

Canadian Scholarship Trust Group Savings Plan



Semi-Annual Financial Statements
April 30, 2009

Unaudited

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Statements of Net Assets Available for Education Assistance Payments

As at April 30, 2009 and October 31, 2008 (in thousands of dollars)

	Apr 30, 2009	Oct 31, 2008
		(Audited)
Assets		
Investments, at fair value <i>(Note 4 and Schedule I)</i>	\$ 1,045,828	\$ 991,395
Cash and cash equivalents	9,510	13,339
Short-term investments	16,233	14,348
Accrued interest and other receivables	9,950	9,662
Receivables for securities sold	5,594	8,620
Government grants receivable	1,715	732
	1,088,830	1,038,096
Liabilities		
Accounts payable, accrued liabilities and unclaimed contributors' funds	2,879	1,449
Payables for securities purchased	7,481	9,335
Contributors' deposits <i>(Note 6)</i>	605,432	595,216
	615,792	606,000
Net Assets Available for Education Assistance Payments	473,038	432,096
Represented by:		
Non-Discretionary Funds		
Accumulated interest held for future education assistance payments	220,187	207,573
Government grants	140,886	136,772
Interest on government grants	43,770	40,592
Enrolment fee refund entitlements <i>(Notes 3(b) and 8)</i>	57,887	56,074
Unrealized Gains (Losses)	7,765	(11,723)
Discretionary Funds		
Donations from the Foundation <i>(Note 7)</i>	2,543	2,808
	\$ 473,038	\$ 432,096

Statements of Investment Operations

For the six months ended April 30, 2009 and 2008 (in thousands of dollars)

	Apr 30, 2009	Apr 30, 2008
Income		
Interest income	\$ 16,635	\$ 17,221
Realized gains	3,865	4,851
Other income	1,638	2,686
	22,138	24,758
Expenses		
Plan administration and processing fees <i>(Note 3(a))</i>	1,733	1,637
Financial reporting <i>(Note 3(a))</i>	820	840
Portfolio management fees	545	507
Custodian fees	58	50
Trustee fees	13	12
	3,169	3,046
Net Investment Income	18,969	21,712
Change in Unrealized Gains	19,488	10,785
Increase in Net Assets from Investment Operations	\$ 38,457	\$ 32,497

Statements of Changes in Net Assets Available for Education Assistance Payments

For the six months ended April 30, 2009 and 2008 (in thousands of dollars)

	Apr 30, 2009	Apr 30, 2008
Net Assets Available For Education Assistance Payments, Beginning of Period	\$ 432,096	\$ 449,209
Increase in Net Assets from Investment Operations	38,457	32,497
Transfers (to) from internal and external plans	(12)	1,361
	38,445	33,858
Receipts		
Government grants received (net of repayments)	5,270	5,786
Disbursements		
Payments to beneficiaries		
Education assistance payments	(1,867)	(1,479)
Government grants	(462)	(355)
Refund of enrolment fees	(235)	(165)
Return of interest	(209)	(141)
	(2,773)	(2,140)
Receipts less Disbursements	2,497	3,646
Increase in Net Assets Available for Education Assistance Payments	40,942	37,504
Net Assets Available For Education Assistance Payments, End of Period	\$ 473,038	\$ 486,713

Statements of Cash Flows

For the six months ended April 30, 2009 and 2008 (in thousands of dollars)

	Apr 30, 2009	Apr 30, 2008
Operating Activities		
Increase in Net Assets from Investment Operations	\$ 38,457	\$ 32,497
Items not affecting cash		
Realized gains on sale of investments	(3,865)	(4,851)
Amortization of investments	(4)	(61)
Change in Unrealized Gains	(19,488)	(10,785)
Changes in other operating activities		
Increase in Accrued interest and other receivables	(288)	(298)
(Increase) decrease in Government grants receivable	(983)	191
Increase (decrease) in Accounts payable, accrued liabilities and unclaimed contributors' funds	1,430	(137)
Net purchases of investments	(32,961)	(32,428)
Decrease (increase) in Receivables for securities sold	3,026	(7,496)
(Decrease) increase in Payables for securities purchased	(1,854)	6,321
Cash flow from operating activities	(16,530)	(17,047)
Financing Activities		
Transfers (to) from internal and external plans	(12)	1,361
Government grants received	5,270	5,786
Increase in Contributors' deposits <i>(Note 6)</i>	10,216	15,717
Payments to beneficiaries	(2,773)	(2,140)
Cash flow from financing activities	12,701	20,724
Net (decrease) increase in Cash and cash equivalents	(3,829)	3,677
Cash and cash equivalents, Beginning of Period	13,339	8,757
Cash and cash equivalents, End of Period	\$ 9,510	\$ 12,434

Schedule I – Statement of Investment Portfolio

As at April 30, 2009 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds				Bonds (continued)			
Federal – 35.4%				Municipal and Provincial – 35.0% (continued)			
Government of Canada				Province of British Columbia			
4.25% 1 Dec 2009	7,905	8,081	8,110	5.70% 1 Jun 2009	2,388	2,397	2,589
3.75 6 Jan 2010	6,660	6,895	6,902	5.30 18 Jun 2014	9,100	10,180	10,060
4.00 9 Jan 2010	16,240	16,982	16,018	7.50 6 Sep 2014	1,663	2,030	1,967
2.75 12 Jan 2010	8,132	8,393	8,369	5.60 6 Jan 2018	1,000	1,109	1,098
3.75 9 Jan 2011	16,918	17,936	16,556	4.80 15 Jun 2021	452	456	452
3.75 6 Jan 2012	3,317	3,551	3,353	8.75 19 Aug 2022	661	916	958
3.50 6 Jan 2013	12,435	13,261	13,393	5.70 18 Jun 2029	4,087	4,445	4,472
4.00 6 Jan 2016	10,200	11,172	10,032	4.70 18 Jun 2037	1,250	1,214	1,264
4.25 6 Jan 2018	410	452	464	Province of Manitoba			
3.75 6 Jan 2019	8,895	9,393	9,347	5.85 25 Jan 2011	12,500	13,541	13,265
8.00 6 Jan 2023	490	723	666	4.25 5 Mar 2018	1,909	1,925	1,877
0.00 6 Jan 2025	260	131	125	4.70 11 Feb 2020	4,126	4,190	4,088
8.00 6 Jan 2027	1,000	1,529	1,331	Province of New Brunswick			
5.75 6 Jan 2033	8,950	11,489	10,508	6.38 15 Jun 2010	4,019	4,273	4,332
5.00 6 Jan 2037	17,890	21,424	21,492	4.50 4 Feb 2015	6,975	7,305	6,891
Business Development Bank of Canada				4.30 3 Dec 2015	2,484	2,655	2,471
4.75 26 Jul 2021	1,340	1,447	1,337	4.55 26 Mar 2037	1,619	1,473	1,547
Canada Housing Trust				Province of Newfoundland			
4.65 15 Sep 2009	1,585	1,610	1,665	5.60 17 Oct 2033	404	423	439
3.75 15 Mar 2010	4,400	4,524	4,465	4.50 17 Apr 2037	2,242	2,030	2,164
1.70 15 Mar 2010	6,325	6,326	6,344	Province of Nova Scotia			
1.69 15 Sep 2010	6,410	6,408	6,424	4.50 1 Jun 2013	3,386	3,641	3,568
4.05 15 Mar 2011	13,700	14,460	13,632	5.80 1 Jun 2033	13,062	14,009	14,586
4.60 15 Sep 2011	32,398	34,846	33,535	Province of Ontario			
3.95 15 Dec 2011	4,350	4,626	4,293	0.56 12 Mar 2010	10,835	10,689	10,814
4.00 15 Jun 2012	17,770	18,976	17,501	4.75 6 Feb 2013	5,309	5,777	5,529
4.80 15 Jun 2012	5,595	6,110	5,594	5.00 3 Aug 2014	600	661	586
4.55 15 Dec 2012	9,800	10,681	10,015	4.50 3 Aug 2015	1,400	1,501	1,461
3.95 15 Jun 2013	12,500	13,384	12,481	4.40 3 Aug 2016	7,375	7,777	7,310
1.69 15 Jun 2013	4,630	4,571	4,627	4.30 3 Aug 2017	9,710	10,012	9,283
0.00 15 Mar 2014	2,978	2,978	2,997	5.50 6 Feb 2018	2,311	2,538	2,483
Export Development Corporation				4.40 6 Feb 2019	705	709	707
6.20 22 Jun 2010	7,927	8,425	8,780	4.85 6 Feb 2020	2,735	2,807	2,785
5.75 1 Jun 2011	7,788	8,502	8,096	8.10 9 Aug 2023	7,000	9,344	8,954
Farm Credit Corporation				6.50 3 Aug 2029	5,541	6,541	6,658
4.50 1 Jun 2009	2,838	2,847	2,835	6.20 6 Feb 2031	1,982	2,280	2,343
4.55 12 Apr 2021	2,620	2,779	2,601	5.85 3 Aug 2033	21,865	24,284	22,444
Ontario Infrastructure				5.60 6 Feb 2035	12,268	13,321	13,827
3.95 3 Jun 2013	800	837	798	4.60 6 Feb 2039	3,090	2,931	2,982
4.70 1 Jun 2037	791	702	782	Province of Quebec			
	266,247	286,453	275,469	5.50 1 Jun 2009	835	838	885
Municipal and Provincial – 35.0%				6.25 12 Jan 2010	4,750	5,143	5,155
55 School Board Trust Series A Secured Debenture				1.62 21 Jun 2010	1,485	1,484	1,489
5.90 2 Jun 2033	391	403	414	3.25 16 May 2011	325	323	326
Alberta Capital Finance				6.00 10 Jan 2012	3,619	4,084	3,920
4.65 15 Jun 2017	481	506	480	3.58 16 Sep 2013	6,440	6,211	6,450
4.45 15 Dec 202z	8,277	7,738	7,987	1.74 12 Oct 2013	8,250	7,970	8,281
City of Montreal				5.50 12 Jan 2014	3,636	4,097	3,898
5.00 1 Dec 2018	1,155	1,150	1,145	1.99 12 Jan 2014	13,920	13,298	13,920
City of Toronto				4.25 12 Jan 2015	805	834	794
4.95 27 Jun 2018	1,155	1,171	1,151	4.50 12 Jan 2017	6,205	6,342	5,989
				4.50 12 Jan 2018	6,850	6,905	6,780
				11.00 15 Aug 2020	1,042	1,611	1,652
				6.25 6 Jan 2032	5,035	5,703	5,673
				5.75 12 Jan 2036	10,168	10,993	10,853
				5.00 12 Jan 2038	8,865	8,678	8,893

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

Schedule I – Statement of Investment Portfolio (continued)

As at April 30, 2009 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Municipal and Provincial – 35.0% (continued)			
Province of Saskatchewan			
6.15% 9 Jan 2010	1,500	1,606	1,676
4.65 9 May 2017	991	1,042	1,011
6.40 9 May 2031	3,106	3,676	3,594
4.75 6 Jan 2040	2,073	2,029	2,050
	267,412	283,223	280,722
Corporate – 6.0%			
Bank of Montreal			
4.63 29 Dec 2049	1,465	1,275	1,397
5.47 31 Dec 2049	250	238	257
6.65 31 Dec 2049	1,963	2,014	2,085
6.69 31 Dec 2049	2,450	2,516	2,416
Bank of Nova Scotia			
3.32 18 Aug 2009	20	20	20
7.31 31 Dec 2010	195	204	200
6.63 30 Jun 2012	2,240	2,320	2,385
Bell Canada			
6.15 15 Jun 2009	1,045	1,050	1,106
6.90 15 Dec 2011	165	176	187
Canadian Imperial Bank of Commerce			
4.75 22 Dec 2014	2,910	3,088	2,900
Enbridge Gas Distribution			
6.85 26 Oct 2009	350	358	390
3.95 15 Feb 2010	350	355	350
European Investment Bank			
4.60 30 Jan 2037	4,640	4,119	4,639
GE Capital Canada			
6.25 24 Jul 2012	555	576	614
4.38 28 Sep 2012	3,910	3,840	3,906
5.28 22 Oct 2014	2,140	2,097	2,139
Investors Group Inc.			
6.75 9 May 2011	335	350	357
John Deere Credit Inc.			
4.75 21 Jul 2009	345	346	345
Manulife Financial Capital Trust			
6.70 30 Jun 2012	2,565	2,526	2,752
4.85 12 Dec 2015	710	665	710
Merrill Lynch Financial Assets			
4.82 12 Feb 2015	485	432	504
4.62 12 Nov 2015	560	486	560
4.48 12 Jul 2037	410	348	410
Ontrea Inc Debenture Series B			
5.57 9 Apr 2013	1,144	1,248	1,218
Planet Trust			
0.00 20 Jun 2013	23	11	23
0.00 20 Dec 2013	14	6	14
0.00 4 May 2014	5	2	5
0.00 25 Apr 2029	1	-	1
0.00 15 Jul 2056	41	19	41
PSP Capital Inc.			
4.57 12 Sep 2013	4,373	4,581	4,396

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Corporate – 6.0% (continued)			
RBC Capital Trust			
5.81% 31 Dec 2053	5,455	5,357	5,277
Real Estate Asset Liquidity Series Class A			
4.62 9 Dec 2016	515	438	515
5.25 10 Dec 2036	390	355	390
Royal Office Finance			
5.21 11 Dec 2032	2,387	2,302	2,383
Sun Life Capital Trust			
6.87 31 Dec 2011	2,575	2,586	2,789
TD Capital Trust			
7.60 31 Dec 2009	355	363	390
Thomson Corporation			
4.35 1 Dec 2009	1,205	1,218	1,203
Toronto Community Housing Corporation			
4.88 11 May 2037	302	270	303
Transcanada Pipelines			
10.63 20 Oct 2009	110	114	143
	48,953	48,270	49,721
Total Fixed Income – 76.4%	582,612	617,947	605,912
Variable Rate Securities – 23.1%			
Business Development Bank of Canada G7 Equity Linked Note			
1 Jun 2009	8,000	7,542	8,000
31 Mar 2010	8,500	8,393	8,500
Toronto-Dominion Bank S&P/TSX 60 Index Linked Note			
16 Jun 2009	24,600	28,261	24,600
19 Jan 2010	45,000	45,296	45,000
19 Oct 2011	65,000	67,809	65,000
Toronto-Dominion Bank Global Indices Linked Note			
20 Oct 2011	30,000	29,581	30,000
	181,100	186,883	181,100
Plan Investments – 99.5%	763,712	804,829	787,012
Plan Cash and Short-term Investments – 0.5%		4,190	4,190
Plan Portfolio Assets – 100.0%		809,020	791,202
Investments Allocation (Note 4)			
Government Grants (Appendix I)		186,234	183,058
Group Scholarship Pool (Appendix II)		10,306	9,905
Enrolment Fee Refund Entitlement (Appendix III)		44,459	58,089
Cash and Short-term Investments (Appendix I, II & III)		21,552	21,552
Total Investment Fund		1,071,571	1,063,806
Represented by :			
Investments, at fair value		1,045,828	
Cash and cash equivalents		9,510	
Short-term Investments		16,233	
		1,071,571	

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

Notes to the Financial Statements

(Unaudited) April 30, 2009 (in thousands of dollars)

Note 1. Nature of Operations

The Canadian Scholarship Trust Group Savings Plan (“Group Savings Plan”, or the “Plan”) is a Pooled Education Savings Plan, established on September 1, 1991. The objective of the Group Savings Plan is to assist parents and others to save for the post-secondary education of children.

Deposits are made by a contributor to an account maintained by the depository trustee on behalf of a beneficiary. The contributor authorizes deductions of enrolment fees from deposits and depository charges from their principal deposit balance. The principal accumulated over the term of the education savings plan agreement is returned to the contributor when the plan matures and the beneficiary is a qualified student, or upon termination. The investment income earned on such principal deposits until maturity is used to provide education assistance payments to qualified students. A beneficiary is deemed to be a qualified student upon receipt by the Canadian Scholarship Trust Foundation (the “Foundation”) of evidence of enrolment in a qualifying educational program at an eligible institution. The Group Savings Plan provides for additional payments referred to as enrolment fee refund entitlements. An amount equal to the enrolment fee is paid to the qualified student during the education assistance payment period.

Effective January 1, 2005, the Federal Government enhanced the Canada Education Savings Grant Program (“CESG”) whereby Registered Education Savings Plans receive grant amounts dependant on family income. Any child may be eligible for the subsequent Alberta Centennial Education Savings Grant (“ACES”), if attending school in Alberta at certain eligible ages. 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 Quebec on December 31 of each year. The amount of the QESI you receive depends on annual family income.

The Group Savings Plan receives the CESG, ACES and QESI (“Government Grants”) which are paid directly into a beneficiary’s Registered Education Savings Plan 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.

Contributor education savings plan contracts (“agreements”) are registered, if all required information is provided, with appropriate government authorities and once registered, are subject to the rules for Registered Education Savings Plans under the *Income Tax Act* (Canada). The current tax legislation provides that income credited on contributors’ deposits 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.

The Group Savings Plan is administered through the Foundation and its wholly-owned subsidiary, C.S.T. Consultants Inc. (“C.S.T.C.”). The Foundation is a non-profit corporation without share capital

whose mission is to advocate, develop, deliver and support solutions that will enable every Canadian resident to have sufficient financial resources to pursue post-secondary education.

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) Adoption of new accounting standards

On November 1, 2007, the Plan adopted Canadian Institute of Chartered Accountants Handbook Section 3862, “Financial Instruments – Disclosures” and Section 3863, “Financial Instruments – Presentation”. These new standards replace Section 3861, “Financial Instruments – Disclosure and Presentation”, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on the disclosure of risks associated with financial instruments and how those risks are managed. Adoption of the new standards did not impact the financial results of the Plan.

(c) Investment valuation

All bonds are carried at fair value, using bid prices at period end. Fair value represents the amount at which a security could be exchanged in an arms’ length transaction and is best evidenced by a quoted bid price, if one exists. If quoted market prices are not available, the fair values presented are estimates derived using present value or other valuation techniques. Such techniques include assumptions related to the assessment and quantification of market, credit, liquidity and currency risks referred to in Note 5.

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.

Short-term notes are valued at cost, which together with accrued interest, approximates fair value.

Investments in pooled funds to pay the EFR Entitlements referred to in Note 3(b) are valued at net asset values which are based on fair values of underlying securities. Reasonability of the values reported is supported through reliance on the audited financial statements provided by the investment manager of these funds.

(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. Dividends are accrued as of the ex-dividend

Notes to the Financial Statements (continued)

(Unaudited) April 30, 2009 (in thousands of dollars)

Note 2. Significant Accounting Policies (continued)

(d) Investment transactions and income recognition (continued)

date. 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.

All enrolment fee refund income is included in Other income in the Statements of Investment Operations.

(e) Contributors' deposits, Enrolment fees and Depository charges

Contributors' deposits reflect amounts received from contributors net of enrolment fees and depository charges 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' deposits. Depository charges are paid annually to the Foundation by contributors of the Group Savings Plan from their contributors' deposits. These charges are accrued throughout the period.

(f) Income taxes

The Group Savings 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 cash and 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 Enrolment Fee Refund Entitlements and the valuation of certain investments.

Note 3. Related Party Transactions

(a) Administration of the Group Savings Plan

The Foundation has appointed its wholly-owned subsidiary, C.S.T.C., to administer the Group Savings Plan. Depository charges and administration fees, comprising Plan administration and processing fees and Financial reporting expenses, are paid to the Foundation. Administration fees are annual fees of 1/2 of 1% of the total amount of principal, Government Grants and income earned thereon and are paid monthly.

(b) Group Savings Plan – Enrolment Fee Refund Entitlements

Group Savings Plan pays Enrolment Fee Refund entitlements ("EFR Entitlements") to the beneficiaries during the education

assistance payment payout period. C.S.T.C. has left previously collected enrolment fee income of \$30,185 in the Group Savings Plan, which is equivalent to 50% of the estimated present value of the future expected amount as determined at the time of collection. For the six month period ended April 30, 2009, C.S.T.C. deposited \$481 (2008 – \$538) in the Group Savings Plan to reduce the unfunded portion of the EFR Entitlement (see Note 8). These amounts and any income earned thereon will assist the Group Savings Plan in paying EFR Entitlements when they become due.

(c) 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"), of which a director of the Foundation is the beneficial owner of 7.8% as at April 30, 2009 (October 31, 2008 – 8.2%) of Greystone's equity. The director's interest in Greystone was declared prior to the Board's selection of investment advisors and he did not participate in any Board deliberations concerning the selection of the portfolio managers or the contracting for services with the Foundation. The director is not present at any Board discussions related to the investment portfolio.

The Portfolio management fees in the Statements of Investment Operations include fees paid or payable to Greystone of \$130 (2008 – \$120). Included in Accounts payable, accrued liabilities and unclaimed contributors' funds per the Statements of Net Assets Available for Education Assistance Payments are the accrued amounts owing to Greystone as at April 30, 2009 of \$22 (October 31, 2008 – \$21).

Note 4. Investment Holdings

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

The Government Grant received from Human Resources and Skills Development Canada is 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 Group Savings Scholarship Pool ("Pool"), a shared investment scholarship pool with the Group Savings Plan 2001, 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).

Notes to the Financial Statements (continued)

(Unaudited) April 30, 2009 (in thousands of dollars)

Note 4. Investment Holdings (continued)

Investments used to fund the EFR Entitlements of the Group Savings Plan and the Group Savings Plan 2001 are managed in a separate fund (See Appendix III to Schedule 1). The fund's holdings and income are allocated to the Plan based on proportionate share of the EFR Entitlements. Investments in pooled funds only apply to the assets invested to meet the EFR Entitlements referred to in notes 3(b) and 8 that are not subject to standard investment restrictions set out in National Policy 15 of the Canadian Securities Administrators.

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.

As at April 30, 2009, the Plan's holdings of debt instruments by maturity is as follows:

Debt Instruments by Maturity Date	% of Total Investment Fund
Less than 1 year (including short-term investments)	23%
1-3 years	25%
3-5 years	15%
Greater than 5 years	34%
Total debt instruments	97%
Equity	3%
TOTAL INVESTMENT FUND	100%

As at April 30, 2009, if prevailing interest rates had increased or decreased by 1%, the Total Investment Fund amount of \$1,071,571 as per the Statement of Investment Portfolio would have decreased or increased by approximately \$47,078. 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 classes that are most impacted by other price risk are the equity component of the EFR Entitlements and variable rate securities which represent 21% of the Total Investment Fund amount as at April 30, 2009. The risk is managed by security selection and active management by external managers within approved investment policies and manager mandates.

As at April 30, 2009, if equity and underlying indices prices had increased or decreased by 1%, with all other variables held constant, the Total Investment Fund amount as per the Statement of Investment Portfolio would have decreased or increased by approximately \$822. 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 Canadian Securities Administrators, currently A-low. Group Savings 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.

As of April 30, 2009, the Plan's credit risk exposure is listed below.

Credit rating	% of Total Investment Fund	Amount (in thousands)
AAA/AAH/AAL	39%	418,226
AA/AH/AL	52%	550,420
A	4%	45,048
BBB	0%	1,374
R-1	2%	26,695
Short-term unrated	0%	2,080
Equity	3%	27,728
TOTAL	100%	\$ 1,071,571

The Dominion Bond Rating Service was the primary source for obtaining credit ratings. Secondary sources used included Standard and 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.

Notes to the Financial Statements (continued)

(Unaudited) April 30, 2009 (in thousands of dollars)

Note 5. Risks Associated with Financial Instruments (continued)

(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 holds foreign equity funds as part of the EFR Entitlements portfolio as well as the Global Index Linked Note which represent 4% of the Total Investment Fund. The Plan's total investment fund will increase or decrease by approximately \$1,018 in response to a 1% increase or decrease of the Canadian dollar currency exchange rate. The risk is managed by measuring investments' sensitivity to fluctuations of currency exchange rates.

Note 6. Contributors' Deposits

The changes in Contributors' deposits for the six months ended April 30, 2009 and April 30, 2008 are as follows:

	Apr. 30, 2009	Apr. 30, 2008
Payments from contributors	\$ 20,187	\$ 24,161
Inter-Plan transfers	(3,166)	(2,427)
Enrolment fees refunded	8	8
Depository charges	(441)	(464)
Return of principal	(6,372)	(5,561)
Net increase in Contributors' deposits	10,216	15,717
Balance, beginning of period	595,216	587,320
Balance, end of period	\$ 605,432	\$ 603,037

Note 7. General Fund and Donations from the Foundations

The Group Scholarship Trust Plan (the "Group Trust") is a legal trust registered with the Canada Revenue Agency as an Education Savings Plan. Included in the Group Trust are Group Savings Plan and Group Savings Plan 2001 (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 Group Trust.

The General Fund derives its income from the following sources:

- i) 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;
- ii) interest earned on the interest forfeited when a contributor's plan is terminated prior to maturity;
- iii) income not collected by beneficiaries before the expiry of the benefit period;
- iv) unclaimed principal and income payments; and

- v) interest earned on the Government Grants applicable to terminated plans. Effective July 1, 2005, government regulations do not allow for the allocation of this interest to the General Fund. Any interest earned thereon is payable to a designated educational institution.

Donations from the Foundation represent a discretionary pool of funds shared between Group Savings Plan and Group Savings Plan 2001. These funds are used to supplement Education Assistance Payments when the General Fund is depleted. The amount is annually allocated between the above plans according to the payout forecast in each plan.

Note 8. Enrolment Fee Refund Entitlements

The EFR Entitlements amount presented in the Statements of Net Assets Available for Education Assistance Payments represents funding by the Group Savings Plan to pay EFR Entitlements that are expected to be paid in the future based on the units outstanding at the end of the fiscal period (see Note 3(b)). The EFR Entitlement is paid during the education assistance payment payout period together with education assistance payments to qualified beneficiaries in one installment for the Group Savings Plan. The total amount of EFR Entitlements paid for the six months ended April 30, 2009 was \$235 (2008 – \$165), of which \$1 (2008 – \$3) was paid from the General Fund.

Funding valuations are performed at a minimum every two years to assess the adequacy of funding to meet EFR Entitlements in future years. For the year ended October 31, 2008, an analysis was carried out by an external actuary to update the funded status of the EFR Entitlements. Based on this analysis, it is expected that the funds set aside together with future income from interest earned on matured plans will be adequate to pay the EFR Entitlements. Furthermore, management has implemented a funding policy to ensure there are sufficient assets to meet future requirements to pay EFR Entitlements. In the event that the Plan has insufficient assets, the cumulative surplus from the Foundation will be utilized to meet its enrolment fee refund obligations.

The actuarial assumptions used in determining the funded status of EFR Entitlement payments reflect management's best estimate of future payments to beneficiaries and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as termination of plans prior to maturity and participation of eligible students in the collection of education assistance payments. The primary economic assumption is the discount rate, which is set at the average expected long-term investment return of the portfolio as at October 31, 2008 of 6.25% (October 31, 2007 – 6.5%) based on the investment policy approved by the Board. As underlying conditions change over time, particularly interest rates and investment returns, actuarial assumptions may also change which could cause a material change in the present value of the EFR Entitlements.

Notes to the Financial Statements (continued)

(Unaudited) April 30, 2009 (in thousands of dollars)

Note 8. Enrolment Fee Refund Entitlements (continued)

The funding status of the EFR Entitlements is:			
	Oct. 31, 2008		Oct. 31, 2007
Present value of EFR Entitlements	\$ 63,236	\$	60,187
Fair value of the funded portion of EFR Entitlements ¹	44,037		55,464
Underfunded portion of EFR Entitlements	\$ 19,199	\$	4,723

¹ Including an unrealized (loss) gain of (\$12,037) (2007 – \$1,183)

A 1% decrease in the discount rate used will increase the present value of EFR Entitlements by \$3,840.

Note 9. Fair Value of Financial Instruments

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 market price, if one exists.

Investments and Cash equivalents are carried at fair value as set out in the accounting policy note. The carrying value of the 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.

Government Grants

(Appendix I to Schedule I)

Statement of Investment Portfolio

As at April 30, 2009 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds			
Federal – 35.1%			
Government of Canada			
4.25% 1 Dec 2009	4,570	4,672	4,687
3.75 6 Jan 2010	6,085	6,300	6,304
4.00 9 Jan 2010	4,990	5,218	4,953
2.75 12 Jan 2010	11,802	12,181	12,149
3.75 9 Jan 2011	23,224	24,622	23,118
3.75 6 Jan 2012	2,967	3,176	2,995
3.50 6 Jan 2013	19,556	20,855	20,764
4.00 6 Jan 2017	4,225	4,602	4,334
4.25 6 Jan 2018	750	827	848
3.75 6 Jan 2019	9,926	10,481	10,453
5.75 6 Jan 2033	4,475	5,744	5,490
5.00 6 Jan 2037	18,042	21,607	21,574
Business Development Bank of Canada			
4.75 26 Jul 2021	175	189	175
Canada Housing Trust			
1.70 15 Mar 2010	7,315	7,316	7,339
1.69 15 Sep 2010	4,485	4,484	4,496
4.05 15 Mar 2011	350	369	348
4.60 15 Sep 2011	23,671	25,460	24,760
3.95 15 Dec 2011	1,675	1,781	1,653
4.00 15 Jun 2012	7,670	8,191	7,606
4.80 15 Jun 2012	2,785	3,041	2,788
4.55 15 Dec 2012	8,045	8,768	8,372
1.69 15 Jun 2013	3,220	3,179	3,219
0.00 15 Mar 2014	3,844	3,844	3,869
Farm Credit Corporation			
4.50 1 Jun 2009	2,717	2,726	2,714
4.55 12 Apr 2021	350	371	347
Ontario Infrastructure			
3.95 3 Jun 2013	877	917	873
4.70 1 Jun 2037	769	683	760
	178,560	191,604	186,987
Municipal and Provincial – 30.7%			
55 School Board Trust Series A Secured Debenture			
5.90 2 Jun 2033	501	516	521
Alberta Capital Finance			
4.65 15 Jun 2017	446	470	446
4.45 15 Dec 2025	3,185	2,978	3,121
City of Montreal			
5.00 1 Dec 2018	635	632	630
City of Toronto			
4.95 27 Jun 2018	635	644	633
Province of British Columbia			
7.50 6 Sep 2014	1,622	1,980	1,919
4.70 12 Jan 2017	2,250	2,370	2,356
4.80 15 Jun 2021	441	445	442
8.75 19 Aug 2022	785	1,087	1,133
5.70 18 Jun 2029	4,259	4,632	4,592

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Municipal and Provincial – 30.7% (continued)			
Province of Manitoba			
4.25% 5 Mar 2018	1,873	1,889	1,842
4.75 11 Feb 2020	4,479	4,548	4,453
Province of New Brunswick			
6.38 15 Jun 2010	4,086	4,344	4,421
4.50 4 Feb 2015	2,563	2,740	2,560
4.55 26 Mar 2037	1,681	1,530	1,609
Province of Newfoundland			
5.60 17 Oct 2033	488	511	533
4.50 17 Apr 2037	2,143	1,940	2,074
Province of Nova Scotia			
4.50 1 Jun 2013	3,612	3,884	3,818
5.80 1 Jun 2033	2,096	2,248	2,405
Province of Ontario			
5.57 12 Mar 2010	8,210	8,100	8,197
4.75 6 Feb 2013	5,211	5,670	5,424
4.30 3 Aug 2017	7,710	7,950	7,415
5.50 6 Feb 2018	2,353	2,584	2,521
4.40 6 Feb 2019	385	387	386
4.85 6 Feb 2020	3,107	3,189	3,132
6.50 3 Aug 2029	5,687	6,714	6,757
6.20 6 Feb 2031	1,965	2,261	2,314
5.85 3 Aug 2033	4,000	4,443	4,705
5.60 6 Feb 2035	17,587	19,096	19,952
4.60 6 Feb 2039	2,275	2,158	2,189
Province of Quebec			
6.25 12 Jan 2010	5,165	5,593	5,536
1.62 21 Jun 2010	1,015	1,014	1,018
3.25 16 May 2011	550	547	552
6.00 10 Jan 2012	3,961	4,470	4,290
3.58 16 Sep 2013	3,275	3,159	3,280
1.74 12 Oct 2013	2,135	2,062	2,143
5.50 12 Jan 2014	4,094	4,613	4,402
1.99 12 Jan 2014	6,215	5,937	6,215
4.25 12 Jan 2015	505	523	498
4.50 12 Jan 2017	3,000	3,066	2,940
4.50 12 Jan 2018	8,093	8,158	8,028
11.00 15 Aug 2020	1,122	1,735	1,765
6.25 6 Jan 2032	2,656	3,008	2,992
5.75 12 Jan 2036	6,863	7,420	7,705
5.00 12 Jan 2038	8,470	8,292	8,372
Province of Saskatchewan			
4.65 5 Sep 2017	1,059	1,113	1,076
6.40 5 Sep 2031	2,359	2,792	2,793
4.75 1 Jun 2040	2,016	1,973	1,988
	158,823	167,414	168,091

Government Grants (continued)

(Appendix I to Schedule I)

Statement of Investment Portfolio

As at April 30, 2009 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Corporate – 14.0%			
Bank of Montreal			
4.63% 29 Dec 2049	2,900	2,524	2,827
5.47 31 Dec 2049	3,335	3,169	3,519
Bank of Nova Scotia			
6.63 30 Jun 2012	3,625	3,754	3,974
6.28 29 Dec 2049	1,900	1,910	2,101
Bell Canada			
6.15 15 Jun 2009	900	904	971
6.90 15 Dec 2011	2,500	2,667	2,758
Canadian Imperial Bank of Commerce			
4.75 22 Dec 2014	5,460	5,794	5,514
Citigroup Finance Canada			
4.75 17 Mar 2014	2,000	1,577	2,060
Enbridge Gas Distribution			
6.85 26 Oct 2009	1,650	1,690	1,765
3.95 15 Feb 2010	3,200	3,242	3,154
GE Capital Canada			
4.65 11 Feb 2015	5,650	5,331	5,653
4.55 17 Jan 2017	800	715	750
5.53 17 Aug 2017	1,000	934	1,004
Honda Canada Finance Inc.			
5.61 12 Sep 2013	1,135	1,090	1,135
Investors Group Inc.			
6.75 9 May 2011	1,545	1,615	1,690
John Deere Credit Inc.			
4.75 21 Jul 2009	1,210	1,215	1,217
Manulife Financial Capital Trust			
6.70 30 Jun 2012	5,120	5,043	5,676
4.85 12 Dec 2015	1,865	1,746	1,880
Merrill Lynch Financial Assets			
4.82 12 Feb 2015	815	726	820
4.62 12 Nov 2015	1,235	1,073	1,222
4.48 12 Jul 2037	920	781	900
Ontrea Inc. Debenture Series B			
5.57 9 Apr 2013	1,290	1,408	1,370
Planet Trust			
0.00 20 Jun 2013	21	9	21
0.00 20 Dec 2013	12	6	12
0.00 4 May 2014	5	2	5
0.00 25 Apr 2029	1	0	1
0.00 15 Jul 2056	36	17	36
PSP Capital Inc.			
4.57 12 Sep 2013	4,196	4,396	4,219
RBC Capital Trust			
4.87 29 Dec 2049	6,000	5,400	5,950

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)			
Corporate – 14.0% (continued)			
Real Estate Asset Liquidity Series Class A			
4.62% 12 Sep 2016	1,350	1,148	1,333
5.25 12 Oct 2036	745	678	763
Royal Office Finance			
5.21 12 Nov 2032	2,236	2,156	2,233
Sun Life Capital Trust			
6.87 31 Dec 2011	5,440	5,464	6,044
Thomson Corporation			
4.35 1 Dec 2009	2,020	2,041	2,020
Toronto Community Housing Corporation			
4.88 11 May 2037	283	253	284
Transcanada Pipelines			
5.65 15 Jan 2014	4,050	4,330	4,300
Wells Fargo Finance Canada			
3.60 28 Jun 2010	375	375	372
4.40 12 Dec 2012	1,400	1,378	1,377
	78,224	76,563	80,927
Total Fixed Income – 79.8%	415,607	435,581	436,005
Variable Rate Securities – 18.7%			
Toronto-Dominion Bank S&P/TSX 60 Index Linked Note			
16 Jun 2009	63,000	72,376	63,000
26 Oct 2010	5,000	4,991	5,000
19 Oct 2011	5,000	5,216	5,000
20 Oct 2011	15,000	14,791	15,000
26 Oct 2012	5,000	4,955	5,000
	93,000	102,329	93,000
Total Fixed Income – 98.5%	508,607	537,910	529,005
Cash and Short-term Investments – 1.5%		8,147	8,147
Total Portfolio Assets – 100.0%		546,057	537,152
Government Grant investments allocation			
Plan II		863	830
Founders' Plan		49,712	48,836
Group Savings Plan		186,234	183,058
Group Savings Plan 2001		275,916	271,481
Family Savings Plan		23,062	22,698
Individual Savings Plan		2,123	2,102
		537,910	529,005
Cash and Short-term investments allocation			
Plan II		29	29
Founders' Plan		773	773
Group Savings Plan		2,803	2,803
Group Savings Plan 2001		4,198	4,198
Family Savings Plan		324	324
Individual Savings Plan		20	20
		8,147	8,147

Group Savings Scholarship Pool

(Appendix II to Schedule I)

Statement of Investment Portfolio

As at April 30, 2009 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds			
Federal – 14.8%			
Government of Canada			
4.00% 9 Jan 2010	870	910	909
6.00 6 Jan 2011	585	645	634
3.75 6 Jan 2012	670	717	694
4.50 6 Jan 2015	395	444	431
4.25 6 Jan 2018	135	149	150
3.75 6 Jan 2019	240	253	251
Canada Housing Trust			
4.60 15 Sep 2011	1,710	1,839	1,756
	4,605	4,958	4,825
Provincial – 14.7%			
Province of British Columbia			
5.70 1 Jun 2009	150	151	154
6.38 23 Aug 2010	675	725	724
4.65 18 Dec 2018	310	322	322
Province of Ontario			
4.40 12 Feb 2011	680	729	704
5.38 12 Feb 2012	640	712	680
4.75 6 Feb 2013	830	903	893
Province of Quebec			
5.50 1 Jun 2009	175	176	181
6.00 1 Oct 2012	440	497	472
5.50 1 Dec 2014	655	738	704
	4,555	4,952	4,833
Total Fixed Income – 29.5%	9,160	9,910	9,658
Variable Rate Securities – 4.4%			
Toronto-Dominion Bank S&P/TSX 60 Index Linked Note			
16 Jun 2009	1,300	1,493	1,300
Total Investments – 33.9%	10,460	11,403	10,958
Cash and Short-term Investments – 66.1%		22,193	22,193
Total Portfolio Assets – 100.0%		33,596	33,151
Total Investments Allocation			
Group Savings Plan		10,306	9,905
Group Savings Plan 2001		1,097	1,053
		11,403	10,958
Cash and Short-term Investments Allocation			
Group Savings Plan		18,741	18,741
Group Savings Plan 2001		3,452	3,452
		22,193	22,193

Enrolment Fee Refund Entitlements

(Appendix III to Schedule I)

Statement of Investment Portfolio

As at April 30, 2009 (in thousands of dollars)

Agreements purchased prior to October 2, 2007

Security	# of Shares	Fair Value (\$)	Average Cost (\$)
Pooled Funds – 100.0%			
SRA Money Market Fund	631	6,308	6,309
SRA Bond Fund	2,809	29,082	29,278
SRA Canadian Equity Fund	3,017	32,693	46,191
SRA US Equity Fund	2,169	10,514	17,178
SRA International Equity Fund	2,539	14,899	23,926
Total Investments – 100.0%	11,165	93,495	122,881
Cash and Short-term Investments – 0%			
		8	8
Total Portfolio Assets – 100.0%		93,503	122,889
Total Investments Allocation			
Group Savings Plan		44,459	58,089
Group Savings Plan 2001		49,036	64,792
		93,495	122,881
Cash and Short-term Investments Allocation			
Group Savings Plan		8	8
Group Savings Plan 2001		-	-
		8	8

Canadian Scholarship Trust Plan

Canadian Scholarship Trust Foundation

2225 Sheppard Avenue East
Suite 600
Toronto, Ontario
M2J 5C2

1-877-333-RESP

Trustee

RBC Dexia Investor Services Trust
77 King Street West
Toronto, Ontario
M5W 1P9

Legal Counsel

Heenan Blaikie LLP
P.O. Box 185
Royal Bank Plaza
South Tower, Suite 2600
Toronto, Ontario
M5J 2J4

Auditors

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

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