

Economic Investment Trust Limited



**Seventy-Seventh Annual Report
December 31, 2003**

Economic Investment Trust Limited

THE YEAR AT A GLANCE **77th Annual Report**

	2003	2002
Investment income	\$ 7,737	\$ 7,381
Net investment income	\$ 4,731	\$ 4,457
Net investment income per common share	\$ 0.83	\$ 0.78
Regular dividends per common share	\$ 0.60	\$ 0.60
Net assets (Market value)	\$ 407,911	\$ 344,741
Net equity value per common share	\$ 72.37	\$ 61.12
Number of common shares outstanding at year end	5,615,535	5,615,535

In thousands of dollars, except number of common shares outstanding and per share amounts.

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders will be held at 11:45 a.m. on Wednesday, March 31, 2004, in the Board Room of The Dominion of Canada General Insurance Company, 4th Floor, 165 University Avenue, Toronto. All Shareholders are invited to attend.

HEAD OFFICE	Tenth Floor, 165 University Avenue, Toronto, Ontario Tel: 416-947-2578
SHARES LISTED	Toronto Stock Exchange
STOCK SYMBOLS	
Common	EVT
Series A Preferred	EVT.PR.A
BANKERS	Bank of Nova Scotia
AUDITORS	PricewaterhouseCoopers LLP
TRANSFER AGENT AND REGISTRAR	Computershare Trust Company of Canada

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Economic Investment Trust Limited

BOARD OF DIRECTORS

J. CHRISTOPHER BARRON	Chairman Scotia Cassels Investment Counsel Limited
IRVING R. GERSTEIN	President Glenoak Capital
DUNCAN N. R. JACKMAN	Chairman & President E-L Financial Corporation Limited
THE HONOURABLE HENRY N. R. JACKMAN	Honorary Chairman Empire Life Insurance Company
R.B. MATTHEWS	President Manitou Capital Corporation
HELEN J. ROTENBERG	Corporate Director
MARK M. TAYLOR	Executive Vice-President E-L Financial Corporation Limited

OFFICERS

DUNCAN N. R. JACKMAN	Chairman of the Board
MARK M. TAYLOR	Secretary
TRAVIS R. EPP	Treasurer

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

Investment strategy

Economic Investment Trust Limited ("Economic" or the "Company") is a closed-end investment corporation that trades on the Toronto Stock Exchange. Economic has always been an investment vehicle for long-term growth through investments in common equities, as management believes that over long periods of time, common equities, as an asset class, will outperform fixed income instruments or balanced funds. From time to time, however, assets of the Company may be invested in interest bearing short-term securities pending the selection of suitable equity investments.

The objective of the Company is to provide its shareholders an above average total rate of return through long-term capital appreciation and dividend income from the Company's portfolio of equity investments. Commencing with the fiscal 2002 year, the investment strategy of the Company changed to allow for increased investment in non-Canadian capital markets. The equity investments in the portfolio currently reflect investment opportunities all over the world.

As the Company's investment philosophy is of a long-term nature, short-term volatility is expected and tolerated. We remain confident that our investment strategy will reward our shareholders over the long-term.

Risks

The Company faces a broad range of risks and uncertainties in managing a global equity portfolio. The market risk refers to the risk of loss from the investment and trading activities of the Company due to changes in equity prices, foreign currency rates, interest rates and market volatility.

The majority of the investment portfolio is managed by Sanford C. Bernstein & Co. Inc, LLC ("Bernstein"), a wholly owned subsidiary of Alliance Capital Management L.P. Bernstein is a global investment manager that commenced operations in 1967. Bernstein manages all of the Company's foreign equity investments and is allowed to hedge the foreign currency exposure of any non-Canadian investment.

The Company also manages a portion of the Canadian investments in the portfolio. The performance of this portfolio is primarily derived from investments in E-L Financial Corporation Limited, The Bank of Nova Scotia and Algoma Central Corporation.

Market Review

The global stock markets performed very well in 2003, especially on a local currency basis. However, the Canadian Dollar returns were adversely affected by the appreciation of the Canadian Dollar relative to the U.S. Dollar, the Pound Sterling and the Japanese Yen. In particular, the Canadian Dollar rose 22.2% compared to the U.S. Dollar in 2003.

In Canadian Dollar terms, in 2003, the TSX Total Return Index increased 26.7%, the MSCI World Index increased 8.9% and the S&P 500 Index increased 5.3%. The 2003 market performance was a significant improvement from 2002 in which the TSX Total Return Index decreased 12.4%, the MSCI World Index decreased 20.2% and the S&P 500 Index fell 22.9%.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

The Company's investment portfolio performed very well in 2003. The company benefited from strong equity markets on a global basis and also preserved capital by utilizing a successful hedging strategy which offset some of the losses that would have occurred on foreign equities due to the significant strengthening of the Canadian dollar. Bernstein, which manages a global equity portfolio for the Company, achieved a return of 21.6% in 2003 compared to a negative return of 13.0% in 2002. The continued strong performance of E-L Financial Corporation Limited, The Bank of Nova Scotia and Algoma Central Corporation also complemented the performance of Bernstein.

The net equity value return of the Company is determined by calculating the performance of the investment portfolio and then netting against it both the changes in future income taxes and the expenses of the Company. Overall, the Company's net equity value per share increased to \$72.37 at December 31, 2003 from \$61.12 at December 31, 2002. Based on the reinvestment of distributions at month-end net equity values, the Company's net equity value per share increased 19.5% in 2003.

Operating Results

Net Investment Income

The net investment income increased by 6.1% to \$4,731,000 in 2003 from \$4,457,000 in 2002. The increase in net investment income was derived from both an increase in foreign dividends as well as the additional revenue generated from the securities lending program that was initiated in the fall of 2002. The operating expenses of the Company increased by 4.9% to \$1,364,000 in 2003 from \$1,300,000 in 2002. The increase in operating expenses resulted mainly from an increase in custody fees of the global portfolio. The Company continued to maintain its low management expense ratio ("MER"). The MER in 2003 was 0.36% compared to 0.35% in 2002.

Net Gain (Loss) on Investments

The Company's net gain (loss) on investments in 2003 mirrored the positive returns in the global equity markets. The Company realized a gain on investments sold of \$5,123,000 compared to a loss of \$7,031,000 in 2002. The Company's change in unrealized appreciation of investments increased by \$56,368,000 in 2003 compared to a decrease of \$23,599,000 in 2002.

The investment portfolio of the Company is comprised of a mix of high yielding and low yielding foreign and Canadian investments. Net investment income, net realized gains (losses) on investments, net change in unrealized appreciation of investments and net asset value per share will vary significantly from period to period depending on the investment mix which moves with the constantly changing economic environment and market conditions.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

A summary of various financial data for each of the last three years is as follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(in thousands of dollars, except "per share" amounts)		
Investment income	\$ 7,737	\$ 7,381	\$ 6,185
Net investment income	4,731	4,457	5,122
Net investment income per share ¹	0.83	0.78	0.90
Net realized and unrealized gain (loss) on investments	61,491	(30,630)	(11,119)
Net realized and unrealized gain (loss) on investments per share ¹	10.95	(5.45)	(1.98)
Total assets	442,550	358,455	378,236
Cash dividends per common share ^{1,2}	0.60	0.60	5.80
Cash dividends per preferred share	2.50	2.50	2.50

¹ All per share figures have been restated based on the number of common shares outstanding at December 31, 2003.

² Included in the cash dividends per common share in 2001 are capital gains cash dividends of \$4.98 per share.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (cont'd)

The following tables summarize various financial results on a quarterly basis for the current and prior fiscal years:

	2003			
	Quarter ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
	(in thousands of dollars, except "per share" amounts)			
Investment income	\$ 1,591	\$ 3,121	\$ 1,579	\$ 1,446
Net investment income	968	1,944	947	872
Per common share: ¹				
Net investment income	0.17	0.34	0.17	0.15
Net gain (loss) on investments	(3.77)	7.61	4.14	2.97
Total gain (loss) from investment operations	<u>\$ (3.60)</u>	<u>\$ 7.95</u>	<u>\$ 4.31</u>	<u>\$ 3.12</u>

	2002			
	Quarter ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
	(in thousands of dollars, except "per share" amounts)			
Investment income	\$ 1,200	\$ 3,338	\$ 1,370	\$ 1,473
Net investment income	917	2,168	641	731
Per common share: ¹				
Net investment income	0.16	0.38	0.11	0.13
Net gain (loss) on investments	1.42	(0.79)	(7.28)	1.20
Total gain (loss) from investment operations	<u>\$ 1.58</u>	<u>\$ (0.41)</u>	<u>\$ (7.17)</u>	<u>\$ 1.33</u>

¹ The net investment income per common share is net of preferred dividends paid during the period.

Liquidity and Capital Resources

Liquidity refers to the Company's ability to maintain a cash flow adequate to fund operations and capital investments on a timely and cost efficient basis. The Company's income from operations after payment of taxable dividends is used to fund operating costs as well as provide resources for additional investments.

January 30, 2004

Duncan N.R. Jackman
Chairman of the Board

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF NET ASSETS

	December 31	
	2003	2002
	(000's)	
ASSETS		
Investments, at indicated market value (cost - \$259,458; 2002 - \$251,791)	\$ 431,736	\$ 351,303
Cash	6,361	3,601
Short-term investments	503	—
Receivable in respect of investments sold	2,327	1,448
Accrued income on investments	395	747
Income taxes receivable	1,044	1,200
Other assets	184	156
	<u>442,550</u>	<u>358,455</u>
LIABILITIES		
Accounts payable and accrued liabilities	167	166
Payable in respect of investments purchased	3,970	392
Future income taxes (Note 1(h))	30,502	13,156
	<u>34,639</u>	<u>13,714</u>
Net assets, at indicated market value	<u>\$ 407,911</u>	<u>\$ 344,741</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 4)	\$ 206,147	\$ 206,157
Contributed surplus (Note 4)	1,493	1,493
Unrealized appreciation of investments (Note 2)	141,393	85,025
Retained earnings	58,878	52,066
Total shareholders' equity	<u>\$ 407,911</u>	<u>\$ 344,741</u>

APPROVED BY THE BOARD:

DUNCAN N.R. JACKMAN Director

J. CHRISTOPHER BARRON Director

(See accompanying notes)

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF OPERATIONS

	Year ended December 31	
	2003	2002
	(000's)	
INVESTMENT INCOME		
Dividends:		
Foreign	\$ 5,552	\$ 5,284
Canadian	1,852	1,910
	<u>7,404</u>	<u>7,194</u>
Interest, including securities lending revenue (Note 6)	333	187
	<u>7,737</u>	<u>7,381</u>
Expenses:		
Operating	1,364	1,300
Income taxes (Note 2)	1,642	1,624
	<u>3,006</u>	<u>2,924</u>
NET INVESTMENT INCOME	4,731	4,457
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on investments (Note 3)	5,123	(7,031)
Net change in unrealized appreciation of investments	56,368	(23,599)
NET GAIN (LOSS) ON INVESTMENTS	<u>61,491</u>	<u>(30,630)</u>
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	<u>\$ 66,222</u>	<u>\$ (26,173)</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended December 31	
	2003	2002
	(000's)	
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 52,066	\$ 57,755
Add:		
Net investment income	4,731	4,457
Net realized gain on investments	5,123	—
Refundable taxes recovered	942	1,148
	<u>62,862</u>	<u>63,360</u>
Deduct:		
Dividends from net investment income (Note 4)	3,442	3,445
Net realized loss on investments	—	7,031
Provision for refundable taxes	542	818
	<u>3,984</u>	<u>11,294</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 58,878</u>	<u>\$ 52,066</u>

(See accompanying notes)

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Year ended December 31	
	2003	2002
	(000's)	
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	\$ 66,222	\$ (26,173)
DISTRIBUTIONS TO SHAREHOLDERS		
Cash distributions to common shareholders	(3,369)	(3,369)
Cash distributions to preferred shareholders	(73)	(76)
	(3,442)	(3,445)
CAPITAL SHARE TRANSACTIONS		
Purchase of preferred shares for cancellation	(10)	(58)
TAXATION CHANGES		
Net decrease in refundable dividend tax on hand	400	330
INCREASE (DECREASE) IN NET ASSETS	63,170	(29,346)
NET ASSETS, BEGINNING OF YEAR	344,741	374,087
NET ASSETS, END OF YEAR	<u>\$ 407,911</u>	<u>\$ 344,741</u>

(See accompanying notes)

Economic Investment Trust Limited

STATEMENT OF FINANCIAL HIGHLIGHTS

For each of the years in the five year period ended December 31, 2003

DATA PER COMMON SHARE	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
NET EQUITY VALUE, beginning of year	\$ 61.12	\$ 66.33	\$ 72.57	\$ 59.35	\$ 55.26
INCOME (LOSS) FROM INVESTMENT OPERATIONS AVAILABLE TO COMMON SHAREHOLDERS					
Net investment income	0.84	0.79	0.91	0.85	0.74
Net realized and unrealized gains (losses) on investments	10.95	(5.45)	(1.98)	9.32	3.73
	11.79	(4.66)	(1.07)	10.17	4.47
DISTRIBUTIONS TO SHAREHOLDERS					
Common shareholders					
From net investment income	(0.60)	(0.60)	(0.82)	(0.70)	(0.68)
From net realized gains on investments	—	—	(19.91)	(2.57)	(2.06)
	(0.60)	(0.60)	(20.73)	(3.27)	(2.74)
Less: Shares issued as stock dividends	—	—	14.93	1.93	1.55
Cash distributions to common shareholders	(0.60)	(0.60)	(5.80)	(1.34)	(1.19)
Cash distributions to preferred shareholders	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)
	(0.61)	(0.61)	(5.81)	(1.36)	(1.21)
TAXATION CHANGES					
Income taxes recoverable on distributions from net realized gain on investments	—	—	5.17	0.83	0.68
Change in refundable capital gains tax on hand	—	—	(4.48)	3.61	0.18
Net (increase) decrease in refundable dividend tax on hand	0.07	0.06	(0.05)	(0.03)	(0.03)
	0.07	0.06	0.64	4.41	0.83
NET EQUITY VALUE, end of year	\$ 72.37	\$ 61.12	\$ 66.33	\$ 72.57	\$ 59.35

All per share figures have been restated based on the number of common shares outstanding at December 31, 2003.

Beginning with the 2002 fiscal year, the company did not meet the requirements to qualify as an investment corporation under Section 130 of the Income Tax Act (Canada). Consequently, the company is required to record a provision for future income taxes on the unrealized net capital gains for tax purposes as it no longer is eligible to receive a refund of income taxes paid on realized gains by distributing a subsequent capital gains dividend to its shareholders.

(See accompanying notes)

Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2003

1. Summary of significant accounting policies

- (a) Principles of consolidation -
The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Econos Foreign Investment Company Limited, Econos Canadian Investment Company Limited and Econos N.V.G. Investment Company Limited.
- (b) Carrying value of investments -
The market values of investments listed on stock exchanges are based on closing market quotations. The average of the closing bid and offering price is used when the security is not traded on the year-end date. The market values of investments not listed on stock exchanges have been determined by the directors based on the underlying market values of the net assets represented by such securities.
- (c) Investment transactions -
Investment transactions are accounted for on a trade date basis. Realized gains and losses from investment transactions are calculated on an average cost basis.
- (d) Short-term investments -
Short-term investments consist of treasury bills, commercial paper, guaranteed investment certificates and bankers' acceptances held for investment purposes. These investments are carried at cost, which approximates fair value.
- (e) Dividend and interest income -
Dividend income is recognized on the ex-dividend date and interest income is recognized as earned.
- (f) Foreign exchange -
Foreign currency amounts included in the financial statements are stated in Canadian dollars on the following basis:
 - market value of investments at the closing rate of exchange; and
 - purchases and sales of investments, investment income and expenses at the rate of exchange prevailing when the transactions giving rise to such items occurred.
- (g) Forward currency contracts -
The company periodically utilizes forward currency contracts to reduce foreign currency exposure on foreign equity investments. Contracts are carried at market and upon maturity the realized gain or loss is included in realized gain (loss) on investments.
- (h) Income taxes -
The company follows the asset and liability method of accounting for income taxes. Future income tax liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be settled on the unrealized net capital gain on the investments held by the company.

2. Taxation

The company is a public corporation under the Act and is subject to tax at normal corporate rates on its realized net taxable capital gains and on investment income other than taxable dividends received from corporations resident in Canada. The company is also subject to a special tax of up to 33 1/3% on taxable dividends received from corporations resident in Canada. This special tax is refundable on payment of taxable dividends to shareholders at the rate of \$1.00 of each \$3.00 of such dividends paid. The amount eligible for refund at December 31, 2003, all of which is included in the statement of retained earnings, amounted to Nil (2002 - \$399,819).

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Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2003 (continued)

2. Taxation (cont'd)

	<u>2003</u>	<u>2002</u>
Basic combined federal and provincial rate	36.62%	38.62%
Effect of tax on subsidiaries' income at basic tax rate and other adjustments	<u>(0.30)</u>	<u>0.32</u>
Effective tax rate	<u>36.32%</u>	<u>38.94%</u>
Applied to		
Net investment income for the year	\$ 4,731	\$ 4,457
Add: Income taxes	<u>1,642</u>	<u>1,624</u>
	6,373	6,081
Less: Dividends from taxable Canadian companies ...	<u>1,852</u>	<u>1,910</u>
	<u>\$ 4,521</u>	<u>\$ 4,171</u>
Provision for income taxes	<u>\$ 1,642</u>	<u>\$ 1,624</u>

The details of unrealized appreciation of investments as at December 31 are as follows:

	<u>2003</u>	<u>2002</u>
	(000's)	
Investments at market value	\$ 431,736	\$ 351,303
Investments at cost	<u>259,458</u>	<u>251,791</u>
Unrealized appreciation of investments before provision for future income taxes	172,278	99,512
Future income taxes	<u>30,885</u>	<u>14,487</u>
Unrealized appreciation of investments	<u>\$ 141,393</u>	<u>\$ 85,025</u>

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Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2003 (continued)

3. Realized gain (loss) on investments

The following are the details of the realized gain (loss) on investments during the years indicated:

	2003	(000's)	2002
Proceeds on sales of investments	\$ 100,512		\$ 294,005
Cost of investments, beginning of year	251,791		260,018
Cost of investments purchased during the year	102,108		294,140
	353,899		554,158
Cost of investments, end of year	259,458		251,791
Cost of investments sold during the year	94,441		302,367
Realized gain (loss) on investments sold before taxes ...	6,071		(8,362)
Provision for (recovery of) taxes on realized net taxable capital gains (losses)	948		(1,331)
Net realized gain (loss) on investments	\$ 5,123		\$ (7,031)

4. Capital stock and dividends

The authorized classes of share capital at December 31, 2003 are as follows:

- 129,115 cumulative preferred shares; and
- an unlimited number of common shares.

The directors have designated the first series of preferred shares as Series A. The series consists of 29,115 authorized shares which have a cumulative dividend of \$2.50 per share per annum and are redeemable at any time at a price of \$52.50 per share together with any unpaid dividends. The articles of the company provide that the company, in the reasonable exercise of its discretion, will annually purchase for cancellation 2,500 5% cumulative preferred shares Series A, at a price not to exceed \$50.00 per share.

The following cash dividends were paid during the years ended December 31:

	2003	(000's)	2002
On preferred shares, \$2.50 (2002 - \$2.50) per share	\$ 73		\$ 76
On 5,615,535 common shares, \$0.60 (2002 - \$0.60) per share	3,369		3,369
	\$ 3,442		\$ 3,445

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Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2003 (continued)

4. Capital stock and dividends (cont'd)

The changes in the Series A Preferred Shares during the year were as follows:

	2003		2002	
	Number of shares	Amount (000's)	Number of shares	Amount (000's)
Balance, beginning of year	29,315	\$ 1,466	30,490	\$ 1,525
Shares purchased for cancellation	(200)	(10)	(1,175)	(59)
Balance, end of year	<u>29,115</u>	<u>\$ 1,456</u>	<u>29,315</u>	<u>\$ 1,466</u>

The difference between the stated capital and the cost of the preferred shares purchased for cancellation has been credited to contributed surplus.

The capital stock account of the company is as follows:

	December 31	
	2003	2002
	(000's)	
Series A preferred shares		
Issued - 29,115 (2002 - 29,315) shares	\$ 1,456	\$ 1,466
Common shares		
Issued - 5,615,535 shares	204,691	204,691
	<u>\$ 206,147</u>	<u>\$ 206,157</u>

5. Related party information

Included in the company's investments are securities in significantly influenced companies with a market value of \$171,142,000 (2002 - \$132,888,000). Dividends from these companies for the year ended December 31, 2003 amounted to \$1,372,000 (2002 - \$1,248,000). The company was allocated its share of operating expenses by one of these companies in the amount of \$187,000 (2002 - \$175,000).

6. Securities lending

The company has entered into a securities lending program with its custodian, Royal Trust Corporation of Canada (Royal Trust). The company will receive collateral of at least 105% of the value of the securities on loan. Collateral will generally be comprised of obligations guaranteed by the Government of Canada or a province thereof, or other governments with appropriate credit ratings. In the event that any of the loaned securities are not returned to Royal Trust, Royal Trust at its option, may either restore to the company securities identical to the loaned securities or it will pay to the company the value of the collateral up to but not exceeding the market value of the loaned securities on the date on which the loaned securities were to have been returned to Royal Trust ("Valuation date"). If the collateral is not sufficient to allow Royal Trust to pay such market value to the company, Royal Trust shall indemnify the company for the difference between the market value of the securities and the value of such collateral on the Valuation date.

Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2003 (continued)

6. Securities lending (cont'd)

As at December 31, 2003, the company has loaned approximately \$35,025,000 (2002 - \$40,700,000) in securities, received approximately \$37,470,000 (2002 - \$43,500,000) in collateral, and recognized \$255,000 (2002 - \$51,000) in securities lending income. Income from securities lending is included in interest income in the statement of operations of the company.

7. Net equity value of the company's common shares

The net equity value of the company's common shares is determined by deducting the outstanding preferred shares at their cost of redemption from the net assets of the company. The net equity value per common share is the net equity value divided by the number of common shares outstanding.

	December 31	
	2003	2002
	(000's)	
Net assets	\$ 407,911	\$ 344,741
Deduct: Cost of redemption of preferred shares	1,529	1,539
Net equity value	<u>\$ 406,382</u>	<u>\$ 343,202</u>
Net equity value per common share	<u>\$ 72.37</u>	<u>\$ 61.12</u>

Economic Investment Trust Limited

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 disclosed 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. The Board of Directors carries out its responsibilities principally through its Audit Committee. The Audit Committee reviews the financial statements, adequacy of internal controls, the audit process and financial reporting with management and the external auditors 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.

Duncan N.R. Jackman
Chairman of the Board
January 30, 2004

Travis R. Epp
Treasurer

AUDITORS' REPORT

To the Shareholders of
Economic Investment Trust Limited:

We have audited the accompanying consolidated statement of net assets of Economic Investment Trust Limited as at December 31, 2003 and 2002, and the consolidated statement of investments as at December 31, 2003, the consolidated statements of operations, retained earnings and changes in net assets for the years then ended, and the statement of financial highlights for each of the years in the five year period ended December 31, 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 consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and 2002, its results of operations and changes in net assets for the years then ended, and its financial highlights for each of the years in the five year period ended December 31, 2003, in accordance with Canadian generally accepted accounting principles.

January 30, 2004
Toronto, Canada

PricewaterhouseCoopers LLP
Chartered Accountants

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 2003

Number of shares		Cost	Market value	% of Market
		(000's)		
North America				
Canada				
212,638	Algoma Central Corporation	\$ 2,974	\$ 13,290	
128,071	Bank of Nova Scotia	3,321	8,427	
326,567	E-L Financial Corporation Limited	6,790	98,787	
31,776	Ecando Investments Limited Classes A, B and common	4,139	24,890	
176,414	The Fulcrum Investment Company Limited	464	7,416	
41,044	Magna Int'l Inc. Class A	3,733	4,270	
214,251	NVG Holdings Limited * Classes B, C, D, E and common	2,115	20,937	
31,300	Petro-Canada	1,604	2,000	
80,900	Royal Bank of Canada	4,632	5,000	
4,765	TGV Holdings Limited Class B *	318	5,822	
		<u>30,090</u>	<u>190,839</u>	44.2
United States				
83,600	Altria Group Inc.	6,961	5,880	
76,800	Bank of America Corporation	7,517	7,983	
58,100	Chubb Corporation	5,531	5,113	
71,200	Citigroup Inc.	4,374	4,467	
82,600	Comcast Corporation Special Class A	3,246	3,339	
87,400	ConocoPhillips	6,706	7,406	
76,500	Entergy Corporation	5,471	5,648	
18,500	Fannie Mae	1,578	1,795	
22,200	Freddie Mac	1,588	1,673	
247,100	Hewlett Packard Company	6,907	7,336	
28,000	Lehman Brothers Holdings Inc.	2,583	2,794	
53,000	Metlife, Inc.	1,969	2,306	
177,900	Norfolk Southern Corporation	4,858	5,438	
144,900	Pfizer Inc.	8,132	6,616	
651,000	Qwest Communications Int'l. Inc.	7,208	3,635	
13,400	Safeway Inc.	374	379	
61,500	Sempra Energy	2,404	2,389	
114,000	Travelers Property Casualty Corp.	2,488	2,472	
31,700	Valero Energy Corporation	1,679	1,898	
74,100	Washington Mutual, Inc.	3,860	3,842	
47,000	Whirlpool Corporation	5,412	4,414	
20,000	XL Capital Ltd. Class A	2,449	2,006	
		<u>93,295</u>	<u>88,829</u>	20.6
	Total North America	<u>123,385</u>	<u>279,668</u>	<u>64.8</u>
Latin America				
76,151	Cemex SA de C.V. ADR	2,987	2,578	
119,100	Petroleo Brasileiro SA ADR	3,534	4,104	
		<u>6,521</u>	<u>6,682</u>	1.5

* The net assets of NVG Holdings Limited and TGV Holdings Limited are invested primarily in the shares of The Bank of Nova Scotia.

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Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 2003

Number of shares		Cost	Market value	% of Market
		(000's)		
	Europe, excluding United Kingdom			
49,649	ACS, Actividades de Construccion y Servicios, S.A.	\$ 2,163	\$ 3,128	
226,900	Arcelor	4,627	5,105	
70,000	Assurances Générale de France	5,249	4,907	
57,500	Aventis S.A.	4,052	4,905	
102,300	Continental AG	4,346	4,996	
44,000	Credit Suisse Group	2,097	2,079	
81,200	DSM NV	5,060	5,160	
181,400	ENI S.P.A.	3,978	4,418	
30,312	HeidelbergCement AG	1,462	1,654	
20,200	Mol Magyar Olaj - ES Gazipari	780	793	
80,300	Parmalat Finanziaria	346	—	
120,800	Svenska Cellulosa AB	6,237	6,386	
110,700	Volkswagen AG	6,697	7,956	
		47,094	51,487	11.9
	United Kingdom			
265,000	Aviva PLC	2,581	2,997	
145,100	Glaxosmithkline PLC	3,947	4,284	
372,881	Intercontinental Hotels	3,156	4,550	
1,273,800	Royal & Sun Alliance Insurance Group PLC	8,471	2,593	
807,900	Safeway PLC	5,890	5,292	
2,118,000	Vodafone Group PLC	5,329	6,766	
120,500	Whitbread PLC	1,619	1,999	
		30,993	28,481	6.6
	Asia			
90,000	Canon Inc.	5,007	5,419	
5,700,000	China Petroleum & Chemical Corp.	1,787	3,298	
694,922	Compal Electronics Inc.	5,343	6,242	
31,463	Emerging Markets Investor Fund	1,075	1,054	
132,000	Flextronics International Ltd.	2,489	2,532	
88,000	Honda Motor Company Limited	5,696	5,054	
51,200	Kookmin Bank	2,077	2,480	
200,000	Nippon Meat Packers, Inc.	2,493	2,529	
637,000	Nissan Motor Co. Ltd.	6,937	9,408	
34,200	Posco	4,408	6,048	
32,300	Promise Co., Ltd.	1,457	1,820	
990,000	PTT Public Company Limited	3,067	5,978	
238,000	Shinhan Financial Group Co., Ltd.	3,040	4,919	
15,000	Singapore Airlines Ltd.	112	128	
200	Sumitomo Mitsui Financial Group	1,322	1,378	
240	UFJ Holdings, Inc.	1,343	1,492	
		47,653	59,779	13.8

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Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 2003

<u>Number of shares</u>		<u>Cost</u>	<u>Market value</u>	<u>% of Market</u>
		(000's)		
	Australia			
68,600	Qantas Airways Limited	<u>195</u>	<u>219</u>	0.1
	South Africa			
64,000	Sappi Limited	<u>1,091</u>	<u>1,131</u>	0.3
	Israel			
840,000	Bank Hapoalim Ltd.	<u>2,526</u>	<u>2,672</u>	<u>0.6</u>
	Total equities	259,458	430,119	99.6
	Forward Currency Contracts, net - Schedule 1	—	<u>1,617</u>	<u>0.4</u>
	Total investments	<u>\$ 259,458</u>	<u>\$ 431,736</u>	<u>100.0</u>

Schedule 1 - Forward Currency Contracts, net

Forward contracts to sell foreign currencies for Canadian dollars:

<u>Par value (in millions)</u>	<u>Currency</u>	<u>Number of Contracts</u>	<u>Contract Rates</u>	<u>Settlement Date</u>	<u>Unrealized gain (loss)</u>
48.4	USD	3	1.3079 - 1.3333	Mar. 18, 2004	\$ 1,617

All counterparties currently have an approved credit rating equivalent to A-1+.

Economic Investment Trust Limited

Economic Investment Trust Limited was the first closed end investment trust formed in Canada in the 1920's. The trust was sponsored by the chartered accounting firm of George A. Touche & Company.

The initial capitalization consisted of 32,250 shares issued in 1927 at \$50 for a total of \$1,612,500. In addition, \$1,000,000 of 30 year 5% Collateral Trust Gold Bonds were issued in 1927, making the total amount of initial capital subscribed \$2,612,500.

FINANCIAL RECORD - 1928 - 2003

Year Ended March 31	Total Net Assets at Market Value*	Funded Debt	Preferred Shares Outstanding**	Net Equity Behind Common Shares	Net Income Available For Common Shares	Net Equity Value per Common Share=
1928	\$ 2,776,143	\$ 1,000,000	\$ —	\$ 1,776,143	\$ 59,836	\$ 0.81
1929	2,990,242	1,000,000	—	1,990,242	108,757	0.77
1930	3,064,552	1,000,000	—	2,064,552	132,219	0.76
1931	2,344,127	1,000,000	—	1,344,127	109,133	0.50
1932	1,412,796	990,000	—	422,796	69,803	0.16
1933	1,161,715	962,500	—	199,215	36,538	0.07
1934	1,808,188	959,500	—	848,688	29,378	0.31
1935	1,838,293	949,500	—	888,793	27,665	0.33
1936	2,353,313	949,500	—	1,403,813	39,181	0.52
1937	3,084,608	949,500	—	2,135,108	83,259	0.79
1938	2,028,005	1,000,000	—	1,028,005	89,611	0.38
1939	2,322,361	1,000,000	—	1,322,361	73,262	0.49
1940	2,779,329	1,000,000	—	1,779,329	64,964	0.66
1941	2,350,199	1,000,000	—	1,350,199	89,373	0.50
1942	2,145,074	1,000,000	—	1,145,074	86,242	0.42
1943	2,604,866	1,000,000	—	1,604,866	79,552	0.59
1944	2,889,930	1,000,000	—	1,889,930	91,189	0.70
1945	3,238,955	1,000,000	—	2,238,955	93,286	0.82
1946	3,896,005	1,000,000	—	2,896,005	83,594	1.07
1947	3,663,744	1,000,000	—	2,663,744	88,005	0.98
1948	3,522,969	1,000,000	—	2,522,969	103,576	0.93
1949	3,555,427	1,000,000	—	2,555,427	146,777	0.94
1950	3,835,291	1,000,000	—	2,835,291	164,712	1.04
1951	5,083,980	1,250,000	—	3,833,980	187,339	1.13
1952	5,242,547	1,250,000	—	3,992,547	224,680	1.18
Year End Dec. 31						
1953	5,197,984	1,250,000	—	3,947,984	189,902	1.16
1954	6,579,007	1,250,000	—	5,329,007	203,946	1.57
1955	8,972,261	2,000,000	—	6,972,261	244,543	1.71
1956	9,927,524	3,000,000	—	6,927,524	268,643	1.70
1957	8,299,244	2,940,000	—	5,359,244	267,456	1.30
1958	10,802,381	2,940,000	—	7,862,381	244,745	1.91
1959	11,125,555	2,920,000	—	8,205,555	250,593	1.99
1960	11,462,158	2,902,500	—	8,559,658	279,614	2.06
1961	15,222,285	2,509,500	—	12,712,785	348,260	2.41
1962	15,959,655	2,000,000	2,100,000	11,859,655	373,627	2.11
1963	17,633,299	2,000,000	2,100,000	13,533,299	395,390	2.41
1964	20,955,088	—	5,250,000	15,705,088	426,318	2.80
1965	21,897,735	—	5,250,000	16,647,735	457,768	2.97
1966	19,613,106	—	5,250,000	14,363,106	487,222	2.56
1967	23,076,097	—	5,128,462	17,947,635	540,082	3.20
1968	27,392,675	—	5,061,263	22,331,412	490,882	3.98
1969	25,942,615	—	5,061,263	20,881,352	518,281	3.72

Economic Investment Trust Limited

FINANCIAL RECORD - 1928 - 2003 (cont'd)

Year Ended Dec 31	Total Net Assets at Market Value*	Funded Debt	Preferred Shares Outstanding**	Net Equity Behind Common Shares	Net Income Available For Common Shares	Net Equity Value per Common Share=
1970	\$ 24,365,591	\$ —	\$ 5,061,263	\$ 19,304,328	\$ 557,159	\$ 3.44
1971	27,254,532	—	5,056,013	22,198,519	540,382	3.95
1972	34,888,401	—	5,056,013	29,832,388	594,727	5.31
1973	32,612,656	—	5,056,013	27,556,643	621,910	4.91
1974	24,135,473	—	5,024,513	19,110,960	726,197	3.40
1975	26,585,662	—	4,870,950	21,714,712	863,375	3.87
1976	31,637,836	3,000,000	4,738,387	23,899,449	875,571	4.26
1977	36,995,088	3,000,000	4,685,677	29,309,411	901,695	5.22
1978	47,494,243	4,000,000	4,622,677	38,871,556	1,252,333	6.92
1979	57,999,880	4,000,000	4,526,340	49,473,540	1,324,406	8.81
1980	76,697,109	4,000,000	4,375,665	68,321,444	2,194,507	12.17
1981	64,064,872	4,000,000	4,239,165	55,825,707	1,639,037	9.94
1982	68,178,899	4,000,000	4,104,503	60,074,396	2,020,002	10.70
1983	89,218,448	4,000,000	3,973,253	81,245,195	1,999,146	14.47
1984	92,329,348	4,000,000	3,792,915	84,536,433	2,300,654	15.06
1985	110,213,106	4,000,000	3,588,690	102,624,416	2,255,834	18.28
1986	116,528,995	—	3,582,600	112,946,395	3,010,235	20.11
1987	107,137,081	—	3,388,350	103,748,731	3,262,872	18.48
1988	117,278,175	—	3,388,350	113,889,825	4,057,330	20.28
1989	138,902,425	—	3,209,850	135,692,575	11,033,069	24.16
1990	111,688,074	—	3,078,600	108,609,474	4,507,819	19.34
1991	121,167,500	—	2,947,350	118,220,150	3,686,237	21.05
1992	118,601,216	—	2,816,100	115,785,116	4,425,086	20.62
1993	160,510,602	—	2,684,850	157,825,752	4,132,163	28.11
1994	157,005,838	—	2,553,600	154,452,238	3,607,944	27.50
1995	173,784,673	—	2,411,850	171,372,823	3,707,690	30.52
1996	220,022,041	—	2,267,475	217,754,566	4,229,442	38.78
1997	315,642,038	—	2,151,975	313,490,063	4,496,004	55.82
1998	312,297,757	—	1,957,725	310,340,032	5,020,547	55.26
1999	335,118,175	—	1,847,475	333,270,700	4,053,649	59.35
2000	409,292,748	—	1,758,225	407,534,523	4,681,449	72.57
2001	374,087,462	—	1,600,725	372,486,737	5,039,506	66.33
2002	344,740,715	—	1,539,038	343,201,677	4,380,966	61.12
2003	407,910,297	—	1,528,538	406,381,759	4,658,868	72.37

* Total assets at market value less current liabilities exclusive of funded debt and preferred shares. For the years 1972 to 2000, total net assets include the refundable capital gains tax on hand.

** Preferred Shares at redemption price of \$52.50 per share.

= As of December 31, 2003 there were 5,615,535 common shares outstanding. The calculation of net equity value is restated to reflect the following:

Historical Stock Dividends

Date	Stock dividend rate	Issue price	Date	Stock dividend rate	Issue price	Date	Stock dividend rate	Issue price
1951	5 for 2	Split	1988	1 for 63	\$ 64.26	1997	1 for 13.3767	\$ 160.52
1963	5 for 1	Split	1989	1 for 67	70.35	1998	1 for 29.0495	152.51
1982	1 for 8	\$ 50.08	1990	1 for 56	82.32	1999	1 for 35.8532	144.13
1983	1 for 7	49.07	1991	1 for 30	64.80	2000	1 for 30.4794	148.13
1984	1 for 20	60.00	1994	1 for 27.7	91.41	2001	1 for 5.81549	172.72
1985	1 for 22	59.40	1995	1 for 28.78	86.34	2001	2 for 1	Split
1986	1 for 31	69.75	1996	1 for 38.4246	96.83	2001	1 for 24.1111	69.44
1987	1 for 17	71.40	1997	1 for 37.6442	117.45			