



Canadian Scholarship Trust **Founders' Plan**

Semi-Annual Financial Statements
April 30, 2011

Unaudited



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C.S.T. Consultants Inc.

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Statements of Net Assets Available for Education Assistance Payments

As at April 30, 2011 and October 31, 2010 (in thousands of dollars)

	Apr 30, 2011	Oct 31, 2010
		(Audited)
Assets		
Investments, at fair value <i>(Note 4 and Schedule I)</i>	\$ 252,520	\$ 264,252
Cash and cash equivalents	8,979	13,791
Short-term investments	27,117	24,084
Accrued interest and other receivables	9,888	9,719
Receivables for securities sold	154	426
Government grants receivable	127	193
	298,785	312,465
Liabilities		
Accounts payable, accrued liabilities and unclaimed contributors’ funds	1,090	860
Payables for securities purchased	319	498
Contributors’ deposits <i>(Note 6)</i>	121,780	128,320
	123,189	129,678
Net Assets Available for Education Assistance Payments	175,596	182,787
Represented by:		
Non-Discretionary Funds		
Accumulated interest held for future education assistance payments	123,964	124,718
Government grants	31,809	32,253
Interest on Government grants	13,834	13,447
Unrealized Gains	5,278	10,803
Discretionary Funds		
Donations from the Foundation <i>(Note 7)</i>	711	1,566
	\$ 175,596	\$ 182,787

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

Statements of Investment Operations

For the six months ended April 30, 2011 and 2010 (in thousands of dollars)

	Apr 30, 2011	Apr 30, 2010
Income		
Interest income	\$ 5,342	\$ 5,807
Realized gains	86	403
	5,428	6,210
Expenses		
Plan administration and processing fees <i>(Note 3(a))</i>	462	491
Financial reporting <i>(Note 3(a))</i>	159	232
Portfolio management fees	184	217
Custodian fees	17	21
Trustee fees	16	13
	838	974
Net Investment Income	4,590	5,236
Decrease in Unrealized Gains	(5,525)	(4,155)
(Decrease) increase in Net Assets from Investment Operations	\$ (935)	\$ 1,081

Statements of Changes in Net Assets Available for Education Assistance Payments

For the six months ended April 30, 2011 and 2010 (in thousands of dollars)

	Apr 30, 2011	Apr 30, 2010
Net Assets Available for Education Assistance Payments, Beginning of Period	\$ 182,787	\$ 197,004
(Decrease) increase in Net Assets from Investment Operations	(935)	1,081
Transfers to internal and external plans	(2,527)	(2,430)
	(3,462)	(1,349)
Receipts		
Government grants received (net of repayments)	364	616
Disbursements		
Payments to beneficiaries		
Education assistance payments	(3,423)	(3,968)
Government grants	(389)	(346)
Return of interest	(281)	(249)
	(4,093)	(4,563)
Receipts less Disbursements	(3,729)	(3,947)
Decrease in Net Assets Available for Education Assistance Payments	(7,191)	(5,296)
Net Assets Available For Education Assistance Payments, End of Period	\$ 175,596	\$ 191,708

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

Statements of Cash Flows

For the six months ended April 30, 2011 and 2010 (in thousands of dollars)

	Apr 30, 2011	Apr 30, 2010
Operating Activities		
(Decrease) increase in Net Assets from Investment Operations	\$ (935)	\$ 1,081
Net proceeds from disposal of investments	3,353	16,590
Items not affecting cash		
Realized gains on sale of investments	(86)	(403)
Decrease in Unrealized Gains/Losses	5,525	4,155
Change in non-cash operating working capital		
Increase in Accrued interest and other receivables	(169)	(342)
Decrease in Government grants receivable	66	17
Increase in Accounts payable, accrued liabilities and unclaimed contributors’ funds	230	398
Cash flow from Operating Activities	7,984	21,496
Financing Activities		
Transfers to internal and external plans	(2,527)	(2,430)
Government grants received (net of repayments)	364	616
Decrease in Contributors’ deposits <i>(Note 6)</i>	(6,540)	(7,769)
Payments to beneficiaries	(4,093)	(4,563)
Cash flow from Financing Activities	(12,796)	(14,146)
Net (decrease) increase in Cash and cash equivalents	(4,812)	7,350
Cash and cash equivalents, Beginning of Period	13,791	10,867
Cash and cash equivalents, End of Period	\$ 8,979	\$ 18,217

Schedule I – Statement of Investment Portfolio

As at April 30, 2011 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds				Bonds (continued)			
Federal – 48.0%				Municipal and Provincial – 38.5% (continued)			
Government of Canada				Province of Manitoba			
1.25% 1 Dec 2011	1,338	1,339	1,339	4.15% 3 Jun 2020	509	521	528
1.50 1 Jun 2012	2,170	2,172	2,170	4.40 5 Sep 2025	277	281	282
2.00 1 Sep 2012	3,810	3,834	3,833	4.10 5 Mar 2041	277	260	262
1.50 1 Dec 2012	2,165	2,161	2,160	Province of New Brunswick			
5.00 1 Jun 2014	105	114	111	4.45 26 Mar 2018	4,160	4,409	4,476
3.00 1 Dec 2015	2,469	2,524	2,505	4.50 2 Jun 2020	88	92	91
2.00 1 Jun 2016	3,275	3,186	3,138	4.55 26 Mar 2037	330	326	321
4.00 1 Jun 2017	2,680	2,864	2,872	Province of Newfoundland			
4.25 1 Jun 2018	410	445	464	5.60 17 Oct 2033	191	220	223
3.50 1 Jun 2020	1,128	1,154	1,161	4.50 17 Apr 2037	330	328	321
3.25 1 Jun 2021	2,864	2,853	2,805	Province of Nova Scotia			
8.00 1 Jun 2027	825	1,268	1,098	5.80 1 Jun 2033	1,213	1,416	1,215
5.75 1 Jun 2029	1,682	2,144	1,971	4.70 1 Jun 2041	134	137	144
5.75 1 Jun 2033	8,010	10,446	8,736	Province of Ontario			
5.00 1 Jun 2037	1,608	1,945	1,934	3.25 8 Sep 2014	1,545	1,584	1,573
4.00 1 Jun 2041	1,957	2,067	2,023	4.50 8 Mar 2015	1,175	1,255	1,227
Business Development Bank of Canada				4.40 8 Mar 2016	2,600	2,773	2,534
4.75 26 Jul 2021	425	464	424	3.20 8 Sep 2016	1,730	1,742	1,722
Canada Housing Trust				4.30 8 Mar 2017	270	286	258
4.60 15 Sep 2011	3,375	3,418	3,517	4.40 2 Jun 2019	1,200	1,257	1,235
4.00 15 Jun 2012	13,110	13,472	13,560	4.20 2 Jun 2020	755	773	788
4.80 15 Jun 2012	1,160	1,202	1,160	4.00 2 Jun 2021	885	882	871
4.55 15 Dec 2012	7,850	8,206	8,100	8.10 8 Sep 2023	2,500	3,441	3,167
3.95 15 Jun 2013	5,000	5,212	4,992	6.20 2 Jun 2031	1,524	1,863	1,881
3.60 15 Jun 2013	1,192	1,234	1,238	5.85 8 Mar 2033	5,175	6,118	5,361
1.45 15 Mar 2015	1,603	1,611	1,606	5.60 2 Jun 2035	6,755	7,792	7,772
3.15 15 Jun 2015	7,339	7,507	7,359	4.70 2 Jun 2037	763	781	770
2.75 15 Dec 2015	2,593	2,598	2,577	4.65 2 Jun 2041	1,215	1,241	1,264
1.42 15 Mar 2016	1,417	1,422	1,421	Province of Quebec			
4.10 15 Dec 2018	3,000	3,157	3,035	1.22 1 Dec 2014	3,010	2,981	3,010
Canada Post				4.50 1 Dec 2016	190	203	199
4.08 16 Jul 2025	500	511	500	4.50 1 Dec 2019	630	661	631
4.36 16 Jul 2040	309	320	309	11.00 15 Aug 2020	337	520	533
Farm Credit Corporation				4.50 1 Dec 2020	3,577	3,720	3,756
4.55 12 Apr 2021	820	882	814	4.25 1 Dec 2021	70	71	70
Ontario Infrastructure				6.00 1 Oct 2029	735	870	882
3.95 3 Jun 2013	136	141	136	6.25 1 Jun 2032	347	425	425
4.70 1 Jun 2037	142	136	141	5.75 1 Dec 2036	1,838	2,148	1,967
		92,009	89,209	5.25 1 Jun 2034	170	183	183
Municipal and Provincial – 38.5%				5.00 1 Dec 2038	290	308	291
55 School Board Trust Series A Secured Debenture				5.00 1 Dec 2041	790	844	860
5.90 2 Jun 2033	125	142	127	Province of Saskatchewan			
Alberta Capital Finance				5.25 6 Mar 2014	1,500	1,631	1,529
4.45 15 Dec 2025	2,489	2,535	2,399	4.65 5 Sep 2017	199	215	204
Province of British Columbia				3.90 28 Jul 2020	150	152	150
5.75 9 Jan 2012	6,150	6,332	6,767	6.40 5 Sep 2031	506	641	605
4.25 18 Jun 2014	5,550	5,867	5,919	4.75 1 Jun 2040	225	237	226
5.60 1 Jun 2018	700	794	769			73,820	72,307
3.70 18 Dec 2020	465	458	459				
5.70 18 Jun 2029	1,049	1,219	1,189				
6.35 18 Jun 2031	331	415	413				
4.70 18 Jun 2037	225	233	227				
4.95 18 Jun 2040	220	237	231				

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

Schedule I – Statement of Investment Portfolio (continued)

As at April 30, 2011 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Corporate – 13.4%			
Bank of Montreal			
4.63% 29 Dec 2049	500	518	500
5.47 31 Dec 2049	960	1,025	970
Bank of Nova Scotia			
6.63 30 Jun 2012	950	997	1,004
Cadillac Fairview Finance Trust			
3.24 25 Jan 2016	658	661	656
4.31 25 Jan 2021	763	772	758
Canadian Imperial Bank of Commerce			
5.00 10 Sep 2012	220	229	220
3.10 3 Feb 2015	1,000	1,004	998
3.40 14 Jan 2016	680	683	680
European Investment Bank			
4.60 30 Jan 2037	1,920	1,837	1,919
GE Capital Canada			
4.38 28 Sep 2012	2,650	2,731	2,647
Inter American Development Bank			
4.40 26 Jan 2026	1,070	1,070	1,064
Manulife Financial Capital Trust			
4.85 12 Dec 2015	615	635	615
6.70 31 Dec 2051	1,430	1,496	1,493
7.41 31 Dec 2108	990	1,125	990
Merrill Lynch Financial Assets			
4.82 12 Feb 2015	830	870	863
4.62 12 Nov 2015	250	259	250
4.48 12 Jul 2037	350	361	350
PSP Capital Inc			
4.57 9 Dec 2013	984	1,038	998
RBC Capital Trust			
4.87 29 Dec 2049	750	785	750
5.81 31 Dec 2053	2,150	2,306	2,150

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Corporate – 13.4% (continued)			
Real Estate Asset Liquidity Series Class A			
4.62% 12 Sep 2016	440	456	440
5.08 12 Oct 2036	355	374	355
Royal Bank of Canada			
3.36 11 Jan 2016	1,690	1,695	1,689
Royal Office Finance			
5.21 12 Nov 1932	664	691	660
Sun Life Capital Trust			
6.87 31 Dec 2011	1,900	1,958	1,991
TransCanada Pipelines			
5.65 15 Jan 2014	200	216	200
		25,792	25,210
Plan Investments – 99.9%		191,621	186,726
Plan Cash and Short-term Investments – 0.1%		71	71
Plan Portfolio Assets – 100.0%		191,692	186,797
Investments Allocation (Note 4)			
Government Grants (Appendix I)		44,081	43,492
Canadian Scholarship Trust			
Scholarship Pool (Appendix II)		16,818	17,024
Cash and Short-term Investments (Appendices I, & II)		36,025	36,025
Total Investment Fund		288,616	283,338
Represented by:			
Investments, at fair value		252,520	
Cash and cash equivalents		8,979	
Short-term Investments		27,117	
		288,616	

Notes to the Financial Statements

(Unaudited) (in thousands of dollars)

Note 1. Nature of Operations

The Canadian Scholarship Trust Founders’ Plan (“Founders’ Plan” or the “Plan”) is a Pooled Education Savings Plan that was established on September 1, 1988. The objective of Founders’ Plan is to assist parents and others to save for the post-secondary education of children. Founders’ Plan is managed by C.S.T Consultants Inc. (“C.S.T.C.”), a wholly-owned subsidiary of the Canadian Scholarship Trust Foundation (the “Foundation”). The Foundation was created to encourage and promote post-secondary education by making education savings plans available to Canadian residents.

Payments are made by a 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:

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

The investment income earned on the principal deposit balance is transferred to the scholarship pool when the plan 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.

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

- 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;
- Any child born in the province of Alberta on or after January 1, 2005, may be eligible for the initial Alberta Centennial Education Savings Grant (“ACES”). Subsequent grants may be paid to all children attending school in Alberta at certain eligible ages; and
- On February 21, 2007, the Québec government introduced the Québec Education Savings Incentive (“QESI”) for beneficiaries who are under eighteen years of age and reside in Québec on December 31 of each year. The amount of QESI to be received by a beneficiary will depend on annual family income.

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

Agreements are registered, if all required information is provided, with appropriate government authorities 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. 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 confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for publicly accountable enterprises. In March 2011, the Canadian Institute of Chartered Accountants (“CICA”) amended the deadline for adoption of IFRS by certain qualifying investment funds to extend the adoption date by two years. Therefore, IFRS will replace Canadian GAAP and becomes effective for the Plan’s interim and annual financial statements relating to the fiscal year ending October 31, 2014. Management is in the process of developing a transition plan, which will include identifying differences between the Plan’s current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on the financial statements of the Plan.

(c) Investment valuation

Investments, at fair value include the following types of securities: bonds and variable rate securities.

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

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 8 provides further guidance on fair value measurements.

(d) Investment transactions and income recognition

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

Notes to the Financial Statements (continued)

(Unaudited) (in thousands of dollars)

Note 2. Significant Accounting Policies (continued)

(e) Contributors’ deposits 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. Account maintenance fees are paid annually to the Foundation by contributors of the Founders’ Plan from their contributors’ deposits. These charges are accrued throughout the period.

(f) Income taxes

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

(g) Cash and cash equivalents

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

(h) Use of estimates

In preparing the financial statements, management is required to use estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the current estimates. Significant estimates included in these financial statements relate to valuation of Level 3 financial instruments as discussed in Note 8.

Note 3. Related Party Transactions

(a) Administration of the Founders’ Plan

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

(b) Other Related Party Transactions

The Foundation retains the services of Greystone Managed Investments Inc., an investment management firm and wholly-owned subsidiary of Greystone Capital Management Inc. (“Greystone”). As at April 30, 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 (October 31, 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.

The Portfolio management fees in the Statements of Investment Operations include fees paid or payable to Greystone

of \$38 (October 31, 2010 – \$93). Included in Accounts payable, accrued liabilities and unclaimed contributors’ funds in the Statements of Net Assets Available for Education Assistance Payments are the accrued amounts owing to Greystone as at April 30, 2011, of \$25 (October 31, 2010 – \$30).

All related party transactions 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 schedules, 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. The Government grant allocation across the plans is provided in Appendix I to Schedule I.

Upon maturity of each Agreement, the investment income accumulated to date attributable to that Agreement is transferred to the Canadian Scholarship Trust Scholarship Pool (the “Pool”), a shared investment pool with Plan II, another plan administered by C.S.T.C. (see Appendix II to Schedule I). From a 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 on the Pool is credited to the General Fund (Note 7).

Note 5. Risks Associated with Financial Instruments

In the normal course of business the Plan may be exposed to a variety of risks arising from financial instruments. The Plan’s exposures to such risks are concentrated in its investment holdings and are related to 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

Notes to the Financial Statements (continued)

(Unaudited) (in thousands of dollars)

Note 5. Risks Associated with Financial Instruments (continued)

(a) Market risk (continued)

i. Interest rate risk (continued)

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 holdings of debt instruments by maturity is as follows:

Debt Instruments by Maturity Date	% of Total Investment Fund	
	Apr. 30, 2011	Oct. 31, 2010
Less than 1 year (including short-term investments)	19%	19%
1-3 years	21%	28%
3-5 years	17%	12%
Greater than 5 years	43%	41%
Total debt instruments	100%	100%

As at April 30, 2011, if prevailing interest rates had increased or decreased by 1%, the Total Investment Fund amount of \$288,616 (October 31, 2010 – \$302,127) as per Schedule I – Statement of Investment Portfolio – would have decreased or increased by \$16,789 (October 31, 2010 – \$16,697). This 1% change assumes a parallel shift in the yield curve with all other variables held constant. In practice, the actual trading results may differ materially.

ii. Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, other than those arising from interest rate risk. Factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment affect other price risk. The asset class that is most impacted by other price risk is variable rate securities, which represents 1% (October 31, 2010 – 1%) of the Total Investment Fund amount as at April 30, 2011. The risk is managed by security selection and active management by external managers within approved investment policies and manager mandates.

As at April 30, 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 \$18 (October 31, 2010 – \$19). 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 comprises bonds issued or guaranteed by federal or provincial governments along with corporate debt instruments with a minimum approved credit rating as set by the Canadian Securities

Administrators, currently A-low. Founders’ Plan has a concentration of investments in government and government guaranteed bonds, which are considered to be high credit quality investments thereby moderating credit risk.

The Plan’s credit risk exposure is listed below.

Credit rating	Apr. 30, 2011		Oct. 31, 2010	
	% of Total Investment Fund	Amount (in thousands)	% of Total Investment Fund	Amount (in thousands)
AAA	68%	\$ 194,760	65%	\$ 196,817
AA/AAH/AAL	15%	42,782	16%	49,290
A/AH/AL	5%	14,344	6%	17,608
R-1	12%	36,080	13%	38,484
Short-term unrated	0%	650	0%	(72)
Total Investment Fund 100%		\$ 288,616	100%	\$ 302,127

The October 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 and Moody’s.

(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 payments of Education Assistance Payments. The Plan primarily invests in securities that are traded in the active markets and can be readily disposed. The Plan retains sufficient cash and cash equivalents positions to meet liquidity requirements by utilizing cash forecasting models incorporating aging of Accumulated interest and Contributors’ deposits. 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 only holds Canadian securities.

Note 6. Contributors’ Deposits

The changes in Contributors’ deposits for the six months ended April 30, 2011, and 2010 are as follows:

	Apr. 30, 2011	Apr. 30, 2010
Payments from contributors	\$ 2,772	\$ 3,612
Inter-Plan principal transfers	(3,042)	(3,009)
Account maintenance fees	(103)	(130)
Return of principal	(6,167)	(8,242)
Net decrease in Contributors’ deposits	(6,540)	(7,769)
Balance, Beginning of Period	128,320	160,637
Balance, End of Period	\$ 121,780	\$ 152,868

Notes to the Financial Statements (continued)

(Unaudited) (in thousands of dollars)

Note 7. General Fund and Donations from the Foundation

The Canadian Scholarship Trust (the “Canadian Trust”) is a legal trust registered with Canada Revenue Agency as an Education Savings Plan. Included in the Canadian Trust are Plan I, Plan II and Founders’ Plan (the “Plans”). According to the trust indenture, the General Fund may be used to subsidize Education Assistance Payments for qualified students to any of the 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 benefit period; and
- unclaimed principal and income payments.

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 above plans according to the payout forecast in each plan.

Note 8. Fair Value of Financial Instruments

Investments, at fair value, Cash and cash equivalents and Short-term investments are carried at fair value. The carrying values of other financial instruments such as Accrued interest and other receivables, Receivables for securities sold, Government grants receivable, Accounts payable, accrued liabilities and unclaimed 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 educational assistance payments, classified by the fair value hierarchy set out in CICA Handbook Section 3862, *Financial Instruments – Disclosures*:

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

Assets Measured at Fair Value as of Apr. 30, 2011

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 8,979	\$ –	\$ –	\$ 8,979
Short-term Investments	–	27,117	–	27,117
Fixed Income Securities	–	250,716	–	250,716
Variable Rate Securities	–	–	1,804	1,804
Total Investment Fund	\$ 8,979	\$277,833	\$ 1,804	\$288,616

Assets Measured at Fair Value as of Oct. 31, 2010

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 13,791	\$ –	\$ –	\$ 13,791
Short-term Investments	–	24,084	–	24,084
Fixed Income Securities	–	262,394	–	262,394
Variable Rate Securities	–	–	1,858	1,858
Total Investment Fund	\$13,791	\$286,478	\$ 1,858	\$ 302,127

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, liquidity and currency risks referred to in Note 5. There are no reasonable alternative assumptions.

Level 3 – Variable Rate Securities

	Apr. 30, 2011	Oct. 31, 2010
Opening Balance	\$ 1,858	\$ 32,712
Net Sales	(97)	(30,854)
Increase in Unrealized Gains/Losses	43	–
Closing Balance	\$ 1,804	\$ 1,858

Government Grants

(Appendix I to Schedule I)

Statement of Investment Portfolio

As at April 30, 2011 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds			
Federal – 47.6%			
Government of Canada			
1.25% 1 Dec 2011	9,140	9,143	9,146
1.50 1 Jun 2012	25,915	25,939	25,910
2.00 1 Sep 2012	31,665	31,866	31,853
1.50 1 Dec 2012	10,325	10,308	10,297
0.00 1 Mar 2015	1,809	1,491	1,467
4.10 1 Jul 2015	2,000	1,690	1,668
3.00 1 Dec 2015	13,605	13,909	13,799
2.00 1 Jun 2016	14,065	13,681	13,468
4.00 1 Jun 2017	6,565	7,017	6,841
4.25 1 Jun 2018	750	813	848
3.55 1 Sep 2019	5,387	5,052	4,970
3.50 1 Jun 2020	13,483	13,797	13,843
3.25 1 Jun 2021	18,275	18,208	17,914
5.75 1 Jun 2029	3,854	4,913	4,896
5.75 1 Jun 2033	4,475	5,836	5,490
5.00 1 Jun 2037	12,337	14,923	14,530
4.00 1 Jun 2041	15,572	16,447	16,168
Business Development Bank of Canada			
4.75 26 Jul 2021	175	191	175
Canada Housing Trust			
4.60 15 Sep 2011	20,976	21,241	21,782
4.80 15 Jun 2012	2,785	2,886	2,788
4.00 15 Jun 2012	21,800	22,401	22,200
4.55 15 Dec 2012	9,045	9,455	9,444
3.60 15 Jun 2013	6,557	6,788	6,812
2.75 15 Sep 2014	5,400	5,472	5,444
1.45 15 Mar 2015	9,278	9,323	9,292
3.15 15 Jun 2015	43,300	44,289	43,510
2.75 15 Dec 2015	16,853	16,883	16,775
1.42 15 Mar 2016	8,393	8,423	8,417
4.10 15 Dec 2018	4,400	4,631	4,497
Canada Post			
4.08 16 Jul 2025	600	614	600
4.36 16 Jul 2040	1,082	1,120	1,081
Farm Credit Corporation			
4.55 12 Apr 2021	350	376	347
Ontario Infrastructure			
3.95 3 Jun 2013	877	909	873
4.70 1 Jun 2037	769	735	760
		350,770	347,905
Municipal and Provincial – 27.2%			
55 School Board Trust Series A Secured Debenture			
5.90 2 Jun 2033	501	568	521
Alberta Capital Finance			
4.45 15 Dec 2025	3,185	3,244	3,121
Province of British Columbia			
4.25 18 Jun 2014	4,660	4,929	4,924
4.70 1 Dec 2017	2,250	2,435	2,356
3.70 18 Dec 2020	2,734	2,692	2,699
5.70 18 Jun 2029	6,552	7,616	7,437
6.35 18 Jun 2031	1,782	2,233	2,223
4.95 18 Jun 2040	555	599	583

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Municipal and Provincial – 27.2% (continued)			
Province of Manitoba			
4.15% 3 Jun 2020	3,093	3,165	3,211
4.40 5 Sep 2025	1,610	1,631	1,641
4.10 5 Mar 2041	1,626	1,524	1,541
Province of New Brunswick			
4.45 26 Mar 2018	5,060	5,363	5,444
4.50 2 Jun 2020	683	712	706
4.65 26 Sep 2035	970	974	970
4.55 26 Mar 2037	1,791	1,770	1,726
Province of Newfoundland			
5.60 17 Oct 2033	966	1,111	1,129
4.50 17 Apr 2037	1,852	1,840	1,801
Province of Nova Scotia			
5.80 1 Jun 2033	2,471	2,884	2,828
4.70 1 Jun 2041	795	811	852
Province of Ontario			
3.25 8 Sep 2014	9,580	9,820	9,768
3.20 8 Sep 2016	7,995	8,052	7,958
4.30 8 Mar 2017	7,710	8,163	7,415
4.40 2 Jun 2019	2,135	2,236	2,178
4.20 2 Jun 2020	7,120	7,285	7,308
4.00 2 Jun 2021	6,143	6,126	6,051
6.20 2 Jun 2031	9,251	11,310	11,394
5.85 8 Mar 2033	10,100	11,940	11,867
5.60 2 Jun 2035	15,885	18,323	18,135
4.70 2 Jun 2037	3,476	3,556	3,535
4.65 2 Jun 2041	2,950	3,013	3,048
Province of Quebec			
1.22 1 Dec 2014	545	540	521
4.50 1 Dec 2016	500	535	524
4.50 1 Dec 2017	1,865	1,986	1,828
4.50 1 Dec 2019	7,125	7,475	7,485
11.00 15 Aug 2020	2,001	3,087	3,132
4.50 1 Dec 2020	17,713	18,420	18,589
4.25 1 Dec 2021	1,875	1,898	1,874
6.00 1 Oct 2029	2,170	2,568	2,634
6.25 1 Jun 2032	2,005	2,455	2,454
5.25 1 Jun 2034	850	917	914
5.75 1 Dec 2036	8,856	10,351	10,003
5.00 1 Dec 2038	3,160	3,354	3,163
5.00 1 Dec 2041	3,270	3,494	3,559
Province of Saskatchewan			
4.65 5 Sep 2017	1,109	1,199	1,131
3.90 28 Jul 2020	720	728	718
6.40 5 Sep 2031	3,183	4,032	3,805
4.75 1 Jun 2040	1,087	1,144	1,071
		200,108	197,775
Corporate – 20.7%			
407 International Inc.			
7.13 26 Jul 2040	2,895	3,676	3,476
Access Justise Durham Ltd			
5.02 31 Aug 2039	482	451	455

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, 2011 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Corporate – 20.7% (continued)			
Arrow Lakes Power Corp 5.52% 5 Apr 2041	847	855	847
BAC Canada Finance 0.00 21 Feb 2014	4,108	4,112	4,108
Bank of Canada 4.05 5 May 2014	130	135	133
Bank of Montreal 4.63 29 Dec 2049 5.47 31 Dec 2049	2,900 3,335	3,005 3,560	2,827 3,519
Bank of Nova Scotia 6.63 30 Jun 2012 6.28 30 Jun 2053	3,435 1,900	3,603 2,040	3,766 2,101
BCIMC Realty Corporation 3.38 29 Jan 2015 4.65 10 Feb 2015 5.65 5 Jan 2018	159 2,095 1,385	161 2,203 1,521	159 2,161 1,506
Bell Canada 6.90 15 Dec 2011	2,500	2,579	2,758
Blue Water Bridge Authority 6.41 9 Jul 2027	2,371	2,115	2,145
Cadillac Fairview Finance Trust 3.24 25 Jan 2016 4.31 25 Jan 2021	5,005 4,301	5,030 4,350	4,992 4,270
Canadian Capital Auto Receivables Asset Trust 2.63 17 Aug 2014 2.00 17 Jul 2016	2,453 993	2,472 672	2,455 667
Canadian Imperial Bank of Commerce 4.75 22 Dec 2014	5,460	5,804	5,514
CBC 4.69 15 May 2027	3,029	3,091	3,206
Citigroup Finance Canada 4.75 17 Mar 2014	2,000	2,071	2,060
Claregold Trust 5.07 15 May 2044	1,881	1,652	1,653
Gaz Metropolitan Inc. 4.93 18 Jun 2019	2,500	2,667	2,545
GE Capital Canada 2.12 2 Oct 2014 4.65 11 Feb 2015 4.55 17 Jan 2017 5.53 17 Aug 2017 5.73 22 Oct 2037	1,033 5,650 800 1,800 2,000	1,036 5,938 829 1,953 2,039	1,033 5,653 750 1,782 1,704
Gloucester Credit Card Trust 5.38 15 May 2014	2,176	2,325	2,277
Great West Lifeco Inc. 6.14 21 Mar 2018	1,352	1,515	1,482

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Corporate – 20.7% (continued)			
Green Timbers LP 6.84% 30 Jun 2037	684	732	746
Health Partners Markham 0.00 31 Jan 2014	834	834	834
Honda Canada Finance Inc. 5.68 26 Sep 2012 5.61 12 Sep 2013	1,150 1,135	1,203 1,210	1,227 1,135
Inter American Development Bank 4.40 26 Jan 2026	1,380	1,380	1,372
Investors Group Inc. 6.75 9 May 2011	1,545	1,546	1,690
Leisureworld 4.81 24 Nov 2015	1,616	1,656	1,674
Manulife Financial Capital Trust 4.85 12 Dec 2015 6.70 31 Dec 2051 7.41 31 Dec 2108	1,865 3,920 1,200	1,926 4,100 1,363	1,880 4,346 1,200
Manulife Financial Corp 4.90 2 Jun 2014 5.16 26 Jun 2015 4.08 20 Aug 2015 4.98 12 Jun 2016	706 2,423 792 1,200	739 2,558 804 1,248	738 2,556 800 1,227
Maritimes and Northeast Pipelines 4.34 30 Nov 2019	3,384	3,469	3,484
Merrill Lynch Financial Assets 4.82 12 Feb 2015 4.62 12 Nov 2015 4.81 12 Oct 2016 4.71 12 Nov 2016 4.48 12 Jul 2037	815 1,235 1,814 1,192 920	854 1,278 1,874 1,220 950	820 1,222 1,860 1,201 900
Milit-Air Inc. 5.75 30 Jun 2019	3,004	3,293	3,246
N-45 First CMBS 5.67 15 Nov 2020	1,048	1,108	1,117
National Bank of Canada 5.55 15 Nov 2018	1,456	1,554	1,568
NAV Canada 4.71 24 Feb 2016	2,722	2,902	2,821
Northwest Connect Group 5.95 30 Apr 2041	2,478	2,578	2,588
OMERS Realty Corporation 4.74 4 Jun 2018	285	301	295
Ontrea Inc. 4.62 9 Apr 2018	1,100	1,108	1,100
Ornge Issuer Trust 5.73 11 Jun 2034	1,553	1,668	1,625

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, 2011 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Corporate – 20.7% (continued)			
Ottawa Hydro Holding Inc. 4.93% 2 Sep 2015	1,453	1,548	1,518
Plenary Health Hamilton LP 3.16 13 Mar 2015	1,654	1,657	1,654
Plenary Properties Ltap LP 6.29 31 Jan 2044	781	834	827
Power Corp of Canada 7.57 22 Apr 2019	1,308	1,550	1,502
PSP Capital Inc. 4.57 9 Dec 2013	4,396	4,637	4,433
RBC Capital Trust 4.87 29 Dec 2049	6,000	6,283	5,950
Real Estate Asset Liquidity Series Class A 4.62 12 Sep 2016 5.08 12 Oct 2036	1,350 745	1,400 784	1,333 763
Royal Office Finance 5.21 12 Nov 2032	2,236	2,326	2,214
SNC Lavalin Group 6.63 30 Jun 2044	657	715	657
Sun Life Capital Trust 6.87 31 Dec 2011 5.86 31 Dec 2108	1,540 2,000	1,587 2,109	1,711 2,000
TransCanada Pipelines 5.65 15 Jan 2014	4,050	4,369	4,300
Wells Fargo Finance Canada 4.40 12 Dec 2012	1,400	1,445	1,377
WTH Car Rental 4.14 20 Mar 2015	2,475	2,485	2,475
		152,645	149,990
Total Fixed Income – 95.5%		703,523	695,670
Variable Rate Securities – 3.5%			
Toronto-Dominion Bank S&P/TSX 60 Index Linked Note 19 Oct 2011 26 Oct 2012	5,000 5,000	5,763 5,147	5,000 5,000
Toronto-Dominion Bank Global Indices Linked Note 20 Oct 2011	15,000	15,002	15,000
		25,912	25,000
Total Fixed Income – 99.0%		729,435	720,670
Cash and Short-term Investments – 1.0%		7,185	7,185
Total Portfolio Assets – 100.0%		736,620	727,855

Security	Fair Value (\$)	Average Cost (\$)
Government Grant Investments Allocation		
Plan II	431	411
Founders’ Plan	44,081	43,492
Group Savings Plan	202,100	199,522
Group Savings Plan 2001	434,897	429,771
Family Savings Plan	44,744	44,311
Individual Savings Plan	3,182	3,163
	729,435	720,670
Cash and Short-term Investments Allocation		
Plan II	16	16
Founders’ Plan	474	474
Group Savings Plan	2,071	2,071
Group Savings Plan 2001	4,254	4,254
Family Savings Plan	354	354
Individual Savings Plan	16	16
	7,185	7,185

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 April 30, 2011 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds			
Federal – 17.0%			
Government of Canada			
1.25% 1 Dec 2011	370	370	370
3.75 1 Jun 2012	675	692	708
3.50 1 Jun 2013	2,540	2,628	2,660
3.00 1 Jun 2014	1,750	1,796	1,795
3.00 1 Dec 2015	405	414	409
3.75 1 Jun 2019	1,640	1,719	1,713
Canada Housing Trust			
4.80 15 Jun 2012	1,565	1,622	1,668
4.10 15 Dec 2018	210	221	214
3.75 15 Mar 2020	465	474	460
		9,936	9,997
Provincial – 17.0%			
Province of British Columbia			
5.75 9 Jan 2012	1,850	1,906	1,959
4.65 18 Dec 2018	285	306	295
Province of Ontario			
4.40 2 Dec 2011	395	402	417
5.38 2 Dec 2012	1,330	1,405	1,441
4.75 2 Jun 2013	1,445	1,526	1,547
3.25 8 Sep 2014	1,040	1,066	1,061
Province of Quebec			
6.00 1 Oct 2012	1,760	1,865	1,929
5.50 1 Dec 2014	755	831	836
4.50 1 Dec 2020	505	525	507
		9,832	9,992
Total Investments – 34.0%		19,768	19,989
Cash and Short-term Investments – 66.0%		46,401	46,401
Total Portfolio Assets – 100.0%		66,169	66,390
Total Investments Allocation			
Plan II		2,950	2,965
Founders’ Plan		16,818	17,024
		19,768	19,989
Cash and Short-term Investments Allocation			
Plan II		10,850	10,850
Founders’ Plan		35,551	35,551
		46,401	46,401

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Canadian Scholarship Trust Plan

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Canadian Scholarship Trust Foundation



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