



CWF

Canadian World Fund
Limited

2004

GLOBAL
OPPORTUNITIES

Annual Report

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: www.mmainvestments.com), investment managers since 1956.

CWF's common shares are listed on the Toronto Stock Exchange under the symbol CWF. Net asset value per share (NAV) is calculated daily, and distributed via various news services in Canada and the U.S. NAV and market price information are published in the financial press in Canada and the U.S. on a daily/weekly basis.

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

Top Ten Investments at Market

(Excludes cash)

December 31, 2004

<i>(Portfolio details on pages 9-10)</i>	<i>%</i>
The Stanley Gibbons Group Limited - United Kingdom	4.9
Oslo Bors Holding ASA - Norway	3.3
Corin Group PLC - United Kingdom	3.3
Niko Resources Ltd. - Canada	3.1
Iliad SA - France	2.8
Imperial Metals Corporation - Canada	2.7
Symantec Corporation - United States	2.6
Grupo Financiero Banorte, S.A. de C.V. - Mexico	2.5
IP2IPO Group plc - United Kingdom	2.5
Google Inc. - United States	2.4
Total	30.1

Capitalizing on Global Opportunities



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

- An outperformer
 - NAV +14.6%
 - Market +11.1%
 - Benchmark +5.5%
- Canada well weighted

Canadian World Fund Limited (CWF) achieved a 14.6% one-year uplift in net asset value per share (NAV), an excellent result in the face of the appreciating Canadian dollar. Illustrating this point, the Fund's benchmark, the Morgan Stanley All-Country World Free Index rose 13.3% in U.S. dollar terms but only 5.5% in Canadian dollars.

CWF's NAV growth outperformed the average returns of all domestic, as well as international classes of mutual funds in Canada, except for the Latin American equity, natural resources and Canadian income trusts sectors, in order of performance as reported by globefund.com and published in the Globe and Mail on January 6, 2005. Well invested in U.S. stocks, CWF also bettered the U.S. market, which was up only 3.3% as measured by the S&P 500 Composite Index.

The portfolio management team of the Manager, Morgan Meighen & Associates Limited continues to concentrate on bottom-up stock selection, taking into account global, regional and country factors, while focusing on special situations. Investors may be unfamiliar with many of CWF's broad portfolio of names, but the Fund meets a need for global positioning that aims for growth rather than just international diversification through index weighting or reliance on core stocks in international markets.

Vanessa L. Morgan
Chairman

Jonathan A. Morgan
President

PORTFOLIO OUTLOOK

Looking forward through 2005, we expect to maintain a positive approach to the Indian stock market, where our latest investment before year-end was in Britannia Industries Ltd., a long established bakery products manufacturer with domestic leadership and strong export sales.

We also expect to maintain a low weighting in the Chinese market, despite the country's current high growth and importance on the world economic scene. It is our feeling that the country needs to move from an investment focus to more of a consumer driven economy. Also, the majority of the best Chinese companies, quoted in domestic "A" shares, are still off limits to direct foreign investment. The Chinese market was one of the weaker performers in 2004.

Russia is a more significant investment destination for CWF, but the local stock market also remains limited for such a large country. Our most recent investment before year-end was AO RITEK, a successful small oil developer in Siberia and the Tartarstan Republic with OAO LUKOIL being its majority shareholder. Production is at the 70,000 barrels a day level and has been rising rapidly.

In Japan, our best performers recently have been Internet and financial services companies. At the end of 2004 we were doing well in Yahoo Japan Corporation, and Rakuten, Inc., which manages marketing, sales and auctions sites, and is joining Matsui Securities Co., Ltd. in commodity futures. Matsui, which CWF also holds, runs one of the top on-line investment services in Japan.

Capitalizing on Global Opportunities (continued)

SOPHISTICATED MARKETS

The United Kingdom and the United States are significant in the Fund, weighted at 24.0% and 16.9%, respectively, at year-end. As these markets are large and sophisticated, they are of lower vulnerability to one-off national events and also offer a wider range of opportunities than the many smaller markets in which we invest. Acquisitions before year-end in the United Kingdom included Deal Group Media plc and Hornby Plc. Deal Group is an Internet marketer with thousands of web sites used for a variety of marketing services for big corporations. Its shares have appreciated 47.3% in the portfolio to year-end. Hornby, a winner for its longer-term holders, is one of the best known names in the very serious model train business. Last year it “invented” steam driven trains and purchased Lima, a major Italian line of model train products. It benefits from low cost production in China and its acquisition program that is expected to continue in 2005.

In the United States, longer-term holdings include Harley-Davidson, Inc. and Winnebago Industries, Inc. We have done well with high growth, high multiple companies such as eBay Inc. over the longer-term and Google Inc. in the short-term. We recently realized an 80.0% gain in Martha Stewart Living

Omnimedia, Inc. Given the weakening trend in the U.S. dollar it has been useful to lock in gains in that market.

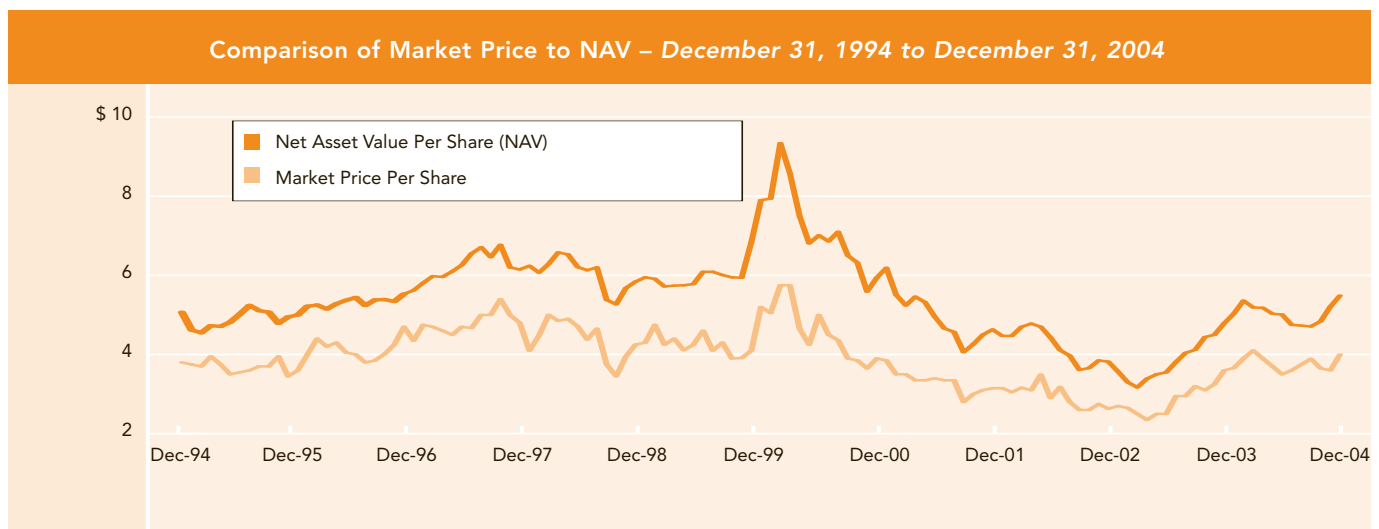
In Latin America, a winner bought in October and up 35.9% at year-end is Grupo Financiero Banorte, S.A. de C.V., Mexico’s sole remaining non-foreign owned major bank. Earlier in the year, we acquired SARE Holding, S.A. de C.V., long established in the high growth housing industry and up 31.3% at December 31, 2004. We are in the process of increasing our Mexican holdings.

Canada has been well weighted in the global portfolio for the past two years due to the topical importance and success of Canadian resources companies with local and international interests and also the Manager’s respect for the recent strength of the Canadian dollar.

The year ahead should be exciting. We constantly have an extensive list of prospective holdings under consideration for global investment, and are always seeking opportunities to provide high returns to our shareholders.

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

Comparison of Market Price to NAV – December 31, 1994 to December 31, 2004



Management's Discussion & Analysis

Canadian World Fund Limited (CWF) had a solid finish in 2004 reflected by a net asset value return of 16.6% for the fourth quarter and 14.6% for the year, exceeding the benchmark Morgan Stanley All-Country World Free Index, which posted growth of 11.9% and 13.3% for the corresponding periods, or 6.5% and 5.5% when expressed in Canadian dollar terms. CWF's net assets at December 31, 2004 were \$22,526,000 compared to the 2003 year-end value of \$19,639,000.

CWF results for 2004 were impacted by currency movement as the Canadian dollar appreciated in relation to currencies worldwide. Of particular significance was the 2004 increase of 7.4% in relation to the U.S. dollar.

OPERATIONS

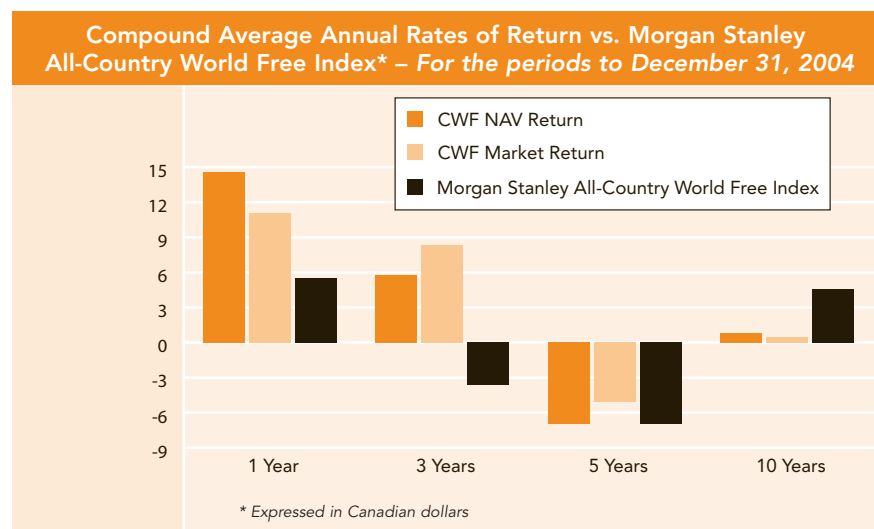
CWF had a net investment loss of \$259,000 for 2004 compared to a \$141,000 loss for 2003. Expenses increased by \$143,000, or 26.4%, attributable mainly to an increase in management fees resulting from higher net asset values. Management fees are calculated quarterly in arrears at 1.5% per annum of net asset value without deduction for tax liabilities. Interest expense was up 12.1% in 2004 compared to the prior year as a result of higher average outstanding loan balances during the most recent fiscal year. Bank borrowing for leverage purposes was increased from \$3,600,000 to \$4,100,000 in January 2004 and remained at this level for the balance of the year. During 2003, borrowings varied from a low of \$2,200,000 to a high of \$3,600,000 over the twelve months. The weighted average interest rate for 2004 was 3.2% as compared to 3.6% for 2003.

The impact of rising expenses was offset to some extent by a more moderate investment income increase of 8.1%. Of note were special dividends received from The Stanley Gibbons Group Limited and Frontline Ltd. in the form of a spinoff.

The management expense ratio (MER) is a measure of the total costs of operating a fund as a percentage of average net assets. MER expenses exclude brokerage commissions and income taxes. Borrowed funds (leverage), invested as part of total portfolio assets, contribute to a fund's NAV return. The actual amount of borrowing is deducted from aggregate portfolio assets in computing net assets. Excluding the costs associated with leverage (interest expense), the management expense ratio (MER) for both 2004 and 2003 was 2.7%.

Proposed securities regulations concerning investment funds have been published for comment by interested parties. This proposal, unless amended, requires the inclusion of leverage costs in the calculation of the MER. Including interest expense, the MERs for 2004 and 2003 would have been 3.3% and 3.4%. The use of leverage to enhance total returns to shareholders has been a part of the Corporation's investment strategy since 1999. The portfolio turnover rate was 66.1% in 2004 as compared to 79.5% in the prior year.

CWF had an unrealized gain on investments of \$3,461,000 at December 31, 2004, down slightly from \$3,631,000 at the end of 2003. Significant gains, totalling \$3,317,000, were realized in 2004. In contrast, the year 2003 reflected net realized losses of \$1,069,000. Included in the 2004 figure is a loss of \$629,000 realized on Euro-Asia Agricultural (Holdings) Company Limited. This security was written down to zero in late 2002



Weighting of Portfolio Investments at Market – December 31, 2004

Region	Weighting (%)
North America	26.9
United Kingdom	24.0
Europe (excluding U.K.)	22.6
Asia	21.6
Other	4.9
Total	100.0

Management's Discussion & Analysis (continued)

when the Hong Kong Stock Exchange suspended trading in the company's shares for a variety of reasons. During 2004, the security was delisted which prompted actual realization of the loss.

Some of the more significant gains in 2004 were realized on the sale of holdings in Martha Stewart Living Omnimedia, Inc., Mercator Poslovni Sistem, Red Hat, Inc., Corin Group PLC, and Mundoro Mining Inc.

As a result of CWF's taxable loss position, the Corporation does not meet the defined criteria required for recognition of a tax recovery on the investment loss incurred. In addition, no income tax provision has been recorded for the net realized gain on investments earned and no future income tax provision has been recorded for the unrealized gain at year-end, as CWF still has available loss carryforwards from prior years. At December 31, 2004, the Corporation had non-capital loss carry-forwards of approximately \$791,000 and capital losses of approximately \$989,000. No benefit has been recorded in the financial statements with respect to these losses.

INVESTMENT OBJECTIVE AND STRATEGIES

CWF is a closed-end equity fund that endeavours to provide superior long-term returns by investing globally in securities of publicly traded, primarily growth companies. The Manager of CWF utilizes a bottom-up investment style in an effort to achieve this objective. As a global equity fund, the primary risks to the Corporation are market risk – the exposure to market price changes in the securities held within the portfolio and currency fluctuation risk. The portfolio is well diversified and influenced by many currencies. The Corporation does not employ currency hedging.

OUTLOOK

The primary objective of the Manager will continue to be global bottom-up security 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 where appropriate.

Economic Sector Weighting of Portfolio Investments at Market* – December 31, 2004

	%
Consumer Discretionary	26.3
Financials	21.7
Information Technology	14.5
Industrials	8.3
Energy	7.7
Consumer Staples	7.1
Telecommunication Services	5.9
Materials	4.5
Health Care	4.0
Total	100.0

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

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 judgments. 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 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

February 9, 2005

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, 2004 and 2003, the statement of investments as at December 31, 2004, and the statements of operations, deficit and cash flows for the years ended December 31, 2004 and 2003. 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, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



*Chartered Accountants
Toronto, Canada*

January 28, 2005

Statements of Net Assets

<i>As at December 31,</i>	2004	2003
<i>(in thousands of dollars, except per share amounts)</i>	\$	\$
Assets		
Investments at market value (cost - \$20,727; 2003 - \$19,193)	24,188	22,824
Cash	1,987	421
Receivable on securities sold	440	-
Dividends receivable	33	8
Income taxes recoverable	2	5
	26,650	23,258
Liabilities		
Bank indebtedness (note 2)	4,076	3,576
Accounts payable and accrued liabilities	48	43
	4,124	3,619
Net Assets	22,526	19,639
Shareholders' Equity		
Capital stock (note 3)	20,507	20,507
Unrealized gain on investments	3,461	3,631
Deficit	(1,442)	(4,499)
	22,526	19,639
Number of shares outstanding (note 3)	4,101,350	4,101,350
Net asset value per share	5.49	4.79

Approved by the Board of Directors



Director



Director

Statements of Operations

<i>For the years ended December 31,</i>	2004	2003
<i>(in thousands of dollars, except per share amounts)</i>	\$	\$
Investment income		
Dividends	422	366
Interest	4	28
	426	394
Expenses		
Management fees (note 4)	324	241
Interest	130	116
Investor relations	55	52
Directors' fees	53	32
Other	123	101
	685	542
Investment loss before income taxes	(259)	(148)
Income tax recovery (note 5)	-	7
Net investment loss for the year	(259)	(141)
Realized and unrealized gains (losses) on investments (note 6)		
Net realized gain (loss) on investments	3,317	(1,069)
Change in unrealized gain on investments	(170)	5,177
Net gain on investments	3,147	4,108
Increase in net assets resulting from operations for the year	2,888	3,967
Increase in net assets resulting from operations per share (based on 4,101,350 (2003 - 4,101,350) weighted average shares outstanding during the year)	0.70	0.97

Statements of Deficit

<i>For the years ended December 31,</i>	2004	2003
<i>(in thousands of dollars)</i>	\$	\$
Deficit - Beginning of year	(4,499)	(3,288)
Net investment loss for the year	(259)	(141)
Net realized gain (loss) on investments (note 6)	3,317	(1,069)
Net increase in refundable dividend tax on hand	(1)	(1)
Deficit - End of year	(1,442)	(4,499)

Statements of Cash Flows

<i>For the years ended December 31,</i>	2004	2003
<i>(in thousands of dollars)</i>	\$	\$
Cash provided by (used in)		
Operating activities		
Increase in net assets resulting from operations for the year	2,888	3,967
Add (deduct) non-cash items		
Net realized (gain) loss on investments	(3,317)	1,069
Change in unrealized gain on investments	170	(5,177)
Purchases of investments during the year	(17,848)	(15,558)
Proceeds of disposition of investments during the year	19,631	15,038
Net change in non-cash balances related to operations	(457)	3
	1,067	(658)
Financing activities		
Increase in bank indebtedness	500	386
Net increase in refundable dividend tax on hand	(1)	(1)
	499	385
Net increase (decrease) in cash during the year (note 7)	1,566	(273)
Cash - Beginning of year	421	694
Cash - End of year	1,987	421

Statement of Investments

December 31, 2004

Number of Shares or Par Value	Investment	Cost \$	Market Value \$	Number of Shares or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>				<i>(in thousands of dollars)</i>			
ASIA - 21.6%							
17,500	Bharat Electronics Limited (India)	212	320	7,000	Frontline Ltd. (Norway)*	420	374
72,400	Bharti Tele-Ventures Limited (India)	334	434	15,000	Iliad SA (France)	490	681
14,000	Britannia Industries Ltd. (India)*	324	358	5,400	Luka Koper d.d. (Slovenia)	263	295
34,000	Cheung Kong (Holdings) Limited (China/Hong Kong)	518	408	1,500	Mercator Poslovni Sistem (Slovenia)	143	408
246,000	COFCO International Limited (China/Hong Kong)	114	127	6,000	Oriflame Cosmetics S.A., SDR (Sweden)	271	167
6,000	Divi's Laboratories Limited (India)	262	227	15,800	Oslo Bors Holding ASA (Norway)	420	797
392,000	G.K. Goh Holdings Limited (Singapore)	278	234	5,200	RAO Gazprom, Reg S ADR (Russia)	260	222
8,500	Konica Minolta Holdings, Inc. (Japan)	161	135	600	Sberbank (Russia)	332	352
28,300	Maruti Udyog Limited (India)	327	363	933	Ship Finance International Limited (Norway)*	27	23
7,100	Matsui Securities Co., Ltd. (Japan)	273	297	25,000	Turkcell Iletisim Hizmetleri Anonim Sirketi, ADR (Turkey)*	423	545
35,000	Patni Computer Systems Limited (India)	269	373	5,555,000	Uralsvyazinform (Russia)	264	245
10,000	PT Telekomunikasi Indonesia, Tbk., ADR (Indonesia)	140	253	6,000	Vimpel-Communications, ADR (Russia)+	196	261
300	Rakuten, Inc. (Japan)+	278	411	Total Europe (Excluding United Kingdom) - 22.6%			
14,000	Rediff.com India Limited, ADR (India)	175	143	United Kingdom			
70,000	Shaw Wallace & Company Ltd. (India)	157	301	110,000	Corin Group PLC	350	790
63,500	The Shipping Corporation of India Ltd. (India)	267	303	1,100,000	Deal Group Media plc*	245	361
30,500	The Siam Cement Public Company Limited, Foreign Reg. (Thailand)	208	261	145,000	fountains plc	513	485
6,000	Sohu.com Inc. (China/Hong Kong)	263	128	15,000	Games Workshop Group PLC	234	306
24	Yahoo Japan Corporation (Japan)	73	138	50,000	Hornby Plc*	300	301
TOTAL ASIA				70,000	ICAP plc	376	439
		4,633	5,214	40,000	IP2IPO Group plc	399	603
AUSTRALIA - 0.6%				158,500	M&C Saatchi plc	516	479
380,000	Tethyan Copper Company Limited	173	157	30,000	Numis Corporation Plc	341	509
TOTAL AUSTRALIA				600,000	The Stanley Gibbons Group Limited	619	1,176
		173	157	600,000	UBC Media Group plc	467	367
EUROPE - 46.6%				Total United Kingdom - 24.0%			
Europe Excluding United Kingdom				TOTAL EUROPE			
45,000	AO RITEK (Russia)	244	211			8,965	11,284
6,000	Arlington Tankers Ltd. (Sweden)*	156	166	LATIN AMERICA - 4.3%			
15,000	Central European Distribution Corporation (Poland)	426	533	80,000	Grupo Financiero Banorte, S.A. de C.V. (Mexico)*	445	605
8,000	Flamel Technologies S.A., ADR (France)	270	188	456,000	SARE Holding, S.A. de C.V., B (Mexico)	326	428
				TOTAL LATIN AMERICA			
						771	1,033

Statement of Investments (continued)

December 31, 2004

Number of Shares or Par Value	Investment	Cost \$	Market Value \$
<i>(in thousands of dollars)</i>			
NORTH AMERICA - 26.9%			
Canada			
200,000	AXMIN Inc.	234	136
81,500	Imperial Metals Corporation	597	644
15,000	Niko Resources Ltd.	419	757
20,000	Pan-Ocean Energy Corporation Limited, B SV*	450	481
4,600	Teekay Shipping Corporation*	273	233
30,000	WGI Heavy Minerals, Incorporated	310	150
	Total Canada - 9.9%	2,283	2,401
United States			
3,750	eBay Inc.	223	525
2,500	Google Inc. +	445	580
7,000	Harley-Davidson, Inc.	471	512
718	Lucent Technologies Inc., warrants*	1	1
10,000	Maguire Properties, Inc.	337	331
2,500	Martha Stewart Living Omnimedia, Inc.*	51	87
7,500	NBTY, Inc.	328	217
15,000	Red Hat, Inc.	406	241
15,000	Sotheby's Holdings, Inc., A	318	328
20,000	Symantec Corporation+	721	620
7,000	UTStarcom, Inc.	295	187
10,000	Winnebago Industries, Inc.	306	470
	Total United States - 17.0%	3,902	4,099
	TOTAL NORTH AMERICA	6,185	6,500
TOTAL INVESTMENTS			
	- December 31, 2004	20,727	24,188
	- December 31, 2003	19,193	22,824

Changes from September 30, 2004:

* New Holdings

+ Increased Holdings

Notes to Financial Statements

December 31, 2004 and 2003

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management 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

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 denominated 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 \$5.0 million comprising bankers' acceptances and 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 3.27% per annum as at December 31, 2004 (2003 - 3.33% per annum) and is repayable in 2005.

3 CAPITAL STOCK

The Company is authorized to issue unlimited preferred shares issuable in series and unlimited common shares. As at December 31, 2004 and 2003, there are 4,101,350 common shares issued and outstanding.

4 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 income tax liabilities.

5 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% (2003 - 37%) and 18% (2003 - 18%), respectively. The effective tax rate for future income taxes is approximately 18% (2003 - 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 \$9,000 as at December 31, 2004 (2003 - \$8,000).

The Company has non-capital loss carry-forwards of approximately \$791,000, which begin to expire in 2008, and capital losses of approximately \$989,000, which are not subject to expiry and can be utilized against future capital gains. No benefit has been recorded in the financial statements with respect to these losses.

Notes to Financial Statements (continued)

December 31, 2004 and 2003

6 NET REALIZED AND UNREALIZED GAINS (LOSSES) ON INVESTMENTS

	2004	2003
<i>(in thousands of dollars)</i>	\$	\$
The net realized gain (loss) on investments was as follows:		
Proceeds of disposition of investments	19,631	15,038
Investments at cost - Beginning of year	19,193	19,742
Investments purchased during the year	17,848	15,558
Investments at cost - End of year	(20,727)	(19,193)
Cost of investments disposed of during the year	16,314	16,107
Net realized gain (loss) on investments	3,317	(1,069)
The change in unrealized gain (loss) on investments was as follows:		
Unrealized gain (loss) on investments - Beginning of year	3,631	(1,546)
(Decrease) increase during the year	(170)	5,177
Unrealized gain on investments - End of year	3,461	3,631

7 SUPPLEMENTAL CASH FLOW INFORMATION

	2004	2003
<i>(in thousands of dollars)</i>	\$	\$
Included in the net increase (decrease) in cash during the year are the following:		
Interest paid	147	135
Income taxes paid	34	48

Investors' Questions Commonly Asked

What is Canadian World Fund?

CWF is a closed-end equity fund, founded in 1994, focussed on medium to long-term investments in corporations listed around the world. The portfolio is generally a blend of developed and emerging market stocks. CWF is listed on the Toronto Stock Exchange and is one of few global content listed funds in North America.

What are closed-end funds?

Closed-end funds (CEFs) are professionally managed investment companies or trusts. Often compared to traditional open-end mutual funds, closed-end funds have many distinguishing features. Unlike mutual funds, CEFs are usually listed on stock exchanges and bought and sold in the open market. They typically trade in relation to, but independent of, their underlying net asset values, often at lower prices. Intra-day trading can allow investors to purchase and sell shares of closed-end funds quickly, just like the shares of other publicly traded securities, with share commission costs but without loads or penalties.

What is CWF's investment strategy?

CWF is actively invested in a diversified portfolio of global equities and strives, through stock selection, timely recognition of capital gains and income accumulation, to provide better than average global returns to investors.

Who sets the strategy?

The Board of Directors develops overall strategy, sets investment guidelines, and identifies and monitors principal risks. The Manager, Morgan Meighen & Associates Limited, is responsible for the day-to-day management of the portfolio, identification of opportunities and security selection, with strong focus on bottom-up stock selection and special situations rather than simply a presence in markets through core stocks.

What is the dividend policy?

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

Is this fund 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. It is the only closed-end Canadian listed equities fund with an international portfolio of common shares.

Is CWF eligible for registered plans?

For years prior to 2005, CWF was a qualified investment for Canadian registered plans, but subject to a foreign content limit (30% for 2004). The federal budget presented on February 23, 2005 proposes elimination of the foreign content limit for 2005 and subsequent years.

How can I buy CWF?

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

Is CWF currency-hedged?

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

HIGHLIGHTS

- India’s economic backdrop remains attractive with major structural change complimenting the cyclical drivers of growth.
- GDP is likely to grow 6.5% in 2005/2006, the second fastest pace in Asia after China.
- Domestic interest rate normalization has begun, central bank likely to raise rates.
- Fiscal dynamics remain India’s weak point, but the budget for 2005/2006 is expected to bring on an introduction of value added tax (VAT).
- Investor concerns focused on political stability, fiscal trends and the nature and pace of economic reforms.
- Economic reform since 1991 is paying off. Structural rigidity and inefficiencies in infrastructure are being addressed by the Government with commitment of vast resources to build highways. Efforts are being taken to upgrade port and airport facilities and there are moves to liberalize the power industry in an effort to boost capacity.
- Favourable demographics indicate and voters demand a faster rise in living standards. This is boosting consumption.
- Consumer spending should stay strong and capital expenditures by businesses are expected to rebound.
- Consumer lending, including property purchases, will continue to grow rapidly due to the decline in interest rates in recent years and the favourable shifts underway in household spending patterns.
- India’s equity market has moved significantly in the last 18 months. However, India’s positive structural story and sustainable superior growth can still surprise the market on the upside. Benefits remain under appreciated the growing middle-class and the agricultural focus of government policy serve to underpin domestic demand.
- **Sectors to benefit from India’s positive economic trend: financials, engineering, cement, auto, telecoms, steel and integrated oil companies. CWF’s Indian market content was 11% of the portfolio at December 31, 2004. This is likely to increase**

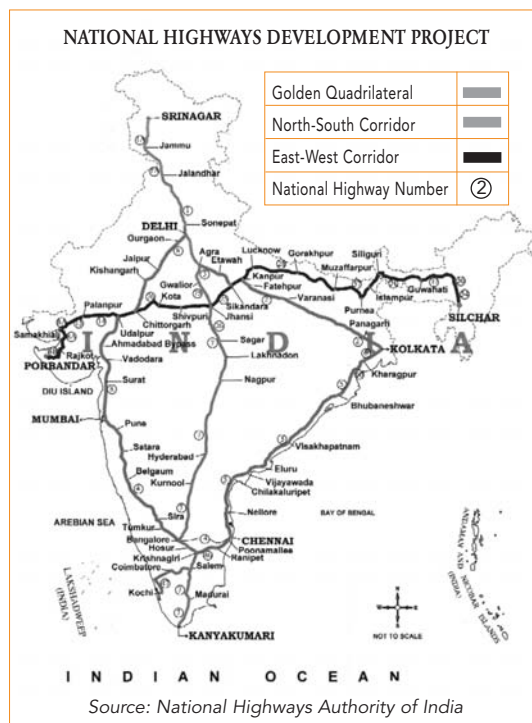
NATIONAL HIGHWAYS DEVELOPMENT PROJECT

The Government of India has accorded high priority to infrastructure development in which foreign direct investment is being especially encouraged. Recognizing that a modern highway network across the country is a crucial requirement for a rapidly growing economy, several policy decisions have been taken to expand and upgrade the roads in the country.

Under the “Golden Quadrilateral” component of the National Highways Development Project (NHDP) [see map to right], approximately 6,000 km of new road is under construction, linking national highways and connecting the four metros of Delhi, Kolkata, Mumbai and Chennai. The existing national highways will be upgraded from double-lane to four-lane highways, and on certain routes, depending on the diversity of the traffic, they will be enlarged to six lanes.

Within the NHDP, work has also commenced to build the “North-South Corridor” and the “East-West Corridor” with total length of about 7,000 km connecting Srinagar with Kanyakumari (N-S) and Silchar with Porbandar (E-W).

The total project is anticipated to be completed by the end of 2006, is expected to cut down travel time by 20-25% and would likely yield financial benefits to the economy. Funding for the project will come from the central government and private sector companies which then will be allowed to charge road tolls.



Portfolio Commentary - Special Situations

Canadian World Fund Limited's (CWF) portfolio management strategy primarily uses bottom-up stock picking methodology. This results in investment worldwide in companies that appear to have special and even unique growth attractions. As a consequence, many of our holdings are not large capitalization companies that would be recognized for major weighting in their respective markets. The following profiles some of these holdings in CWF's portfolio by country.

CANADA

Niko Resources Ltd. is active in oil and gas exploration in Canada and overseas. It has become one of the most successful developers in India, partnering with the Reliance Group, India's largest public corporation.

Teekay Shipping Corporation, operated out of Vancouver, but New York listed, it has a major oil tanker fleet engaged worldwide. Teekay offers investors very strong performance stemming from the vigorous oil sector demand and the shortage of tankers. Enjoying volatile but very high shipping rates, it has long range plans including investment in a large fleet of LNG ships.

MEXICO

Grupo Financiero Banorte S.A. de C.V. is a leading bank in Mexico and still listed on the Mexican Stock Exchange. It is the only one that has not been acquired by foreign interests.

POLAND

Central European Distribution Corporation is listed in the United States but operates in Poland where it distributes imported wines and spirits as well as domestic vodka on a nationwide basis.

THAILAND

Italian-Thai Development Public Company Limited was added to the portfolio after year-end 2004. Listed on the Bangkok Stock Exchange, it is a major Thai engineering works company involved in large scale projects in Thailand and other parts of south east Asia. The effects of the Tsunami on Boxing Day 2004 have stimulated interest in this company.

UNITED KINGDOM

IP2IPO Group plc partners with universities and other institutions, providing seed capital and other resources in return for equity in companies created as a result of research and frequently leading to a subsequent public market listing.

Numis Corporation Plc is an investment banker and broker embarked on rapid growth and recognition in the financial world.

The Stanley Gibbons Group Limited is an established leader in servicing the stamp collecting world. In recent times, its success has been enhanced under better management and the Internet trading environment. Its businesses include stamp marketing, autographs and associated memorabilia. A trading value index for stamps was created a year ago to help promote the investment merit of stamps. Expansion potential for The Stanley Gibbons Group is virtually unlimited, as it is the biggest in the business but holds less than 3 percent of the estimated world market.

UNITED STATES

Maguire Properties, Inc. is a real estate investment trust with a strong distribution payout history. Maguire owns and operates class A office properties in the Los Angeles central business district. It is expanding its interests and is the largest operator/owner of its type in this important renewal and improvement district in the United States. Southern California is considered to be a high-barrier-to-entry market.

CWF's portfolio has many long-term holdings that might be considered unusual but suit our strategy and our policy for giving shareholders international growth potential that is not dependent on core market or index performance.

Ten Year Performance Summary

	Investments		Net Assets		Increase (Decrease) In Net Assets Resulting From Operations		Market Value Per Share		
	(000's)	(000's)	Per Share	(000's)	Per Share	High	Low	Close	
	\$	\$	\$	\$	\$	\$	\$	\$	
1995	20,041	20,487	5.00	(301)	(0.07)	4.25	3.00	3.60	
1996	23,740	23,037	5.62	2,550	0.62	4.85	3.60	4.35	
1997	27,385	25,607	6.24	2,570	0.63	5.70	4.00	4.10	
1998	25,245	24,420	5.95	(1,187)	(0.29)	5.25	3.00	4.30	
1999	41,084	32,417	7.90	7,997	1.95	5.20	3.80	5.20	
2000	25,827	24,372	5.94	(8,045)	(1.96)	6.30	3.42	3.90	
2001	21,414	19,003	4.63	(5,369)	(1.31)	4.00	2.55	3.15	
2002	18,196	15,673	3.82	(3,323)	(0.81)	3.55	2.44	2.63	
2003	22,824	19,639	4.79	3,967	0.97	3.69	2.35	3.60	
2004	24,188	22,526	5.49	2,888	0.70	4.40	3.40	4.00	

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
[Investment Management])*

Jonathan A. Morgan
*(President & CEO, Canadian General Investments,
Limited [Closed-end Investment Company])*

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

Jack H.B. Nederpelt
*(Managing Partner, Nederpelt Associates Inc.
[Executive Recruiting Firm])*

Michael A. Smedley
*(Executive Vice-President & CEO, Morgan Meighen &
Associates Limited [Investment Management])*

Richard O'C. Whittall
*(President, Watershed Capital Partners Inc.
[Investment Banking])*

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

Thomas W.R. Lunan
Jonathan A. Morgan
Jack H.B. Nederpelt

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 Smith
Secretary-Treasurer

Frank Fuernkranz, MBA, CA, CFA
Assistant-Treasurer

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MANAGER

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AUDITORS

PricewaterhouseCoopers LLP
Toronto

BANKERS

Bank of Montreal
Toronto

SOLICITORS

Blake, Cassels & Graydon LLP
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CANADIAN REGISTRAR AND TRANSFER AGENT

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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: 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 NAV and market return information on its website. Similar information is available directly from the Corporation upon request.

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of the shareholders of Canadian World Fund Limited will be held at 10:00 a.m. (Toronto time) Wednesday, April 6, 2005 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).

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

