



## Canadian Scholarship Trust **Plan II**

Audited Financial Statements and  
Management Report of Fund Performance

October 31, 2011 and 2010



Distributed by  
C.S.T. Consultants Inc.

## Contents

---

Management Report of Fund Performance	1
Management's Responsibility for Financial Reporting	5
Independent Auditor's Report	5
Statements of Net Assets Available for Education Assistance Payments	6
Statements of Investment Operations	7
Statements of Changes in Net Assets Available for Education Assistance Payments	7
Statements of Cash Flows	8
Schedule I – Statement of Investment Portfolio	9
Schedule II – Contributors' Deposits and Accumulated Interest	10
Schedule III – Education Assistance Payments	11
Notes to the Financial Statements	12
Government Grants (Appendix I to Schedule I)	16
Canadian Scholarship Trust Scholarship Pool (Appendix II to Schedule I)	19

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain portions of the Management Report of Fund Performance, including but not limited to, "Results of Operations" and "Recent Developments", may contain forward-looking statements about the Plan, including its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and similar forward-looking expressions or negative versions thereof.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Plan action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Plan and economic factors. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date.

Forward-looking statements are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any forward-looking statements made by the Plan. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

It should be stressed that the above-mentioned list of important factors is not exhaustive. You are encouraged to consider these and other factors carefully before making any investment decisions and you are urged to avoid placing undue reliance on forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

# Management Report of Fund Performance

## Introduction

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Canadian Scholarship Trust Plan II (“Plan”). A copy of the annual financial statements can be obtained on request, and at no cost, by visiting our website at [www.cst.org](http://www.cst.org) or SEDAR at [www.sedar.com](http://www.sedar.com), or by calling our customer service area at 1-877-333-7377, or by writing to us at 2225 Sheppard Avenue East, Suite 600, Toronto, Ontario M2J 5C2.

The Canadian Scholarship Trust Foundation, as the Plan sponsor, and C.S.T. Consultants Inc., as the Investment Fund Manager, view corporate governance and compliance as important contributors to overall corporate performance and long-term investment returns, and as such we support the proxy voting guidelines established by our investment managers. Investment restrictions contained in Canadian Securities Administrators’ policy, as well as the Foundation’s investment policy, result in the Plan primarily investing in federal and provincial government fixed income securities. As a result, proxy voting is not applicable at this time.

## Investment Objective and Strategy

The Plan invests in a prudent manner, with a focus over the long term to protect your principal and deliver a positive return on your investment. The Plan invests primarily in fixed income securities issued by the Canadian federal or provincial governments, as well as money market securities issued by Canadian chartered banks and federally or provincially licensed trust and loan companies.

McLean Budden Limited manages the Plan’s assets and focuses on strategies where value can be added on a sustainable basis while meeting the short to medium-term cash flow requirements of the Plan.

## Risk

The overall risk of the Plan remains as described in the prospectus. There were no material changes to the Plan over the financial year that affected the level of risk.

## Results of Operation

For 2011, the Plan’s rate of return, net of fees, was 0.7% compared to the investment policy benchmark (“benchmark”) return of 1.5% and the broad-based DEX 91-Day Treasury Bill Index return of 1.0%. The DEX 91-Day Treasury Bill Index (“Index”) is based upon the average daily yield of 91-Day Treasury Bills. The Plan’s return is after the deduction of fees and expenses of 1.0%, while the benchmark and broad-based index returns do not include any costs of investing such as fees, expenses and commissions.

Given the Plan’s liabilities and expected maturity payout profile, the composition of Plan’s assets are managed to meet the cash flow requirements of Planholders over a longer time horizon than the duration of the broad-based index. As a result, the benchmark used for this Plan is a blended benchmark comprising 80% of the DEX 91-Day Treasury Bill Index and 20% of the DEX Short-Term Government Bond Index. The DEX Short-Term Government Bond Index is a broad measure of Canadian investment grade fixed income securities, issued by the Government of Canada, including Crown Corporations and provincial governments, with maturities between 1 and 5 years.

Throughout 2011, money market yields remained relatively unchanged as the Bank of Canada maintained its policy overnight rate at 1.00%, whereas, both federal and provincial government bonds

continued to post strong gains. Early in 2011, government bond yields increased across all maturities and credit spreads on corporate bonds narrowed. As concerns over the European sovereign debt crisis and the slow pace of the U.S. economic recovery increased, investors retreated to the safety and quality of Canadian government bonds in the latter part of the year. This drove down yields on government bonds with medium and longer-term maturities. Our investment managers took advantage of these market opportunities and maintained overweight positions in provincial government securities.

At October 31, 2011, 82.3% of the Plan assets were invested in Cash and Money Market Securities and 17.7% in Short and Mid-Term Bonds.

## Recent Developments and Other Information

Recently, investor confidence has been impacted by the continued uncertainty within the global economy. The ongoing struggle within the European Union to stabilize the economies of Greece, Italy and Spain continues to place stress on economies both within and outside the region. Although a rescue plan was eventually agreed upon in October 2011, financial market concerns about the potential global recession continue.

During 2011, the U.S. continued to implement monetary programs that put downward pressure on long-term interest rates, in an effort to maintain the economy’s positive growth. The U.S. Federal Reserve Board has indicated that it will continue to support economic momentum and growth by maintaining low interest rates through mid-2013. U.S. economic growth is expected to gradually improve to 2% in the latter half of 2012 and then rebound closer to 3% in 2013, as households slowly reduce their debt loads within a subdued labour market. In addition, China’s growth in the third quarter showed signs of slowing momentum at 9.1%.

Although Canada’s economy contracted by 0.5% in the second quarter, it improved to an annualized growth of 3.5% in the third quarter of 2011 on improved exports and strong residential construction. However, the intensifying structural adjustments within European countries and an uneven economic recovery in the U.S. will continue to place downward pressure on consumer and business confidence and Canadian GDP growth in the fourth quarter of 2011 and into 2012.

Central banks around the world continue to maintain interest rates at low levels in attempts to keep the global recovery on track. In October 2011, the Bank of Canada indicated that it will likely refrain from raising interest rates until the latter part of 2012 given the concerns over the European debt crisis and the slow growing U.S. economy.

Looking beyond 2011, as market volatility subsides, market observers expect that Canada's economy will experience a cautious recovery, with growth momentum increasing in 2013 alongside gradual improvements in the U.S. economy. With continued low interest rates, economists are looking to strong business investment and improved household expenditures, rather than government expenditures and net exports, to drive economic growth. At the same time, the unemployment rate is expected to increase in early 2012 and then slowly decline to 7.2% by year end in an environment of low and relatively stable core inflation.

We are confident that our investment strategy and conservative management approach will continue to provide value. Our goal, as always, is to provide safety of principal and deliver competitive returns for our contributors and beneficiaries.

#### ***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 become effective for the Plan's interim and annual financial statements relating to the fiscal year ending October 31, 2015. We are taking the following steps to transition to IFRS:

- Identification of areas where changes in disclosure will be required under IFRS;
- Identification of operational areas impacted by the adoption of IFRS;
- Identification of major differences between current accounting policies and IFRS;
- Assessment of current reporting systems and their readiness for IFRS implementation; and
- Implementation of an IFRS transition plan.

## Financial and Operating Highlights (with comparative figures)

The following table shows key financial data for the Plan and is intended to help you understand the financial results for the past five fiscal years ended October 31.

(\$ thousands)	2011	2010	2009	2008	2007
<b>Statement of Net Assets</b>					
Total Assets	\$ 17,012	\$ 18,977	\$ 22,967	\$ 36,343	\$ 59,236
Net Assets	6,934	10,865	19,412	31,771	53,619
% Change of Net Assets	(36.2)%	(44.0)%	(38.9)%	(40.7)%	(29.7)%
<b>Statement of Investment Operations</b>					
Net Investment Income	\$ 199	\$ 200	\$ 2,194	\$ 892	\$ 1,567
<b>Statement of Changes in Net Assets</b>					
Education Assistance Payments	\$ (1,355)	\$ (3,157)	\$ (7,814)	\$ (15,294)	\$ (23,916)
Government Grants Received (net of repayments)	(124)	(12)	(107)	(10)	12
Government Grant Payments to Beneficiaries	(43)	(109)	(261)	(493)	(724)
<b>Other</b>					
Total number of units	8,462	20,196	37,617	64,597	102,423
% Change in the total number of units	(58.1)%	(46.3)%	(41.8)%	(37.0)%	(29.6)%

## Management Fees

### Administration Fees

An administration fee of \$19 thousand comprising Plan administration and processing fees and financial reporting expenses was paid to the Canadian Scholarship Trust Foundation, the sponsor and administrator of the Plan, in accordance with contributors' Education Savings Plan Agreements. The administration of the Plan includes processing and call centre services related to new agreements, Government Grants, plan modifications, terminations, maturities and Education Assistance Payments ("EAPs"). The annual administration fee is calculated as ½ of 1% of the total amount of Principal, Government Grants and income in the contributors' accounts, which is paid monthly.

The Foundation has delegated certain administrative and distribution functions to its wholly-owned subsidiary, C.S.T. Consultants Inc., which is registered as the Plan's Investment Fund Manager in Ontario and Scholarship Plan Dealer under securities legislation of each of the provinces and territories of Canada in which it operates to sell scholarship plans. C.S.T. Consultants Inc. is the exclusive distributor of the Canadian Scholarship Trust Plans.

In exchange for its administrative services, C.S.T. Consultants Inc. receives an amount equal to the administration costs incurred plus a percentage of such costs from the Foundation. The administration services agreement is renewable on an annual basis.

### Portfolio Management Fees

The Plan's annual investment management fee paid to the portfolio managers is 0.12% of the weighted average monthly net assets. The portfolio managers provide investment advisory and discretionary managed account services with respect to purchasing, selling and dealing in securities.

Included in the Plan's portfolio management fees is an allocation for the services of Greystone Managed Investments Inc., an investment management firm and wholly-owned subsidiary of Greystone Capital Management Inc. ("Greystone") in relation to the Government Grants asset pool. As at October 31, 2011, two directors of the Foundation were members of the Board of Greystone. These directors did not have any beneficial ownership of Greystone equity. The directors do not participate in any of the Foundation's Board deliberations concerning the investment management of the Plan, nor do they vote on any resolutions recommended by the Investment Committee of the Foundation. The portfolio management fees in the Statements of Investment Operations include fees paid or payable to Greystone Managed Investment Inc. of \$1 thousand (2010 – \$1 thousand).

### Trustee and Custodian Fees

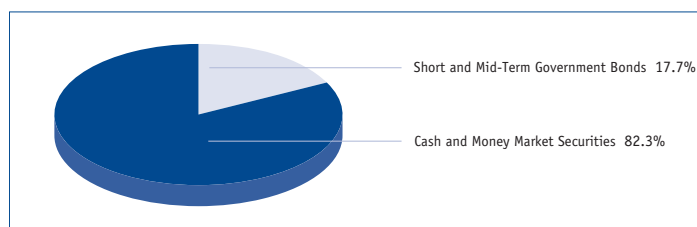
The Plan pays trustee and custodian fees to RBC Dexia Investor Services Trust to settle all investment trades and disburse fees, EAPs and other amounts in accordance with the terms of the Plan Agreement. For 2011 these fees charged to the Plan amounted to \$6 thousand.

## Summary of Plan Investment Portfolio

The Plan's Total Portfolio Assets are comprised of the principal and accumulated investment income on all education savings plan agreements that have not reached their maturity date. The income earned on the Plan's pre-maturity assets is the main component in determining the value of EAPs to be paid to beneficiaries. Government Grant assets and related investment income are specific to each beneficiary. Any payments to beneficiaries from Government Grant assets are treated as separate payments and not included in EAP values paid out. Furthermore, income earned on Scholarship Pool assets is allocated to eligible beneficiaries collecting EAP payments that year on a pro-rata basis. As a result, the Plan's Total Portfolio Assets as presented reflect the pre-maturity assets and does not include the allocation of assets from the Government Grants and Scholarship Pool belonging to this Plan.

The following chart illustrates the Plan's Total Portfolio assets by appropriate investment categories.

### Asset Mix (as at October 31, 2011)



Plan II is a mature Plan. The following table details the long positions in the Plan. The Plan is prohibited from holding short positions in securities.

Issuer			Fair Value (\$ 000's)	% of Plan Portfolio Assets
Government of Canada	3.75%	01 Jun 2012	91	2.7%
Government of Canada	1.50%	01 Dec 2012	91	2.7%
Province of Ontario	5.38%	02 Dec 2012	63	1.9%
Province of Quebec	5.50%	01 Dec 2014	62	1.8%
Province of Ontario	3.25%	08 Sep 2014	58	1.7%
Province of British Columbia	5.75%	09 Jan 2012	35	1.0%
Province of Quebec	6.00%	01 Oct 2012	31	0.9%
Government of Canada	2.50%	01 Jun 2015	31	0.9%
Canada Housing Trust	2.75%	15 Dec 2014	31	0.9%
Province of British Columbia	4.65%	18 Dec 2018	23	0.7%
Province of Ontario	4.75%	02 Jun 2013	16	0.5%
Canada Housing Trust	4.80%	15 Jun 2012	15	0.4%
Canada Housing Trust	4.10%	15 Dec 2018	12	0.4%
Province of British Columbia	4.25%	18 Jun 2014	11	0.3%
Province of Quebec	4.50%	01 Dec 2020	10	0.3%
Government of Canada	3.50%	01 Jun 2013	10	0.3%
Government of Canada	1.75%	01 Mar 2013	10	0.3%

**Top long positions as a percentage of Plan portfolio assets** 17.7%

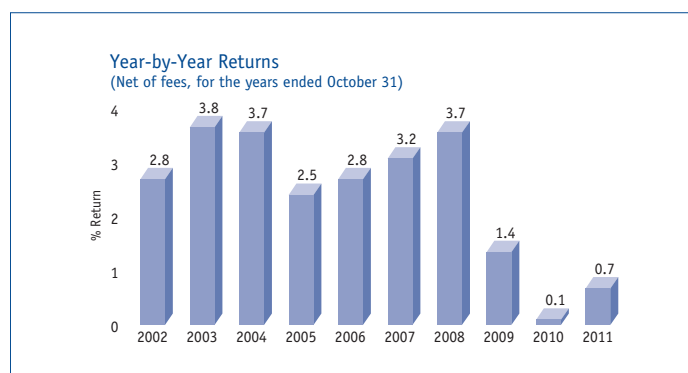
## Past Performance

Our investment philosophy has always been to safeguard our contributors' investments while providing stable and consistent returns.

Past performance of the Plan is set out in the following chart and the annual compound returns table and is based on the growth in assets over the term of the Plan to maturity. The returns presented are based on the income earned on the Plan's investment portfolio only and do not reflect the investment income or allocation of assets from the Government Grants and Canadian Scholarship Pools. Investment returns have been calculated using market values and time-weighted cash flows during the periods. Total expenses incurred by the Plan, including administration, portfolio management, custody and trustee fees have been deducted and only net returns are displayed in each period. Past returns of the Plan do not necessarily indicate how it will perform in the future.

### Year-by-Year Returns

The following bar chart illustrates the Plan's annual performance in each of the past ten years to October 31, 2011. The chart illustrates in percentage terms how much an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year:



### Annual Compound Returns

The following table illustrates the Plan's annual compounded returns, for the periods shown ended on October 31, 2011:

The blended benchmark (the "Benchmark") is composed of:

80%	DEX 91-Day Treasury Bill Index*
20%	DEX Short-Term Government Bond Index*

The broad-based index is the DEX 91-Day Treasury Bill Index.

	Period			
	1 Year	3 Years	5 Years	10 Years
<b>Net Plan Return</b>	<b>0.7</b>	<b>0.7</b>	<b>1.8</b>	<b>2.4</b>
<b>Benchmark*</b>	<b>1.5</b>	<b>1.5</b>	<b>2.6</b>	<b>2.9</b>
<b>Broad-based index: DEX 91-Day Treasury Bill Index*</b>	<b>1.0</b>	<b>0.8</b>	<b>2.1</b>	<b>2.4</b>

\*Note: Investors cannot invest in the index without incurring fees, expenses and commissions, which are not reflected in the index returns.



# Management's Responsibility for Financial Reporting

The accompanying financial statements of Canadian Scholarship Trust Plan II (the "Plan") are prepared by management and are approved by the Board of Directors of the Canadian Scholarship Trust Foundation (the "Foundation"). Management is responsible for the information and representations contained in these 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 Foundation, through C.S.T. Consultants Inc., a wholly-owned subsidiary which administers the Plan, 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 Plan, are described in Note 2 to the financial statements.

Deloitte & Touche LLP is the external auditor of the Plan. It has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable it to express to the Board of Directors and Members of the Foundation its opinion on the financial statements. Its report is set out below.



**Sherry J. MacDonald, CA**  
President and Chief Executive Officer



**Joe Spagnuolo, CA**  
Chief Financial Officer and Treasurer

Toronto, Ontario  
January 5, 2012

## Independent Auditor's Report

To the Board of Directors and Members of the Canadian Scholarship Trust Foundation

We have audited the accompanying financial statements of Canadian Scholarship Trust Plan II, which comprise the statements of net assets available for education assistance payments as at October 31, 2011 and 2010, and the statements of investment operations, changes in net assets available for education assistance payments and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Scholarship Trust Plan II as at October 31, 2011 and 2010 and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Licensed Public Accountants  
January 5, 2012

# Statements of Net Assets Available for Education Assistance Payments

As at October 31, 2011 and 2010 (in thousands of dollars)

	2011	2010
<b>Assets</b>		
Investments, at fair value <i>(Note 4 and Schedule I)</i>	\$ 4,482	\$ 4,323
Cash and cash equivalents	3,310	4,381
Short-term investments	9,080	10,152
Accrued interest and other receivables	126	119
Receivables for securities sold	14	2
	<b>17,012</b>	<b>18,977</b>
<b>Liabilities</b>		
Accounts payable, accrued liabilities and unclaimed contributors' funds	9,712	7,202
Payables for securities purchased	24	4
Contributors' deposits <i>(Schedule II)</i>	342	906
	<b>10,078</b>	<b>8,112</b>
<b>Net Assets Available for Education Assistance Payments</b>	<b>6,934</b>	<b>10,865</b>
<b>Represented by:</b>		
<b>Non-Discretionary Funds</b>		
Accumulated interest held for future education assistance payments <i>(Schedule II)</i>	4,433	5,959
Government grants	796	966
Interest on Government grants	610	569
General Fund <i>(Note 6)</i>	1,053	3,310
<b>Unrealized Gains</b>	<b>42</b>	<b>61</b>
	<b>\$ 6,934</b>	<b>\$ 10,865</b>

Approved on behalf of the Board of Canadian Scholarship Trust Foundation



Blair A. Corkum, CA  
**Director**



Sherry J. MacDonald, CA  
**Director**



# Statements of Investment Operations

For the years ended October 31, 2011 and 2010 (in thousands of dollars)

	2011	2010
<b>Income</b>		
Interest income	\$ 204	\$ 253
Realized gains (losses)	31	(5)
	<b>235</b>	<b>248</b>
<b>Expenses</b>		
Plan administration and processing fees <i>(Note 3(a))</i>	14	14
Financial reporting <i>(Note 3(a))</i>	5	8
Portfolio management fees	11	20
Custodian fees	1	2
Trustee fees	5	4
	<b>36</b>	<b>48</b>
<b>Net Investment Income</b>	<b>199</b>	<b>200</b>
<b>(Decrease) increase in Unrealized Gains</b>	<b>(19)</b>	<b>23</b>
<b>Increase in Net Assets from Investment Operations</b>	<b>\$ 180</b>	<b>\$ 223</b>

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

For the years ended October 31, 2011 and 2010 (in thousands of dollars)

	2011	2010
<b>Net Assets Available for Education Assistance Payments, Beginning of Year</b>	<b>\$ 10,865</b>	<b>\$ 19,412</b>
<b>Increase in Net Assets from Investment Operations</b>	<b>180</b>	<b>223</b>
Transfers to internal and external plans	(2,522)	(5,362)
	<b>(2,342)</b>	<b>(5,139)</b>
<b>Disbursements</b>		
Government grants repaid (net of receipts)	(124)	(12)
Payments to beneficiaries		
Education assistance payments <i>(Schedule III)</i>	(1,355)	(3,157)
Government grants	(43)	(109)
Return of interest	(67)	(130)
	<b>(1,465)</b>	<b>(3,396)</b>
<b>Total Disbursements</b>	<b>(1,589)</b>	<b>(3,408)</b>
<b>Decrease in Net Assets Available for Education Assistance Payments</b>	<b>(3,931)</b>	<b>(8,547)</b>
<b>Net Assets Available for Education Assistance Payments, End of Year</b>	<b>\$ 6,934</b>	<b>\$ 10,865</b>

# Statements of Cash Flows

For the years ended October 31, 2011 and 2010 (in thousands of dollars)

	2011	2010
<b>Operating Activities</b>		
Increase in Net Assets from Investment Operations	\$ 180	\$ 223
Net proceeds from investment transactions	933	4,518
Items not affecting cash		
Realized (gains) losses on sale of investments	(31)	5
Decrease (increase) in Unrealized Gains/Losses	19	(23)
Change in non-cash operating working capital		
(Increase) decrease in Accrued interest and other receivables	(7)	17
Decrease in Government grants Payable	-	(1)
Increase in Accounts payable, accrued liabilities and unclaimed contributors' funds	2,510	5,318
<b>Cash flow from Operating Activities</b>	<b>3,604</b>	<b>10,057</b>
<b>Financing Activities</b>		
Transfers to internal and external plans	(2,522)	(5,362)
Government grants repaid (net of receipts)	(124)	(12)
Decrease in Contributors' deposits <i>(Schedule II)</i>	(564)	(749)
Payments to beneficiaries	(1,465)	(3,396)
<b>Cash flow from Financing Activities</b>	<b>(4,675)</b>	<b>(9,519)</b>
<b>Net (decrease) increase in Cash and cash equivalents</b>	<b>(1,071)</b>	<b>538</b>
<b>Cash and cash equivalents, Beginning of Year</b>	<b>4,381</b>	<b>3,843</b>
<b>Cash and cash equivalents, End of Year</b>	<b>\$ 3,310</b>	<b>\$ 4,381</b>

# Schedule I – Statement of Investment Portfolio

As at October 31, 2011 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds</b>			
<b>Federal – 8.6%</b>			
Government of Canada			
3.75%	1 Jun 2012	90	92
1.50	1 Dec 2012	90	91
1.75	1 Mar 2013	10	10
3.50	1 Jun 2013	10	10
2.50	1 Jun 2015	30	31
Canada Housing Trust			
4.80	15 Jun 2012	15	16
2.75	15 Dec 2014	30	31
4.10	15 Dec 2018	10	10
		291	291
<b>Provincial – 9.1%</b>			
Province of British Columbia			
5.75	9 Jan 2012	35	37
4.25	18 Jun 2014	10	11
4.65	18 Dec 2018	20	21
Province of Ontario			
5.38	2 Dec 2012	60	64
4.75	2 Jun 2013	15	16
3.25	8 Sep 2014	55	56
Province of Quebec			
6.00	1 Oct 2012	30	32
5.50	1 Dec 2014	55	60
4.50	1 Dec 2020	10	10
		309	307
<b>Total Fixed Income Investments – 17.7%</b>		<b>600</b>	<b>598</b>
<b>Plan Cash and Short-term Investments – 82.3%</b>		2,781	2,781
<b>Total Portfolio Assets – 100.0%</b>		<b>3,381</b>	<b>3,379</b>
<b>Investments Allocation (Note 4)</b>			
<b>Government Grants (Appendix I)</b>		451	409
<b>Canadian Scholarship Trust</b>			
<b>Scholarship Pool (Appendix II)</b>		3,431	3,433
<b>Cash and Short-term Investments (Appendices I &amp; II)</b>			
<b>Investments (Appendices I &amp; II)</b>		9,609	9,609
<b>Total Investment Fund</b>		<b>16,872</b>	<b>16,830</b>
<b>Represented by:</b>			
<b>Investments, at fair value</b>		4,482	
<b>Cash and cash equivalents</b>		3,310	
<b>Short-term Investments</b>		9,080	
		<b>16,872</b>	

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

## Schedule II – Contributors’ Deposits and Accumulated Interest

As at October 31, 2011 and 2010 (in thousands of dollars)

The following table provides a summary of Plan II units, Contributors’ Deposits and Accumulated Interest by year of eligibility:

Year of Eligibility	Opening Units	Inflow Units <sup>1</sup>	Outflow Units <sup>2</sup>	Closing Units	Contributors’ Deposits	Accumulated Interest <sup>3</sup>
2010 and prior to 2010	20,108	17	11,745	8,380	\$ 341	\$ 4,375
2011	52	16	6	62	–	39
2012	20	6	16	10	–	8
2013 and thereafter	16	–	6	10	1	11
<b>TOTAL</b>	<b>20,196</b>	<b>39</b>	<b>11,773</b>	<b>8,462</b>	<b>\$ 342</b>	<b>\$ 4,433</b>

1 Inflow units are comprised of additional units and transfers in.

2 Outflow units are comprised of maturities, terminations, transfers out and education assistance payments.

3 Accumulated interest represents both interest allocated to contributors’ accounts and interest held for future education assistance payments.

The changes in Contributors’ deposits are as follows:

	2011	2010
Inter-Plan principal transfers	\$ (46)	\$ (107)
Account maintenance fees	(0)	(1)
Return of principal	(518)	(641)
Net decrease in Contributors’ deposits	(564)	(749)
<b>Balance, Beginning of Year</b>	<b>906</b>	<b>1,655</b>
<b>Balance, End of Year</b>	<b>\$ 342</b>	<b>\$ 906</b>

## Schedule III – Education Assistance Payments

As at October 31, 2011 and 2010 (in thousands of dollars, except for per unit amounts)

The following tables provide the total dollar payments, number of eligible units paid, and the education assistance payment amounts by year of eligibility.

<b>Education Assistance Payments</b>	<b>2011</b>	<b>2010</b>	<b>Education Assistance Payments</b>	<b>2011</b>	<b>2010</b>
Current year payments	\$ 80	\$ 309	Non-Discretionary	\$ 1,355	\$ 3,157
Deferred payments	1,275	2,846			
Advance payments	–	2			
	<b>\$ 1,355</b>	<b>\$ 3,157</b>			

	<b>Number of Education Assistance Payment units</b>			<b>Amount of Education Assistance Payment per unit</b>		
	<b>Year of Eligibility</b>			<b>Year of Eligibility</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
First	<b>38.0</b>	71.0	315.0	<b>\$ 289</b>	\$ 327	\$ 400
Second		<b>51.4</b>	184.4		<b>280</b>	317
Third			<b>109.3</b>			<b>499</b>

# Notes to the Financial Statements

October 31, 2011 and 2010 (in thousands of dollars)

## Note 1. Nature of Operations

The Canadian Scholarship Trust Plan II (“Plan II” or the “Plan”) is a Pooled Education Savings Plan that was established on December 1, 1979. The objective of Plan II is to assist parents and others to save for the post-secondary education of children. Plan II 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 contributor to an account maintained by the depository trustee on behalf of a beneficiary. Deductions of enrolment fees and account maintenance fees are made from the contributor’s contributions. The principal accumulated over the term of the contributor’s education savings plan agreement (“Agreement”) is returned to the contributor 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 contributors’ principal balance is transferred to the scholarship pool when the Agreement matures and is used to provide education assistance payments 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 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.

Plan II receives the CESG (“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 contributors’ principal is not taxable income of the contributor unless withdrawn early. The deposits are not deductible for income tax purposes and are not taxable when returned to the contributor. Payments made to a qualified student 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 ended on or after January 1, 2014. Therefore, IFRS will replace Canadian GAAP and become 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, money market securities and variable rate securities.

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

Variable rate securities are hybrid financial debt instruments issued by governments, Canadian chartered banks and licensed trust and loan companies that have embedded components that change the risk/return profile of the security. Included in this class are structured notes that are debt instruments whose returns are based on indices or underlying assets rather than typical interest payments. Variable rate securities are carried at fair values using external pricing models to value their components.

Note 7 provides further guidance on the 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.

### (e) Contributors’ deposits, Enrolment fees and Account maintenance fees

Contributors’ deposits reflect amounts received from contributors net of enrolment fees and account maintenance fees and do not include future amounts receivable on outstanding Agreements. Enrolment fees paid by contributors are collected over periods of up to thirty-two months from the date of initial deposit. Enrolment fees collected during the reporting period are paid to C.S.T.C. as a deduction from contributors’ contributions. Account maintenance fees are paid annually to the Foundation from contributors’ deposits and are accrued throughout the year.



# Notes to the Financial Statements (continued)

October 31, 2011 and 2010 (in thousands of dollars)

## Note 2. Significant Accounting Policies (continued)

### (f) Income taxes

Plan II 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 valuation of Level 3 financial instruments as discussed in Note 7.

## Note 3. Related Party Transactions

### (a) Administration of Plan II

The Foundation, as the Plan sponsor, has appointed C.S.T.C. as the Investment Fund Manager to administer Plan II. 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 October 31, 2011, two directors of the Foundation were members of the Board of Directors of Greystone. Total ownership of Greystone equity held by the directors is nil (2010 – 0.32%). The directors do not participate in any of the Foundation's Board deliberations concerning the investment management of the Plan, nor do they vote on any resolutions recommended by the Investment Committee of the Foundation.

Portfolio management fees in the Statements of Investment Operations include fees paid to Greystone of \$1 (2010 – \$1).

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 contributor'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 Founders' Plan, another plan administered by C.S.T.C. (see Appendix II to Schedule I). From a contributor'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. Income earned from the Pool is credited to the General Fund (see Note 6).

## 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 market risk (which includes interest rate risk and other price 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, 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.

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

Debt Instruments by Maturity Date	% of Total Investment Fund	
	2011	2010
Less than 1 year (including short-term investments)	77%	81%
1-3 years	8%	14%
3-5 years	7%	1%
Greater than 5 years	8%	4%
<b>Total debt instruments</b>	<b>100%</b>	<b>100%</b>

As at October 31, 2011, if prevailing interest rates had increased or decreased by 1%, the Total Investment Fund amount of \$16,872 (2010 – \$18,856) as per Schedule I – Statement of Investment Portfolio, would have decreased or increased by \$119 (2010 – \$122). 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.

# Notes to the Financial Statements (continued)

October 31, 2011 and 2010 (in thousands of dollars)

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

### (a) Market risk (continued)

#### 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 asset class that is most impacted by other price risk is variable rate securities, which represents 0.1% (2010 – 0.3%) of the Total Investment Fund amount as at October 31, 2011. For these securities, positive returns are capped and the return of principal at maturity is protected from any negative performance. These features limit volatility and mitigate the downward impact on the value of these securities.

As at October 31, 2011, 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 \$nil (2010 – \$0.6). In practice, the actual trading 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 the Canadian Securities Administrators, currently A-low. Plan II 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	2011		2010	
	% of Total Investment Fund	Amount (in thousands)	% of Total Investment Fund	Amount (in thousands)
AAA	16%	\$ 2,634	18%	\$ 3,483
AA/AAH/AAL	7%	1,225	4%	798
A/AH/AL	4%	624	0%	37
R-1	68%	11,439	78%	14,508
P-2	5%	898	nil	0
Short-term unrated	0%	52	0%	30
<b>Total Investment Fund</b>	<b>100%</b>	<b>\$ 16,872</b>	<b>100%</b>	<b>\$ 18,856</b>

The October 31, 2010 comparative figures have been reclassified to conform with the classification adopted in 2011.

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 to beneficiaries. 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 reflect the maturity distribution of Contributors' 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. 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"). According to the trust indenture, the General Fund may be used to subsidize Education Assistance Payments for qualified students to any of the active Plans within the Canadian Trust. The General Fund derives its income from the following sources:

- interest earned on Contributors' deposits and Accumulated interest from the date of maturity to the date the funds are paid to qualified students as Education Assistance Payments;
- interest earned on the interest forfeited when a contributor's plan is terminated prior to maturity;
- income not collected by beneficiaries before the expiry of the benefit period; and
- unclaimed principal and income payments.

Receipts and Disbursements of the General Fund for the years ended October 31, 2011 and 2010 are as follows:

	2011	2010
<b>Receipts</b>		
Net investment income	\$ 874	\$ 2,430
<b>Disbursements</b>		
Education assistance payments	(631)	(1,398)
Transfer to Founders' Plan	(2,500)	(1,364)
	<b>(3,131)</b>	<b>(2,762)</b>
<b>Deficit of Receipts over Disbursements</b>	<b>(2,257)</b>	<b>(332)</b>
<b>Balance, Beginning of Year</b>	<b>3,310</b>	<b>3,642</b>
<b>Balance, End of Year</b>	<b>\$ 1,053</b>	<b>\$ 3,310</b>

Donations from the Foundation represent a discretionary pool of funds shared between Plan II and Founders' Plan. These funds are used to supplement Education Assistance Payments when the General Fund is depleted. The amount is allocated annually between the Plans according to the payout forecast in each of the plans.

# Notes to the Financial Statements (continued)

October 31, 2011 and 2010 (in thousands of dollars)

## Note 6. General Fund and Donations from the Foundation (continued)

Receipts and Disbursements in the Donations from the Foundation for the years ended October 31, 2011 and 2010 are as follows:

	2011	2010
<b>Disbursements</b>		
Transfer to Founders' Plan	\$ -	\$ (3,886)
		(3,886)
<b>Balance, Beginning of Year</b>	-	3,886
<b>Balance, End of Year</b>	\$ -	\$ -

In accordance with the policy on Transferring General Fund and Donations Between Plans within the same legal trust, in 2011 management forecasted the remaining liability for Plan II. As a result of this forecast, \$2,500 (2010 – \$5,250) was transferred from Plan II to satisfy current EAP requirements for Founders' Plan. The forecast will be updated and reviewed annually.

## Note 7. 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 payable, Accounts payable, accrued liabilities and unclaimed contributors' funds, Payables for securities purchased and Contributors' 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 statement 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.

### Assets Measured at Fair Value as of October 31, 2011

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 3,310	\$ -	\$ -	\$ 3,310
Short-term Investments	-	9,080	-	9,080
Fixed Income Securities	-	4,471	-	4,471
Variable Rate Securities	-	-	11	11
<b>Total Investment Fund</b>	<b>\$ 3,310</b>	<b>\$ 13,551</b>	<b>\$ 11</b>	<b>\$ 16,872</b>

### Assets Measured at Fair Value as of October 31, 2010

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 4,381	\$ -	\$ -	\$ 4,381
Short-term Investments	-	10,152	-	10,152
Fixed Income Securities	-	4,260	-	4,260
Variable Rate Securities	-	-	63	63
<b>Total Investment Fund</b>	<b>\$ 4,381</b>	<b>\$ 14,412</b>	<b>\$ 63</b>	<b>\$ 18,856</b>

For the years ended October 31, 2011 and 2010 there were no transfers between Levels 1, 2 or 3.

The Plan's financial instruments classified as Level 3 represent the Plan's investment in Equity Linked Notes, which are principal protected by a major Canadian bank (DBRS rating "AA"). Equity Linked Notes are hybrid securities comprised of a bond and an option. The price of the variable rate securities are based on external pricing models provided from third-party brokers. These valuations are derived from the information on similar publicly traded bonds and options using standard pricing methodology. Such techniques include assumptions related to the assessment and quantification of market, credit and liquidity risks referred to in Note 5. There are no reasonable alternative assumptions.

### Level 3 – Variable Rate Securities

	2011	2010
Opening Balance	\$ 63	\$ 94
Net Sales	(51)	(32)
Increase (decrease) in Unrealized Gains	(1)	1
<b>Closing Balance</b>	<b>\$ 11</b>	<b>\$ 63</b>

# Government Grants

(Appendix I to Schedule I)

## Statement of Investment Portfolio

As at October 31, 2011 (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 – 56.8%</b>				<b>Municipal and Provincial – 22.9% (continued)</b>							
Government of Canada				Province of New Brunswick							
1.25%	1 Dec 2011	10,246	10,249	10,253	4.45%	26 Mar 2018	5,060	5,636	5,444		
1.50	1 Jun 2012	910	913	910	5.65	27 Dec 2028	500	620	572		
2.00	1 Sep 2012	16,615	16,759	16,714	5.50	27 Jan 2034	10,300	12,676	11,864		
1.50	1 Dec 2012	39,640	39,876	39,767	4.65	26 Sep 2035	970	1,073	970		
1.75	1 Mar 2013	30,137	30,453	30,291	Province of Nova Scotia						
3.50	1 Jun 2013	4,085	4,246	4,268	5.80	1 Jun 2033	1,250	1,596	1,481		
3.75	1 Mar 2015	1,809	1,251	1,238	Province of Ontario						
4.10	1 Jul 2015	2,000	1,694	1,630	4.50	2 Dec 2012	3,065	3,176	3,197		
3.00	1 Dec 2015	8,573	9,117	8,684	4.75	2 Jun 2013	9,960	10,515	10,541		
3.55	1 Sep 2019	5,387	5,199	4,861	3.25	8 Sep 2014	12,405	13,017	12,698		
3.25	1 Jun 2021	2,375	2,570	2,565	3.15	8 Sep 2015	10,664	11,228	10,968		
4.40	26 Jan 2026	1,380	1,503	1,372	4.40	8 Mar 2016	5,508	6,093	6,150		
5.00	1 Jun 2037	5,275	7,209	6,419	3.20	8 Sep 2016	2,865	3,027	2,852		
4.00	1 Jun 2041	2,685	3,253	2,889	4.30	8 Mar 2017	5,460	6,050	5,251		
Canada Housing Trust				4.40				2 Jun 2019	3,235	3,593	3,358
4.80	15 Jun 2012	2,785	2,849	2,788	4.20	2 Jun 2020	3,180	3,467	3,266		
4.00	15 Jun 2012	19,785	20,146	20,148	4.00	2 Jun 2021	6,420	6,867	6,471		
4.55	15 Dec 2012	27,645	28,728	28,849	7.60	2 Jun 2027	1,400	2,071	1,989		
3.60	15 Jun 2013	6,857	7,134	7,125	5.85	8 Mar 2033	375	487	453		
2.70	15 Dec 2013	26,535	27,386	27,108	5.60	2 Jun 2035	6,060	7,703	6,850		
2.20	15 Mar 2014	12,000	12,270	12,138	4.70	2 Jun 2037	3,380	3,846	3,588		
3.15	15 Jun 2014	26,850	28,127	27,762	4.65	2 Jun 2041	485	556	501		
2.75	15 Sep 2014	28,914	30,072	29,496	Province of Quebec						
1.44	15 Mar 2015	7,804	7,809	7,815	5.25	1 Oct 2013	7,200	7,747	7,742		
3.15	15 Jun 2015	25,084	26,492	25,255	1.22	1 Dec 2014	545	540	521		
2.75	15 Dec 2015	24,653	25,720	24,885	5.00	1 Dec 2015	6,210	6,987	6,849		
1.41	15 Mar 2016	18,823	18,786	18,891	4.50	1 Dec 2017	1,200	1,341	1,192		
2.75	15 Jun 2016	36,965	38,568	37,466	4.50	1 Dec 2019	7,875	8,751	8,292		
1.34	15 Sep 2016	32,563	32,351	32,541	4.50	1 Dec 2020	7,540	8,341	7,899		
4.10	15 Dec 2018	5,150	5,748	5,301	4.25	1 Dec 2021	2,195	2,375	2,204		
Ontario Infrastructure				9.38				16 Jan 2023	865	1,341	1,286
3.95	3 Jun 2013	927	965	925	6.00	1 Oct 2029	1,395	1,792	1,688		
PSP Capital Inc.				6.25				1 Jun 2032	215	286	290
4.57	9 Dec 2013	4,396	4,666	4,433	5.25	11 Jun 2034	850	1,000	914		
		452,109		444,787	5.75	1 Dec 2036	4,320	5,528	4,895		
<b>Municipal and Provincial – 22.9%</b>				5.00				1 Dec 2038	3,660	4,286	3,725
Province of Alberta				5.00				1 Dec 2041	1,905	2,260	2,108
1.38	27 May 2016	12,693	12,616	12,692			182,249		174,206		
Province of British Columbia				<b>Corporate – 19.1%</b>							
4.25	18 Jun 2014	4,660	5,008	4,924	407 International Inc.						
4.70	1 Dec 2017	2,250	2,553	2,356	7.13	26 Jul 2040	3,226	4,370	3,897		
5.70	18 Jun 2029	200	254	242	Access Justice Durham Ltd.						
4.30	18 Jun 2042	640	699	649	5.02	31 Aug 2039	323	340	307		
Province of Manitoba				Arrow Lakes Power Corp							
4.30	1 Mar 2016	2,902	3,200	3,232	5.52	5 Apr 2041	847	919	847		
2.05	1 Dec 2016	2,044	2,047	2,042	BAC Canada Finance						
					2.73	21 Feb 2014	4,550	4,438	4,539		

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 October 31, 2011 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 19.1% (continued)</b>			
Bank of Montreal			
3.10% 10 Mar 2016	4,262	4,373	4,352
4.63 29 Dec 2049	2,900	3,066	2,827
5.47 31 Dec 2049	3,335	3,599	3,519
Bank of Nova Scotia			
6.63 30 Jun 2012	3,435	3,534	3,766
6.28 30 Jun 2053	1,900	2,023	2,101
BCIMC Realty Corporation			
4.65 10 Feb 2015	166	178	178
5.65 5 Jan 2018	1,953	2,249	2,158
Blue Water Bridge Authority			
6.41 9 Jul 2027	2,371	2,118	2,112
Cadillac Fairview Finance Trust			
3.24 25 Jan 2016	3,953	4,105	3,945
Canadian Capital Auto Receivables Asset Trust			
2.63 17 Aug 2014	2,580	2,618	2,584
2.00 17 Jul 2016	993	283	282
Canadian Imperial Bank of Commerce			
4.75 22 Dec 2014	5,460	5,888	5,514
Caterpillar Financial Services Ltd.			
2.64 3 Dec 2013	250	254	255
CBC			
4.69 15 May 2027	2,968	3,218	3,140
Citigroup Finance Canada			
4.75 17 Mar 2014	2,000	2,035	2,060
Claregold Trust			
5.07 15 May 2044	1,881	1,459	1,465
Gaz Metropolitan Inc.			
4.93 18 Jun 2019	2,500	2,813	2,545
GE Capital Canada			
2.12 10 Feb 2014	1,268	1,258	1,267
4.65 11 Feb 2015	4,400	4,641	4,402
5.10 1 Jun 2016	1,000	1,076	1,082
5.53 17 Aug 2017	800	877	778
5.73 22 Oct 2037	3,083	3,204	2,812
Gloucester Credit Card Trust			
5.38 15 May 2014	2,176	2,343	2,277
Great West Lifeco Inc.			
6.14 21 Mar 2018	2,837	3,241	3,263
Green Timbers LP			
6.84 30 Jun 2037	684	792	746
Health Partners Markham			
3.43 31 Jan 2014	834	834	834

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 19.1% (continued)</b>			
Hospital Infrastructure Partners			
5.44% 31 Jan 2045	398	419	398
Leisureworld			
4.81 24 Nov 2015	2,463	2,557	2,553
Manulife Financial Capital Trust			
4.85 12 Dec 2015	1,865	1,408	1,340
6.70 31 Dec 2051	3,920	4,028	4,346
Manulife Financial Corporation			
4.90 2 Jun 2014	706	738	738
5.16 26 Jun 2015	2,423	2,577	2,556
4.08 20 Aug 2015	1,933	1,986	1,965
Maritimes and Northeast Pipelines			
4.34 30 Nov 2019	4,096	4,272	4,219
Merrill Lynch Financial Assets			
4.82 12 Feb 2015	815	865	820
4.62 12 Nov 2015	1,235	1,316	1,222
4.81 12 Oct 2016	1,814	1,932	1,860
4.71 12 Nov 2016	1,192	1,227	1,201
4.98 6 Dec 2016	1,200	1,287	1,227
4.48 12 Jul 2037	920	978	900
Milit-Air Inc.			
5.75 30 Jun 2019	2,865	3,222	3,095
N-45 First CMBS			
5.67 15 Nov 2020	1,048	1,116	1,117
NAV Canada			
4.71 24 Feb 2016	1,722	1,896	1,785
Northwest Connect Group			
5.95 30 Apr 2041	2,478	2,827	2,588
Ontrea Inc.			
4.62 9 Apr 2018	1,493	1,585	1,505
Ornge Issuer Trust			
5.73 11 Jun 2034	1,553	1,844	1,625
Ottawa Hydro Holdings			
4.93 9 Feb 2015	1,453	1,579	1,518
Plenary Properties Ltap LP			
3.16 13 Mar 2015	1,654	1,681	1,654
6.29 31 Jan 2044	2,431	2,844	2,671
Power Corporation of Canada			
7.57 22 Apr 2019	1,308	1,590	1,502
RBC Capital Trust			
4.87 31 Dec 2049	6,000	6,393	5,950
5.81 31 Dec 2053	3,200	3,431	3,450
Real Estate Asset Liquidity Series Class A			
4.62 9 Dec 2016	1,350	1,437	1,333
5.08 12 Oct 2036	745	787	763

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 October 31, 2011 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 19.1% (continued)</b>			
Royal Bank of Canada 3.36% 11 Jan 2016	5,101	5,290	5,250
SNC Lavalin Group 6.63 30 Jun 2044	657	781	657
Toronto Dominion Bank 4.85 13 Feb 2013	5,137	5,351	5,355
Toronto Hospital 5.64 8 Dec 2022	1,327	1,500	1,484
Transcanada Pipelines 8.05 17 Feb 2039	1,707	2,556	2,557
Wells Fargo Finance Canada 4.40 12 Dec 2012	900	923	885
4.38 30 Jun 2015	1,500	1,583	1,579
WTH Car Rental 4.14 15 Mar 2020	4,180	4,286	4,249
		152,238	147,771
<b>Total Fixed Income Investments – 98.8%</b>		<b>786,596</b>	<b>766,764</b>
<b>Variable Rate Securities – 0.6%</b>			
Toronto-Dominion Bank S&P/TSX 60 Index Linked Note 26 Oct 2012	5,000	4,973	5,000
		4,973	5,000
<b>Plan Investments – 99.4%</b>		<b>791,569</b>	<b>771,764</b>
<b>Cash and Short-term Investments – 0.6%</b>		<b>4,372</b>	<b>4,372</b>
<b>Total Portfolio Assets – 100.0%</b>		<b>795,941</b>	<b>776,136</b>
<b>Government Grant Investments Allocation</b>			
Plan II		451	409
Founders' Plan		42,472	41,247
Group Savings Plan		206,716	201,137
Group Savings Plan 2001		486,437	474,515
Family Savings Plan		51,972	50,977
Individual Savings Plan		3,521	3,479
		<b>791,569</b>	<b>771,764</b>
<b>Cash and Short-term Investments Allocation</b>			
Plan II		9	9
Founders' Plan		240	240
Group Savings Plan		1,088	1,088
Group Savings Plan 2001		2,801	2,801
Family Savings Plan		222	222
Individual Savings Plan		12	12
		<b>4,372</b>	<b>4,372</b>

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



# Canadian Scholarship Trust Scholarship Pool

(Appendix II to Schedule I)

## Statement of Investment Portfolio

As at October 31, 2011 (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 – 10.1%</b>				<b>Corporate – 25.9% (continued)</b>							
Government of Canada				GE Capital Canada							
3.75%	1 Jun 2012	1,580	1,606	1,619	5.28%	22 Oct 2014	462	495	497		
1.50	1 Dec 2012	1,665	1,675	1,680	5.10	1 Jun 2016	930	1,001	1,001		
1.75	1 Mar 2013	295	298	298	Honda Canada Finance Inc.						
3.50	1 Jun 2013	385	400	403	5.68	26 Sep 2012	120	124	125		
Canada Housing Trust				5.08				9 May 2013	225	235	236
4.80	15 Jun 2012	510	522	544	5.61	12 Sep 2013	688	732	736		
2.75	15 Dec 2014	680	707	696	HSBC Canada						
2.50	1 Jun 2015	870	906	885	5.15	30 Jun 2049	1,390	1,486	1,479		
4.10	15 Dec 2018	75	84	77	RBC Capital Trust						
			6,198	6,202	4.87	31 Dec 2049	229	244	244		
<b>Provincial – 10.7%</b>				<b>Corporate – 25.9% (continued)</b>							
Province of British Columbia				5.81				31 Dec 2053	925	992	994
5.75	9 Jan 2012	895	903	948	Royal Bank of Canada						
4.25	18 Jun 2014	310	333	330	3.18	2 Nov 2020	228	230	228		
4.65	18 Dec 2018	285	323	295	Score Trust						
Province of Ontario				4.95				20 Feb 2014	684	724	726
5.38	2 Dec 2012	970	1,014	1,051	TD Capital Trust						
4.75	2 Jun 2013	545	575	584	6.79	31 Dec 2049	914	963	971		
3.25	8 Sep 2014	1,095	1,149	1,125	Toronto Dominion Bank						
Province of Quebec				3.37				2 Nov 2020	485	493	490
6.00	1 Oct 2012	580	605	636	Toyota Credit Canada Inc						
5.50	1 Dec 2014	1,120	1,253	1,241	3.55	22 Feb 2016	455	474	468		
4.50	1 Dec 2020	365	404	364	Wells Fargo Finance Canada						
			6,559	6,574	4.33	6 Dec 2013	228	238	238		
<b>Corporate – 25.9%</b>				<b>Corporate – 25.9% (continued)</b>							
Bank of Montreal				3.97				3 Nov 2014	328	341	341
4.63	29 Dec 2049	231	244	244	3.70	30 Mar 2016	912	936	933		
5.47	31 Dec 2049	1,155	1,246	1,250				15,849	15,840		
Bank of Nova Scotia				<b>Total Fixed Income Investments – 46.7%</b>				<b>28,606</b>		<b>28,616</b>	
5.25	1 Nov 2017	456	471	474	<b>Cash and Short-term Investments – 53.3%</b>				32,699	32,699	
6.28	30 Jun 2053	912	971	978	<b>Total Portfolio Assets – 100.0%</b>				<b>61,305</b>	<b>61,315</b>	
Caisse Centrale Desjardins				<b>Total Investments Allocation</b>							
3.11	4 Dec 2014	736	753	750	Plan II		3,431		3,433		
Canadian Imperial Bank of Commerce				Founders' Plan				25,175		25,183	
3.15	2 Nov 2020	1,366	1,378	1,368			<b>28,606</b>		<b>28,616</b>		
Cards II Trust				<b>Cash and Short-term Investments Allocation</b>							
3.10	15 Sep 2015	816	839	831	Plan II		9,600		9,600		
Caterpillar Financial Service Ltd.				Founders' Plan				23,099		23,099	
2.64	3 Dec 2013	235	239	238			<b>32,699</b>		<b>32,699</b>		

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

## Canadian Scholarship Trust Plan

### Sponsor

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

### Trustee

RBC Dexia Investor Services Trust  
155 Wellington Street West, 7th Floor  
Toronto, Ontario M5V 3L3

### Legal Counsel

Heenan Blaikie LLP  
Bay Adelaide Centre  
P.O. Box 2900  
333 Bay Street, Suite 2900  
Toronto, Ontario M5H 2T4

### Auditor

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

### Investment Fund Manager and Distributor

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

### Bank

Royal Bank of Canada  
Royal Bank Plaza  
South Tower  
200 Bay Street, 10th 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.