



# Canadian Scholarship Trust Founders' Plan

Semi-Annual Financial Statements  
April 30, 2013

Unaudited

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Unaudited semi-annual financial statements

The accompanying semi-annual financial statements have not been reviewed by the external auditors of the Plan in accordance with assurance standards applicable to a review of interim financial statements.

# Statements of Net Assets Available for Education Assistance Payments

As at April 30, 2013 and October 31, 2012 (in thousands of dollars)

	Apr 30, 2013	Oct 31, 2012 (Audited)
<b>Assets</b>		
Investments, at fair value <i>(Note 4 and Schedule I)</i>	\$ 156,654	\$ 166,596
Cash and cash equivalents	13,269	15,430
Short-term investments	22,022	12,702
Accrued interest and other receivables	1,711	11,219
Receivables for securities sold	909	-
Government grants receivable	61	62
	<b>194,626</b>	<b>206,009</b>
<b>Liabilities</b>		
Accounts payable, accrued liabilities and unclaimed subscribers' funds	1,769	809
Payables for securities purchased	532	37
Subscribers' deposits <i>(Note 6)</i>	65,245	72,952
	<b>67,546</b>	<b>73,798</b>
<b>Net Assets Available for Education Assistance Payments</b>	<b>127,080</b>	<b>132,211</b>
<b>Represented by:</b>		
<b>Non-Discretionary Funds</b>		
Accumulated interest held for future education assistance payments	85,099	92,759
Government grants	23,503	24,565
Interest on Government grants	13,029	12,834
General Fund <i>(Note 7)</i>	3,586	-
<b>Unrealized Gains</b>	<b>1,709</b>	<b>1,899</b>
<b>Discretionary Funds</b>		
Donations from the Foundation <i>(Note 7)</i>	154	154
	<b>\$ 127,080</b>	<b>\$ 132,211</b>

# Statements of Investment Operations

For the six months ended April 30, 2013 and 2012 (in thousands of dollars)

	Apr 30, 2013	Apr 30, 2012
<b>Income</b>		
Interest income	\$ 3,021	\$ 4,220
Realized gains	1	201
	<b>3,022</b>	<b>4,421</b>
<b>Expenses</b>		
Plan administration and processing fees <i>(Note 3(a))</i>	299	384
Financial reporting <i>(Note 3(a))</i>	89	126
Portfolio management fees	121	143
Custodian fees	12	15
Trustee fees	14	13
	<b>535</b>	<b>681</b>
<b>Net Investment Income</b>	<b>2,487</b>	<b>3,740</b>
<b>Decrease in Unrealized Gains</b>	<b>(190)</b>	<b>(2,352)</b>
<b>Increase in Net Assets from Investment Operations</b>	<b>\$ 2,297</b>	<b>\$ 1,388</b>

# Statements of Changes in Net Assets Available for Education Assistance Payments

For the six months ended April 30, 2013 and 2012 (in thousands of dollars)

	Apr 30, 2013	Apr 30, 2012
<b>Net Assets Available for Education Assistance Payments, Beginning of Period</b>	<b>\$ 132,211</b>	<b>\$ 160,255</b>
<b>Increase in Net Assets from Investment Operations</b>	<b>2,297</b>	<b>1,388</b>
Transfers to internal and external plans	<b>(2,658)</b>	<b>(2,673)</b>
	<b>(361)</b>	<b>(1,285)</b>
<b>Receipts</b>		
Net Government grants received (repaid)	<b>(77)</b>	<b>317</b>
<b>Disbursements</b>		
Payments to beneficiaries		
Education assistance payments	<b>(3,757)</b>	<b>(3,839)</b>
Government grants	<b>(486)</b>	<b>(472)</b>
Return of interest	<b>(450)</b>	<b>(398)</b>
	<b>(4,693)</b>	<b>(4,709)</b>
<b>Receipts less Disbursements</b>	<b>(4,770)</b>	<b>(4,392)</b>
<b>Decrease in Net Assets Available for Education Assistance Payments</b>	<b>(5,131)</b>	<b>(5,677)</b>
<b>Net Assets Available for Education Assistance Payments, End of Period</b>	<b>\$ 127,080</b>	<b>\$ 154,578</b>

# Statements of Cash Flows

For the six months ended April 30, 2013 and 2012 (in thousands of dollars)

	Apr 30, 2013	Apr 30, 2012
<b>Operating Activities</b>		
Increase in Net Assets from Investment Operations	\$ 2,297	\$ 1,388
Net proceeds (disbursements) from investment transactions	19	11,270
Items not affecting cash		
Realized gains on sale of investments	(1)	(201)
Decrease in Unrealized Gains	190	2,352
Change in non-cash operating working capital		
Decrease (increase) in Accrued interest and other receivables	9,508	(788)
Decrease in Government grants receivable	1	6
Increase (decrease) in Accounts payable, accrued liabilities and unclaimed subscribers' funds	960	(157)
<b>Cash flow from Operating Activities</b>	<b>12,974</b>	<b>13,870</b>
<b>Financing Activities</b>		
Transfers to internal and external plans	(2,658)	(2,673)
Net Government grants received (repaid)	(77)	317
Net decrease in Subscribers' deposits <i>(Note 6)</i>	(7,707)	(6,581)
Payments to beneficiaries	(4,693)	(4,709)
<b>Cash flow from Financing Activities</b>	<b>(15,135)</b>	<b>(13,646)</b>
<b>Net increase (decrease) in Cash and cash equivalents</b>	<b>(2,161)</b>	<b>224</b>
<b>Cash and cash equivalents, Beginning of Period</b>	<b>15,430</b>	<b>8,012</b>
<b>Cash and cash equivalents, End of Period</b>	<b>\$ 13,269</b>	<b>\$ 8,236</b>

The accompanying notes are an integral part of these financial statements.

# Schedule I – Statement of Investment Portfolio

As at April 30, 2013 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)		
<b>Bonds</b>				<b>Bonds (continued)</b>					
<b>Federal – 40.0%</b>				<b>Municipal and Provincial – 42.6% (continued)</b>					
Government of Canada				Province of Saskatchewan					
0.75%	1 May 2014	1,075	1,072	1,071	5.25%	3 Jun 2014	1,080	1,128	1,101
3.00	1 Dec 2015	402	422	412				45,392	45,475
Canada Housing Trust				<b>Corporate – 17.3%</b>					
3.15	15 Jun 2014	927	949	957	<b>Bank of Montreal</b>				
2.75	15 Sep 2014	8,065	8,252	8,292	3.10	10 Mar 2016	750	780	767
2.75	15 Dec 2014	402	413	413	2.24	11 Dec 2017	310	313	310
1.44	15 Mar 2015	145	146	145	<b>Bank of Nova Scotia</b>				
3.15	15 Jun 2015	10,657	11,117	11,188	3.61	22 Feb 2016	400	421	417
2.75	15 Dec 2015	2,149	2,237	2,173	2.60	27 Feb 2017	340	349	340
1.41	15 Mar 2016	831	836	835	2.37	11 Jan 2018	440	447	440
2.75	15 Jun 2016	10,925	11,426	11,273	2.24	22 Mar 2018	390	393	390
1.34	15 Sep 2016	1,479	1,486	1,479	<b>BMW Canada</b>				
1.70	15 Dec 2017	4,084	4,126	4,091	2.39	27 Nov 2017	310	315	310
			42,482	42,329	<b>Caisse Centrale Desjardins</b>				
<b>Municipal and Provincial – 42.6%</b>				2.28 17 Oct 2016 560 568 560					
Province of Alberta				<b>Canadian Imperial Bank of Commerce</b>					
1.41	27 May 2016	577	578	577	3.40	14 Jan 2016	480	501	480
1.85	1 Sep 2016	207	211	208	2.65	8 Nov 2016	230	236	230
Province of British Columbia				2.35 18 Oct 2017 970 984 971					
4.70	1 Dec 2017	1,600	1,825	1,825	<b>GE Capital Canada</b>				
Province of Manitoba				5.10 1 Jun 2016 510 560 552					
2.05	1 Dec 2016	376	385	380	3.35	23 Nov 2016	1,900	1,995	1,897
Province of New Brunswick				4.55 17 Jan 2017 220 241 235					
4.50	4 Feb 2015	2,390	2,528	2,580	<b>Honda Canada Finance Inc.</b>				
4.30	3 Dec 2015	7,060	7,603	7,616	2.28	11 Dec 2017	180	182	180
4.70	21 Jul 2016	6,040	6,667	6,649	<b>HSBC Bank of Canada</b>				
Province of Nova Scotia				2.57 23 Nov 2015 750 767 750					
4.70	14 Jan 2015	3,000	3,179	3,262	2.90	13 Jan 2017	790	816	792
4.60	18 Aug 2016	1,000	1,103	1,097	<b>John Deere Credit Inc</b>				
Province of Ontario				1.95 12 Apr 2017 90 90 90					
3.25	8 Sep 2014	4,100	4,216	4,243	<b>Master Credit Card Trust</b>				
4.50	8 Mar 2015	1,175	1,246	1,227	2.63	21 Jan 2017	232	239	232
3.15	8 Sep 2015	477	498	493	<b>Merrill Lynch Financial Assets</b>				
4.40	8 Mar 2016	1,000	1,086	975	4.82	12 Feb 2015	1,150	1,199	1,204
4.30	8 Mar 2017	3,178	3,508	3,473	4.62	12 Nov 2015	250	264	250
1.90	8 Sep 2017	265	268	265	4.85	12 Dec 2015	615	298	286
4.20	8 Mar 2018	1,572	1,753	1,750	4.48	12 Jul 2037	350	370	350
Province of Quebec				<b>National Bank of Canada</b>					
5.50	1 Dec 2014	6,205	6,629	6,768	4.03	26 May 2015	60	63	63
4.50	1 Dec 2016	582	643	649	2.69	21 Aug 2017	600	617	606
4.50	1 Dec 2017	301	338	337					

The accompanying notes are an integral part of these financial statements.

# Schedule I – Statement of Investment Portfolio (continued)

As at April 30, 2013 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 17.3% (continued)</b>			
RBC Capital Trust			
4.87% 31 Dec 2049	750	807	750
Real Estate Asset Liquidity Series Class A			
4.62 12 Sep 2016	440	473	440
5.08 12 Oct 2036	355	366	355
Royal Bank of Canada			
3.36 11 Jan 2016	215	225	215
2.68 8 Dec 2016	515	530	515
2.58 13 Apr 2017	630	646	630
VW Credit Canada			
2.90 1 Jun 2017	270	279	270
Wells Fargo Finance Canada			
3.70 30 Mar 2016	605	638	616
2.77 9 Feb 2017	760	782	760
2.94 25 Jul 2019	670	692	670
		18,446	17,923
<b>Total Fixed Income Investments – 99.9%</b>		<b>106,320</b>	<b>105,727</b>
<b>Cash and Short-term Investments – 0.1%</b>		95	95
<b>Total Portfolio Assets – 100.0%</b>		<b>106,415</b>	<b>105,822</b>
<b>Investments Allocation (Note 4)</b>			
<b>Government Grants (Appendix I)</b>		35,830	34,758
<b>Canadian Scholarship Trust Scholarship</b>			
<b>Pool (Appendix II)</b>		14,503	14,459
<b>Cash and Short-term</b>			
<b>Investments (Appendices I &amp; II)</b>		35,197	35,197
<b>Total Investment Fund</b>		<b>191,945</b>	<b>190,236</b>
<b>Represented by:</b>			
<b>Investments, at fair value</b>		156,654	
<b>Cash and cash equivalents</b>		13,269	
<b>Short-term Investments</b>		22,022	
		<b>191,945</b>	

The accompanying notes are an integral part of these financial statements.

# Notes to the Financial Statements

Six months ended April 30, 2013 and 2012 (Unaudited, in thousands of dollars)

## Note 1. Nature of Operations

The Canadian Scholarship Trust Founders' Plan ("Founders' Plan" or the "Plan") is a Pooled Education Savings Plan that was established on September 1, 1988. Since June 2000, the Plan is no longer available for sale. The objective of Founders' Plan is to assist parents and others to save for the post-secondary education of children. Founders' Plan is managed by C.S.T Consultants Inc. ("C.S.T.C."), a wholly-owned subsidiary of the Canadian Scholarship Trust Foundation (the "Foundation"). The Foundation was created to encourage and promote post-secondary education by making education savings plans available to Canadian residents.

Payments are made by a subscriber to an account maintained by the depository trustee on behalf of a beneficiary. Deductions of sales charges (previously referred to as enrolment fees) and account maintenance fees are made from the subscriber's contributions. The principal accumulated over the term of the subscriber's education savings plan agreement ("Agreement") is returned to the subscriber when:

- i. the Agreement matures and the beneficiary is a qualified student eligible to receive the first education assistance payment,
- ii. the Agreement matures and the beneficiary is not yet a qualified student, in which case the beneficiary will forfeit all Government grants (as defined below), or
- iii. the Agreement is terminated.

The investment income earned on the subscribers' principal balance is transferred to the scholarship pool when the Agreement matures and is used to provide education assistance payments ("EAPs") to qualified students. A beneficiary is deemed to be a qualified student upon receipt by the Foundation of evidence of enrolment in a qualifying educational program at an eligible institution.

There are a number of government grants that may be available to beneficiaries:

- i. The Canada Education Savings Grant Program ("CESG") is a grant from the Federal Government whereby Registered Education Savings Plans ("RESPs") receive grant amounts dependent on family income;
- ii. Any child born in the province of Alberta on or after January 1, 2005, may be eligible for the initial Alberta Centennial Education Savings Grant ("ACES"). Subsequent grants may be paid to all children attending school in Alberta at certain eligible ages;
- iii. The Québec Education Savings Incentive ("QESI") is available for beneficiaries who are under eighteen years of age and reside in Québec on December 31 of each year. The amount of QESI to be received by a beneficiary will depend on annual family income; and
- iv. The Saskatchewan Advantage Grant for Education Savings ("SAGES") is available for contributions made after December 31, 2012 on behalf of beneficiaries who are under eighteen years of age and resident in Saskatchewan. The Plan is expected to begin receiving this grant by December 31, 2013.

The Founders' Plan receives the CESG, ACES, QESI, and SAGES (collectively, "Government grants"), which are paid directly into a beneficiary's RESP and invests these funds in accordance with the Plan's investment policies. The Government grants, along with investment income earned thereon, are paid to qualified students.

Agreements are registered with appropriate government authorities if all required information is provided, and once registered are subject to the rules for RESPs under the *Income Tax Act* (Canada). The current tax legislation provides that income credited on subscribers' principal is not taxable income of the subscriber, unless withdrawn as an Accumulated Income Payment subject to certain eligibility requirements being met. The deposits are not deductible for income tax purposes and are not taxable when returned to the subscriber. Payments made to a qualified student, including EAPs, grants and investment income earned on grants will constitute taxable income of that student in the year that the payments are made.

## Note 2. Significant Accounting Policies

### (a) Generally accepted accounting principles

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

### (b) Future accounting standards

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the use of International Financial Reporting Standards ("IFRS") will be required for publicly accountable enterprises. In December 2011, the AcSB amended the deadline for adoption of IFRS by certain qualifying investment funds to extend the adoption date to years beginning on or after January 1, 2014. Therefore, IFRS will replace Canadian GAAP and becomes effective for the Plan's interim and annual financial statements relating to the fiscal year ending October 31, 2015. Management is in the process of developing a transition plan, which will include identifying differences between the Plan's current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on the financial statements of the Plan.

### (c) Investment valuation

Investments, at fair value include the following types of securities: bonds and money market securities.

Bonds and money market securities are valued using bid prices at period end. In the event that quoted market prices are not available, the fair values are estimated using present value or other valuation techniques.

Note 8 provides further guidance on fair value measurements.

### (d) Investment transactions and income recognition

Investment transactions are accounted for on a trade-date basis. Interest income on investments is recognized using the effective interest method. Realized gains (losses) on the sale of investments and change in unrealized gains (losses) on investments are calculated with reference to the average cost of the related investments and are recognized in the period that such gains (losses) occur.



# Notes to the Financial Statements (continued)

Six months ended April 30, 2013 and 2012 (Unaudited, in thousands of dollars)

## Note 2. Significant Accounting Policies (continued)

### (e) Subscribers' deposits and Account maintenance fees

Subscribers' deposits reflect amounts received from subscribers net of sales charges and account maintenance fees and do not include future amounts receivable on outstanding Agreements. Account maintenance fees are paid annually to the Foundation from subscribers' deposits and are accrued throughout the year.

### (f) Income taxes

The Founders' Plan is exempt from income taxes under Section 146.1 of the *Income Tax Act* (Canada).

### (g) Cash and cash equivalents

Cash and cash equivalents include short-term investments with a purchase date to maturity of 90 days or less.

### (h) Use of estimates

In preparing the financial statements, management is required to use estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the current estimates. Significant estimates included in these financial statements relate to Accounts payable, accrued liabilities and unclaimed subscribers' funds.

## Note 3. Related Party Transactions

### (a) Administration of the Founders' Plan

The Foundation, as the Plan sponsor, has appointed C.S.T.C. as the Investment Fund Manager to administer the Founders' Plan. Account maintenance fees and administration fees (comprising Plan administration and processing fees and Financial reporting expenses) are paid to the Foundation. Administration fees are annual fees of ½ of 1% of the total amount of principal, Government grants and income earned thereon.

### (b) Other Related Party Transactions

The Foundation retains the services of Greystone Managed Investments Inc., an investment management firm and wholly-owned subsidiary of Greystone Capital Management Inc. ("Greystone"). As at April 30, 2013, one director of the Foundation was a member of the Board of Directors of Greystone. This director does not have any beneficial ownership of Greystone equity. The director does not participate in any of the Foundation's Board deliberations concerning the investment management of the Plan, and does not vote on any resolutions recommended by the Investment Committee of the Foundation.

Portfolio management fees in the Statements of Investment Operations include fees paid or payable to Greystone of \$16 (2012 – \$14). Included in Accounts payable, accrued liabilities and unclaimed subscribers' funds in the Statements of Net Assets Available for Education Assistance Payments are the accrued amounts owing to Greystone as at April 30, 2013, of \$4 (October 31, 2012 – \$10).

All related party transactions are in the normal course of business and are measured at the exchange amount.

## Note 4. Investment Holdings

The investment holdings are disclosed in Schedule I – Statement of Investment Portfolio and the related Appendices I and II to the schedule, which are explained below.

The Government grants received from Human Resources and Skills Development Canada are collectively invested together with other C.S.T.C. administered plans. The principal and income received are separately tracked for each subscriber's Agreement. The portfolio holdings are allocated across all plans based on the proportion of principal and income attributable to Agreements within each plan (see Appendix I to Schedule I).

Upon maturity of each Agreement, the investment income accumulated to date attributable to that Agreement is transferred to the Canadian Scholarship Trust Scholarship Pool (the "Pool"), a shared investment pool with Plan II, another plan administered by C.S.T.C. (see Appendix II to Schedule I). From a subscriber's perspective, the income that is transferred is tracked by plan and by year of eligibility. The portfolio holdings of the Pool are allocated based on the Plan's proportionate share of income remaining in the Pool. The income earned on the Pool is credited to the General Fund (see Note 7).

## Note 5. Risks Associated with Financial Instruments

In the normal course of business the Plan may be exposed to a variety of risks arising from financial instruments. The Plan's exposures to such risks are concentrated in its investment holdings and are related to interest rate risk, credit risk, liquidity risk and currency risk.

The Plan's risk management process includes monitoring compliance with the Plan's investment policy. The Plan manages the effects of these financial risks to the Plan portfolio performance by retaining and overseeing professional external investment managers. The investment managers regularly monitor the Plan's positions and market events, and manage the investment portfolio within the constraints of the investment policy.

### (a) Market risk

#### i. Interest rate risk

Interest rate risk is the risk of a decrease in the Plan's yield on interest-bearing investments as a result of fluctuations in market interest rates. There is an inverse relationship between changes in interest rates and changes in the fair value of bonds. This risk is actively managed using duration, yield curve analysis, sector and credit selection. There is reduced risk to interest rate changes for cash and cash equivalents due to their short-term nature.

# Notes to the Financial Statements (continued)

Six months ended April 30, 2013 and 2012 (Unaudited, in thousands of dollars)

## Note 5. Risks Associated with Financial Instruments (continued)

### (a) Market risk (continued)

#### i. Interest rate risk (continued)

The Plan's holdings of debt instruments by maturity are as follows:

Debt Instruments by Maturity Date	% of Total Investment Fund	
	April 30, 2013	October 31, 2012
Less than 1 year (including short-term investments)	20%	16%
1-3 years	40%	39%
3-5 years	31%	35%
Greater than 5 years	9%	10%
<b>Total debt instruments</b>	<b>100%</b>	<b>100%</b>

As at April 30, 2013, if prevailing interest rates had increased by 1%, the Total Investment Fund amount of \$191,945 (October 31, 2012 – \$194,728) as per Schedule I – Statement of Investment Portfolio, would have decreased by \$5,413 (October 31, 2012 – \$4,620). If prevailing interest rates had decreased by 1%, the Total Investment Fund would have increased by \$5,842 (October 31, 2012 – \$5,026). This 1% change assumes a parallel shift in the yield curve with all other variables held constant. In practice, the actual trading results may differ materially.

#### ii. Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, other than those arising from interest rate risk. Factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment affect other price risk. The Plan is not exposed to other price risk as it holds only bonds and money market securities.

### (b) Credit risk

Credit risk refers to the ability of the issuer of debt securities to make interest payments and repay principal. The Plan's portfolio is comprised of bonds issued or guaranteed by federal or provincial governments along with corporate debt instruments with a minimum approved credit rating as set by the Canadian Securities Administrators, currently A-low. Founders' Plan has a concentration of investments in government and government guaranteed bonds, which are considered to be high credit quality investments thereby moderating credit risk.

The Plan's credit risk exposure is listed below.

Credit rating	April 30, 2013		October 31, 2012	
	% of Total Investment Fund	Amount (in thousands)	% of Total Investment Fund	Amount (in thousands)
AAA	49%	\$ 93,256	50%	\$ 97,171
AA/AAH/AAL	7%	13,946	9%	17,137
A/AH/AL	25%	49,009	27%	51,879
R-1	18%	35,423	14%	26,795
Short-term unrated	1%	311	0%	1,746
<b>Total Investment Fund</b>	<b>100%</b>	<b>\$ 191,945</b>	<b>100%</b>	<b>\$ 194,728</b>

The Dominion Bond Rating Service ("DBRS") was the primary source for obtaining credit ratings. Secondary sources used include Standard & Poor's Financial Services LLC and Moody's Investors Service, Inc.

### (c) Liquidity risk

Liquidity risk is the risk that the Plan may not be able to meet its obligations on time. The Plan's exposure to liquidity risk is concentrated in principal repayments to subscribers and Education Assistance Payments. The Plan primarily invests in securities that are traded in the active markets and can be readily sold. The Plan retains sufficient cash and cash equivalents positions to meet liquidity requirements by utilizing cash forecasting models that reflects the maturity distribution of Subscribers' deposits and accumulated income. All other financial liabilities are short term and due within one year.

### (d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Plan is not exposed to currency risk as it holds only Canadian securities.

## Note 6. Subscribers' Deposits

The changes in Subscribers' deposits for the six-month period ended April 30, 2013, and 2012 are as follows:

	Apr. 30, 2013	Apr. 30, 2012
Payments from subscribers	\$ 1,138	\$ 1,769
Inter-plan principal transfers	(2,979)	(2,930)
Account maintenance fees	(51)	(76)
Return of principal	(5,815)	(5,344)
Net decrease in Subscribers' deposits	(7,707)	(6,581)
<b>Balance, Beginning of Period</b>	<b>72,952</b>	<b>99,478</b>
<b>Balance, End of Period</b>	<b>\$ 65,245</b>	<b>\$ 92,897</b>

# Notes to the Financial Statements (continued)

Six months ended April 30, 2013 and 2012 (Unaudited, in thousands of dollars)

## Note 7. General Fund and Donations from the Foundation

The Canadian Scholarship Trust (the "Canadian Trust") is a legal trust registered with Canada Revenue Agency as an Education Savings Plan. Included in the Canadian Trust are Plan I, Plan II and Founders' Plan (the "Plans"). The General Fund is a separate account within the Canadian Trust and derives its income from the following sources:

- i. interest earned on Subscribers' deposits and Accumulated interest from the date of maturity to the date the funds are paid to qualified students as EAPs;
- ii. interest earned on the interest forfeited when a subscriber's plan is terminated prior to maturity;
- iii. income not collected by beneficiaries before the expiry of benefit period; and
- iv. unclaimed principal and income payments.

According to the trust indenture, the General Fund may be used to subsidize EAPs for qualified students to any of the active Plans within the Canadian Trust.

Donations from the Foundation represent a discretionary pool of funds shared between the Plans. These funds are used to supplement EAPs when the General Fund is depleted. The amount is allocated annually between the Plans according to the payout forecast in each of the plans.

## Note 8. Fair Value of Financial Instruments

Investments, at fair value, Cash and cash equivalents and Short-term investments are carried at fair value. The carrying values of other financial instruments such as Accrued interest and other receivables, Receivables for securities sold, Government grants receivable, Accounts payable, accrued liabilities and unclaimed subscribers' funds, Payables for securities purchased and Subscribers' deposits approximate their fair values as these financial instruments are short term in nature.

Fair value represents the amount at which a financial instrument could be exchanged in an arm's-length transaction between willing parties under no compulsion to act and is best evidenced by a quoted bid price in an active market, if one exists.

The following table presents the Plan's financial instruments carried at fair value in the Statements of Net Assets Available for Education Assistance Payments, classified by the fair value hierarchy set out in CICA Handbook Section 3862, *Financial Instruments – Disclosures*:

- i. "Level 1" financial instruments are valued using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii. "Level 2" financial instruments are valued using observable inputs other than quoted prices included in Level 1.
- iii. "Level 3" financial instruments are valued using unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 13,269	\$ -	\$ -	\$ 13,269
Short-Term Investments	-	22,022	-	22,022
Fixed Income Securities	-	156,654	-	156,654
<b>Total Investment Fund</b>	<b>\$13,269</b>	<b>\$ 178,676</b>	<b>\$ -</b>	<b>\$ 191,945</b>

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 15,430	\$ -	\$ -	\$ 15,430
Short-Term Investments	-	12,702	-	12,702
Fixed Income Securities	-	166,596	-	166,596
<b>Total Investment Fund</b>	<b>\$15,430</b>	<b>\$ 179,298</b>	<b>\$ -</b>	<b>\$ 194,728</b>

For the six-month period ended April 30, 2013 and year ended October 31, 2012, there were no transfers between Levels 1, 2 or 3.

# Government Grants

## Appendix I to Schedule I

### Statement of Investment Portfolio

As at April 30, 2013 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)				
<b>Bonds</b>				<b>Bonds (continued)</b>							
<b>Federal – 40.4%</b>				<b>Municipal and Provincial – 25.4% (continued)</b>							
Government of Canada				Province of Newfoundland and Labrador							
1.50%	1 Nov 2013	11,480	11,508	11,591	5.25%	4 Jun 2014	2,775	2,899	2,990		
0.75	1 May 2014	25,104	25,040	25,012	Province of Nova Scotia						
0.70	1 Mar 2015	2,509	1,127	1,120	5.80	1 Jun 2033	1,635	2,216	1,984		
4.10	1 Jul 2015	2,000	1,534	1,510	Province of Ontario						
3.00	1 Dec 2015	9,473	9,954	9,639	3.25	8 Sep 2014	6,585	6,771	6,774		
3.55	1 Sep 2019	5,542	5,122	4,661	3.15	8 Sep 2015	10,999	11,487	11,324		
4.40	26 Jan 2026	1,380	1,584	1,372	3.20	8 Sep 2016	4,400	4,658	4,479		
5.00	1 Jun 2037	10,790	15,966	14,502	4.30	8 Mar 2017	12,180	13,445	12,804		
4.00	1 Jun 2041	3,290	4,387	3,797	1.90	8 Sep 2017	6,207	6,280	6,213		
Canada Housing Trust				4.20				8 Mar 2018	6,617	7,380	7,368
3.15	15 Jun 2014	30,879	31,599	32,004	4.40	2 Jun 2019	2,920	3,328	3,056		
2.75	15 Sep 2014	26,455	27,069	27,433	4.20	2 Jun 2020	3,890	4,413	4,048		
2.75	15 Dec 2014	37,461	38,491	38,955	4.00	2 Jun 2021	2,165	2,431	2,238		
1.44	15 Mar 2015	3,928	3,951	3,935	2.85	2 Jun 2023	2,250	2,292	2,249		
3.15	15 Jun 2015	8,664	9,038	8,758	7.60	2 Jun 2027	2,135	3,244	3,094		
2.75	15 Dec 2015	49,947	51,982	51,297	5.60	2 Jun 2035	3,205	4,295	3,648		
1.41	15 Mar 2016	21,845	21,972	21,954	4.70	2 Jun 2037	4,175	5,040	4,602		
2.75	15 Jun 2016	33,734	35,280	34,577	Province of Quebec						
1.34	15 Sep 2016	31,831	31,977	31,815	5.50	1 Dec 2014	13,545	14,470	14,883		
2.05	15 Jun 2017	11,985	12,293	12,293	5.00	1 Dec 2015	12,815	14,030	14,242		
1.70	15 Dec 2017	32,491	32,825	32,514	4.50	1 Dec 2016	13,387	14,792	14,963		
PSP Capital Inc.				4.50				1 Dec 2017	7,064	7,936	7,907
4.57	9 Dec 2013	2,800	2,856	2,825	1.55	1 Jun 2018	823	829	823		
		375,555		371,564	4.50	1 Dec 2019	6,345	7,280	6,697		
<b>Municipal and Provincial – 25.4%</b>				4.50				1 Dec 2020	6,435	7,421	6,754
Province of Alberta				5.75				1 Dec 2036	2,075	2,801	2,410
1.41	27 May 2016	13,328	13,356	13,327	5.00	1 Dec 2038	3,325	4,125	3,410		
1.85	1 Sep 2016	4,565	4,647	4,582			235,864		228,628		
Province of British Columbia				<b>Corporate – 32.9%</b>							
4.25	18 Jun 2014	4,725	4,891	5,012	407 International Inc.						
4.70	1 Dec 2017	2,975	3,393	3,184	2.81	18 Dec 2016	2,750	2,816	2,750		
4.70	18 Jun 2037	4,820	5,871	5,919	7.13	26 Jul 2040	7,456	11,390	10,096		
4.30	18 Jun 2042	2,650	3,104	3,129	Arrow Lakes Power Corp						
Province of Manitoba				5.52				5 Apr 2041	847	997	847
2.05	1 Dec 2016	8,980	9,184	9,076	BAC Canada Finance						
Province of New Brunswick				2.75				21 Feb 2014	10,562	10,632	10,369
4.50	4 Feb 2015	3,530	3,734	3,784	Bank of Montreal						
4.45	26 Mar 2018	4,780	5,383	5,197	5.18	10 Jun 2015	3,375	3,631	3,684		
6.47	30 Nov 2027	6,106	7,722	7,658	3.10	10 Mar 2016	2,895	3,008	2,961		
5.65	27 Dec 2028	1,195	1,547	1,468	2.24	11 Dec 2017	1,110	1,121	1,110		
5.50	27 Jan 2034	13,600	17,676	16,021							
4.65	26 Sep 2035	1,270	1,493	1,311							

# Government Grants (continued)

## Appendix I to Schedule I

### Statement of Investment Portfolio

As at April 30, 2013 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 32.9% (continued)</b>			
Bank of Nova Scotia			
3.34% 25 Mar 2015	4,130	4,269	4,266
2.74 1 Dec 2016	3,245	3,344	3,249
2.60 27 Feb 2017	3,500	3,588	3,528
2.24 22 Mar 2018	1,520	1,532	1,520
BMW Canada			
2.88 9 Aug 2016	1,025	1,057	1,025
2.39 27 Nov 2017	1,000	1,015	1,000
Caisse Centrale Desjardins			
2.28 17 Oct 2016	1,840	1,865	1,840
Canadian Imperial Bank of Commerce			
4.75 22 Dec 2014	2,074	2,185	2,127
2.35 18 Oct 2017	3,170	3,217	3,174
3.15 2 Nov 2020	2,750	2,835	2,761
CBC			
4.69 15 May 2027	4,254	4,879	4,580
CDP Financial Inc			
1.74 15 Jul 2015	6,350	6,366	6,382
4.60 15 Jul 2020	164	189	181
Central 1 Credit Union			
1.77 19 Nov 2014	8,500	8,502	8,500
Citigroup Finance Canada			
4.75 17 Mar 2014	2,000	2,052	2,060
Claregold Trust			
5.07 15 May 2044	3,853	1,120	1,178
CSS (FSCC) Partnership			
6.92 31 Jul 2042	2,507	3,294	3,207
GE Capital Canada			
4.65 11 Feb 2015	6,630	6,992	6,762
5.10 1 Jun 2016	2,010	2,208	2,181
3.35 23 Nov 2016	1,780	1,870	1,778
1.65 15 Feb 2022	10,313	9,702	9,459
2.34 6 Feb 2023	3,071	3,124	3,071
5.73 22 Oct 2037	3,406	4,302	3,777
Greater Toronto Airports			
6.45 30 Jul 2029	8,485	10,790	10,506
Green Timbers LP			
6.84 30 Jun 2037	675	851	736

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 32.9% (continued)</b>			
Honda Canada Finance Inc			
5.61% 12 Sep 2013	200	203	210
2.25 23 Feb 2015	8,310	8,404	8,310
2.28 11 Dec 2017	650	657	650
HSBC Bank of Canada			
2.57 23 Nov 2015	1,945	1,989	1,945
2.90 13 Jan 2017	1,630	1,685	1,632
Hydro One Inc.			
1.67 3 Dec 2016	4,300	4,362	4,300
John Deere Credit Inc			
1.95 12 Apr 2017	830	832	829
Manufacturers Life Insurance			
4.21 18 Nov 2021	6,293	6,707	6,429
4.17 1 Jun 2022	2,769	2,961	2,777
2.82 26 Feb 2023	5,200	5,286	5,264
Manulife Bank of Canada			
1.83 3 Dec 2014	2,580	2,587	2,580
Maritimes and Northeast Pipelines			
4.34 30 Nov 2019	4,347	4,575	4,487
Merrill Lynch Financial Assets			
4.82 12 Feb 2015	1,560	1,627	1,614
4.62 12 Nov 2015	1,235	1,306	1,222
4.85 12 Dec 2015	2,365	1,146	1,135
4.98 12 Jun 2016	2,979	3,222	3,153
4.66 12 Jul 2016	500	251	255
4.64 12 Oct 2016	578	369	371
4.81 12 Oct 2016	2,814	3,078	2,903
4.71 12 Nov 2016	3,409	1,042	1,062
4.48 12 Jul 2037	920	972	900
4.75 12 Jan 2040	2,009	2,183	2,155
Milit-Air Inc.			
5.75 30 Jun 2019	2,422	2,694	2,617
N-45 First CMBS			
5.67 15 Nov 2020	1,502	1,531	1,598
National Bank of Canada			
2.23 30 Jan 2015	1,300	1,316	1,300
2.69 21 Aug 2017	500	514	505
NAV Canada			
7.56 1 Mar 2027	4,567	6,003	5,815
Ontrea Inc.			
4.62 9 Apr 2018	1,724	1,831	1,753

The accompanying notes are an integral part of these financial statements.

# Government Grants (continued)

## Appendix I to Schedule I

### Statement of Investment Portfolio

As at April 30, 2013 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 32.9% (continued)</b>			
OPB Finance Trust			
3.89% 4 Jul 2042	3,489	3,537	3,496
Ornge Issuer Trust			
5.73 11 Jun 2034	8,982	10,506	10,201
Pearson Internation Fuel Facilities Corp			
5.09 9 Mar 2032	3,361	3,659	3,603
Plenary Health			
2.63 18 May 2015	4,791	4,865	4,793
Plenary Properties Ltap LP			
6.29 31 Jan 2044	7,007	9,259	8,586
Power Corporation of Canada			
7.57 22 Apr 2019	726	918	834
RBC Capital Trust			
4.87 31 Dec 2049	7,930	8,528	8,013
5.81 31 Dec 2053	3,715	3,817	3,977
Real Estate Asset Liquidity Series Class A			
4.62 12 Sep 2016	1,975	2,125	2,008
5.08 12 Oct 2036	745	769	763
Royal Bank of Canada			
2.68 8 Dec 2016	1,350	1,389	1,350
2.58 13 Apr 2017	1,500	1,537	1,500
Royal Office Finance			
5.21 12 Nov 2032	4,048	4,758	4,771
SP1 LP			
3.21 15 Jun 2019	5,196	5,243	5,145
Standard Life Assurance			
3.94 21 Sep 2022	2,815	2,986	2,824
Sun Life Financial Inc			
4.80 23 Nov 2035	800	850	811
4.95 1 Jun 2036	1,989	2,136	2,030
Toronto Dominion Bank			
2.95 2 Aug 2016	3,280	3,410	3,355
3.37 2 Nov 2020	3,505	3,634	3,567
4.78 14 Dec 2105	550	602	594
5.76 18 Dec 2106	680	786	783
Toronto Hospital			
5.64 8 Dec 2022	10,580	12,163	12,130
Transcanada Pipelines			
8.05 17 Feb 2039	1,553	2,516	2,492

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 32.9% (continued)</b>			
VW Credit Canada			
2.90% 1 Jun 2017	715	739	715
Wells Fargo Finance Canada			
4.38 30 Jun 2015	5,560	5,892	5,888
2.77 9 Feb 2017	1,935	1,991	1,934
2.94 25 Jul 2019	1,780	1,839	1,780
WTH Car Rental			
4.14 20 Mar 2015	10,738	10,996	11,077
		305,526	297,456
<b>Total Fixed Income Investments – 98.7%</b>		<b>916,945</b>	<b>897,648</b>
<b>Cash and Short-term Investments – 1.3%</b>		11,817	11,817
<b>Total Portfolio Assets – 100.0%</b>		<b>928,762</b>	<b>909,465</b>
<b>Government Grant Investments Allocation</b>			
Plan II		464	424
Founders' Plan		35,830	34,758
Group Savings Plan		203,029	197,871
Group Savings Plan 2001		606,906	594,922
Family Savings Plan		66,381	65,379
Individual Savings Plan		4,335	4,294
		<b>916,945</b>	<b>897,648</b>
<b>Cash and Short-term Investments Allocation</b>			
Plan II		23	23
Founders' Plan		619	619
Group Savings Plan		2,982	2,982
Group Savings Plan 2001		7,541	7,541
Family Savings Plan		623	623
Individual Savings Plan		29	29
		<b>11,817</b>	<b>11,817</b>

# Canadian Scholarship Trust Scholarship Pool

## Appendix II to Schedule I

### Statement of Investment Portfolio

As at April 30, 2013 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)		
<b>Bonds</b>				<b>Bonds (continued)</b>					
<b>Federal – 7.1%</b>				<b>Corporate – 14.0% (continued)</b>					
Government of Canada				BMW Canada					
3.50%	1 Jun 2013	95	95	99	2.88%	9 Aug 2016	210	217	210
2.00	1 Aug 2013	185	186	186	2.39	27 Nov 2017	150	152	150
2.50	1 Sep 2013	370	372	375	Caisse Centrale Desjardins				
3.00	1 Dec 2015	225	236	237	2.28	17 Oct 2016	250	254	250
2.75	1 Sep 2016	370	390	389	Canadian Imperial Bank of Commerce				
1.50	1 Sep 2017	170	172	171	2.35	18 Oct 2017	60	61	60
3.75	1 Jun 2019	100	114	115	3.15	2 Nov 2020	491	506	492
1.50	1 Jun 2023	320	314	304	Cards II Trust				
Canada Housing Trust				GE Capital Canada					
3.55	15 Sep 2013	870	878	882	5.28	22 Oct 2014	92	97	99
2.75	15 Dec 2014	305	313	313	5.10	1 Jun 2016	335	368	361
2.45	15 Dec 2015	560	578	576	4.55	17 Jan 2017	80	87	86
			3,648	3,647	Honda Canada Finance Inc.				
<b>Provincial – 8.5%</b>				HSBC Canada					
Province of British Columbia				Hydro One					
4.25	18 Jun 2014	420	435	441	5.18	18 Oct 2017	50	57	57
4.65	18 Dec 2018	335	388	379	John Deere Credit Inc				
2.70	18 Dec 2022	75	77	76	1.95	12 Apr 2017	90	90	90
Province of Ontario				Master Credit Card Trust					
4.75	2 Jun 2013	460	461	479	2.63	21 Jan 2017	56	58	56
5.00	8 Mar 2014	175	181	184	Merrill Lynch Financial Assets				
3.25	8 Sep 2014	710	730	735	4.82	12 Feb 2015	170	177	181
4.40	8 Mar 2016	455	494	497	National Bank of Canada				
3.20	8 Sep 2016	50	53	53	3.58	26 Apr 2016	185	195	194
4.20	8 Mar 2018	185	206	204	2.69	21 Aug 2017	245	252	247
Province of Quebec				RBC Capital Trust					
5.50	1 Dec 2014	1,025	1,095	1,119	4.87	31 Dec 2049	204	219	217
4.50	1 Dec 2016	60	66	67	5.81	31 Dec 2053	150	154	161
4.50	1 Dec 2020	155	179	161	Real Estate Asset Liquidity				
			4,365	4,395	4.61	12 Nov 2016	400	434	432
<b>Corporate – 14.0%</b>				Royal Bank of Canada					
Bank of Montreal				Score Trust					
5.18	10 Jun 2015	265	285	289	4.95	20 Feb 2014	204	208	217
3.10	10 Mar 2016	170	177	174					
2.24	11 Dec 2017	70	71	70					
Bank of Nova Scotia									
2.74	1 Dec 2016	330	340	332					
2.37	11 Jan 2018	190	193	190					
2.24	22 Mar 2018	70	71	70					

The accompanying notes are an integral part of these financial statements.

# Canadian Scholarship Trust Scholarship Pool (continued)

## Appendix II to Schedule I

### Statement of Investment Portfolio

As at April 30, 2013 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 14.0% (continued)</b>			
Toronto Dominion Bank			
3.37% 2 Nov 2020	110	114	112
4.78 14 Dec 2105	210	230	227
5.76 18 Dec 2106	180	208	205
VW Credit Canada			
2.20 11 Oct 2016	160	162	160
2.90 1 Jun 2017	130	134	130
Wells Fargo Finance Canada			
3.70 30 Mar 2016	357	376	365
2.77 9 Feb 2017	100	103	100
		7,234	7,159
<b>Total Fixed Income Investments – 29.6%</b>		<b>15,247</b>	<b>15,201</b>
<b>Cash and Short-term Investments – 70.4%</b>		36,353	36,353
<b>Total Portfolio Assets – 100.0%</b>		<b>51,600</b>	<b>51,554</b>
<b>Total Investments Allocation</b>			
Plan II		744	742
Founders' Plan		14,503	14,459
		<b>15,247</b>	<b>15,201</b>
<b>Cash and Short-term Investments Allocation</b>			
Plan II		1,775	1,775
Founders' Plan		34,578	34,578
		<b>36,353</b>	<b>36,353</b>





# Canadian Scholarship Trust Plan

## Sponsor

Canadian Scholarship Trust Foundation  
2225 Sheppard Avenue East, Suite 600  
Toronto, Ontario M2J 5C2  
1.877.333.RESP (7377 )

## Investment Fund Manager and Distributor

C.S.T. Consultants Inc.  
2225 Sheppard Avenue East, Suite 600  
Toronto, Ontario M2J 5C2

## Trustee

RBC Investor Services Trust  
155 Wellington Street West, 2<sup>nd</sup> Floor  
Toronto, ON M5V 3L3  
Canada

## Auditor

Deloitte LLP  
Brookfield Place  
181 Bay Street, Suite 1400  
Toronto, Ontario M5J 2V1

## Bank

Royal Bank of Canada  
Royal Bank Plaza  
South Tower  
200 Bay Street, 10<sup>th</sup> Floor  
Toronto, Ontario M5J 2J5

For updates on your Plan account, login to Online Services at [www.cst.org](http://www.cst.org)

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