



CWF

Canadian World Fund
Limited



GLOBAL OPPORTUNITIES

ANNUAL REPORT | 2006

Cover: Baobab Tree, South Africa. Oil on canvas.

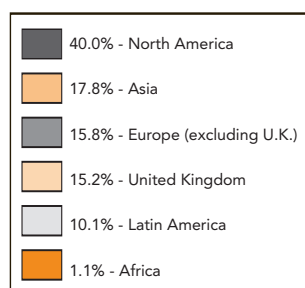
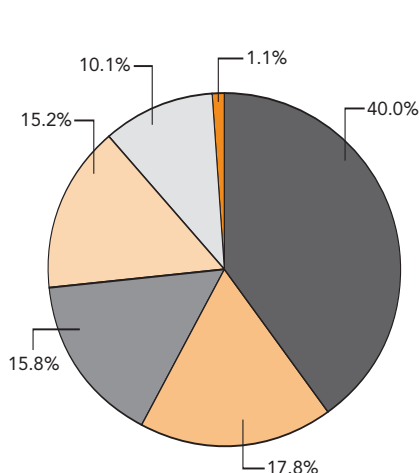
Paul Mantrop is a working artist and founding member of the art collective "drawnonward". Over ten years ago the artists of drawnonward began to travel throughout Canada in order to document its unique and varied regions. Today after over 100,000 kilometres have been travelled by bus, boat, canoe, train, skis and feet, drawnonward has painted from coast to coast. From the Queen Charlotte Islands to the Yukon, from the Gaspé to Newfoundland and throughout the Canadian Arctic. Today Paul keeps a working studio in downtown Collingwood, Ontario to be close to his favourite subject, Georgian Bay. You can learn more about Paul at www.paulmantrop.com.

CORPORATE PROFILE

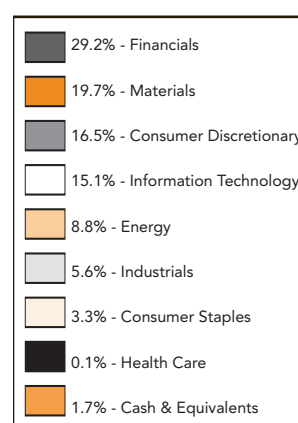
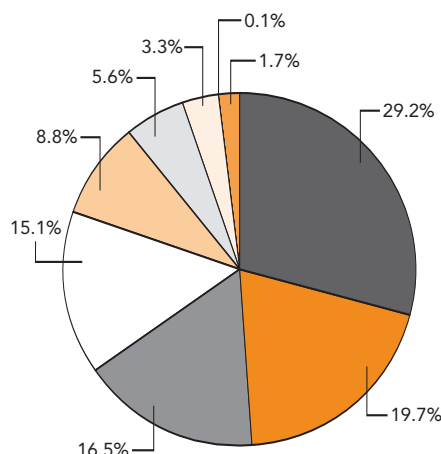
Canadian World Fund Limited (CWF) is a closed-end equity fund that endeavors to provide superior long-term returns by investing globally in securities of primarily publicly traded growth companies. The Company principally utilizes a bottom-up investment style in an effort to achieve this objective. The Company does not employ currency hedging as the portfolio is well diversified and influenced by many currencies, including the Canadian dollar, which is the currency of the company.

CWF has been managed since its 1994 inception by Morgan Meighen & Associates Limited (website: www.mmainvestments.com).

**Geographic Allocation of Portfolio -
December 31, 2006**



**Sector Allocation of Portfolio -
December 31, 2006**



Certain financial information contained in this report, including investment growth rates, rates of return and other such statistical information are historical values; past performance is no assurance or indicator of future returns. Share prices, net asset values and investment returns will fluctuate. Stated historical returns assume the reinvestment of all distributions. Such financial information does not reflect any broker commissions, transaction costs or such other fees and expenses which may have been applicable nor income taxes payable by any shareholder, which would have the effect of reducing such historical returns. Stated returns for periods greater than one year are compound average annual rates of return. Further information concerning risk can be found in the Management Report of Fund Performance of this Annual Report to Shareholders.

The Company is an investment fund, and as such, this Annual Report to Shareholders carries a variety of information concerning stocks and other investments, all for informational purposes only. The reader should assume that the Company and all individuals and entities (including the Manager and members of its staff) who have contributed to this publication may have a conflict of interest. Readers should therefore not rely solely on this Report in evaluating whether or not to buy or sell securities discussed herein.

LETTER TO SHAREHOLDERS



Vanessa L. Morgan, Michael A. Smedley, Alex Sulzer, and Jonathan A. Morgan

- NAV RETURN **38.1%**
- MARKET RETURN **48.3%**
- BENCHMARK **18.7%**

Global equities fund Canadian World Fund Limited (CWF) achieved a 38.1 % return in net assets and a 48.3% advance in the market price of its common shares, which are traded on the Toronto Stock Exchange. By comparison, the benchmark Morgan Stanley All Country World Index returned 18.7%, expressed in Canadian dollar terms.

CWF looks set to benefit from trends in the investment community. International investment is of increasing popularity and, surprisingly, CWF is unusual as a global and stock market listed fund in North America, focused on growth through active, bottom-up investment in special situations in developed and emerging markets.

Dow Jones global indexes show that most principal world markets advanced strongly last year - in the aggregate up 24.0% in U.S. dollar terms vs. 19.2% in their mainly stronger local currencies and leaving out the heavy weighting of the U.S. market, which was up a more modest 13.8 %.

In addition to success with actively managed stocks, the Company also benefitted as the Canadian dollar turned down against the U.S. dollar and other currencies.

The future looks good for CWF, if strong stock markets and high financial liquidity persist around the world as expected. Our investment team believes many countries should maintain high single digit economic growth, particularly in Asia, parts of Latin America and Central and Eastern Europe.

Given favourable conditions and with portfolio management skills continuing to be applied successfully, we hope to see further asset expansion through 2007 at CWF. This should lead to more recognition among investors given the opportunity the Fund offers and the strong performance record that it has established.

The Board of Directors, on behalf of all CWF shareholders, extends thanks to the investment team at Morgan Meighen & Associates for another year of outperformance.

Vanessa L. Morgan

Chairman

Jonathan A. Morgan

President & CEO

INVESTMENT COMMENTARY

DEALING IN LOCAL MARKETS

One of CWF's special features is its ability to deal directly in stocks in several countries that are of limited or zero access to individual foreign investors. In the final quarter in Brazil, where the fund is set up to trade locally, CWF was able to participate in the launch of Brascan Residential Properties S.A. on the Sao Paulo Stock Exchange by the Canadian Brookfield group, the origins of which go back to Brazilian Light & Power. Brascan is a seasoned developer in the flourishing high quality property sectors of Rio de Janeiro and Sao Paulo.

Illustrating the importance of the Brazilian market last year, the Sao Paulo Stock Exchange, which is more than 100 years old, handled more than 40 out of 56 new stock placings, which raised the equivalent of more than \$20 billion in Latin America.

Another local holding in Brazil is Lojas Renner S.A., a retail fashion chain, up 121.3% since purchase. It was spun out into the market by JC Penney Co. Inc. Consumer retail business has high growth in Brazil and this now fully independent company is rapidly expanding financial services to its customers.

STAYING WITH LONG TERM

In the U.S. and U.K. markets, we mostly stayed with long-term holdings through the year, except that the number of positions in the U.K. was trimmed. Portfolio values were maintained in both markets, and in the U.K., we were well aided by the renewed strength of sterling. Good gains continued among our East European, Asian and Latin American interests.

In the final quarter, we bought Hochschild Mining Plc, which was listed during the year in London by a prominent Peruvian mining family of the same name. Hochschild is one of the world's largest silver miners. We also invested in Almacora, the Euronext-listed key investor in Belgium's KBC financial group, which is growing its activity in East and Central Europe.

In Canada, we bought Toronto-listed EastCoast Energy Corporation. The company is developing offshore gas supply to fuel power generation and for industrial use in Tanzania. EastCoast was formed in 2004 by spinning out offshore Tanzania gas interests from Pan-Ocean Energy Corporation prior to its sale to Addax Petroleum Corporation, another west coast of Africa producer. EastCoast is a successor investment for CWF, as Pan-Ocean was the Fund's largest holding before it was sold. The key person, David Lyons (of Canada's Ocelot Energy years ago) has now moved his attention full time from the African west coast to his east coast project.

MINING THE OCEAN FLOOR

Our pioneering moves in the portfolio in 2007 have started with a purchase in Toronto-listed Nautilus Minerals, Inc., which is at the frontier of mining on the ocean floor. Nautilus has made initial finds in extremely high grade precious and base metal deposits offshore Papua New Guinea and has attracted financing by significant parties, for example, Anglo American Plc, Teck Cominco Ltd., Barrick Gold Corp. and Russia's dominant iron ore producer.

CWF was already an investor in relatively undeveloped Papua New Guinea through InterOil Corporation, which now appears to be validating its integrated oil status with gas finds added to its refinery and distribution interests in the country. A U.S. federal government agency was a seed investor in this enterprise a few years ago.

2007 SPIN-OFF

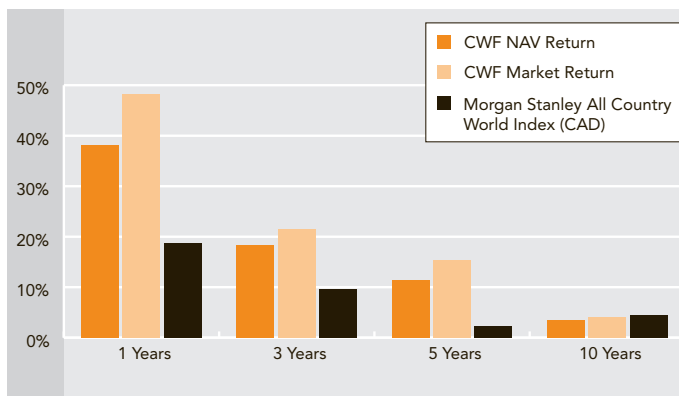
The start to the New Year is marked also with the spinning off of rich property interests in Mumbai by Indiabulls Financial Services Limited, a fast growth enterprise that has been one of our many great winners in the Indian stock market. On several continents, property shares are proving to be key investments for CWF.

We look forward to discovering more interesting high growth situations in an exciting 2007 in global markets.

Michael A. Smedley, *Chief Portfolio Officer of the Manager*

Alex Sulzer, *Vice-President of the Manager*

Compound Annual Returns for the Periods to December 31, 2006



MANAGEMENT REPORT OF FUND PERFORMANCE

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

INVESTMENT OBJECTIVE AND STRATEGIES

Canadian World Fund Limited (CWF or the Company) is a closed-end equity fund with the objective of providing its investors with superior long-term returns by investing globally in securities of primarily publicly traded growth companies.

The Manager, Morgan Meighen & Associates Limited (MMA), utilizes a bottom-up investment strategy in an effort to achieve CWF's objective. With this type of investment strategy, the Manager first seeks individual companies with attractive investment potential, then proceeds to consider the larger industry, economic and global trends affecting those companies. This investment style allows for weightings that can differ from those of the benchmark Morgan Stanley All Country World Index (MSCI ACWI).

RISK

As an equity fund, the primary risk to the Company is market risk – the exposure to market price changes for the securities held within the portfolio. Economic conditions, investor sentiment, global events and many other factors contribute to the day-to-day changes in security prices and the overall trend of the market. In addition, investing globally may present political and economic considerations not typically found in Canada or the United States markets. Of particular significance is the fact that CWF invests in companies in some emerging markets. At December 31, 2006, 34.1% of CWF's investment portfolio was invested in emerging markets, compared to 29.1% at year end 2005. CWF attempts to mitigate this risk by investing in companies in different economic sectors throughout the global market. For instance, at December 31, 2006, the Company held 14.6% of the investment portfolio in India. In that country, CWF had holdings in five economic sectors, including consumer discretionary, consumer staples, financials, industrials and information technology.

Since CWF is a global equity fund, it holds investments denominated in many currencies resulting in currency risk. If money must be converted into a different currency to make an investment, changes in the value of the currency relative to the Canadian dollar will affect the total gain or loss on the investment, when the money is eventually converted back to Canadian currency. At December 31, 2006, 72.8% of CWF's investment portfolio was denominated in currencies other than the Canadian dollar. During 2006, the Canadian dollar weakened relative to most currencies. The most prominent foreign currencies in the investment portfolio at year end were the U.S.

dollar (25.9%), the British pound (16.2%), and the Indian rupee (10.3%). During the year, the British pound, Indian rupee, and U.S. dollar appreciated by 13.9%, 1.9%, and 0.2%, respectively, compared to the Canadian dollar. Overall, foreign currency movements positively impacted returns in 2006. CWF does not employ currency hedging, a form of risk protection which it does not consider to be cost effective. However, the global portfolio is well diversified and influenced by many currencies.

Being a closed-end investment fund, CWF's share price generally trades at a lower value than its net asset value per share (NAV). This is known as a "discount". As a result, the return experienced by a shareholder (market return) will likely differ from the underlying performance of the Company (portfolio performance). The share price is established by competitive markets, which reflect the buying demand and the selling supply of shares. Factors which are thought to influence share price, and, therefore, discounts and premiums, include a fund's relative performance, the liquidity of the company's shares, dividend yield, the use of a managed distribution policy, confidence in the fund/portfolio manager, investors' perceptions and expectations regarding the outlook of the countries/sectors/markets where the fund invests. Throughout 2006, CWF's shares traded at a discount from NAV ranging from a high of 27.6% to a low of 12.6%, ending the year at 18.8%.

Since 1999, CWF has engaged in a leveraging strategy in an effort to enhance returns to shareholders. Leverage (in CWF's case, bank borrowings) magnifies the gain or loss on the cash invested in securities and exposes the Company to interest rate risk. At December 31, 2006 CWF's outstanding borrowings totalled \$4.1 million, representing 12.6% of net assets. As a result of this leverage, a 10% decline in the value of the portfolio will result in approximately a 9.8% decrease in net assets, versus an 8.7% decrease with no leverage. The reverse is true for a 10% increase in the value of the portfolio. CWF's asset coverage at year end 2006 was almost 9 times versus the required borrowing covenant ratio of 5 times.

Although Canadian World Fund's portfolio is comprised entirely of equities, the Company is also impacted by interest rate risk. Notwithstanding the fact that Canadian interest rates are still at relatively low levels, the Bank of Canada, the U.S. Federal Reserve Board and the Bank of England all increased interest rates during 2006. Rising interest rates may have a negative impact on corporate profits and stock prices.

As the Company is exclusively invested in global equities, CWF is most suitable for investors seeking global exposure and/or long-term capital appreciation. Investors in Canadian World Fund should be willing to tolerate moderate to high market volatility.

MANAGEMENT REPORT OF FUND PERFORMANCE (CONTINUED)

RESULTS OF OPERATIONS

Performance

Canadian World Fund's net asset value per share (NAV) at December 31, 2006 was \$7.94, up from \$5.75 at year end 2005. The NAV return for 2006, was 38.1%, compared with a total return of 18.8% for the benchmark MSCI ACWI or 18.7% when expressed in Canadian dollars. The Company's net assets increased by 38.1% to \$32.6 million from \$23.6 million at the end of 2005. The market appreciation of the investments was positively impacted by the reduced strength of the Canadian dollar relative to the currencies of the foreign holdings of the Company in addition to the net appreciation in the value of the securities themselves.

Management fees and interest, the Company's key expenses, increased by 27.6% over 2005 to \$644,000, driven largely by an increase in portfolio values and increased borrowing costs from its credit facility. Canadian World Fund has a credit facility for investment leverage purposes of \$5.0 million comprising bankers' acceptances and term loans with interest at a quoted one-year rate or based on the prime bankers' acceptance rate. The Company must comply with specified covenants during the terms of the loans. The bank indebtedness had a combined weighted average interest rate of 4.95% per annum (2005 - 3.96% per annum) and is repayable on various dates in 2007. During both 2006 and 2005, CWF utilized \$4.1 million of its credit facility. As at December 31, 2006, the outstanding borrowings represented 12.6% (2005 - 17.3%) of net assets.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Company and are intended to help you understand the Company's financial performance for the past five years. This information is derived from the Company's audited annual financial statements.

The Company's Net Asset Value (NAV) per Share ⁽¹⁾

	2006	2005	2004	2003	2002
Net asset value, beginning of year	\$ 5.75	\$ 5.49	\$ 4.79	\$ 3.82	\$ 4.63
Increase (decrease) from operations:					
Total revenue	0.10	0.10	0.10	0.10	0.12
Total expenses	(0.22)	(0.19)	(0.17)	(0.13)	(0.14)
Income tax recovery	0.04	0.00	0.00	0.00	0.00
Realized gains (losses) for the period	0.44	0.64	0.81	(0.26)	(0.53)
Unrealized gains (losses) for the period	1.83	(0.29)	(0.04)	1.26	(0.26)
Total increase (decrease) from operations	2.19	0.26	0.70	0.97	(0.81)
Net asset value, end of year	\$ 7.94	\$ 5.75	\$ 5.49	\$ 4.79	\$ 3.82

(1) Net asset value is based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the year.

Taxation

As a corporate entity, Canadian World Fund is subject to taxes on its income and realized gains on the sale of investments at the rates of approximately 36% and 18%, respectively. In addition, CWF is subject to future income taxes on its unrealized gain on investments at an effective rate of approximately 18%. At December 31, 2006, the Company's future income tax liability was \$2,158,000, representing nearly 6.6% of net assets. The future income tax liability is directly impacted by the change in CWF's unrealized gain, which represents the difference between the market value and cost of its investment portfolio.

RECENT DEVELOPMENTS

Aside from normal market fluctuations to which the Company's portfolio is subject, CWF has had no material developments since year end 2006.

RELATED PARTY TRANSACTIONS

The Company is managed by MMA, a company under common control with CWF. MMA provides continuing advice and investment management services, as well as administration, financial reporting and other ancillary services required by a publicly listed company. For more details concerning the services that are provided by MMA and the management fee that is charged to the Company, see "Management Fees".

Ratios and Supplemental Data

	2006	2005	2004	2003	2002
Net assets (000's) ⁽¹⁾	\$ 32,553	\$ 23,574	\$ 22,526	\$ 19,639	\$ 15,673
Number of shares outstanding ⁽¹⁾	4,101,350	4,101,350	4,101,350	4,101,350	4,101,350
Management expense ratio ⁽²⁾	3.31%	3.51%	3.33%	3.44%	3.33%
Management expense ratio excluding leverage costs ⁽³⁾	2.65%	2.89%	2.70%	2.70%	2.60%
Portfolio turnover rate ⁽⁴⁾	30.88%	67.45%	72.22%	79.48%	65.75%
Trading expense ratio ⁽⁵⁾	0.24%	0.58%	0.66%	0.70%	0.53%
Closing market price ⁽¹⁾	\$ 6.45	\$ 4.35	\$ 4.00	\$ 3.60	\$ 2.63

(1) This information is provided as at December 31 of the year shown.

(2) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets during the year.

(3) Leverage costs reflect interest on bank borrowings.

(4) The Company's portfolio turnover rate indicates how actively the Company's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of a year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(5) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

MANAGEMENT FEES

The Company pays a management fee that is calculated and paid monthly at 1.5% per annum of the net asset value, excluding a deduction for income tax liabilities. Prior to 2006, the management fee was calculated quarterly in arrears at the same 1.5% rate. The Company's management fees were used by MMA to pay costs for managing the portfolio and making investment decisions, as well as the provision of administrative services including making brokerage arrangements for the purchase and sale of securities, calculating the net asset value of the Company, maintaining financial and corporate records, preparing financial statements and all required regulatory filings and assisting in promotion activities. The officers of the Company are remunerated by MMA in their capacity as directors and/or officers of that company and receive no compensation from CWF.

PAST PERFORMANCE

The performance information does not take into account broker commissions or other fees that would have reduced returns or performance. How the Company has performed in the past does not necessarily indicate how it will perform in the future.

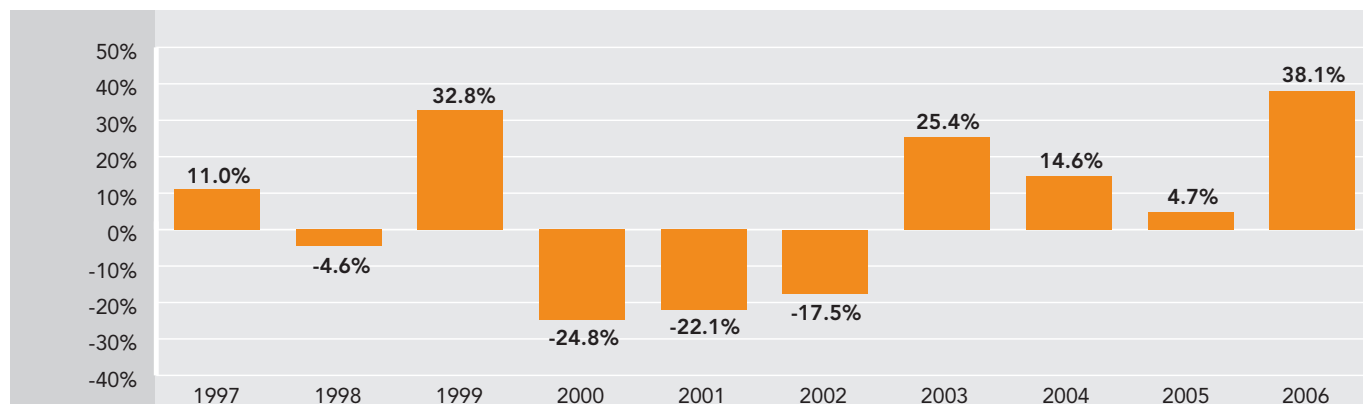
MANAGEMENT REPORT OF FUND PERFORMANCE (CONTINUED)

YEAR-BY-YEAR RETURNS

The following bar charts show the Company's performance for each of the years shown, and illustrate how the Company's performance has changed from year to year. The bar charts show, in percentage terms, how much an investment made on the first day of each year would have grown or decreased by the last day of each year.

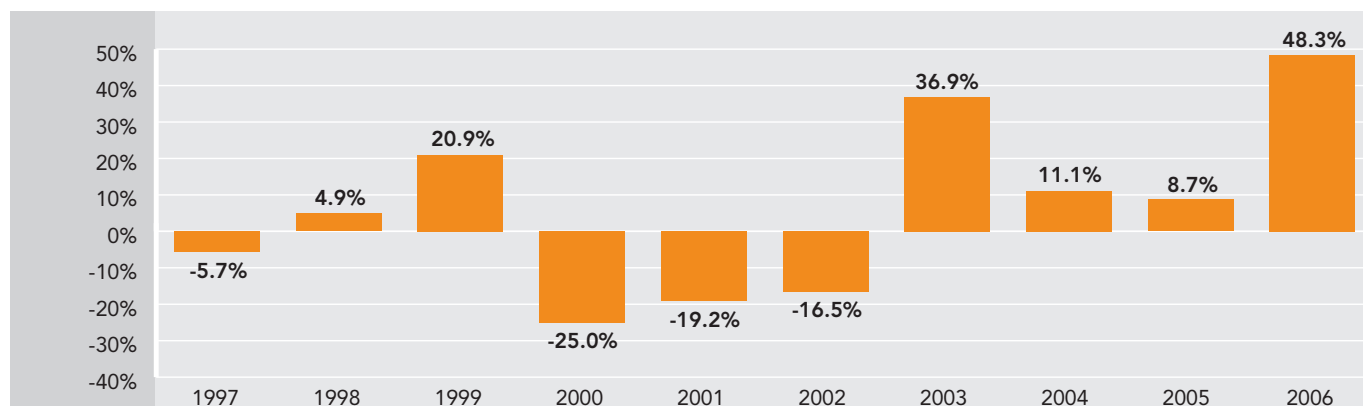
The bar chart below illustrates CWF's net asset value per share return.

Net Asset Value Return



The bar chart below illustrates CWF's market return.

Market Value Return



ANNUAL COMPOUND RETURNS

The following table shows the Company's historical annual compound total returns for the periods indicated, compared with the MSCI ACWI in both U.S. and Canadian dollars. The Index return is calculated on a total return basis, assuming that all distributions are reinvested.

	1 Year	3 Years	5 Years	10 Years
Canadian World Fund Limited - NAV	38.1%	18.3%	11.4%	3.5%
Canadian World Fund Limited - Market	48.3%	21.5%	15.4%	4.0%
Morgan Stanley All Country World Index (USD)	18.8%	13.6%	8.9%	4.9%
Morgan Stanley All Country World Index (CAD)	18.7%	9.7%	2.3%	4.5%

The MSCI ACWI is a free-float weighted-average equity index that provides a broad measure of performance of global equity markets.

SUMMARY OF INVESTMENT PORTFOLIO

as at December 31, 2006

Sector Allocation**

	(\$000's)	% of Net Assets*	% of Investment Portfolio		(\$000's)	% of Net Assets*	% of Investment Portfolio
Financials	11,377	34.9	29.2	North America	15,563	47.8	40.0
Materials	7,671	23.6	19.7	Asia	6,933	21.3	17.8
Consumer Discretionary	6,445	19.8	16.5	Europe (excluding U.K.)	6,179	19.0	15.8
Information Technology	5,869	18.0	15.1	United Kingdom	5,919	18.2	15.2
Energy	3,444	10.6	8.8	Latin America	3,950	12.1	10.1
Industrials	2,163	6.6	5.6	Africa	412	1.2	1.1
Consumer Staples	1,274	3.9	3.3				
Cash & Cash Equivalents	658	2.0	1.7				
Health Care	55	0.2	0.1				

Top 25 Holdings

Issuer	Country	Sector**	% of Net Assets*	% of Investment Portfolio
Grupo Financiero Banorte, S.A. de C.V.	Mexico	Financials	3.9	3.3
Mahindra & Mahindra Limited	India	Industrials	3.7	3.1
Google Inc.	U.S.A.	Information Technology	3.3	2.8
Sberbank	Russia	Financials	3.1	2.6
International Nickel Ventures Corporation	Canada	Materials	2.8	2.3
HDFC Bank Ltd.	India	Financials	2.7	2.3
Oslo Bors Holding ASA	Norway	Financials	2.7	2.2
Indiabulls Financial Services Limited	India	Financials	2.7	2.2
Engel East Europe N.V.	Netherlands	Consumer Discretionary	2.6	2.2
Logibec Groupe Informatique Ltd.	Canada	Information Technology	2.5	2.1
Chariot Resources Limited	Canada	Materials	2.5	2.1
Lundin Mining Corporation	Canada	Materials	2.5	2.1
Autonomy Corporation plc	U.K.	Information Technology	2.5	2.1
Lojas Renner S.A.	Brazil	Consumer Discretionary	2.4	2.0
Equinox Minerals Limited	Canada	Materials	2.3	1.9
March Networks Corporation	Canada	Information Technology	2.3	1.9
SARE Holding, S.A. de C.V.	Mexico	Financials	2.3	1.9
Phelps Dodge Corporation	U.S.A.	Materials	2.1	1.8
Apple Computer Inc.	U.S.A.	Information Technology	2.1	1.8
Nagarjuna Construction Company Ltd.	India	Industrials	2.1	1.7
Canadian Cash	Canada	Cash & Cash Equivalents	2.0	1.7
IP Group PLC	U.K.	Financials	2.0	1.7
AmRest Holdings N.V.	Netherlands	Consumer Discretionary	2.0	1.7
Detica Group plc	U.K.	Information Technology	1.9	1.6
Serica Energy PLC	U.K.	Energy	1.8	1.5
			62.8*	52.6
Total Net Assets* (\$000's)			\$	32,553
Total Investment Portfolio (\$000's)			\$	38,956

* Total Net Assets represents Total Investment Portfolio adjusted for leverage in the form of bank indebtedness (\$4.1 million), other assets and other liabilities.

** Using the Global Industry Classification Standard developed by Morgan Stanley Capital International and Standard & Poor's.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Company. The most recent quarterly portfolio disclosure may be obtained by visiting the Manager's web site at www.mminvestments.com, by calling 416-366-2931 (Toll Free: 1-866-443-6097), or by writing to the Company at 110 Yonge Street, Suite 1601, Toronto, Ontario, Canada, M5C 1T4.

FINANCIAL REPORTS

MANAGEMENT'S REPORT

The accompanying financial statements have been prepared by Management and approved by the Board of Directors of the Company. Management is responsible for the information and representations contained in these financial statements and other sections of the Annual Report.

The Company maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgements. The significant accounting policies which Management believes are appropriate for the Company are described in note 1 to the financial statements. Financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing Management's performance of its financial reporting responsibilities. An Audit Committee comprised of non-Management Directors is appointed by the Board. The Audit Committee reviews the financial statements, adequacy of internal controls, the audit process and financial reporting with Management and the external auditors. The Audit Committee reports to the Board of Directors prior to the approval of the audited financial statements for publication.

PricewaterhouseCoopers LLP, the Company's external Auditors, who are appointed by the shareholders, audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their report is set out on this page.



Vanessa L. Morgan
Chairman



Jonathan A. Morgan
President & CEO

February 7, 2007

AUDITORS' REPORT

To the Shareholders of
Canadian World Fund Limited

We have audited the accompanying statements of net assets of Canadian World Fund Limited as at December 31, 2006 and 2005, the statement of investment portfolio as at December 31, 2006 and the statements of operations, changes in net assets and cash flows for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

*Chartered Accountants
Toronto, Canada*

February 7, 2007

STATEMENTS OF NET ASSETS

As at December 31, 2006 and 2005

(in thousands of dollars, except per share amounts)

	2006	2005
	\$	\$
Assets		
Investments at market value (cost - \$26,348; 2005 - \$25,339)	38,298	27,957
Cash	658	1,014
Dividends receivable	22	10
Income taxes recoverable	-	6
	38,978	28,987
Liabilities		
Bank indebtedness (note 2)	4,101	4,075
Payable for securities purchased	-	925
Accounts payable and accrued liabilities	100	70
Income taxes payable	66	-
Future income taxes on unrealized gain on investments (note 6)	2,158	343
	6,425	5,413
	32,553	23,574
Net Assets		
Shareholders' Equity		
Capital stock (note 3)	20,507	20,507
Unrealized gain on investments, net of future income taxes	9,792	2,275
Retained earnings (note 4)	2,254	792
	32,553	23,574
Number of shares outstanding (note 3)	4,101,350	4,101,350
Net asset value per share	7.94	5.75

Approved by the Board of Directors



Director



Director

STATEMENTS OF OPERATIONS

For the years ended December 31, 2006 and 2005

(in thousands of dollars, except per share amounts)

	2006 \$	2005 \$
Investment income		
Dividends	425	444
Interest	15	8
	440	452
Withholding taxes on foreign dividends	(25)	(32)
	415	420
Expenses		
Management fees (note 5)	462	364
Interest	182	141
Directors' fees and expenses	63	74
Custodial fees	58	50
Securityholder reporting costs	45	43
Listing and regulatory	34	32
Audit fees	23	24
Investor relations	15	17
Capital taxes	3	8
Legal fees	2	24
Other	17	24
	904	801
Net investment loss before income taxes	(489)	(381)
Income tax (recovery) provision (note 6)	(176)	3
Net investment loss	(313)	(384)
Realized and unrealized gains on investments		
Net realized gain on investments, net of income taxes of \$242 (2005 - \$nil)	1,775	2,619
Change in unrealized gain on investments, net of future income taxes of \$1,815 (2005 - \$343)	7,517	(1,186)
Net gain on investments	9,292	1,433
Increase in net assets resulting from operations for the year	8,979	1,049
Increase in net assets resulting from operations per share	2.19	0.26
(based on 4,101,350 (2005 - 4,101,350) weighted-average shares outstanding during the year)		

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31, 2006 and 2005

(in thousands of dollars)

	2006	2005
	\$	\$
Increase in net assets resulting from operations for the year	8,979	1,049
Net increase in refundable dividend tax on hand	-	(1)
Increase in net assets during the year	8,979	1,048
Net assets, beginning of year	23,574	22,526
Net assets, end of year	32,553	23,574

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2006 and 2005

(in thousands of dollars)

	2006	2005
	\$	\$
Cash provided by (used in):		
Operating activities		
Net investment loss	(313)	(384)
Purchases of investments	(9,982)	(20,237)
Proceeds of disposition of investments	10,990	18,244
Net change in non-cash balances related to operations	(835)	1,406
Income tax provision included in net realized gain on investments	(242)	-
	(382)	(971)
Financing activities		
Increase (decrease) in bank indebtedness	26	(1)
Net increase in refundable dividend tax on hand	-	(1)
	26	(2)
Net decrease in cash during the year (note 7)	(356)	(973)
Cash, beginning of year	1,014	1,987
Cash, end of year	658	1,014

STATEMENT OF INVESTMENT PORTFOLIO

December 31, 2006

NUMBER OR PAR VALUE	INVESTMENT	COST \$	MARKET VALUE \$
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(in thousands of dollar)

AFRICA (1.1%)

45,714	EastCoast Energy Corporation, B (Tanzania)	437	412
	TOTAL AFRICA	437	412

ASIA (17.8%)

238,000	Alok Industries Limited (India)	490	429
14,000	Britannia Industries Ltd. (India)	324	404
34,000	Cheung Kong (Holdings) Limited (China/Hong Kong)	518	488
10,000	HDFC Bank Ltd., ADR (India)	579	880
50,000	India Capital Growth Fund Limited (India)	101	106
50,000	Indiabulls Financial Services Limited (India)	173	871
1,640,000	Italian-Thai Development Public Company Limited, Foreign Reg (Thailand)	610	285
50,000	Mahindra & Mahindra Limited (India)	407	1,196
120,000	Nagarjuna Construction Company Ltd. (India)	363	681
40,200	Pantaloon Retail (India) Limited (India)	311	426
30,500	The Siam Cement Public Company Limited, Foreign Reg. (Thailand)	208	250
30,000	SIFY Limited, ADR (India)	416	333
391,200	Singamas Container Holdings Limited (China/Hong Kong)	373	208
20,000	Wipro Limited, ADR (India)	292	376
	TOTAL ASIA	5,165	6,933

EUROPE (31.0%)

Europe, Excluding United Kingdom (15.8%)

3,000	Almancora SCA (Belgium)	462	498
21,999	AmRest Holdings N.V. (Netherlands)	399	655
12,000	Central European Distribution Corporation (Poland)	227	415
240,000	Engel East Europe N.V. (Netherlands)	553	852
20,000	IMAREX NOS ASA (Norway)	352	329
2,500	LUKOIL, ADR (Russia)	258	255
2,800	Orco Property Group S.A. (Luxembourg)	208	416
7,800	Oslo Bors Holding ASA (Norway)	208	876
250	Sberbank (Russia)	512	1,005
5,555,000	Uralsvazinform (Russia)	264	424
15,000	X5 Retail Group N.V., GDR (Russia)	285	454
	Total Europe, Excluding United Kingdom	3,728	6,179

NUMBER OR PAR VALUE	INVESTMENT	COST \$	MARKET VALUE \$
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(in thousands of dollars)

EUROPE (CONTINUED)

United Kingdom (15.2%)

70,000	Autonomy Corporation plc	475	817
75,000	Detica Group plc	261	628
41,000	Hochschild Mining plc	337	378
50,000	Hornby plc	300	312
200,000	IP Group PLC	399	657
11,803	London Stock Exchange Group plc	304	353
158,500	M&C Saatchi plc	516	503
75,000	Numis Corporation Plc	170	479
735,000	PLUS Markets Group plc	480	306
230,000	Serica Energy PLC	317	582
112,500	The Stanley Gibbons Group Limited	116	443
75,000	Topps Tiles Plc	294	461
	Total United Kingdom	3,969	5,919
	TOTAL EUROPE	7,697	12,098

LATIN AMERICA (10.1%)

56,600	Brascan Residential Properties S.A. (Brazil)	510	556
280,000	Grupo Financiero Banorte S.A. de C.V. (Mexico)	468	1,276
135,000	Grupo Mexico S.A. de C.V., B (Mexico)	281	577
47,500	Lojas Renner S.A. (Brazil)	360	796
456,000	SARE Holding, S.A. de C.V., B (Mexico)	326	745
	TOTAL LATIN AMERICA	1,945	3,950

NORTH AMERICA (38.3%)

Canada (23.6%)

401,000	AXMIN Inc.	349	397
300,000	BrazAlta Resources Corp.	425	360
1,329,800	Chariot Resources Limited	438	824
400,000	Equinox Minerals Limited	352	756
30,000	GeoGlobal Resources Inc.	280	274
400,000	International Nickel Ventures Corporation	482	900
15,000	InterOil Corporation	487	529
50,000	Logibec Groupe Informatique Ltd.	685	828
19,040	Lundin Mining Corporation	267	819
35,000	March Networks Corporation	602	747
30,000	Miranda Technologies Inc.	459	374
50,000	Moto Goldmines Limited	384	380
5,000	Niko Resources Ltd.	139	417
120,000	Petrominerales Ltd.	452	456
50,000	Skye Resources Inc.	451	578
400,000	Stratic Energy Corporation	481	520
30,000	WGI Heavy Minerals, Incorporated	310	25
	Total Canada	7,043	9,184

December 31, 2006

NUMBER OR PAR VALUE	INVESTMENT	COST \$	MARKET VALUE \$
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(in thousands of dollars)

NORTH AMERICA (CONTINUED)

United States (14.7%)			
7,000	Apple Computer Inc.	294	692
5,000	Freeport-McMoRan Copper & Gold Inc., B	352	325
2,000	Google Inc., A	747	1,073
7,000	Harley-Davidson, Inc.	471	575
10,000	International Securities Exchange Inc., A	375	545
10,000	NUCRYST Pharmaceuticals Corp.	156	55
5,000	NYSE Group, Inc.	388	566
5,000	Phelps Dodge Corporation	456	698
10,000	Sothebys Holdings, Inc., A	212	361
76,000	U.S. Gold Corporation	304	447
10,000	Winnebago Industries, Inc.	306	384
Total United States		4,061	5,721
TOTAL NORTH AMERICA		11,104	14,905

TOTAL INVESTMENTS (98.3%)	26,348	38,298
CASH & CASH EQUIVALENTS (1.7%)	658	658
INVESTMENT PORTFOLIO	27,006	38,956

Percentage amounts in brackets represent market value as a percentage of the Investment Portfolio.

**RECONCILIATION OF INVESTMENT
PORTFOLIO TO NET ASSETS:**

INVESTMENT PORTFOLIO (119.6%)	38,956
BANK INDEBTEDNESS (-12.6%)	(4,101)
FUTURE INCOME TAXES ON UNREALIZED GAIN ON INVESTMENTS (-6.6%)	(2,158)
OTHER ASSETS AND LIABILITIES, NET (-0.4%)	(144)
NET ASSETS (100.0%)	32,553

Percentage amounts in brackets represent market value as a percentage of Net Assets.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006 and 2005

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions that affect the amounts of assets, liabilities, income and expenses reported during the year. Actual results could differ from these estimates. The following is a summary of significant accounting policies followed by the Company.

Valuation of investments

Publicly listed securities are valued at the last reported sale price or, if no sale price was reported, at the most recent bid price. Unlisted securities that trade on an over-the-counter market are valued in the same manner. Notwithstanding the above, in special circumstances where a market quotation is not readily available or is considered inappropriate (such as a stale price), the securities' fair value is determined using available sources of information and commonly used valuation techniques.

Investment transactions

Investment transactions are recorded on the trade date. Realized gains and losses from investment transactions are calculated on an average cost basis.

Investment income

Dividend income is recorded on the ex-dividend date. Interest income is recognized as earned.

Foreign exchange

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at year-end exchange rates. Purchases and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions.

Future income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are measured using rates expected to apply to taxable income in the years in which the temporary differences are expected to be settled.

2 BANK INDEBTEDNESS

The Company has a revolving demand credit facility of \$5.0 million comprising term loans, subject to specified covenants, with interest based on the prime bankers' acceptance rate. The bank indebtedness has a combined weighted-average interest rate of 4.95% per annum as at December 31, 2006 (2005 - 3.96% per annum) and is repayable in 2007.

During 2006, the Company utilized \$4.1 million (2005 - \$4.1 million) of its revolving demand credit facility.

3 CAPITAL STOCK

The Company is authorized to issue unlimited preferred shares issuable in series and unlimited common shares. As at December 31, 2006 and 2005, there are 4,101,350 common shares issued and outstanding.

4 RETAINED EARNINGS

The changes in retained earnings for the year were as follows:

<i>(in thousands of dollars)</i>	2006 \$	2005 \$
Retained earnings (deficit), beginning of year	792	(1,442)
Net investment loss	(313)	(384)
Net realized gain on investments	1,775	2,619
Net increase in refundable dividend tax on hand	-	(1)
Retained earnings, end of year	2,254	792

5 RELATED PARTY INFORMATION

Management fees are paid monthly to Morgan Meighen & Associates Limited, a corporation under common control with the Company, for services received in connection with the management of the Company's financial accounts and investment portfolio among other services. Management fees are calculated on a monthly basis at the annual rate of 1.5% of net asset value without a deduction for income tax liabilities. Values for fee calculation purposes are determined on the basis of the financial statements of the Company as at the last day of the applicable month. The fees are payable on the 15th of the following month.

Prior to 2006, management fees were calculated quarterly, with values for fee calculation purposes determined on the basis of the published financial statements of the Company as at the last day of the immediate preceding quarter.

6 TAXATION

The Company, as a public corporation, is subject to income taxes on its income and realized gain on investments at the rates of approximately 36% (2005 - 36%) and 18% (2005 - 18%), respectively. The effective tax rate for future income taxes is approximately 18% (2005 - 18%).

The Company is also subject to a special tax of up to 33-1/3% of taxable dividends received from corporations resident in Canada. This special tax is refundable on payment of taxable dividends to shareholders at a rate of \$1 for each \$3 of such dividends paid. The Company has refundable dividend tax on hand of approximately \$10,000 as at December 31, 2006 (2005 - \$10,000).

In 2006, the Company utilized a capital loss carry-forward of approximately \$676,000, the benefit of which was recorded as a reduction to the prior year's future income tax liability and was applied to reduce taxes on realized gains in the current year.

7 SUPPLEMENTAL CASH FLOW INFORMATION

Included in the net decrease in cash during the year are the following:

<i>(in thousands of dollars)</i>	2006 \$	2005 \$
Interest paid	181	141
Income taxes paid	-	59

8 BROKERAGE COMMISSIONS PAID ON INVESTMENT TRANSACTIONS

Brokerage commissions paid on investment transactions for the year ended December 31, 2006 were \$66,000 (2005 - \$133,000).

9 FUTURE ACCOUNTING CHANGES

On April 1, 2005, The Canadian Institute of Chartered Accountants (CICA), which establishes Canadian generally accepted accounting principles (GAAP) for financial reporting purposes, issued Section 3855, "Financial Instruments - Recognition and Measurement." This section, which came into effect on October 1, 2006, will be applicable to the Company's year ended December 31, 2007.

Section 3855 requires that the fair value of financial instruments which are traded in active markets be measured based on the bid price for the securities. Previously, fair value for GAAP was based on the last traded price for the day, when available. In 2007, this change will impact the reported value of the Company's investments as reported in the interim and annual financial statements. However, Canadian securities regulatory authorities have granted relief on an interim basis, with investment funds complying with Section 3855, for purposes of the Company's regular net asset value calculation. The relief is for a period of up to one year ending September 30, 2007.

This section also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities, be charged to net income in the period. Prior to 2007, the practice was to add these expenses to the cost of securities purchased or to deduct them from the proceeds of sale.

COMMONLY ASKED QUESTIONS

WHAT IS CANADIAN WORLD FUND?

CWF is a closed-end equity fund, founded in 1994, focused on investments in corporations listed around the world. The portfolio is generally a blend of developed and emerging market stocks. It is the only Canadian-listed closed-end equity fund with an international portfolio of common shares.

WHAT IS CWF'S OBJECTIVE?

CWF's objective is to provide its investors with long-term returns by investing globally in securities of publicly traded, primarily growth companies.

IS CWF CURRENCY-HEDGED?

No. The portfolio is currency-diversified and also has Canadian dollar holdings.

DOES CWF EMPLOY LEVERAGE?

Yes. As a closed-end fund, CWF has the ability to employ leverage to enhance returns to shareholders. This is done at the discretion of the Board of Directors. Currently, CWF utilizes bank borrowings for leverage.

WHAT IS THE DIVIDEND POLICY?

Currently CWF is committed to growth, and as such, does not pay dividends.

IS CWF ELIGIBLE FOR REGISTERED PLANS?

CWF is a fully qualified investment for Canadian registered plans.

IS CWF APPROPRIATE FOR ME?

The typical investor in CWF is a Canadian or international investor interested in long-term capital growth from a portfolio of global equities, diversified against risk and actively managed by a team of experienced managers. Investors in CWF should be willing to tolerate moderate to high market volatility.

HOW CAN I BUY CWF?

CWF's shares are traded through stock brokers and are listed on the Toronto Stock Exchange (symbol: CWF).

CLOSED-END FUNDS SIMPLY UNDERSTOOD

- Fixed number of shares
- Usually listed and traded on a stock exchange
- Bought and sold through investment dealers and brokers
- Commission charges only when stock is purchased or sold
- Trade usually below real value
- May pay cash and/or stock dividends
- Often have dividends and dividend reinvestment plans (company may absorb all administrative charges, including commissions)
- May employ leverage

CORPORATE INFORMATION

CANADIAN WORLD FUND, LIMITED

BOARD OF DIRECTORS

Thomas W.R. Lunan
Vice-President, B.E.S.T. Investment Counsel Limited

Jonathan A. Morgan
*President & CEO,
Canadian General Investments, Limited*

Vanessa L. Morgan
Chairman, Canadian General Investments, Limited

Jack H.B. Nederpelt
Managing Partner, Nederpelt Associates Inc.

Michael A. Smedley
*Executive Vice-President & CEO,
Morgan Meighen & Associates Limited*

Richard O'C. Whittall
President, Watershed Capital Partners Inc.

AUDIT COMMITTEE

Thomas W.R. Lunan
Jack H.B. Nederpelt
Richard O'C. Whittall

CORPORATE GOVERNANCE COMMITTEE

Jonathan A. Morgan
Jack H.B. Nederpelt
Richard O'C. Whittall

INDEPENDENT DIRECTORS COMMITTEE

Thomas W.R. Lunan
Jack H.B. Nederpelt
Richard O'C. Whittall

OFFICERS

Vanessa L. Morgan
Chairman

Jonathan A. Morgan
President & CEO

Colin D. Smith
Secretary

Frank C. Fuernkranz, MBA, CA, CFA
Treasurer

OFFICE OF THE COMPANY

110 Yonge Street, Suite 1601
Toronto, Ontario, Canada M5C 1T4
Telephone: (416) 366-2931
Toll Free: 1-866-443-6097
Fax: (416) 366-2729
e-mail: cwffund@mmainvestments.com
website: www.mmainvestments.com

MANAGER

Morgan Meighen & Associates Limited
Toronto

AUDITORS

PricewaterhouseCoopers LLP
Toronto

BANKERS

Bank of Montreal
Toronto

SOLICITORS

Blake, Cassels & Graydon LLP
Toronto

CANADIAN REGISTRAR AND TRANSFER AGENT

Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, Ontario, Canada M5J 2Y1
Telephone:
Canada & U.S.: 1-800-564-6253
Overseas: 1-514-982-7555
Fax:
Canada & U.S.: 1-888-453-0330
Overseas: 1-416-263-9394
e-mail: mmamail@computershare.com

To change your address, eliminate multiple mailings or for other shareholder account inquiries, please contact Computershare at the above address.

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: CWF

PUBLICATION

Net asset value per share (NAV) and/or market price and market return are published daily/weekly in various media in Canada and the United States. These include: The Globe and Mail, The Wall Street Journal, and Barron's.

The Company posts ongoing top 10 portfolio investments (priced at market), together with current NAV and market return information on its website. CWF also posts its top 25 holdings on its website on a quarterly basis. Similar information is available directly from the Company upon request.

ANNUAL MEETING OF SHAREHOLDERS

The Annual General Meeting of shareholders of Canadian World Fund Limited will be held at 10:00 a.m. (Toronto time) Wednesday, April 4, 2007 in St. Andrew's Hall, St. Andrew's Club & Conference Centre, Sun Life Financial Tower, 150 King Street West, 27th Floor, Toronto, Ontario, M5H 1J9. (Telephone (416) 366-4228)

The Company is a founding member of the Closed-End Fund Association (CEFA) in North America.

Managed by:



Morgan Meighen

& ASSOCIATES

Investment Managers

CANADIAN WORLD FUND LIMITED

110 Yonge Street, Suite 1601, Toronto, Ontario, Canada M5C 1T4
Telephone: (416) 366-2931 Toll Free: 1-866-443-6097 Fax: (416) 366-2729
e-mail: cwffund@mmainvestments.com
website: www.mmainvestments.com