

Economic Investment Trust Limited



**Seventy-Eighth Annual Report
December 31, 2004**

Economic Investment Trust Limited

THE YEAR AT A GLANCE **78th Annual Report**

	2004	2003
Total investment income	\$ 12,845	\$ 7,737
Net investment income	\$ 8,729	\$ 4,731
Net investment income per common share	\$ 1.54	\$ 0.83
Regular dividends per common share	\$ 0.60	\$ 0.60
Net assets	\$ 459,290	\$ 407,911
Net equity value per common share	\$ 81.52	\$ 72.37
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 30, 2005, 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
WEBSITE	www.evt.ca

Economic Investment Trust Limited

BOARD OF DIRECTORS

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

OFFICERS

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

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

This document has been prepared for the purpose of providing Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations for the years ended December 31, 2004 and 2003. This MD&A should be read in conjunction with the Company's December 31, 2004 year-end financial statements, which form part of the Economic Investment Trust Limited ("Economic" or the "Company") 2004 Annual Report dated January 31, 2005. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and unless otherwise noted, both the financial statements and this MD&A are expressed in Canadian dollars.

MD&A contains certain forward-looking statements that are subject to risks and uncertainties that may cause the results or events mentioned in this discussion to differ materially from actual results or events. No assurance can be given that results, performance or achievement expressed in, or implied by, forward-looking statements within this disclosure will occur, or if they do, that any benefits may be derived from them.

Investment strategy

Economic 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 earn an above average rate of return primarily through long-term capital appreciation and dividend income. 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.

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 equity value per share will vary significantly from period to period depending on the selection of the global equities which moves with the constantly changing economic environment and market conditions.

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.

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.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Risks

The Company faces a broad range of risks and uncertainties in managing a global equity portfolio. Risks of investing in the Economic include, amongst others, equity risk, international market risk, foreign currency risk, concentration risk, derivatives risk, emerging markets risk, liquidity risk, regulatory risk, legal risk and securities lending risk. These risks are described in the Risk section of the Company's Annual Information Form.

Three Year Results

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

	<u>2004</u>	<u>2003</u>	<u>2002</u>
	(in thousands of dollars, except "per share" amounts)		
Investment income	\$ 12,845	\$ 7,737	\$ 7,381
Net investment income	8,729	4,731	4,457
Net investment income per share	1.54	0.83	0.78
Net realized and unrealized gain (loss) on investments	48,894	61,491	(30,630)
Net realized and unrealized gain (loss) on investments per share	8.71	10.95	(5.45)
Total assets	502,175	442,550	358,455
Cash dividends per common share	0.60	0.60	0.60
Cash dividends per preferred share	2.50	2.50	2.50

Operating Results

Net Investment Income

The net investment income of the Company increased significantly to \$8,729,000 in 2004 from \$4,731,000 in 2003. Substantial increases in both Canadian and foreign dividends were driven by special cash dividends received during the year. Most notable, a special cash dividend of \$7.20 per share was paid by E-L Financial Corporation Limited in May. This special dividend increased the investment income of the Company by approximately \$2,350,000. Secondly, in the fourth quarter of 2004, InterContinental Hotels Group plc paid a special cash dividend of approximately \$640,000 to the Company. Finally, Microsoft Corporation also paid a special dividend in December of 2004 of approximately \$285,000.

The operating expenses of the Company increased to \$1,737,000 in 2004 from \$1,364,000 in 2003. The majority of the expenses, including management, administrative and custody fees, are market based and are therefore expected to increase in a fiscal year in which the equity markets are strong. The management expense ratio of the Company was 0.39% in 2004 compared to 0.36% in 2003.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Net Gain (Loss) on Investments

The Company's net gain on investments in 2004 was consistent with the positive returns generated in the global equity markets in 2004, especially on a local currency basis. However, the Canadian Dollar returns were adversely affected by the continued appreciation of the Canadian Dollar relative to the U.S. Dollar and the Japanese Yen.

The realized gain on investments sold before taxes increased to \$15,858,000 in 2004 from \$6,071,000 in 2003. The largest gains were a result of reductions or the elimination of equity holdings in The Bank of Nova Scotia, MOL Magyar Olaj-es Gazipara Rt., PTT Public Co. and Norfolk Southern Group. The gains generated from these sales more than offset the losses that occurred when our positions in Royal & Sun Alliance Insurance Group plc, Qwest Communications International Inc. and Whirlpool Corporation were sold. The Company continued to mitigate its exposure to U.S. dollar denominated investments by utilizing forward currency contracts. The use of forward currency contracts resulted in a gain of approximately \$7,700,000 for fiscal 2004.

The Company's unrealized appreciation of investments before provision for future income taxes increased by \$42,229,000 to \$214,507,000 at December 31, 2004 from \$172,278,000 at December 31, 2003. The largest contributor to the increase was E-L Financial Corporation Limited. The Company also achieved strong performance by its continued exposure to The Bank of Nova Scotia and Continental AG.

Performance

In Canadian Dollar terms, in 2004, the TSX Total Return Index increased 14.5%, the MSCI World Index increased 6.8% and the S&P 500 Index increased 3.3%. The 2004 market performance was a continuation of the strong market performance in 2003 in which 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 global equity portfolio managed by Bernstein achieved an annual return of 13.6% in 2004 compared to 21.6% in 2003.

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. Net equity value per common share is the net equity value divided by the number of common shares outstanding. Overall, the Company's net equity value per share increased to \$81.52 at December 31, 2004 from \$72.37 at December 31, 2003. Based on the reinvestment of distributions at month-end net equity values, the Company's net equity value per share increased 13.5% in 2004, compared to an increase of 19.5% in 2003.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

	2004			
	Quarter ended			
	Mar. 31	Jun. 30	Sep. 30	Dec. 31
	(in thousands of dollars, except "per share" amounts)			
Investment income	\$ 2,343	\$ 5,517	\$ 1,880	\$ 3,105
Net investment income	1,389	4,251	980	2,109
Per common share: ¹				
Net investment income	\$ 0.24	\$ 0.75	\$ 0.18	\$ 0.37
Net gain (loss) on investments	4.56	2.14	(0.44)	2.45
Total gain (loss) from investment operations	<u>\$ 4.80</u>	<u>\$ 2.89</u>	<u>\$ (0.26)</u>	<u>\$ 2.82</u>

	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>

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

Share Data

There are 5,615,535 common shares issued and outstanding and each share is entitled to one vote.

Economic Investment Trust Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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.

Additional Information

Additional information relating to Economic, including the Company's Annual Information Form, may be found on SEDAR at www.sedar.com.

January 31, 2005

Duncan N.R. Jackman
Chairman of the Board

Economic Investment Trust Limited

STATEMENT OF FINANCIAL HIGHLIGHTS

For each of the years in the five year period ended December 31, 2004

DATA PER COMMON SHARE	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
NET EQUITY VALUE, beginning of year	\$ 72.37	\$ 61.12	\$ 66.33	\$ 72.57	\$ 59.35
INCOME (LOSS) FROM INVESTMENT OPERATIONS AVAILABLE TO COMMON SHAREHOLDERS					
Net investment income	1.55	0.84	0.79	0.91	0.85
Net realized and unrealized gains (losses) on investments	8.71	10.95	(5.45)	(1.98)	9.32
	10.26	11.79	(4.66)	(1.07)	10.17
DISTRIBUTIONS TO SHAREHOLDERS					
Common shareholders					
From net investment income	(0.60)	(0.60)	(0.60)	(0.82)	(0.70)
From net realized gains on investments	—	—	—	(19.91)	(2.57)
	(0.60)	(0.60)	(0.60)	(20.73)	(3.27)
Less: Shares issued as stock dividends	—	—	—	14.93	1.93
Cash distributions to common shareholders	(0.60)	(0.60)	(0.60)	(5.80)	(1.34)
Cash distributions to preferred shareholders	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)
	(0.61)	(0.61)	(0.61)	(5.81)	(1.36)
TAXATION CHANGES					
Income taxes recoverable on distributions from net realized gain on investments	—	—	—	5.17	0.83
Change in refundable capital gains tax on hand	—	—	—	(4.48)	3.61
Net (increase) decrease in refundable dividend tax on hand	(0.50)	0.07	0.06	(0.05)	(0.03)
	(0.50)	0.07	0.06	0.64	4.41
NET EQUITY VALUE, end of year	\$ 81.52	\$ 72.37	\$ 61.12	\$ 66.33	\$ 72.57

All per share figures have been restated based on the number of common shares outstanding at December 31, 2004.

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 31, 2005

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, 2004 and 2003, the consolidated statement of investments as at December 31, 2004 and the consolidated statements of operations, retained earnings and changes in net assets for the years then ended. 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, 2004 and 2003 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

January 31, 2005
Toronto, Canada

PricewaterhouseCoopers LLP
Chartered Accountants

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF NET ASSETS

	December 31	
	2004	2003
	(000's)	
ASSETS		
Investments, at indicated market value (cost - \$281,797; 2003 - \$259,458)	\$ 496,304	\$ 431,736
Cash	4,982	6,361
Short-term investments	251	503
Receivable in respect of investments sold	—	2,327
Accrued income on investments	435	395
Income taxes receivable	—	1,044
Other assets	203	184
	<u>502,175</u>	<u>442,550</u>
LIABILITIES		
Accounts payable and accrued liabilities	209	167
Income taxes payable	5,414	—
Payable in respect of investments purchased	—	3,970
Future income taxes	37,262	30,502
	<u>42,885</u>	<u>34,639</u>
Net assets	<u>\$ 459,290</u>	<u>\$ 407,911</u>
SHAREHOLDERS' EQUITY		
Capital stock (Note 4)	\$ 206,142	\$ 206,147
Contributed surplus (Note 4)	1,493	1,493
Unrealized appreciation of investments (Note 2)	177,269	141,393
Retained earnings	74,386	58,878
Total shareholders' equity	<u>\$ 459,290</u>	<u>\$ 407,911</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	
	2004	2003
	(000's)	
INVESTMENT INCOME		
Dividends:		
Foreign	\$ 7,638	\$ 5,552
Canadian	4,946	1,852
	<u>12,584</u>	<u>7,404</u>
Interest, including securities lending income (Note 6)	261	333
	<u>12,845</u>	<u>7,737</u>
Expenses:		
Operating	1,737	1,364
Income taxes (Note 2)	2,379	1,642
	<u>4,116</u>	<u>3,006</u>
NET INVESTMENT INCOME	8,729	4,731
REALIZED AND UNREALIZED GAIN ON INVESTMENTS		
Net realized gain on investments (Note 3)	13,018	5,123
Net change in unrealized appreciation of investments	35,876	56,368
NET GAIN ON INVESTMENTS	<u>48,894</u>	<u>61,491</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>\$ 57,623</u>	<u>\$ 66,222</u>
INCREASE IN NET ASSETS FROM OPERATIONS PER COMMON SHARE	<u>\$ 10.25</u>	<u>\$ 11.78</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended December 31	
	2004	2003
	(000's)	
RETAINED EARNINGS, BEGINNING OF YEAR	\$ 58,878	\$ 52,066
Add:		
Net investment income	8,729	4,731
Net realized gain on investments	13,018	5,123
Refundable taxes recovered	1,147	942
	<u>81,772</u>	<u>62,862</u>
Deduct:		
Dividends from net investment income (Note 4)	3,442	3,442
Provision for refundable taxes	3,944	542
	<u>7,386</u>	<u>3,984</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 74,386</u>	<u>\$ 58,878</u>

(See accompanying notes)

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Year ended December 31	
	2004	2003
	(000's)	
INCREASE IN NET ASSETS FROM OPERATIONS.....	\$ 57,623	\$ 66,222
DISTRIBUTIONS TO SHAREHOLDERS		
Cash distributions to common shareholders	(3,369)	(3,369)
Cash distributions to preferred shareholders	(73)	(73)
	(3,442)	(3,442)
CAPITAL SHARE TRANSACTIONS		
Purchase of preferred shares for cancellation	(5)	(10)
TAXATION CHANGES		
Net (increase) decrease in refundable dividend tax on hand	(2,797)	400
INCREASE IN NET ASSETS	51,379	63,170
NET ASSETS, BEGINNING OF YEAR	407,911	344,741
NET ASSETS, END OF YEAR	<u>\$ 459,290</u>	<u>\$ 407,911</u>

(See accompanying notes)

Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2004

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) 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, together with accrued interest, 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.
- (i) Accounting estimates -
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense during the reported period. Actual results could differ from those estimates.

2. Taxation

The Company is a public corporation under the Income Tax 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, 2004, all of which is included in the statement of retained earnings, amounted to approximately \$2,797,000 (2003 - \$Nil).

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Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2004 (continued)

2. Taxation (continued)

	<u>2004</u>	<u>2003</u>
Basic combined federal and provincial rate	36.12%	36.62%
Effect of tax on subsidiaries' income at basic tax rate and other adjustments	<u>2.49</u>	<u>(0.30)</u>
Effective tax rate	<u>38.61%</u>	<u>36.32%</u>
	(000's)	
Applied to		
Net investment income for the year	\$ 8,729	\$ 4,731
Add: Income taxes	<u>2,379</u>	<u>1,642</u>
	11,108	6,373
Less: Dividends from taxable Canadian companies ...	<u>4,946</u>	<u>1,852</u>
	<u>\$ 6,162</u>	<u>\$ 4,521</u>
Provision for income taxes	<u>\$ 2,379</u>	<u>\$ 1,642</u>

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

	<u>2004</u>	<u>2003</u>
	(000's)	
Investments at indicated market value	\$ 496,304	\$ 431,736
Investments at cost	<u>281,797</u>	<u>259,458</u>
Unrealized appreciation of investments before provision for future income taxes	214,507	172,278
Future income taxes	<u>37,238</u>	<u>30,885</u>
Unrealized appreciation of investments	<u>\$ 177,269</u>	<u>\$ 141,393</u>

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Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2004 (continued)

3. Realized gain on investments

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

	2004	2003
	(000's)	
Proceeds on sales of investments	\$ 118,697	\$ 100,512
Cost of investments, beginning of year	259,458	251,791
Cost of investments purchased during the year	125,178	102,108
	384,636	353,899
Cost of investments, end of year	281,797	259,458
Cost of investments sold during the year	102,839	94,441
Realized gain on investments sold before income taxes	15,858	6,071
Provision for taxes on realized net taxable capital gains	2,840	948
Net realized gain on investments	\$ 13,018	\$ 5,123

4. Capital stock and dividends

The authorized classes of share capital at December 31, 2004 are as follows:

- 129,015 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 29,015 outstanding 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 capital stock account of the Company is as follows:

	December 31	
	2004	2003
	(000's)	
Series A preferred shares		
Issued and outstanding - 29,015 (2003 - 29,115) shares	\$ 1,451	\$ 1,456
Common shares		
Issued and outstanding - 5,615,535 shares	204,691	204,691
	\$ 206,142	\$ 206,147

Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2004 (continued)

4. Capital stock and dividends (continued)

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

	2004		2003	
	Number of shares	Amount (000's)	Number of shares	Amount (000's)
Balance, beginning of year	29,115	\$ 1,456	29,315	\$ 1,466
Shares purchased for cancellation	(100)	(5)	(200)	(10)
Balance, end of year	<u>29,015</u>	<u>\$ 1,451</u>	<u>29,115</u>	<u>\$ 1,456</u>

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

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

	2004	2003
	(000's)	
On preferred shares, \$2.50 (2003 - \$2.50) per share	\$ 73	\$ 73
On 5,615,535 common shares, \$0.60 (2003 - \$0.60) per share	<u>3,369</u>	<u>3,369</u>
	<u>\$ 3,442</u>	<u>\$ 3,442</u>

5. Related party information

Included in the Company's investments are securities in significantly influenced companies with a market value of \$200,751,000 (2003 - \$171,142,000). Dividends from these companies for the year ended December 31, 2004 amounted to \$4,646,000 (2003 - \$1,372,000). Included in the operating expenses are fees for administrative services paid to E-L Financial Corporation Limited ("E-L Financial"). The total fees for the year ended December 31, 2004 amounted to \$298,000. The administrative agreement with E-L Financial commenced January 1, 2004. In 2003, the Company was allocated its share of operating expenses by E-L Financial in the amount of \$187,000.

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Economic Investment Trust Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - DECEMBER 31, 2004 (continued)

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.

As at December 31, 2004, the Company has loaned approximately \$48,200,000 (2003 - \$35,025,000) in securities, received approximately \$51,800,000 (2003 - \$37,470,000) in collateral, and recognized \$147,000 (2003 - \$255,000) in securities lending income. Securities lent in the program earn income at current securities lending rates. The securities lending agreements are revolving and can be terminated by the borrower, the agent or the Company at any time.

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	
	2004	2003
	(000's)	
Net assets	\$ 459,290	\$ 407,911
Deduct: Cost of redemption of preferred shares	<u>1,523</u>	<u>1,529</u>
Net equity value	<u>\$ 457,767</u>	<u>\$ 406,382</u>
Net equity value per common share	<u>\$ 81.52</u>	<u>\$ 72.37</u>

Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 2004

Number of shares		Cost	Market value	% of Market
		(000's)		
North America				
Canada				
50,200	Alcan Inc.	\$ 2,767	\$ 2,952	
212,638	Algoma Central Corporation	2,974	15,204	
93,342	Bank of Nova Scotia	1,210	3,799	
341,806	E-L Financial Corporation Limited	6,790	115,452	
33,101	Ecando Investments Limited			
	Classes A, B and common	4,139	29,012	
176,414	The Fulcrum Investment Company Limited	464	8,369	
25,444	Magna Int'l Inc. Class A	2,314	2,508	
216,900	NVG Holdings Limited *			
	Classes B, C, D, E and common	2,115	25,607	
4,837	TGV Holdings Limited Class B *	318	7,107	
		<u>23,091</u>	<u>210,010</u>	42.3
United States				
69,300	Altria Group Inc.	5,771	5,096	
103,200	Bank of America Corporation	5,050	5,837	
58,100	Chubb Corporation	5,531	5,377	
125,100	Citigroup Inc.	7,678	7,254	
153,400	Comcast Corporation Special Class A	6,142	6,063	
87,400	ConocoPhillips	6,706	9,134	
57,700	Fannie Mae	4,994	4,945	
36,300	Freddie Mac	2,712	3,220	
129,500	General Electric Company	5,456	5,689	
70,300	The Hartford Financial Services Group, Inc.	5,682	5,865	
341,700	Hewlett-Packard Company	9,118	8,624	
125,600	JP Morgan Chase & Co.	6,342	5,897	
219,600	The Kroger Co.	5,028	4,636	
45,000	Metlife, Inc.	1,672	2,194	
78,400	Microsoft Corporation	2,754	2,521	
16,800	Occidental Petroleum Corporation	1,108	1,180	
15,900	PartnerRe Ltd.	1,104	1,185	
144,900	Pfizer Inc.	8,132	4,690	
167,500	Safeway Inc.	4,574	3,980	
156,900	Smurfit-Stone Container Corporation	3,541	3,528	
49,408	The St. Paul Travelers Companies Inc.	2,488	2,204	
19,000	Textron Inc.	1,434	1,688	
197,500	Time Warner Inc.	4,491	4,623	
30,800	XL Capital Ltd. Class A	3,367	2,879	
		<u>110,875</u>	<u>108,309</u>	21.8
	Total North America	<u>133,966</u>	<u>318,319</u>	64.1
Latin America				
119,100	Petroleo Brasileiro SA ADR	3,534	5,191	
110,500	Votorantim Celulose e Papel S.A. ADR	1,911	2,154	
		5,445	7,345	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, 2004 (continued)

Number of shares		Cost	Market value	% of Market
		(000's)		
	Europe, excluding United Kingdom			
245,080	Arcelor	\$ 4,892	\$ 6,776	
70,000	Assurances Générales de France	5,249	6,267	
88,900	Continental AG	3,776	6,768	
117,600	Credit Suisse Group	5,587	5,929	
19,200	Delhaize Group	1,217	1,750	
181,400	ENI S.P.A.	3,978	5,444	
47,312	HeidelbergCement AG	2,476	3,415	
82,900	ING Groep N.V.	2,973	3,006	
45,000	Man AG	2,094	2,078	
50,600	Renault SA	5,493	5,074	
200,700	Repsol YPF, S.A.	5,512	6,265	
22,825	Sanofi-Aventis	1,366	2,187	
120,800	Svenska Cellulosa AB	6,236	6,177	
		50,849	61,136	12.3
	United Kingdom			
269,887	Aviva PLC	2,636	3,909	
453,700	BP PLC	5,386	5,315	
104,300	Glaxosmithkline PLC	2,837	2,939	
332,930	Intercontinental Hotels Group PLC	3,156	4,971	
117,600	RMC Group PLC	1,793	2,303	
1,592,000	Vodafone Group PLC	4,005	5,186	
120,500	Whitbread PLC	1,619	2,353	
160,000	Xstrata PLC	2,809	3,439	
		24,241	30,415	6.1
	Asia			
43,600	Aiful Corporation	5,523	5,758	
90,000	Canon Inc.	5,007	5,832	
5,576,000	China Petroleum & Chemical Corp.	2,028	2,763	
744,683	Compal Electronics Inc.	5,345	4,455	
31,463	Emerging Markets Investor Fund	1,100	1,254	
132,000	Flextronics International Ltd.	2,489	2,196	
88,000	Honda Motor Company Limited	5,696	5,476	
42,900	Hyundai Motor Co. Ltd.	2,379	2,769	
78,200	JFE Holdings Inc.	2,683	2,680	
51,200	Kookmin Bank	2,077	2,412	
383,100	Nissan Motor Co. Ltd.	4,172	5,001	
31,500	Posco	4,060	6,851	
32,300	Promise Co., Ltd.	1,457	2,770	
150,950	Shinhan Financial Group Co., Ltd.	1,928	4,108	
1,755,930	Singapore Telecommunications Limited	3,093	3,080	
925	Sumitomo Mitsui Financial Group	6,918	8,075	
435,052	Taiwan Semiconductor Manufacturing Company Ltd. ADR	4,601	4,446	
675	UFJ Holdings, Inc.	4,214	4,911	
		64,770	74,837	15.1

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Economic Investment Trust Limited

CONSOLIDATED STATEMENT OF INVESTMENTS AS AT DECEMBER 31, 2004 (continued)

<u>Number of shares</u>		<u>Cost</u>	<u>Market value</u>	<u>% of Market</u>
			(000's)	
	Israel			
840,000	Bank Hapoalim Ltd.	2,526	3,409	0.7
	Total equities	281,797	495,461	99.8
	Forward Currency Contracts, net - Schedule 1	—	843	0.2
	Total investments	<u>\$ 281,797</u>	<u>\$ 496,304</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</u>
71.7	USD	3	1.1817 - 1.2149	Mar. 15, 2005	\$ 843

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 - 2004

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 - 2004 (continued)

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
2004	459,289,335	—	1,523,288	457,766,047	8,655,782	81.52

* 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, 2004 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			