



CWF

Canadian World Fund
Limited

Investing in global opportunities



Corporate Profile

CANADIAN WORLD FUND LIMITED (CWF), established in 1994, endeavours to provide superior long-term returns by investing globally in securities of publicly traded, primarily growth companies. CWF seeks companies with special prospects for appreciation and/or income generation.

A bottom-up style selection process is employed by the Manager, Morgan Meighen & Associates Limited (website: mmainvestments.com), investment managers since 1956.

CWF's common shares are listed on the Toronto Stock Exchange under the symbol CWF. Market prices are published daily in Canada. Net asset value per share (NAV) is calculated daily and published in various media in Canada and the United States.

CWF is a founding member of the Closed-End Fund Association (CEFA) in North America (website: www.cefa.com).

Top Ten Investments *(Excluding cash)*

<i>(Portfolio details on pages 10 to 11)</i>	%
Corin Group PLC – <i>United Kingdom</i>	3.5
PLIVA d.d. GDR Reg. S – <i>Croatia</i>	3.4
Mercator Poslovni Sistem – <i>Slovenia</i>	2.9
Weight Watchers International, Inc. – <i>United States</i>	2.8
Tesco PLC – <i>United Kingdom</i>	2.7
Interbrew S.A./N.V. – <i>Belgium</i>	2.7
Goshawk Insurance Holdings plc – <i>United Kingdom</i>	2.5
BG Group plc – <i>United Kingdom</i>	2.5
Pilkington plc – <i>United Kingdom</i>	2.4
Standard Chartered PLC – <i>United Kingdom</i>	2.4
Total	27.8



Michael A. Smedley, *President*
and Vanessa L. Morgan, *Chairman*

Relative Outperformance

Canadian World Fund Limited's benchmark is the widely used Morgan Stanley All-Country World Free Index, expressed in Canadian dollars.

For 2002, Canadian World Fund Limited's (CWF) net assets declined 17.5% compared to a 21.2% fall for the benchmark. CWF also bettered the 20% average decline of global and international mutual fund categories. In the fourth quarter of 2002, the net assets of CWF rose 5.7%, matching resilience across the globe and staying well ahead of most global indices for the year, many of which posted double digit declines.

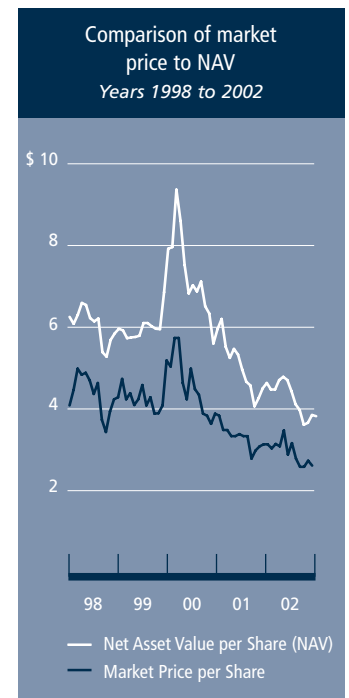
CWF's share price improved by 1.2% in the final quarter vs. its 5.7% gain in net assets but declined a full 16.5% for the year, almost equaling its 12-month loss in net assets. Market price movement of a closed-end fund tends to lag its underlying holdings.

Emerging Markets Superiority

All but one of the developed country indices fell heavily – by more than 20% on average. Minor participant Austria was the sole winner, on a mere 0.8% advance. Some emerging markets fared well with positive

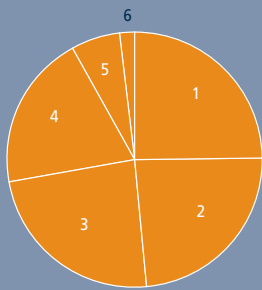
results. The leaders were key indices of Argentina, Colombia and Russia (the latter a multi-year winner), up 77.7%, 50.2% and 44.7% respectively, all in local currency. These results were not so positive for foreign investors; Argentina was down a heavy 47.2% in U.S. dollar terms, while Colombia and Russia were up 19.3% and 38.1%, respectively. Emerging market stocks, approximately 30% of CWF's portfolio at year-end, were down 8.7% overall as measured by Morgan Stanley in Canadian dollars.

Russia, a growing investment destination seen to be improving corporate standards, might continue to offer a strong stock market in 2003. China, though expanding economically at the fastest rate, was down 17.1% last year, partly because of corporate and structural issues. However, it was starting to move up as we crossed through into the new year. All of the above country returns were as published in *The Economist*, January 4, 2003.



Geographic weighting of portfolio investments at market

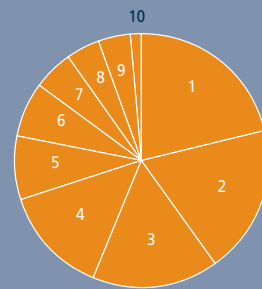
December 31, 2002



	%
1 Europe (excluding U.K.)	24.8
2 North America	23.7
3 United Kingdom	23.7
4 Asia	19.7
5 Latin America	6.2
6 Australia	1.9

Economic sector weighting of portfolio investments at market*

December 31, 2002



	%
1 Financials	21.2
2 Consumer Staples	18.9
3 Health Care	16.1
4 Consumer Discretionary	13.8
5 Materials	8.1
6 Industrials	7.0
7 Telecommunication Services	5.1
8 Energy	4.3
9 Information Technology	4.1
10 Utilities	1.4

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

Portfolio Comment

An example of the problems in China last year was Euro-Asia Agricultural (Holdings) Company Limited where events led to a suspension of trading in a successful exporter of flowers. On the other hand, Xinao Gas Holdings Limited, pioneering the expansion of gas supplies across China, has lately been recovering in the portfolio. So has UTStarcom Inc., manufacturing low priced communications equipment in which sales are rapidly expanding across China.

In a new financial infrastructure class – stock exchanges and trading systems that have been going public in recent years, our latest inclusions are the Chicago Mercantile Exchange Holdings Inc. which went public in December and eSpeed, Inc., the screen based global bond trading service established by Cantor Fitzgerald in the mid-nineties. Both stocks are in a class which enjoys expanding transaction revenue and fee income as well as the potential benefits of acquisition and collaboration factors and future improvement in markets. For a longer time, we have held the shares of Oslo Bors Holding ASA and The Nasdaq Stock Market, Inc.

In the gold sector, CWF's latest investment was Australian listed Kingsgate Consolidated Ltd. This is a dividend rich gold mining operation in Thailand; dividends have always suited the appetite of Australian investors and are of growing merit in North America after years of poor capital markets.

Our Indian stocks position was increased, one new holding being Sify Ltd. (name changed from Satyam Infoway Limited on January 15, 2003), an Internet services provider across India. At year-end, CWF's cost per share for Sify Ltd. was U.S.\$2.79.

Before the “tech bubble” burst in 2000 it reached U.S.\$452.00! CWF's big positioning in the tech sector in 1999-2001 resulted in a change from over- to underperformance which negatively affected the long-term record. Such heavy overweighting is not likely to occur again.

Overall Outlook

Global markets should benefit eventually from improved geo-political conditions and, hopefully, stronger contributions by many developed countries which appear for now to have gone ex-growth. We are drawn to the idea of revival in many technology-linked businesses, growing support for dividends and the integration of more countries within the European Union.

Board of Directors

Carl S. Hutman, a director of the Corporation since 1994 has advised that he will not be seeking re-election to the Board at the next Annual Meeting of Shareholders. Fellow members acknowledge with gratitude the contribution of Mr. Hutman, an investment professional who through hard work and wise counsel added much to Board deliberations, always for the well being of shareholders. Thomas W.R. Lunan is expected to be nominated for Board membership at the April 2003 meeting of Shareholders.

Vanessa L. Morgan
Chairman

Michael A. Smedley
President

February 4, 2003

Management's Discussion and Analysis

Canadian World Fund Limited (CWF) joined most of the major global markets in posting negative performance for the year 2002, but well outperformed its benchmark, the Morgan Stanley All-Country World Free Index. At December 31, 2002, CWF's net assets were \$15,673,000, up 5.7% from the end of the third quarter although down 17.5% from the end of 2001. By comparison, the benchmark was up 7.0% in the fourth quarter but down 21.2% for the year.

All returns are expressed in Canadian dollar terms. In the year 2002, the Canadian dollar appreciated 0.8% against the U.S. dollar. With a global portfolio which is well diversified in securities denominated in many currencies, the Corporation does not employ currency hedging.

Operations

For the year 2002, CWF had a net investment loss of \$82,000 compared to a \$380,000 net investment loss in 2001. This improvement was driven by increased income as well as reduced expenses for 2002 over the previous year.

Assisted by receipt of large extraordinary dividends from Grupo Aeroportuario del Sureste S.A. de C.V. and Oslo Bors Holding ASA during the year, total investment income increased by 15.8% to \$506,000 from \$437,000 in 2001. Dividends received from these two investments represented approximately 20.7% of the total investment income for 2002.

Total expenses for the year were \$576,000, a decline of 15.5% from \$682,000 recorded in 2001. The decrease was driven mainly by a decline in both management fees and interest. For 2002, management fees were down 15.1% to \$286,000 from \$337,000 due to the decline in portfolio values. The management fee is calculated quarterly in arrears at 1.5% per annum of net asset value without deduction for tax liabilities. Interest expense is incurred on bank borrowings employed as leverage for potential growth. For 2002, the weighted average interest rate was 3.2% compared with 4.9% in 2001. This decline, coupled with a reduction in the level of borrowing during the last quarter of 2002 to \$3.2 million from \$4.1 million at the 2001 year-end as negative market conditions prevailed, resulted in a 32.8% decrease in interest expense.

The management expense ratio (MER) for 2002 was 2.6% compared to 2.4% in 2001, primarily a result of lower average net assets during 2002. All expenses, other than brokerage commissions, interest and income taxes are included in calculating the MER. The portfolio turnover rate was 66.1% in 2002 as compared to 82.3% last year.

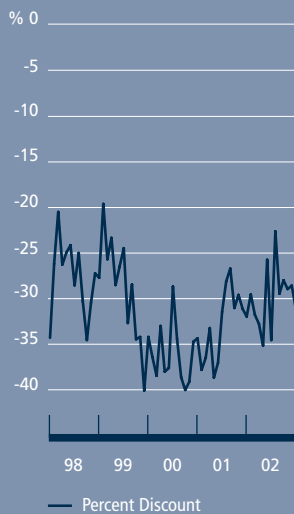
Net realized losses on investments during 2002 and 2001 were \$2,192,000 and \$892,000, respectively. Significant losses in 2002 were realized on the disposition of British Energy plc, Cable and Wireless plc, China Rare Earth Holdings Limited and deCODE GENETICS, INC. As a result of the continuing bear market, CWF's

Comparison of CWF's NAV growth to Morgan Stanley All-Country World Free Index (MSCW)*
Twelve months ended
December 31, 2002



* Illustrates the growth of CWF NAV relative to the Morgan Stanley All-Country World Free Index (MSCW), expressed in Canadian dollars.

Premium/(Discount) to NAV
Years 1998 to 2002



unrealized value of investments declined by \$1,049,000 in 2002, leading to a year-end total unrealized loss on investments of \$1,546,000. In 2001, the corresponding decline over the 12 months was \$4,097,000. To demonstrate the volatility of the market, in the final quarter surge of 2002, the unrealized loss was reduced by \$1,688,000, about half of the unrealized loss on investments at the end of the third quarter.

In the fourth quarter, CWF, as a conservative measure, wrote-down to zero the market value of one of its holdings, Euro-Asia Agricultural (Holdings) Company Limited, a Hong Kong based agricultural operator utilizing advanced biological technologies, which was suspended by the Hong Kong Stock Exchange as a result of certain events. The future of the company cannot be determined at this time.

Since CWF was in a taxable loss position for accounting purposes, the Corporation does not meet the defined criteria required for recognition of a tax recovery. Thus, there were no tax recoveries recorded for both the net investment loss and the realized loss on investments incurred during 2002.

Discount

The closing bid price of CWF's thinly traded shares at the end of the year was \$2.63, 16.5% lower than the prior year closing trade at \$3.15. The net asset values per share (NAV) at December 31, 2002 and 2001 were \$3.82 and \$4.63, respectively. For 2002, the discount to NAV ranged from 20.3% to 34.7%, closing at 31.2%. The discount was 32.0% at year-end 2001.

Outlook

The primary objective of the investment manager will continue to be global bottom-up stock selection for a diversified portfolio to position shareholders in international markets and to aim for favourable returns. The strategy includes the use of income generation and Canadian investments for both appreciation and income.

Management's Report

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

The Corporation 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 judgments. The significant accounting policies which Management believes are appropriate for the Corporation 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 a majority 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 Directors prior to the approval of the audited financial statements for publication.

PricewaterhouseCoopers LLP, the Corporation'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

Michael A. Smedley
President

February 4, 2003

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, 2002 and 2001, and the statement of investments as at December 31, 2002, the statements of operations, deficit, unrealized loss on investments and changes in net assets for the years then ended, and the statements of financial highlights for each of the years in the five-year period ended December 31, 2002. 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, 2002 and 2001, and the results of its operations and the changes in its net assets for the years then ended and its financial highlights for each of the years in the five-year period ended December 31, 2002 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Toronto, Ontario

January 17, 2003

Statements of Net Assets

As at December 31, 2002 and 2001	2002	2001
<i>(in thousands of dollars, except per share amounts)</i>	\$	\$
Assets		
Investments <i>(note 1)</i>	18,196	21,414
Cash	694	1,496
Receivable on securities sold	–	922
Accrued dividends	10	29
Income taxes recoverable	–	365
	18,900	24,226
Liabilities		
Bank indebtedness <i>(note 2)</i>	3,190	4,068
Payable on securities purchased	–	1,108
Accounts payable and accrued liabilities	35	47
Income taxes payable	2	–
	3,227	5,223
Net Assets	15,673	19,003
Shareholders' Equity		
Capital stock <i>(note 3)</i>	20,507	20,507
Unrealized loss on investments	(1,546)	(497)
Deficit	(3,288)	(1,007)
	15,673	19,003
Number of shares outstanding <i>(note 3)</i>	4,101,350	4,101,350
Net asset value per share	3.82	4.63

Approved by the Board of Directors



Director



Director

Statements of Operations

For the years ended December 31, 2002 and 2001	2002	2001
<i>(in thousands of dollars)</i>	\$	\$
Investment income		
Dividends	468	388
Interest	38	49
	506	437
Expenses		
Management fees <i>(note 5)</i>	286	337
Interest <i>(note 2)</i>	127	189
Investor relations	52	47
Directors' fees	34	31
Other	77	78
	576	682
Investment loss before income taxes	(70)	(245)
Income tax provision <i>(note 6)</i>	12	135
Net investment loss for the year	(82)	(380)
Realized and unrealized loss on investments		
Net realized loss on investments <i>(note 4)</i>	(2,192)	(892)
Change in unrealized depreciation of investments	(1,049)	(4,097)
Net loss on investments	(3,241)	(4,989)
Decrease in net assets resulting from operations	(3,323)	(5,369)

Statements of Deficit

For the years ended December 31, 2002 and 2001	2002	2001
<i>(in thousands of dollars)</i>	\$	\$
Retained earnings (deficit) – Beginning of year	(1,007)	265
Net investment loss for the year	(82)	(380)
Net realized loss on investments	(2,192)	(892)
Provision for refundable dividend tax on hand	(7)	–
Deficit – End of year	(3,288)	(1,007)

Statements of Unrealized Loss on Investments

For the years ended December 31, 2002 and 2001	2002	2001
<i>(in thousands of dollars)</i>	\$	\$
Unrealized gain (loss) on investments – Beginning of year	(497)	3,600
Decrease during the year	(1,049)	(5,060)
Decrease in provision for future income taxes	–	963
Unrealized loss on investments – End of year	(1,546)	(497)

Statements of Changes in Net Assets

For the years ended December 31, 2002 and 2001	2002	2001
<i>(in thousands of dollars)</i>	\$	\$
Decrease in net assets resulting from operations	(3,323)	(5,369)
Increase in refundable dividend tax on hand	(7)	–
Net assets – Beginning of year	19,003	24,372
Net assets – End of year	15,673	19,003

Statements of Financial Highlights

For the five-year period ended December 31, 2002	2002	2001	2000	1999	1998
	\$	\$	\$	\$	\$
Data per share <i>(note 7)</i>					
Net asset value – Beginning of year	4.63	5.94	7.90	5.95	6.24
Income (loss) from investment operations					
Net investment loss for the year	(0.02)	(0.09)	(0.10)	(0.03)	(0.01)
Net realized and unrealized gain (loss) on investments	(0.79)	(1.22)	(1.86)	1.98	(0.28)
	(0.81)	(1.31)	(1.96)	1.95	(0.29)
Net asset value - End of year	3.82	4.63	5.94	7.90	5.95
Ratios / supplemental data					
Total net assets – End of year <i>(in thousands of dollars)</i>	15,673	19,003	24,372	32,417	24,420
Weighted average net assets <i>(in thousands of dollars)</i>	17,283	20,289	29,219	24,982	24,654
Management expense ratio <i>(note 7(b))</i>	2.6%	2.4%	2.4%	2.4%	2.3%
Portfolio turnover rate <i>(note 7(c))</i>	66.1%	82.3%	76.7%	74.2%	60.1%
Annual net asset value growth <i>(note 7(d))</i>	-17.5%	-22.1%	-24.8%	32.7%	-4.7%

Statement of Investments

December 31, 2002

<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Market Cost Value</i>	
<i>(in thousands of dollars)</i>			
Asia – 19.7%			
8,800,000	Anadolu Efes Biracilik ve Malt Sanayii A.S. (Turkey)	\$ 234	\$ 194
34,000	Cheung Kong (Holdings) Limited (China/Hong Kong)	518	350
496,000	COFCO International Limited (China/Hong Kong)	230	221
492,000	Convenience Retail Asia Limited (China/Hong Kong)	231	199
8,000	Dr. Reddy's Laboratories Limited ADR (India)	231	244
1,904,000	Euro-Asia Agricultural (Holdings) Company Limited (China/Hong Kong)	629	0
42,000,000	Haci Omer Sabanci Holding A.S. (Turkey)	156	174
18,750	ICICI Bank Limited ADR (India)	152	192
2,300	Nitori Co., Ltd. (Japan)	147	138
25,000	PT Telekomunikasi Indonesia, Tbk. ADR (Indonesia)*	257	335
12,000	Reliance Industries Limited GDR 144A (India)*	233	237
25,200	Satyam Infoway Limited ADR (India)*	110	94
6,500	Taisei Lamick Co., Ltd. (Japan)	303	308
670,000	Tingy (Cayman Islands) Holding Corp. (China/Hong Kong)	314	275
15,000	Turkcell Iletisim Hizmetleri A.S. ADR (Turkey)*	420	357
700,000	Xinao Gas Holdings Limited (China/Hong Kong)	190	262
TOTAL ASIA		4,355	3,580
Australia – 1.9%			
104,000	Kingsgate Consolidated Ltd.*	311	347
TOTAL AUSTRALIA		311	347

<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Market Cost Value</i>	
<i>(in thousands of dollars)</i>			
Europe – 48.5%			
<i>Europe Excluding United Kingdom</i>			
19,000	Anglo Irish Bank Corporation plc (Ireland)	\$ 92	\$ 213
14,000	Arcelor S.A. (France)	301	272
7,880	Autoroutes du Sud de la France S.A. (France)	298	301
11,000	Bang & Olufsen A/S B (Denmark)	488	351
19,000	Ekornes ASA (Norway)	317	363
13,000	Interbrew S.A./N.V. (Belgium)	521	484
3,400	LUKOIL Oil Company ADR (Russia)	318	324
2,950	Mercator Poslovni Sistem (Slovenia)	280	520
6,000	NEG Micon A/S (Denmark)	319	160
10,000	Oslo Bors Holding ASA (Norway)	212	273
27,600	PLIVA d.d. GDR Reg. S (Croatia)	513	619
3,700	Renault S.A. (France)	260	274
13,000	Wimm-Bill-Dann Foods OJSC ADR (Russia)	423	369
Total Europe (Excluding United Kingdom) – 24.8%		4,342	4,523
<i>United Kingdom</i>			
20,000	Alliance & Leicester plc	260	379
66,000	BG Group plc	457	450
11,500	Bloomsbury Publishing Plc	226	191
175,000	Corin Group PLC	557	645
85,000	The Establishment Investment Trust plc	193	203
140,000	Goshawk Insurance Holdings plc	352	463
117,810	Legal & General Group Plc*	375	288
300,000	Pilkington plc	816	443
32,000	Shire Pharmaceuticals Group plc	606	323
24,000	Standard Chartered PLC	467	431
100,000	Tesco PLC	587	493
Total United Kingdom – 23.7%		4,896	4,309
TOTAL EUROPE		9,238	8,832

Statement of Investments *(continued)*

December 31, 2002

<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Market Cost</i>	<i>Market Value</i>
<i>(in thousands of dollars)</i>			
Latin America – 6.2%			
10,000	Bunge Limited (Argentina)	\$ 255	\$ 380
15,000	Companhia de Bebidas das Americas (Ambev) ADR preference shares (Brazil)	547	369
20,000	Grupo Aeroportuario del Sureste S.A. de C.V. ADR (Mexico)	520	371
TOTAL LATIN AMERICA		1,322	1,120
North America – 23.7%			
<i>Canada</i>			
34,900	Cinram International Inc.	358	345
20,000	Imax Corporation	217	126
35,000	Magna Entertainment Corp. A	420	343
30,000	Sun Gro Horticulture Income Fund	300	314
Total Canada – 6.2%		1,295	1,128

<i>Number of Shares or Par Value</i>	<i>Investment – % of Total Market Value</i>	<i>Market Cost</i>	<i>Market Value</i>
<i>(in thousands of dollars)</i>			
United States			
5,000	Carolina Group	\$ 231	\$ 160
5,000	Chicago Mercantile Exchange Holdings Inc. A*	331	345
5,000	eSpeed, Inc. A*	144	134
5,000	Kraft Foods Inc.	265	308
26,000	The Nasdaq Stock Market, Inc.†	406	411
5,000	Patterson Dental Company*	313	345
5,000	Pfizer Inc.	334	241
4,000	The Robert Mondavi Corporation A	206	196
50,000	Sycamore Networks, Inc.*	231	228
10,000	UTStarcom, Inc.	381	313
7,000	Weight Watchers International, Inc.	379	508
Total United States – 17.5%		3,221	3,189
TOTAL NORTH AMERICA		4,516	4,317
Total Investments			
– December 31, 2002		\$19,742	\$18,196
– December 31, 2001		\$21,911	\$21,414

*Changes from September 30, 2002: * New Holdings; † Increased Holdings*

Notes to Financial Statements

December 31, 2002 and 2001

1 Summary of significant accounting policies

Valuation of investments

Market values of securities are based on closing market quotations.

Investment transactions

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

Dividend and interest income

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

Foreign exchange

Assets and liabilities denoted in foreign currencies are translated into Canadian dollars at year-end rates. Investment income, expenses and purchases and sales of investments 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 on the Company's unrealized appreciation of investments.

2 Bank indebtedness

The Company has a demand credit facility of CAN\$5.0 million, subject to specified covenants, with interest based on the prime bankers' acceptance rate. The bank indebtedness has a combined weighted average interest rate of 3.64% p.a. as at December 31, 2002 (2001 – 2.76% p.a.).

3 Capital stock

The Company is authorized to issue unlimited preferred shares issuable in series and unlimited common shares. As at December 31, 2002 and 2001, there are 4,101,350 common shares issued and outstanding.

4 Net realized loss on investments

The net realized loss on investments was as follows:

	Years ended December 31,	
	2002	2001
<i>(in thousands of dollars)</i>	\$	\$
Proceeds from disposition of investments	13,955	19,582
Investments at cost – Beginning of year	21,911	21,264
Investments purchased during the year	13,978	21,121
Investments at cost – End of year	(19,742)	(21,911)
Cost of investments disposed of during the year	16,147	20,474
Net realized loss on investments	(2,192)	(892)

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. Management fees are calculated on a quarterly basis at the annual rate of 1.50% of net asset value without a deduction for tax liabilities.

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 39% (2001 – 42%) and 19% (2001 – 21%), respectively. The effective tax rate for future income taxes is approximately 18% (2001 – 19%).

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 \$7,000 as at December 31, 2002 (2001 – \$nil).

The Company has non-capital loss carry-forwards of approximately \$360,000, which begin to expire in 2008, and allowable capital losses of approximately \$3,100,000. No tax benefit has been recorded in the financial statements with respect to these losses as well as the tax benefit resulting from the unrealized loss on investments of \$1,546,000.

7 Financial highlights

Explanatory notes

- a) All data per share, except opening and closing net asset values, are based on the average number of shares outstanding during the year.
- b) The management expense ratio is calculated based on all expenses of the Company (other than brokerage commissions, interest and income taxes) expressed as a percentage of the average monthly net assets of the Company.
- c) The portfolio turnover rate is calculated by dividing the lesser of purchases or sales of securities, excluding securities having a maturity date at acquisition of one year or less, by the weighted average value of the portfolio securities held during the year.
- d) Annual net asset value growth is calculated based on the change in net asset value per share.

Portfolio Commentary

Stocks in east central European markets seem to be holding to price levels better than stocks in most other regions. That is the case for PLIVA d.d., our No.2 holding at year-end and one of a number of high quality pharmaceutical companies that developed mainly to meet demand in the former Soviet Union.

Based in Slovenia, Mercator Poslovni Sistem is the dominant local wholesale and retail merchandiser in the Balkan region. It has dropped from its No.1 portfolio position as gains were realized on sales of 40% of the original position in the third quarter of 2002.

Another stock holding steady – and in extremely negative market conditions in the U.K. – Corin Group PLC, is the dominant supplier of artificial replacement hips and knees and is expanding in other countries. Its customers are gym and athletics enthusiasts as well as the traditional aging set.

Pilkington plc is a typical industrial products company, scraping along the bottom in what might be the worst London bear market in living memory and waiting for spending to be stepped up. A rumour of a takeover by Nippon Sheet Glass contributed to a recent gain. Otherwise, the best feature in the short-term is a strong dividend backed by positive, though reduced earnings forecasts.

Some stocks in the portfolio do appreciate in a bear market. Goshawk Insurance Holdings plc is rewarding investors by putting recently raised funds to work in a strong premiums market in its Bermuda reinsurance division. Also, the company is not heavily exposed to declining equity values in its own investment portfolio.

Tesco PLC is a first class operator with revenues building in emerging markets. However, Tesco's stock price has not been helped by the increased competition implied in the U.K. by the potential acquisition of Safeway by another of the supermarket giants or a buyout firm.

Like other brewing giants, Interbrew S.A./N.V. has been in a negative performance mode and has sold off in the bear market to a point where it appears to be cheap. Based in Belgium, it has expanded in emerging markets but is also the owner of Labatt in Canada, Bass in the U.K. and Beck in Germany, among other names. It recently repurchased the rights to market its own products in Italy held for years by Heineken.

The recent fall in the share price of Weight Watchers International Inc. has been triggered by profit taking, the general decline in global markets as well as concerns regarding competition from products consumed for slimming purposes. Nevertheless, we will likely continue to remain overweight in the stock as our outlook is positive.

Bunge Limited is one of the winning stocks in the portfolio over the past few months. Bunge is a long established leader in integrated global agribusiness, with particular strength in soybeans and fertilizer in the Americas. We believe this is one of the few strong entry points into essential and fashionable soy markets.

A Note from India

In a region where events are currently a great influence on the global as well as local scene, India seems destined to be one of the fastest growing economies. At 5% estimated rate of GDP growth, it is rivalled only by China among major countries. That is the main message of company and state officials at the DSP Merrill Lynch Limited 7th India Investor Conference, February 10-14, 2003.

Highlights

- GDP U.S.\$480 billion, exports U.S.\$44 billion, imports U.S.\$50 billion;
- Strong currency; rupee appreciation 3.8% in six months;
- Quite moderate inflation, running at under 5%;
- 1.1 billion people; inexpensive skilled labour;
- One of the largest pools of scientific/technological manpower;
- Dynamic private sector with a long history.

The conference is providing portfolio management of Canadian World Fund Limited with the opportunity to meet representatives of most of the Indian companies in the portfolio, as well as locally and internationally based analysts and other fund managers, and to also develop ideas for other investments. At year-end 2002, CWF was invested in several key sectors in India – pharmaceuticals, banking, petrochemicals and Internet commerce.

Reliance Industries Limited, a CWF holding, is a fully integrated energy company that is India's largest private sector company – bigger than the next 10 Indian companies put together, with both assets and sales close to the Cdn \$18 billion level. Of particular interest at this time is a massive offshore gas discovery in which a small Canadian resource company, Niko Resources Ltd. has a 10% interest. Niko is also currently a CWF holding. Reliance tends to operate on a grand scale and is extending activities with the rolling out of Reliance Infocomm, a 60,000 km wireless network launch, potentially covering 673 cities and towns across India. Some 4,000 companies are listed on the Mumbai (Bombay) Stock Exchange. The forward price/earnings multiple across the spectrum is a reasonable 8.7x to 9x and the dividend yield average is about 3.5%. Dividends are a strong requirement among Indian investors, who have been taxed on dividends as well as long and short-term capital gains in recent times. However, it has been widely anticipated that certain taxes would be eliminated in this year's budget.

Predictions for India are generally favourable, with strong industrial growth continuing, software services buoyant, vigorous housing demand, and a strong remittances strategy by Indians overseas, seeking higher returns in rupees than currently available in a weakening U.S. dollar. Hopefully, overvaluation of the rupee to the detriment of exports will be averted for the time being and this and other factors will make the Indian stock market a better call than most others around the world.

*– Michael Smedley
Udaipur, Rajasthan
India, February 2003*

Annual Performance Summary

	Net Assets	Net Assets Per Share	Net Investment Income/(Loss)	Net Investment Income/(Loss) Per Share	Market Value of Share			Premium/(Discount) To NAV
					High	Low	Close	
	(000's)		(000's)					(Percent)
1994*	\$ 20,788	\$ 5.06	\$ (25)	\$ (0.01)	\$ 4.60	\$ 3.05	\$ 3.80	(24.9)
1995	20,487	5.00	(53)	(0.01)	4.25	3.00	3.60	(28.0)
1996	23,037	5.62	90	0.02	4.85	3.60	4.35	(22.6)
1997	25,607	6.24	12	0.00	5.70	4.00	4.10	(34.3)
1998	24,420	5.95	(24)	(0.01)	5.25	3.00	4.30	(27.7)
1999	32,417	7.90	(142)	(0.03)	5.20	3.80	5.20	(34.2)
2000	24,372	5.94	(416)	(0.10)	6.30	3.42	3.90	(34.3)
2001	19,003	4.63	(380)	(0.09)	4.00	2.55	3.15	(32.0)
2002	15,673	3.82	(82)	(0.02)	3.55	2.44	2.63	(31.2)

*established as a closed-end fund in 1994.

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 costs, including commissions)
- May employ leverage

Corporate Information

CANADIAN WORLD FUND LIMITED

BOARD OF DIRECTORS

Carl S. Hutman *

(Private Investor)

Jonathan A. Morgan

*(Senior Vice-President and Director,
Morgan Meighen & Associates Limited
[Investment Management])*

Vanessa L. Morgan

*(Chairman, Canadian General
Investments, Limited [Closed-end
Investment Company])*

Jack H.B. Nederpelt

*(Managing Partner, Heidrick &
Stuggles [Executive Recruiting Firm])*

Michael A. Smedley

*(President, Canadian General
Investments, Limited [Closed-end
Investment Company])*

AUDIT COMMITTEE

Carl S. Hutman *

Jonathan A. Morgan

Jack H.B. Nederpelt

CORPORATE GOVERNANCE COMMITTEE

Carl S. Hutman *

Jonathan A. Morgan

Jack H.B. Nederpelt

OFFICERS

Vanessa L. Morgan

Chairman

Michael A. Smedley

President

Colin Smith

Secretary-Treasurer

Frank Fuernkranz, MBA, CA, CFA

Assistant-Treasurer

* Mr. Hutman will not be standing for re-election at the April 3, 2003 meeting of shareholders.

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

AUDITORS

PricewaterhouseCoopers LLP

Toronto

BANKERS

Bank of Montreal

Toronto

SOLICITORS

Blake, Cassels & Graydon LLP

Toronto

REGISTRAR AND TRANSFER AGENT

Computershare Trust

Company of Canada

100 University Avenue, 9th Floor

Toronto, Ontario, Canada M5J 2Y1

Telephone: (416) 981-9633

Toll Free: 1-800-564-6253

Fax: (416) 263-9524

Toll Free: 1-866-249-7775

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

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

PUBLICATION

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

The Corporation posts ongoing top 10 portfolio investments (priced at market), together with current discount and market return information on its website. Similar information is available directly from the Corporation upon request.

ANNUAL MEETING OF SHAREHOLDERS

The Annual General Meeting of the shareholders of Canadian World Fund Limited will be held at 10:00 a.m. (Toronto time) Thursday, April 3, 2003 in Room A, 4th Floor, The Toronto Board of Trade, 77 Adelaide Street West, First Canadian Place, Street Level (Adelaide Street entrance), Toronto, Ontario, M5X 1C1 (Telephone: (416) 366-6811).

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

CWF is managed by:


MorganMeighen
& ASSOCIATES
Investment Managers