive Officer

John C. Russell
Deputy Chairman and Managing Director

John A. Allison
Deputy Managing Director

Mark A. Henderson
Deputy Managing Director

Robert D. Rosenthal
Deputy Managing Director

Peter Jan Rubingh
Deputy Managing Director

Frederick M. Ryan
Deputy Managing Director—Administration

Charles G.R. Target
Deputy Managing Director—International Development

Rocco Macri
Finance Director

Debra Randall
Secretary

GROUP MANAGEMENT COMMITTEE

John C. Russell
*Deputy Chairman & Managing Director
W.P. Stewart & Co., Ltd.*

John A. Allison
*Deputy Managing Director
W.P. Stewart & Co., Ltd.
Chairman & CEO
W.P. Stewart Asset Management Ltd.*

Robert L. Rohm
*Chairman & CEO
W.P. Stewart & Co., Inc.*

Robert D. Rosenthal
*Deputy Managing Director
W.P. Stewart & Co., Ltd.
Chairman & CEO
W.P. Stewart Asset Management (NA), Inc.*

IN FOR THE LONG RUN!.. 

W.P. STEWART & CO., LTD.

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Hamilton HM 12
Bermuda

www.wpstewart.com