



# Canadian Scholarship Trust Plan II

Semi-Annual Financial Statements

April 30, 2015

Unaudited

## Contents

---

Statements of Financial Position	1
Statements of Comprehensive Income	2
Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries	2
Statements of Cash Flows	3
Schedule I – Statement of Investment Portfolio	4
Notes to the Financial Statements	5
Government Grants (Appendix I to Schedule I)	10

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 Financial Position

As at April 30, 2015, October 31, 2014 and November 1, 2013 (in thousands of Canadian dollars)

	Apr 30, 2015	Oct 31, 2014	Nov 1, 2013
<b>Assets</b>			
Cash and cash equivalents	\$ 59	\$ 263	\$ 2,529
Receivables for securities sold	31	–	4
Investments, at fair value <i>(Note 4 and Schedule I)</i>	3,601	3,504	4,886
Accrued interest and other receivables	32	33	36
	<b>3,723</b>	<b>3,800</b>	<b>7,455</b>
<b>Liabilities</b>			
Payables for securities purchased	35	–	14
Accounts payable, accrued liabilities and unclaimed subscribers' funds	1,216	1,280	2,264
	<b>1,251</b>	<b>1,280</b>	<b>2,278</b>
<b>Net Assets Attributable to Subscribers and Beneficiaries</b>	<b>2,472</b>	<b>2,520</b>	<b>5,177</b>
<b>Represented by:</b>			
<b>Non-Discretionary Funds</b>			
Accumulated income held for future education assistance payments	1,552	1,553	2,907
Subscribers' deposits <i>(Note 6)</i>	26	26	26
Government grants	3	53	259
Income on government grants	761	735	694
General Fund <i>(Note 7)</i>	73	87	1,293
<b>Unrealized Gains (Losses)</b>	<b>57</b>	<b>66</b>	<b>(2)</b>
	<b>\$ 2,472</b>	<b>\$ 2,520</b>	<b>\$ 5,177</b>

# Statements of Comprehensive Income

For the six months ended April 30, 2015 and 2014 (in thousands of Canadian dollars)

	Apr 30, 2015	Apr 30, 2014
<b>Income</b>		
Interest for allocation to subscriber accounts	\$ 52	\$ 79
Realized gains (losses) on sale of investments	3	(4)
Change in unrealized gains (losses)	(9)	4
Other Income	3	-
	<b>49</b>	<b>79</b>
<b>Expenses</b>		
Administration and account maintenance fees <i>(Note 3)</i>	9	16
Portfolio management fees	2	8
Custodian and trustee fees	1	6
	<b>12</b>	<b>30</b>
<b>Net Income and Comprehensive Income Attributable to Subscribers and Beneficiaries</b>	<b>\$ 37</b>	<b>\$ 49</b>

# Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries

For the six months ended April 30, 2015 and 2014 (in thousands of Canadian dollars)

	Apr 30, 2015	Apr 30, 2014
<b>Net Assets Attributable to Subscribers and Beneficiaries, Beginning of Period</b>	<b>\$ 2,520</b>	<b>\$ 5,177</b>
Net Income and Comprehensive Income Attributable to Subscribers and Beneficiaries	37	49
Transfers from (to) internal and external plans	1	(1)
	<b>38</b>	<b>48</b>
<b>Disbursements</b>		
Government grants repaid	(49)	(204)
Payments to beneficiaries		
Education assistance payments	(34)	(63)
Government grants	(1)	(2)
Return of interest	(2)	(2)
<b>Total payments to beneficiaries</b>	<b>(37)</b>	<b>(67)</b>
<b>Total Disbursements</b>	<b>(86)</b>	<b>(271)</b>
<b>Change in Net Assets Attributable to Subscribers and Beneficiaries</b>	<b>(48)</b>	<b>(223)</b>
<b>Net Assets Attributable to Subscribers and Beneficiaries, End of Period</b>	<b>\$ 2,472</b>	<b>\$ 4,954</b>

# Statements of Cash Flows

For the six months ended April 30, 2015 and 2014 (in thousands of Canadian dollars)

	Apr 30, 2015	Apr 30, 2014
<b>Operating Activities</b>		
Net Income and Comprehensive Income Attributable to Subscribers and Beneficiaries	\$ 37	\$ 49
Net (disbursements) proceeds from investment transactions	(99)	255
Items not affecting cash		
Realized (gains) losses on sale of investments	(3)	4
Change in unrealized gains (losses)	9	(4)
Change in non-cash operating working capital		
Decrease in Accrued interest and other receivables	1	4
(Decrease) increase in Accounts payable, accrued liabilities and unclaimed subscribers' funds	(64)	90
<b>Cash flow from (used in) Operating Activities</b>	<b>(119)</b>	<b>398</b>
<b>Financing Activities</b>		
Transfers from (to) internal and external plans	1	(1)
Government grants repaid	(49)	(204)
Payments to beneficiaries	(37)	(67)
<b>Cash flow used in Financing Activities</b>	<b>(85)</b>	<b>(272)</b>
<b>Net (decrease) increase in Cash and cash equivalents</b>	<b>(204)</b>	<b>126</b>
<b>Cash and cash equivalents, Beginning of Period</b>	<b>263</b>	<b>2,529</b>
<b>Cash and cash equivalents, End of Period</b>	<b>\$ 59</b>	<b>\$ 2,655</b>
<b>Supplemental cash flow information:</b>		
Interest Income Received	\$ 53	\$ 83

# Schedule I – Statement of Investment Portfolio

As at April 30, 2015 (in thousands of Canadian dollars)

Security	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds</b>					<b>Bonds (continued)</b>				
<b>Federal – 46.0%</b>					<b>Corporate – 7.0% (continued)</b>				
Government of Canada					Caisse Centrale Desjardins				
2.05%	15 Jun 2018	105	108	107	2.80%	19 Nov 2018	5	5	5
Canada Housing Trust					Canadian Imperial Bank of Commerce				
2.75	15 Jun 2016	51	52	53	2.35	24 Jun 2019	1	1	1
1.85	15 Dec 2016	134	137	137	GE Capital Canada				
2.05	15 Jun 2017	112	114	114	2.42	31 May 2018	4	5	4
1.70	15 Dec 2017	136	139	137	Honda Canada Finance Inc.				
1.75	15 Jun 2018	145	150	147	2.33	26 Sep 2018	6	6	6
2.35	15 Dec 2018	58	61	60	2.27	26 Nov 2018	3	3	3
1.95	15 Jun 2019	65	67	67	HSBC Bank of Canada				
3.75	15 Mar 2020	12	14	14	2.49	13 May 2019	8	9	8
			842	836	National Bank of Canada				
<b>Municipal and Provincial – 47.0%</b>					1.74	3 Mar 2020	6	6	6
Province of British Columbia					OMERS Realty Corporation				
4.70	1 Dec 2017	70	76	79	2.47	12 Nov 2019	5	5	5
4.65	18 Dec 2018	18	20	21	Royal Bank of Canada				
2.25	1 Mar 2019	37	38	38	2.77	11 Dec 2018	16	16	16
Province of Manitoba					Toronto Dominion Bank				
5.50	15 Nov 2018	2	2	2	1.69	2 Apr 2020	8	8	8
Province of New Brunswick					5.76	18 Dec 2106	4	5	5
4.70	21 Jul 2016	33	34	36	Toyota Credit Canada Inc.				
4.40	3 Jun 2019	102	114	114	2.75	18 Jul 2018	3	3	3
Province of Nova Scotia					2.48	19 Nov 2019	7	7	7
4.60	18 Aug 2016	30	31	32	1.80	19 Feb 2020	9	9	9
Province of Ontario					VW Credit Canada Inc.				
4.30	8 Mar 2017	92	97	100	2.80	20 Aug 2018	7	7	7
1.90	8 Sep 2017	56	57	56	2.50	1 Oct 2019	7	8	7
4.20	8 Mar 2018	103	112	113	Wells Fargo Finance Canada				
4.40	2 Jun 2019	31	35	35	2.78	15 Nov 2018	3	3	3
Province of Quebec								128	125
4.50	1 Dec 2016	25	26	26	<b>Total Fixed Income Investments – 100.0%</b>				
4.50	1 Dec 2017	64	70	70				<b>1,825</b>	<b>1,825</b>
4.50	1 Dec 2018	116	129	128	<b>Cash and cash equivalents – 0.0%</b>				
4.50	1 Dec 2019	8	9	9				36	36
Province of Saskatchewan					<b>Total Portfolio Assets – 100.0%</b>				
1.95	1 Mar 2019	5	5	5				<b>1,861</b>	<b>1,861</b>
			855	864	<b>Investments Allocation (Note 4)</b>				
<b>Corporate – 7.0%</b>					<b>Government Grants (Appendix I)</b>				
Bank of Montreal					<b>Cash and cash equivalents (Appendix I)</b>				
3.21	13 Sep 2018	10	10	10				1,776	1,719
Bank of Nova Scotia								23	23
2.46	14 Mar 2019	4	4	4	<b>Total Investment Fund</b>				
BMW Canada Inc.								<b>3,660</b>	<b>3,603</b>
2.33	26 Sep 2018	2	2	2	<b>Represented by:</b>				
2.27	26 Nov 2018	6	6	6	<b>Cash and cash equivalents</b>				
								59	
					<b>Investments, at fair value</b>				
								3,601	
								<b>3,660</b>	

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

# Notes to the Financial Statements

Six months ended April 30, 2015 and 2014 (Unaudited, in thousands of Canadian dollars)

## Note 1. Nature of Operations

The Canadian Scholarship Trust Plan II (the “Plan”) is a Pooled Education Savings Plan that was established on December 1, 1979. Since August 1988, the Plan is no longer available for sale. The objective of the Plan is to assist parents and others to save for the post-secondary education of children. The 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 Plan’s registered place of business is 1600-2235 Sheppard Avenue East, Toronto, Ontario, Canada.

Payments are made by a subscriber to an account maintained by the Plan’s trustee on behalf of a beneficiary. Deductions of sales charges 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 (the “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 (“EAP”),
- ii. the Agreement matures and the beneficiary is not yet a qualified student, in which case the beneficiary will forfeit all government grants (as described below), or
- iii. the Agreement is terminated.

The investment income earned on the subscribers’ principal balance is used to provide 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.

The Plan collects the Canada Education Savings Grants (“Government Grants”), which are credited directly into subscribers’ agreements 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 with their EAPs.

Agreements are registered with appropriate government authorities if all required information is provided, and once registered are subject to the rules for Registered Education Savings Plans (“RESP”) 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. The deposits are not deductible for income tax purposes and are not taxable when returned to the subscriber. Payments made to a beneficiary, including EAPs, Government Grants and investment income earned on Government Grants will constitute taxable income of that beneficiary in the year that the payments are made.

## Note 2. Significant Accounting Policies

### (a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These are the Plan’s first interim financial statements prepared in accordance with IFRS; previously the Plan prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). The date of transition to IFRS (the “Transition Date”) is November 1, 2013. IFRS 1, First Time Adoption of International Financial Reporting Standards (“IFRS 1”) has been applied. These interim financial statements were also prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Plan is provided in Note 9. The accounting policies have been selected to be consistent with IFRS that are expected to be effective on October 31, 2015. The accounting policies have been consistently applied to all periods presented.

These financial statements were approved by the Board of the Foundation on June 9, 2015.

### (b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for financial instruments classified as “at fair value through profit or loss” (“FVTPL”), which are measured at fair value.

### (c) Future accounting standard

The following new accounting standard has been issued by the International Accounting Standards Board (“IASB”). This new standard is not yet effective and the Plan has not completed its assessment of the impact on its financial statements.

#### *IFRS 9 Financial Instruments (“IFRS 9”)*

IFRS 9 was issued in November 2009 to replace IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 will be effective for the Plan’s financial statements during its fiscal 2019 year.

IFRS 9 introduces new requirements for the classification and measurement of financial assets, reducing the number of classifications from those in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

### (d) Financial instruments

The Plan recognizes financial assets and financial liabilities when it becomes a party to a contract. Financial assets and financial liabilities, with the exception of those classified as “FVTPL”, are measured at fair value plus transaction costs on initial recognition. Financial assets and financial liabilities classified as FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred.

Investments, at fair value have been designated at FVTPL.

# Notes to the Financial Statements (continued)

Six months ended April 30, 2015 and 2014 (Unaudited, in thousands of Canadian dollars)

## Note 2. Significant Accounting Policies (continued)

### (d) Financial instruments (continued)

Measurement in subsequent periods depends on the classification of the financial instrument. The financial assets and financial liabilities of the Plan are classified as follows:

Financial asset or financial liability	Classification
Investments, at fair value	FVTPL (i)
Cash and cash equivalents	Loans and receivables (ii)
Accrued interest and other receivables	Loans and receivables (ii)
Receivables for securities sold	Loans and receivables (ii)
Accounts payable, accrued liabilities and unclaimed subscriber funds	Other financial liabilities (iii)
Payables for securities purchased	Other financial liabilities (iii)

<sup>(i)</sup>Financial assets are classified as FVTPL when acquired principally for the purpose of trading, if so designated by management. Financial assets classified as FVTPL are measured at fair value, with changes recognized in Net Income and Comprehensive Income Attributable to Subscribers and Beneficiaries.

<sup>(ii)</sup>Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

<sup>(iii)</sup>Other financial liabilities are liabilities that are not derivative liabilities or classified as FVTPL. Subsequent to initial recognition, other financial liabilities are carried at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial instrument and allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all transaction costs and other premiums or discounts) through the expected life of the financial instrument to the net carrying amount on initial recognition.

### (e) Investment valuation

Investments, at fair value include the following types of securities: bonds, money market securities, and exchange-traded funds ("ETF").

The fair value of fixed income securities that are not publicly traded is measured by using either the average bid price from multiple dealers, or by the present value of contractual cash flows, discounted at current market rates. Interest accrued at the reporting date is included in Accrued interest and other receivables.

The fair value of securities that are publicly traded in an active market is measured using bid prices at the reporting date.

Note 8 provides further guidance on fair value measurements.

### (f) Investment transactions and income recognition

Investment transactions are accounted for on a trade-date basis. Interest for allocation to subscriber accounts represents the coupon interest received by the Plan accounted for on an accrual basis. The Plan does not amortize premiums paid or discounts received on the purchase of fixed income securities. 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.

### (g) Subscribers' deposits, Sales charges 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. Sales charges are deducted from subscribers' deposits and are collected over periods of up to 32 months from the date of initial deposit. Account maintenance fees are paid annually to the Foundation from subscribers' deposits and are accrued throughout the year.

### (h) Income taxes

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

### (i) Cash and cash equivalents

Cash and cash equivalents include securities with a purchase date to maturity of 90 days or less.

### (j) Critical accounting estimates and judgments

When preparing the financial statements, C.S.T.C management makes estimates and judgments that affect the reported amounts recognized and disclosed in the financial statements. These estimates and judgments have a direct effect on the measurement of transactions and balances recognized in the financial statements. By their nature, these estimates and judgments are subject to measurement uncertainty and actual results could differ.

## Note 3. Related Party Transactions

Related party transactions are measured at the exchange amount, which is the amount agreed between the parties.

### Administration of the Plan

The Foundation, as the Plan sponsor, has appointed C.S.T.C. as the Investment Fund Manager to administer the Plan. Administration and account maintenance fees 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.

During the six months ended April 30, 2015, \$9 was recognized as an expense for Administration and account maintenance fees (2014 – \$16). Administration and account maintenance fees included in Accounts payable, accrued liabilities and unclaimed subscribers' funds at April 30, 2015 was \$45 (October 31, 2014 – \$45; November 1, 2013 – \$46).



# Notes to the Financial Statements (continued)

Six months ended April 30, 2015 and 2014 (Unaudited, in thousands of Canadian dollars)

## Note 4. Investment Holdings

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

The Government Grants are invested collectively in a separate fund with Government Grants of other RESP plans administered by C.S.T.C. The Government grant principal and income earned thereon 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).

## 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 and liquidity 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, market events and manage the investment portfolio within the constraints of the investment policy and mandate.

### (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.

The Plan's holding of debt instruments by maturity is as follows:

Debt Instruments by Maturity Date	% of Total Investment Fund		
	Apr 30, 2015	Oct 31, 2014	Nov 1, 2013
Less than 1 year	4%	7%	60%
1-3 years	38%	33%	16%
3-5 years	31%	33%	13%
Greater than 5 years	18%	18%	11%
<b>Total debt instruments</b>	<b>91%</b>	<b>91%</b>	<b>100%</b>

As at April 30, 2015, if prevailing interest rates had increased by 1%, the Total Investment Fund amount of \$3,660 (October 31, 2013 – \$3,767; November 1, 2013 – \$7,415) as per Schedule I – Statement of Investment Portfolio, would have decreased by \$146 (October 31, 2013 – \$121; November 1, 2013 – \$107). If prevailing interest rates had decreased by 1%, the Total Investment Fund would have increased by \$163

(October 31, 2013 – \$135; November 1, 2013 – \$120). This 1% change assumes a parallel shift in the yield curve with all other variables held constant. In practice, actual 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 other factors affecting all instruments traded in a market or market segment affect other price risk. The asset class that is most impacted by other price risk is the exchanged-traded funds of the Government Grant asset pool, which represents 9% (October 31, 2014 – 9%; November 1, 2013 – nil%) of the Total Investment Fund amount as at April 30, 2015. If underlying indices prices had increased or decreased by 1% with all other variables held constant, the total investment fund amount as per Schedule I – Statement of Investment Portfolio would have increased or decreased by approximately \$3 (October 31, 2014 – \$3; November 1, 2013 – \$nil). In practice, actual results may differ materially.

### (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 Canadian Securities Administrators. The 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 summarized below:

Credit rating	April 30, 2015		October 31, 2014		November 1, 2013	
	% of Total Investment Fund	Amount (in thousands)	% of Total Investment Fund	Amount (in thousands)	% of Total Investment Fund	Amount (in thousands)
AAA	39%	\$ 1,420	37%	\$ 1,387	18%	\$ 1,316
AA/AAH/AAL	26%	941	24%	912	12%	912
A/AH/AL	24%	891	23%	877	12%	881
BBB	0%	7	0%	6	0%	33
R-1	1%	26	0%	14	56%	4,148
Short-term unrated	1%	65	7%	250	2%	125
<b>Total debt instruments</b>	<b>91%</b>	<b>\$ 3,350</b>	<b>91%</b>	<b>\$ 3,446</b>	<b>100%</b>	<b>\$ 7,415</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.

# Notes to the Financial Statements (continued)

Six months ended April 30, 2015 and 2014 (Unaudited, in thousands of Canadian dollars)

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

### (c) Liquidity risk

Liquidity risk is the risk that the Plan may not be able to meet its financial obligations as they come due. The Plan's exposure to liquidity risk is concentrated in principal repayments to subscribers and EAPs to beneficiaries. The Plan primarily invests in securities that are traded in 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 reflect 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's Total Portfolio Assets and or the Government Grants hold ETFs that invest in US equities and are hedged to Canadian dollars by the ETF provider.

## Note 6. Subscribers' Deposits

There was no activity in Subscribers' deposits in the six months ended April 30, 2015 or the six month period ended April 30, 2014.

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

The Canadian Scholarship Trust (the "Canadian Trust") is a legal trust, which includes Plan II and Founders' Plan (the "Plans"). The Plans are registered with Canada Revenue Agency as Education Savings 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' accumulated income from the date of maturity of the subscribers' agreements to the date the funds are paid to qualified students as EAPs;
- ii) interest earned on the income forfeited when a subscriber's agreement is terminated prior to maturity;
- iii) income not collected by beneficiaries before the expiry of the Agreement; and
- iv) unclaimed principal and income payments.

According to the trust indenture of the Canadian Trust, the General Fund may be used to subsidize EAPs for qualified students of any of the active Plans within the Canadian Trust. Donations from the Foundation represent a discretionary pool of funds shared between Plan II and Founders' Plan. These funds are used to supplement EAPs when the General Fund is depleted.

## Note 8. Fair Value Measurements and Disclosures

Estimates of fair value used for measurement and disclosure are designed to approximate amounts that would be received to sell an asset, or paid to discharge a liability, in an orderly transaction between market participants.

The carrying values of other financial instruments such as Cash and cash equivalents, Accrued interest and other receivables, Receivables for securities sold, Accounts payable, accrued liabilities and unclaimed subscribers' funds and Payables for securities purchased approximate their fair values as these financial instruments are short term in nature.

The following table presents the level in the fair value hierarchy into which the Plan's financial instruments that are carried at fair value in the Statements of Financial Position are categorized:

- i. Level 1 financial instruments are valued using quoted market prices.
- ii. Level 2 financial instruments are valued using directly or indirectly observable inputs.
- iii. Level 3 financial instruments are valued using unobservable inputs (including the use of assumptions based on the best information available).

### Assets Measured at Fair Value as of April 30, 2015

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 59	\$ -	\$ -	\$ 59
Investments, at fair value:				
Fixed income securities	-	3,291	-	3,291
Equity (Government grants)	310	-	-	310
<b>Total Investment Fund</b>	<b>\$ 369</b>	<b>\$ 3,291</b>	<b>\$ -</b>	<b>\$ 3,660</b>

### Assets Measured at Fair Value as of October 31, 2014

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 263	\$ -	\$ -	\$ 263
Investments, at fair value:				
Fixed income securities	-	3,183	-	3,183
Equity (Government grants)	321	-	-	321
<b>Total Investment Fund</b>	<b>\$ 584</b>	<b>\$ 3,183</b>	<b>\$ -</b>	<b>\$ 3,767</b>

# Notes to the Financial Statements (continued)

Six months ended April 30, 2015 and 2014 (Unaudited, in thousands of Canadian dollars)

## Note 8. Fair Value Measurements and Disclosures (continued)

Assets Measured at Fair Value as of November 1, 2013				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,529	\$ -	\$ -	\$ 2,529
Investments, at fair value:				
Fixed income securities	-	4,886	-	4,886
<b>Total Investment Fund</b>	<b>\$ 2,529</b>	<b>\$ 4,886</b>	<b>\$ -</b>	<b>\$ 7,415</b>

For the six-month period ended April 30, 2015 and year ended October 31, 2014, there were no transfers between Levels 1 or 2.

## Note 9. Transition to IFRS

### (a) Overview

These are the first interim financial statements of the Plan that have been prepared in accordance with IAS 34 using accounting policies consistent with IFRS. The accounting policies have been selected to be consistent with IFRS as is expected to be effective on October 31, 2015, the first annual IFRS reporting date for the Plan. Previously, the Plan prepared its interim and annual financial statements in accordance with Canadian GAAP.

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies for the annual period that are relevant to these interim financial statements will be finalized only when the first annual IFRS financial statements are prepared for the year ending October 31, 2015.

### (b) First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS effective at the end of an entity's first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Plan has elected to apply one optional exemption and designate its Investments, at fair value as FVTPL at the transition date (November 1, 2013). Investments, at fair value and short-term investments were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies. This designation did not have any effect on the Plan's financial statements on adoption of IFRS.

The Plan has not elected to apply any other optional exemptions under IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Estimates used in the preparation of the Plan's opening IFRS statement of financial position, and other comparative information restated to comply with IFRS, are consistent with those made previously under Canadian GAAP.

### (c) Changes in accounting policies

In accordance with IAS 32 "Financial Instruments – Presentation", the Subscribers' deposits are classified with other amounts owing to subscribers and beneficiaries, renamed Net Assets Attributable to Subscribers and Beneficiaries. The amounts were previously presented as liabilities under Canadian GAAP.

The adoption of IFRS did not result in any other changes to the accounting policies of the Plan as compared with its most recent annual financial statements prepared under Canadian GAAP. Aside from the reclassification of Subscribers' deposits, the adoption of IFRS had no other effect on the presentation or measurement of the assets, liabilities, total equity, income or expenses of the Plan.

### (d) Reconciliations of Net assets and Comprehensive Income

	October 31, 2014	November 1, 2013
Net assets available for education assistance payments under Canadian GAAP	\$ 2,494	\$ 5,151
Reclassification of subscribers' deposits	26	26
Net assets attributable to subscribers and beneficiaries under IFRS	\$ 2,520	\$ 5,177

The adoption of IFRS had no effect on the Net Income and Comprehensive Income Attributable to Subscribers and beneficiaries. As such, no reconciliation has been provided.

# Government Grants

## Appendix I to Schedule I

### Statement of Investment Portfolio

As at April 30, 2015 (in thousands of Canadian dollars)

Security	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds</b>					<b>Bonds (continued)</b>				
<b>Federal – 27.6%</b>					<b>Municipal and Provincial – 44.5% (continued)</b>				
Government of Canada					Province of Manitoba				
0.60%	21 May 2015	210	210	210	1.85%	5 Sep 2018	2,288	2,341	2,281
0.64	16 Jul 2015	335	334	334	5.50	15 Nov 2018	1,000	1,148	1,154
3.00	1 Dec 2015	5,000	5,066	5,132	1.42	2 Apr 2019	3,853	3,867	3,858
1.25	1 Feb 2016	1,230	1,235	1,234	3.85	1 Dec 2021	4,700	5,301	5,111
1.10	1 Apr 2016	931	514	514	4.40	5 Sep 2025	2,800	3,323	3,148
1.48	15 Mar 2017	11,206	11,275	11,310	4.10	5 Mar 2041	2,900	3,448	3,163
1.50	1 Sep 2017	13,958	14,225	14,041	3.35	5 Mar 2043	1,300	1,374	1,298
2.05	15 Jun 2018	31,856	32,822	32,278	4.05	5 Sep 2045	11,150	13,382	13,263
1.75	15 Jun 2019	15,610	16,066	16,026	Province of New Brunswick				
1.75	1 Jul 2019	2,567	2,498	2,452	4.45	26 Mar 2018	7,255	7,934	7,895
1.20	1 Feb 2020	3,776	3,770	3,751	4.40	3 Jun 2019	20,640	23,126	22,941
2.75	1 Jun 2022	1,415	1,556	1,498	2.85	2 Jun 2023	8,850	9,297	8,677
1.50	1 Jun 2023	3,400	3,424	3,221	3.65	3 Jun 2024	6,680	7,412	7,004
2.50	1 Jun 2024	8,030	8,714	8,106	6.47	30 Nov 2027	6,244	7,816	7,746
5.75	1 Jun 2033	700	1,091	987	5.65	27 Dec 2028	1,195	1,589	1,466
5.00	1 Jun 2037	12,210	18,329	16,418	5.50	27 Jan 2034	13,900	18,803	16,354
4.00	1 Jun 2041	8,524	11,563	10,522	4.65	26 Sep 2035	710	880	739
3.50	1 Dec 2045	3,200	4,135	4,280	Province of Newfoundland and Labrador				
Canada Housing Trust					2.30	2 Jun 2025	2,600	2,570	2,588
2.45	15 Dec 2015	5,000	5,052	5,092	3.83	1 Jun 2037	4,000	4,777	4,414
2.75	15 Jun 2016	48,967	50,024	50,398	Province of Nova Scotia				
1.33	15 Sep 2016	39,108	39,219	39,298	4.60	18 Aug 2016	1,055	1,105	1,132
1.85	15 Dec 2016	13,700	13,920	13,882	5.80	1 Jun 2033	1,775	2,474	2,160
2.05	15 Jun 2017	14,390	14,734	14,732	4.40	1 Jun 2042	1,600	1,969	1,813
1.34	15 Mar 2018	33,831	33,957	34,032	Province of Ontario				
1.75	15 Jun 2018	1,220	1,246	1,227	4.40	8 Mar 2016	9,905	10,202	10,415
4.10	15 Dec 2018	4,832	5,337	5,405	3.20	8 Sep 2016	6,840	7,052	7,024
3.75	15 Mar 2020	3,026	3,367	3,323	4.30	8 Mar 2017	9,352	9,924	9,569
3.80	15 Jun 2021	130	147	144	1.90	8 Sep 2017	9,445	9,636	9,482
2.65	15 Mar 2022	3,002	3,194	3,069	4.20	8 Mar 2018	10,246	11,130	11,175
			307,024	302,916	4.40	2 Jun 2019	6,370	7,147	6,899
<b>Municipal and Provincial – 44.5%</b>					4.20	2 Jun 2020	8,265	9,343	8,905
Alberta Capital Finance					4.00	2 Jun 2021	5,765	6,524	6,180
4.45	15 Dec 2025	1,500	1,798	1,712	3.15	2 Jun 2022	9,717	10,503	10,036
Province of Alberta					2.85	2 Jun 2023	8,990	9,489	8,761
1.38	27 May 2016	16,522	16,570	16,572	3.50	2 Jun 2024	4,890	5,400	5,053
4.00	1 Dec 2019	155	173	171	7.60	2 Jun 2027	2,545	3,898	3,655
2.55	15 Dec 2022	4,746	4,960	4,772	6.20	2 Jun 2031	6,500	9,369	8,746
3.90	1 Dec 2033	1,972	2,279	2,120	5.60	2 Jun 2035	2,195	3,080	2,509
3.45	1 Dec 2043	995	1,089	1,043	4.70	2 Jun 2037	6,796	8,682	7,755
Province of British Columbia					4.60	2 Jun 2039	4,540	5,777	5,249
4.70	1 Dec 2017	22,380	24,473	24,706	4.65	2 Jun 2041	12,015	15,503	14,497
3.70	18 Dec 2020	3,200	3,573	3,475	3.50	2 Jun 2043	2,400	2,609	2,729
3.30	18 Dec 2023	15,530	17,068	16,098					
5.70	18 Jun 2029	1,700	2,330	2,195					
6.35	18 Jun 2031	4,100	6,065	5,718					
4.70	18 Jun 2037	4,920	6,389	6,017					
4.30	18 Jun 2042	15,980	20,097	18,384					
3.20	18 Jun 2044	1,000	1,056	956					

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, 2015 (in thousands of Canadian dollars)

Security	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>				
<b>Municipal and Provincial – 44.5% (continued)</b>				
Province of Quebec				
5.00%	1 Dec 2015	27,140	27,791	29,276
4.50	1 Dec 2016	4,278	4,518	4,638
4.50	1 Dec 2017	9,396	10,218	10,324
4.50	1 Dec 2019	26,580	30,206	29,337
4.50	1 Dec 2020	6,760	7,796	7,144
4.25	1 Dec 2021	3,479	4,005	3,845
3.75	1 Sep 2024	7,000	7,871	7,431
6.25	1 Jun 2032	6,658	9,683	8,996
5.75	1 Dec 2036	1,690	2,419	1,974
5.00	1 Dec 2038	2,940	3,899	3,045
5.00	1 Dec 2041	3,419	4,599	4,211
Province of Saskatchewan				
3.20	3 Jun 2024	80	87	83
6.40	5 Sep 2031	2,400	3,554	3,351
			493,770	474,438
<b>Corporate – 8.1%</b>				
407 East Development Group				
2.81	18 Dec 2016	375	378	380
407 International Inc.				
6.75	27 Jul 2039	1,293	1,748	1,576
Arrow Lakes Power Corp				
5.52	5 Apr 2041	847	1,017	847
BAA Funding Ltd.				
4.00	3 Jul 2019	42	45	45
Bank Nederlandse Gemeenten				
5.15	7 Mar 2025	143	170	170
Bankers Hall LP				
4.38	20 Nov 2023	2,552	2,725	2,552
Canadian Imperial Bank of Commerce				
0.83	5 Aug 2015	150	149	149
1.54	14 Jul 2016	564	565	565
1.11	11 Aug 2016	283	283	283
Canadian Pacific Railway				
6.91	1 Oct 2024	510	396	400
CBC				
4.69	15 May 2027	4,100	4,769	4,428
Cogeco Cable Inc.				
4.18	26 May 2023	1,469	1,568	1,528
CSS Partnership				
6.92	31 Jul 2042	2,201	2,943	2,818
DEPFA ACS Bank				
5.25	31 Mar 2025	1,741	2,075	2,161
4.90	24 Aug 2035	1,748	2,064	2,161

Security	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>				
<b>Corporate – 8.1% (continued)</b>				
Enbridge Inc.				
1.73%	13 Mar 2017	792	789	787
EUROFIMA				
4.55	30 Mar 2027	913	1,045	1,022
GE Capital Canada				
1.62	15 Feb 2022	1,966	1,952	1,803
2.47	6 Feb 2023	3,071	3,221	3,006
Greater Toronto Airports Authority				
6.45	30 Jul 2029	2,233	2,867	2,745
KRC Holdings Inc.				
3.86	4 Aug 2020	571	606	599
Kreditanstalt Fur Wiederaufbau Global				
5.05	4 Feb 2025	1,196	1,456	1,474
Loblaw Companies				
5.90	18 Jan 2036	383	461	466
Maritimes and Northeast Pipelines				
4.34	30 Nov 2019	3,077	3,177	3,180
6.90	30 Nov 2019	827	921	934
Master Credit Card Trust				
1.95	15 Jul 2056	36	36	36
Milit-Air Inc.				
5.75	30 Jun 2019	2,443	2,669	2,677
Morgan Stanley				
3.13	5 Aug 2021	1,396	1,437	1,391
NAV Canada				
7.56	1 Mar 2027	3,444	4,528	4,335
North Battleford Power L.P.				
4.96	31 Dec 2032	891	1,024	891
Ontrea Inc.				
4.62	9 Apr 2018	2,010	2,021	2,061
Ornge Issuer Trust				
5.73	11 Jun 2034	3,465	4,114	3,935
Pearson International Fuel Facilities Corporation				
5.09	9 Mar 2032	2,245	2,436	2,407
Public Sector Pension Investment Board				
3.27	12 Jun 2020	2,866	2,989	2,866
Royal Bank of Canada				
1.49	11 Feb 2020	2,622	2,625	2,622
1.32	23 Mar 2020	7,624	7,579	7,624
Shaw Communications Inc.				
6.75	9 Nov 2039	1,525	1,919	1,869
SP1 LP				
3.21	15 Jun 2019	3,026	2,961	2,870

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, 2015 (in thousands of Canadian dollars)

Security	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>				
<b>Corporate – 8.1% (continued)</b>				
Toronto Dominion Bank				
1.08%	21 Apr 2016	402	402	402
Transcanada Pipelines Ltd.				
11.80	20 Nov 2020	1,994	2,951	3,033
8.05	17 Feb 2039	1,553	2,497	2,492
University Health Network				
5.64	8 Dec 2022	6,544	7,508	7,503
University of Ontario Institute of Technology				
6.34	15 Oct 2034	206	253	237
WTH Car Rental ULC				
2.54	20 Aug 2019	2,960	3,037	2,960
			90,376	88,290
<b>Total Fixed Income Investments – 80.2%</b>			<b>891,170</b>	<b>865,644</b>
<b>Exchange-traded Funds</b>				
BMO S&P/500 Hedged to CAD Index ETF		2,293	73,500	69,661
BMO S&P/TSX Capped Composite Index ETF		1,417	29,126	28,914
iShares Core S&P 500 Hedged to CAD Index ETF		2,981	71,836	67,514
iShares Core S&P/TSX Capped Composite Index ETF		1,290	31,090	31,251
<b>Total Equity – 18.5%</b>			<b>205,552</b>	<b>197,340</b>
<b>Total Investments – 98.7%</b>			<b>1,096,722</b>	<b>1,062,984</b>
<b>Cash and cash equivalents – 1.3%</b>			14,111	14,111
<b>Total Portfolio Assets – 100.0%</b>			<b>1,110,833</b>	<b>1,077,095</b>
<b>Government Grant Investments Allocation</b>				
Group Savings Plan 2001			804,299	779,829
Family Savings Plan			69,870	67,744
Individual Savings Plan			2,856	2,769
Group Savings Plan			188,976	182,930
Founders' Plan			28,945	27,993
Plan II			1,776	1,719
			<b>1,096,722</b>	<b>1,062,984</b>
<b>Cash and cash equivalents Allocation</b>				
Group Savings Plan 2001			10,352	10,352
Family Savings Plan			899	899
Individual Savings Plan			37	37
Group Savings Plan			2,428	2,428
Founders' Plan			372	372
Plan II			23	23
			<b>14,111</b>	<b>14,111</b>

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

# Canadian Scholarship Trust Plan

## Sponsor

Canadian Scholarship Trust Foundation  
1600-2235 Sheppard Avenue East  
Toronto ON M2J 5B8

## Investment Fund Manager and Distributor

C.S.T. Consultants Inc.  
1600-2235 Sheppard Avenue East  
Toronto ON M2J 5B8

## Trustee

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

## 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)

In Quebec, Canadian Scholarship Trust Plan is distributed by  
C.S.T. Consultants Inc. Scholarship Plan Brokerage Firm.

