

Global Educational Trust Plan

AUDITORS' REPORT AND FINANCIAL STATEMENTS

December 31, 2009

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited financial statements of Global Educational Trust Plan (the "Plan") have been prepared by management and approved by the Board of Directors of Global Educational 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. Global Educational Trust Plan, through Global Educational Marketing Corporation, 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 are the external auditors of the Plan. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Directors of the Foundation their opinion on the financial statements.

On behalf of the Board of Directors,



Sam Bouji
Chief Executive Officer



Frank Gataveckas
Chief Financial Officer

AUDITORS' REPORT

To the Directors of
Global Educational Trust Foundation:

We have audited the statement of investment portfolio of Global Educational Trust Plan (the "Plan") as at December 31, 2009, the statements of net assets of the Plan as at December 31, 2009 and 2008, and the statements of operations and of changes in net assets for the years then ended. These financial statements are the responsibility of management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2009 and 2008 and the results of its operations and changes in net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Yours very truly,

"Deloitte and Touche LLP"

Chartered Accountants,
Licensed Public Accountants

March 10, 2010
Toronto, Ontario

Global Educational Trust Plan Statements of Net Assets

As at December 31, 2009 and 2008

Assets	2009 \$	2008 \$
Cash and short-term investments	14,150,005	11,848,970
Investments - at fair value (cost \$284,877,098; 2008: \$226,970,232)	285,852,540	228,725,331
Accrued interest	2,035,573	1,588,448
	<u>302,038,118</u>	<u>242,162,749</u>
Liabilities		
Accounts payable (note 3)	609,406	1,933,992
Payable for investments purchased	9,093,629	-
Subscribers' Savings Account (note 4)	191,169,728	159,497,987
	<u>200,872,763</u>	<u>161,431,979</u>
Net Assets	<u>101,165,355</u>	<u>80,730,770</u>
Represented by		
Accumulated government grants deposits (Schedule 2)	67,977,109	54,542,435
Accumulated and undistributed investment income and realized gains on investments (Schedule 2)	32,212,803	24,433,284
Unrealized appreciation of investments	975,443	1,755,051
	<u>101,165,355</u>	<u>80,730,770</u>

Approved by the Board of Directors of
Global Educational Trust Foundation



Sam Bouji
Director



Frank Gataveckas
Director

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

Global Educational Trust Plan Statements of Operations

For the years ended December 31, 2009 and 2008

	2009	2008
	\$	\$
Investment income		
Interest	<u>11,821,264</u>	<u>9,059,871</u>
Expenses		
Administration fees (note 3)	2,634,572	2,138,813
Other charges	167,220	153,493
Audit costs	<u>60,000</u>	<u>71,550</u>
	<u>2,861,792</u>	<u>2,363,856</u>
Net investment income	<u>8,959,472</u>	<u>6,696,015</u>
Net gains on investments		
Net realized gain on sale of investments	1,372,661	1,510,189
(Decrease) increase in unrealized appreciation of investments	<u>(779,609)</u>	<u>1,447,744</u>
Net gains on investments	<u>593,052</u>	<u>2,957,933</u>
Increase in net assets from operations for the year	<u>9,552,524</u>	<u>9,653,948</u>

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

Global Educational Trust Plan Statements of Changes in Net Assets

For the years ended December 31, 2009 and 2008

	2009	2008
	\$	\$
Increase in net assets from operations for the year	9,552,524	9,653,948
Government grants received (Note 5)		
Canada Education Savings Grants (CESG)	10,702,646	10,027,740
Canada Learning Bond	2,425,102	1,754,862
Alberta Centennial Education Savings Plan (ACES)	1,946,909	2,116,947
Quebec Education Savings Incentive (QESI)	662,094	-
Payments to nominees		
Education Assistance Payments	(2,055,661)	(1,643,641)
Government grants	(2,302,076)	(1,798,253)
Government grants income	<u>(496,953)</u>	<u>(365,332)</u>
Increase in net assets during the year	<u>20,434,585</u>	<u>19,746,270</u>
Net assets - Beginning of year	<u>80,730,770</u>	<u>60,984,500</u>
Net assets - End of year	<u>101,165,355</u>	<u>80,730,770</u>

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

Global Educational Trust Plan
Statement of Investment Portfolio

As at December 31, 2009

Subscribers' contributions invested - (70.7%)

Government Securities - 17.9%

	Par value \$	Cost \$	Fair value \$
Canada Government 1.00%, due September 1, 2011	1,120,000	1,109,808	1,114,243
Canada Government 2.00%, due September 1, 2012	1,130,000	1,125,254	1,132,158
Canada Government 2.00%, due December 1, 2014	1,300,000	1,262,300	1,254,110
Canada Housing Trust 4.05%, due March 15, 2011	28,220,000	29,331,651	29,271,478
Canada Housing Trust 4.8%, due June 15, 2012	14,220,000	15,067,577	15,190,374
Canada Housing Trust 4.55%, due December 15, 2012	3,600,000	3,700,892	3,837,349
Canada Housing Trust No. 1 2.70%, due December 15, 2013	960,000	963,274	961,430
Canada Housing Trust 2.75%, due September 15, 2014	960,000	953,696	952,694
Total Government Securities		<u>53,514,452</u>	<u>53,713,836</u>

Provincial Securities - 23.6%

Alberta Province 2.75%, due December 1, 2014	800,000	790,800	791,352
BC Province 5.7%, due June 18, 2029	5,495,000	6,007,365	6,112,198
BC Municipal Fin Auth 4.6%, due April 23, 2018	3,230,000	3,217,468	3,321,183
City of Toronto 4.95%, due June 27, 2018	2,935,000	2,926,078	3,050,551
Ontario Province 5.375%, due December 2, 2012	2,300,000	2,373,404	2,500,491
Ontario Province (Generic Int Pymt), due December 2, 2013	640,000	565,984	570,579
Ontario Province 3.25%, due September 8, 2014	1,600,000	1,626,008	1,615,488
Ontario Province 4.2%, due March 8, 2018	7,875,000	7,978,838	7,986,431
Ontario Province 6.5%, due March 08, 2029	15,905,000	19,222,701	19,163,139
Quebec Province (Generic Int Pymt), due June 1, 2012	800,000	754,408	759,448
Quebec Province (Generic Int Pymt), due June 1, 2014	800,000	687,712	693,888
Quebec Province 4.5%, due December 1, 2017	9,265,000	9,197,447	9,610,770
Quebec Province 4.5%, due December 1, 2018	1,820,000	1,853,288	1,860,113
Quebec Province 6%, due October 1, 2029	5,100,000	5,647,391	5,774,934
Hydro-Quebec 11%, due August 15, 2020	4,615,000	7,182,885	7,118,222
Total Provincial Securities		<u>70,031,777</u>	<u>70,928,787</u>

Financial Institution Securities - 20.5%

American Express Canada 4.85%, due October 3, 2014	800,000	806,400	822,728
Bank of America Corp 4.36%, due September 21, 2015	340,000	330,133	334,843
Bank of Montreal 5.04%, due September 4, 2012	4,500,000	4,830,705	4,808,295
Bank of Nova Scotia 3.03%, due June 4, 2012	1,600,000	1,632,720	1,627,648
Bank of Nova Scotia 4.94%, due April 15, 2014-19	2,700,000	2,857,275	2,854,980
Canadian Imperial Bank 5%, due September 10, 2012	4,500,000	4,598,190	4,790,340
Canadian Imperial Bank 3.05%, due June 3, 2013	1,600,000	1,612,720	1,613,615
Great West Lifeco 6.67%, due March 21, 2033	3,000,000	3,297,000	3,225,750
Manulife Financial 4.896%, due June 2, 2014	3,000,000	3,146,820	3,015,300
National Bank 4.926%, due December 22, 2014-19	3,000,000	3,165,360	3,157,710
Pacific & Western Bank of Canada 11%, due February 27, 2019	10,000,000	10,000,000	10,415,341

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

Global Educational Trust Plan
Statement of Investment Portfolio (cont.)

As at December 31, 2009

	Par value \$	Cost \$	Fair value \$
Pacific & Western Bank of Canada 11%, due April 30, 2019	10,000,000	10,000,000	10,431,930
	1,500,000	1,595,625	1,598,685
Royal Bank of Canada 5%, due June 6, 2013-18	3,250,000	3,249,545	3,248,817
Royal Bank of Canada 3.27%, due November 10, 2014	1,800,000	1,972,224	2,105,730
Scotiabank Tier I Trust 7.802%, due June 30, 2019	3,000,000	3,065,700	3,061,110
Sun Life Financial 4.95%, due June 1, 2016-36			
Toronto Dominion Bank 4.779%, due December 14, 2016-2105	4,500,000	4,119,969	4,497,503
		<u>60,280,386</u>	<u>61,610,325</u>
Total Financial Institution Securities			

Principal Protected Notes - 8.7%

Bank of Nova Scotia, Global Alpha Strategy Deposit Notes, Series 1, due August 29, 2014	10,000,000	10,000,000	8,373,000
BNP Paribas Millenium Comm. USD Excess, due November 10, 2014	3,550,000	3,550,000	3,520,535
Royal Bank of Canada, Enhanced Yield Note, due November 27, 2014	7,100,000	7,100,000	6,904,750
Toronto Dominion VAR Canadian Equity Coupon Notes, due December 3, 2012	7,100,000	7,100,000	7,026,870
		<u>27,750,000</u>	<u>25,825,155</u>
Total Principal Protected Notes			
		<u>211,576,615</u>	<u>212,078,103</u>

Total subscribers' contributions invested

Government Grants Invested (24.6%)

Government Securities - 7.1%

	450,000	445,905	447,686
Canada Government 1.00%, due September 1, 2011	460,000	458,068	460,879
Canada Government 2.00%, due September 1, 2012	495,000	480,645	477,527
Canada Government 2.00%, due December 1, 2014	12,825,000	13,330,874	13,302,859
Canada Housing Trust 4.05%, due March 15, 2011	5,315,000	5,603,824	5,677,696
Canada Housing Trust 4.8%, due June 15, 2012			
Canada Housing Trust No. 1 2.70%, due December 15, 2013	390,000	391,330	390,581
	390,000	387,569	387,032
Canada Housing Trust 2.75%, due September 15, 2014		<u>21,098,215</u>	<u>21,144,260</u>
Total Government Securities			

Provincial Securities - 9.9%

	325,000	321,263	321,487
Alberta Province 2.75%, due December 1, 2014	2,130,000	2,331,200	2,369,242
BC Province 5.7%, due June 18, 2029	1,290,000	1,284,995	1,326,417
BC Municipal Fin Auth 4.6%, due April 23, 2018	1,195,000	1,191,367	1,242,047
City of Toronto 4.95%, due June 27, 2018			
Ontario Province (Generic Int. Pmt.), due December 2, 2013	260,000	229,931	231,798
	650,000	660,566	656,292
Ontario Province 3.25%, due September 8, 2014	4,295,000	4,382,731	4,355,774
Ontario Province 4.2%, due March 8, 2018	7,120,000	8,583,430	8,578,532

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

Global Educational Trust Plan
Statement of Investment Portfolio (cont.)

As at December 31, 2009

	Par value \$	Cost \$	Fair value \$
Ontario Province 6.5%, due March 8, 2029	325,000	306,478	308,526
Quebec Province (Generic Int. Pmt.), due June 1, 2012	640,000	668,826	704,371
Quebec Province 6%, due October 1, 2012	325,000	279,383	281,892
Quebec Province (Generic Int. Pmt.), due June 1, 2014	3,710,000	3,687,858	3,848,457
Quebec Province 4.5%, due December 1, 2017	880,000	896,095	899,395
Quebec Province 4.5%, due December 1, 2018	1,540,000	1,710,335	1,743,804
Quebec Province 6%, due October 1, 2029	1,910,000	2,972,496	2,946,003
Hydro-Quebec 11%, due August 15, 2020		29,506,954	29,814,037
Total Provincial Securities			
Financial Institution Securities - 5.2%	325,000	327,600	334,233
American Express Canada 4.85%, due October 3, 2014	150,000	145,647	147,725
Bank of America Corp 4.36%, due September 21, 2015	1,600,000	1,717,584	1,709,616
Bank of Montreal 5.04%, due September 4, 2012	650,000	663,293	661,232
Bank of Nova Scotia 3.03%, due June 4, 2012	1,000,000	1,058,250	1,057,400
Bank of Nova Scotia 4.94%, due April 15, 2014-19	2,000,000	2,039,008	2,129,040
Canadian Imperial Bank 5%, due September 10, 2012	650,000	655,168	655,531
Canadian Imperial Bank 3.05%, due June 3, 2013	1,000,000	1,099,000	1,075,250
Great West Lifeco 6.67%, due March 21, 2033	1,000,000	1,048,940	1,005,100
Manulife Financial 4.896%, due June 2, 2014	1,000,000	1,055,120	1,052,570
National Bank 4.926%, due December 22, 2014-19	600,000	638,250	639,474
Royal Bank of Canada 5%, due June 6, 2013-18	1,500,000	1,499,790	1,499,454
Royal Bank of Canada 3.27%, due November 10, 2014	600,000	657,408	701,910
Scotiabank Tier I Trust 7.802%, due June 30, 2019	1,000,000	1,021,900	1,020,370
Sun Life Financial 4.95%, due June 1, 2016-36			
Toronto Dominion Bank 4.779%, due December 14, 2016-2105	2,000,000	1,818,356	1,998,890
Total Financial Institution Securities		15,445,314	15,687,795
Principal Protected Notes - 2.4%			
BNP Paribas Millenium Comm. USD Excess, due November 10, 2014	1,450,000	1,450,000	1,437,965
Royal Bank of Canada, Enhanced Yield Note, due November 27, 2014	2,900,000	2,900,000	2,820,250
Toronto Dominion VAR Canadian Equity Coupon Notes, due December 3, 2012	2,900,000	2,900,000	2,870,130
Total Principal Protected Notes		7,250,000	7,128,345
		73,300,483	73,774,437
Total Government Grants Invested			
Total Subscribers' Contributions and Government Grants Invested - (95.3%)		284,877,098	285,852,540
Cash (1.2%)		3,607,265	3,607,265
Cash Equivalents (3.5%)		10,542,553	10,542,740
		299,026,916	300,002,545
Total Investment Portfolio			

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

Global Educational Trust Plan Schedule 1 - Schedule of Educational Financial Assistance Agreements

As at December 31, 2009

Year of eligibility	Number of units outstanding	Principal plus accumulated income	Government grants plus accumulated income	Total
		\$	\$	\$
2000	62	34,830	7,591	42,421
2001	53	22,652	4,413	27,065
2002	182	12,080	2,620	14,700
2003	927	84,902	14,880	99,782
2004	2,404	257,786	44,433	302,219
2005	3,443	542,544	105,738	648,282
2006	6,976	1,003,151	178,316	1,181,467
2007	14,159	1,732,759	300,731	2,033,490
2008	23,757	3,405,438	637,041	4,042,479
2009	32,695	6,768,869	1,426,615	8,195,484
2010	46,527	14,348,768	3,205,352	17,554,120
2011	56,021	16,292,998	3,943,822	20,236,820
2012	72,825	18,108,660	4,618,164	22,726,824
2013	79,379	17,485,458	4,711,776	22,197,234
2014	86,860	16,782,434	4,760,598	21,543,032
2015	97,281	16,207,059	4,865,602	21,072,661
2016	104,313	15,481,364	4,841,990	20,323,354
2017	108,865	14,466,725	4,635,169	19,101,894
2018	119,358	14,167,201	4,730,583	18,897,784
2019	119,831	12,687,385	4,390,239	17,077,624
2020	135,062	12,494,164	4,532,906	17,027,070
2021	135,474	10,019,776	4,063,850	14,083,625
2022	141,963	8,412,361	5,017,061	13,429,422
2023	146,996	5,898,059	4,916,111	10,814,170
2024	157,860	4,101,877	4,334,889	8,436,766
2025	158,045	2,355,742	3,496,186	5,851,928
2026	132,730	1,006,877	2,224,379	3,231,256
2027	81,962	167,822	634,154	801,976
2028	12,810	15,944	227,192	243,136
2029	9,025	-	101,881	101,881
2030	5,991	34	19,640	19,674
Dec. 31, '09	2,093,835	214,365,718	76,993,922	291,359,640
Dec. 31, '08	1,887,899	176,828,204	61,645,502	238,473,706

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

Global Educational Trust Plan Schedule 2 - Reconciliation of Educational Financial Assistance Agreements

For the years ended December 31, 2009 and 2008

The following is a summary of EFA (Educational Financial Assistance) Agreements:

Opening agreements	Inflow agreements	Outflow agreements	Closing agreements
64,254	9,324	3,451	70,127
57,825	9,619	3,190	64,254

Legend:	2009 Year	2008 Year
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The following reconciles 2009 2008
Schedule 1 to the \$ \$
statements of net assets:

Total principal, government grants and accumulated income (Schedule 1) **291,359,640** 238,473,706

Represented in the statements of net assets by

Subscribers' Savings Account Accumulated government grants deposits	191,169,728	159,497,987
Accumulated and undistributed investment income and realized gains on investments	67,977,109	54,542,435
	32,212,803	24,433,284
	291,359,640	238,473,706

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

NOTES TO THE FINANCIAL STATEMENTS - December 31, 2009

1. Organization and general

The Global Educational Trust Plan (the “Plan”) was established on October 14, 1998. It is administered by the Global Educational Trust Foundation (the “Foundation”), a not-for-profit organization, incorporated without share capital, under the laws of Canada. The Plan provides post-secondary education financial assistance to nominees named in the Educational Financial Assistance Agreements (“EFA Agreements”). Global Educational Marketing Corporation (“GEMC”), a company incorporated under the Canada Business Corporations Act, is the registered distributor of the Plan.

The Foundation has had a specimen copy of the EFA Agreement approved by the Canada Revenue Agency (“CRA”) such that EFA Agreements may be submitted to CRA for registration as Registered Education Savings Plans (“RESP”). The Plan is an education savings plan and not an RESP. An EFA Agreement is not an RESP until the applicable conditions of the Income Tax Act (Canada) (the “ITA”) are met.

Subscribers to the Plan enter into EFA Agreements with the Foundation. Under an EFA Agreement, the subscriber purchases units in the Plan. The subscriber authorizes the Foundation to deduct fees, as outlined in the prospectus, for the purpose of providing services to the Plan. At maturity, payments are made to the nominee after meeting the conditions as set out in the EFA Agreement.

2. Summary of significant accounting policies

Basis of accounting

These financial statements, prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) as defined by the Canadian Institute of Chartered Accountants’ Handbook (the “CICA Handbook”), include estimates and assumptions made by management that affect the reported amounts. Significant estimates include the valuation of Principal Protected Notes (PPNs) and illiquid

bonds. Actual results could differ from those estimates and the differences could be significant.

The following is a summary of significant accounting policies followed by the Plan:

Amendments of CICA Handbook Section 3862

The Plan adopted amendments to CICA Handbook Section 3862 Financial Instruments - Disclosures (“Section 3862”) which require the categorization of fair value measurements based on a three-level hierarchy and other supplemental disclosures regarding fair value disclosures. These additional disclosures have been provided in Note 6.

EIC-173

In January 2009, the CICA’s Emerging Issues Committee issued Abstract No.173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities (“EIC-173”). EIC-173 requires that an entity’s own credit risk and the risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. Management has reviewed its policies concerning valuation of financial assets and financial liabilities and determined that it had no impact on the financial statements of the Plan.

Government grants

Government grants received are recorded in the Statement of Changes in Net Assets as a direct increase in net assets of the Plan. Government grants for which the Plan has applied on behalf of an individual planholder are recorded when payment is received from government agencies, and not at the date of the application, as the amount to be received is dependent on each individual planholder’s taxation status and may not reasonably be estimated.

Subscribers’ savings account

The Subscribers’ savings account balance reflects only amounts received from subscribers net of deductions and does not include amounts receivable on outstanding agreements. The subscribers’ savings account meets the definition of a liability and has been recognized as such in the statements of net assets.

Deductions from subscribers' deposits

The Foundation deducts from deposits made by subscribers' special services fees, depository fees, enrollment fees and, if applicable, the insurance premiums, prior to depositing the balance of the deposits in the Subscribers' Savings Account.

Enrollment fees

Enrollment fees are required as part of the initial contribution under each educational savings plan agreement. Sponsored Group Plans have a fee structure that is management fee based.

Enrollment fees collected during the reporting period are paid to GEMC on behalf of the Foundation. The Foundation retains 3% of net enrollment fees collected and 25% of net administration fees, representing GEMC's contributions to the Foundation's Enhancement Fund. The return of enrollment fees is the sole responsibility of the Foundation; neither the Plan nor GEMC have any obligation to return the enrollment fee.

Investments

Investments are stated at fair values in accordance with Accounting Guideline 18 Investment Companies. Bonds are valued at bid price, except as noted in Note 6. PPNs are hybrid financial debt instruments issued by Canadian chartered banks 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. PPNs are carried at fair value using pricing methodologies established by management and discussed further in Note 6.

Investment transactions are accounted for on a trade date basis. Interest income is recognized using the effective interest method. Realized and unrealized gains (losses) on investments are determined using the average cost method.

Cash equivalents

Cash equivalents consist of investments in money market funds and Government of Canada treasury bills maturing within ninety days from the date of the statements of net assets. These investments are carried at fair value.

Income taxes

The Plan is exempt from income taxes under Section 146.1 of the ITA. The income on the subscribers' savings account is currently exempt from income taxes under the ITA. Education assistance payments, and all accumulated investment income, made to qualified nominees will be included in their income for the purposes of the ITA.

The amounts deposited by subscribers are not deductible by the subscribers for income tax purposes and are not taxable when returned to subscribers or their designated nominees.

Income paid to the subscribers is considered Accumulated Income Payments ("AIPs") and is subject to income taxes.

International Financial Reporting Standards ("IFRS")

The Plan will be required to adopt IFRS for its financial year ending December 31, 2011.

3. Related party transactions

- a) The Foundation is the sponsor and the administrator of the Plan. In consideration for administrative services provided, the Foundation is entitled to receive administration fees of 1% per annum of the assets of the Plan. Included in this 1% administration fee are the trustee and investment counsel fees. The administration and depository fees are remitted to GEMC on behalf of the Foundation. The Foundation retains 25% of the net administration fees and 3% of the net enrollment fees paid to GEMC representing GEMC's contributions to the Foundation's Enhancement Fund. Accounts payable include \$315,372 (2008 - \$1,632,098) payable to the Foundation.
- b) GEMC receives enrollment fees from subscribers that are deducted from deposits made by subscribers. In addition, 20% to 40% of insurance premiums collected from subscribers who optionally take insurance are remitted by the Foundation to GEMC.
- c) Special services fees principally relate to amounts charged to subscribers in respect of cheques returned and not honoured.

- d) During the year, the Plan has purchased securities issued by counterparties for whom (or) to whom Global Maxfin Capital Inc. (“GMCI”), an entity under common management, has acted as an advisor. No fees have been paid directly by the Plan for any services provided by GMCI to these counterparties.

4. Subscribers’ Savings Accounts

The changes in the Subscribers’ Savings Accounts for the year are as follows:

	2009 \$	2008 \$
Subscribers’ Savings Accounts		
- Beginning of year	159,497,987	129,869,950
Subscribers’ deposits	63,110,390	58,032,162
Enrollment fees (note 3)	(14,292,782)	(14,715,421)
Depository fees (note 3)	(704,826)	(640,808)
Insurance premiums (note 3)	(360,247)	(339,276)
Special services fees (note 3)	(300,645)	(199,786)
Principal withdrawals on terminations or return of deposits	(15,780,150)	(12,508,833)
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Subscribers’ Savings Accounts - End of year	191,169,728	159,497,987

5. Government Grants

Canada Education Savings Grants

The Federal government encourages saving for post-secondary education by providing CESGs on RESP contributions made subsequent to 1997 for children under 18 years of age. The maximum basic CESG per child is 20% of RESP contributions of up to \$2,500 (prior to 2007, it was based on \$2,000) made on behalf of each nominee in a year. Effective in 2004, additional CESG can be added based on up to the first \$500 of RESP yearly contributions at a rate of 10% or 20% when there is eligibility based on family net income.

The maximum lifetime CESG is \$7,200. Upon maturity of an EFA Agreement and fulfillment of certain criteria established by the Federal government, the CESG deposits and accumulated investment income thereon will be added to education assistance payments made to qualified students.

Canada Learning Bond (“CLB”)

Effective January 1, 2004, a new CLB was introduced to provide a source of education savings for children in low-income families.

Each child born on or after January 1, 2004 will be eligible for a CLB in each year that child’s family is entitled to the National Child Benefit (“NCB”) supplement, up to and including the year in which the child turns 15 years of age.

An initial CLB of \$500 will be provided for the first year of entitlement for the NCB supplement, which could be any year from the year of birth up to and including the year in which the child turns 15 years of age.

Any subsequent CLB will be in the amount of \$100, and will be provided in respect of a child for each year in which the family is entitled to the NCB supplement up to and including the year in which the child turns 15 years of age.

Maximum CLB payments per child total up to \$2,000.

The Alberta Centennial Education Savings (“ACES”) Plan

Effective January 1, 2005, under the ACES Plan, the Alberta government will contribute \$500 to the RESP of every baby born to an Alberta resident in 2005 and beyond.

Grants of \$100 will be available to children enrolled in school in Alberta at ages 8, 11 and 14 beginning in 2005 whose parents are residents of Alberta. A child will not have to receive previous grants in order to qualify for subsequent grants. The funds may be transferable to a sibling.

All children born in 2005 and beyond to Alberta residents, or born in 2005 and beyond and adopted by Alberta residents, are eligible for the first time \$500 grant.

Children born or adopted outside of Alberta, whose parent(s) or guardian(s) later become Alberta residents are eligible for the grant.

Quebec Education Savings Initiative (“QESI”)

The QESI is a tax measure for Quebec resident families giving government benefits for RESPs. Effective February 21, 2007, it is based on the established CESG criteria and consists of a

refundable tax credit that is paid directly into an RESP. The QESI pays an additional 50% dollar amount to what the CESG allocations are to eligible nominees. QESI lifetime maximum per Nominee is \$3,600 and the program includes carry forward provisions and increased (additional) amounts for lower income families.

6. Fair Value of Financial instruments

Under the amendments to Section 3862, the Plan is required to disclose its fair value measurements recognized in the statement of net assets using a fair value hierarchy that reflects the significance of the inputs used to measure fair value into three broad levels. Investments measured at fair value are classified in one of three fair value hierarchy levels, based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The three fair value hierarchy levels are as follows:

Level 1 - Quoted prices (unadjusted in active markets for identical assets or liabilities):

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Plan's financial instruments measured at fair value classified by the fair value hierarchy set out in Section 3862:

Assets Measured at Fair Value as of December 31, 2009

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and cash equivalents	3,607,265	10,542,740	-	14,150,005
Fixed-Income Securities	-	232,051,769	20,847,271	252,899,040
PPNs	-	24,580,500	8,373,000	32,953,500
Total	3,607,265	267,175,009	29,220,271	300,002,545

Level 3 - Rollforward of level 3 securities

Opening balance	\$17,354,000
Purchases	20,000,000
Sales	(7,901,000)
Realized gains on sales	(670,000)
Increase in unrealized gains	437,271
Closing balance	\$29,220,271

Financial instruments classified as Level 3 represent the Plan's investment in certain PPNs and the Pacific and Western Bank of Canada bonds. These securities are priced based on valuation models. The significant unobservable input used in the valuation model is the yield used to value the securities. Management estimates that a 1% increase or decrease in the yields used by management would decrease or increase net assets by approximately \$1,600,000. PPNs classified as Level 2 are valued based on bid prices obtained in secondary markets. The carrying values of the other financial instruments approximate their fair values as these financial instruments are short-term in nature.

7. Risks associated with financial instruments and capital management

The Plan defines its capital as its net assets and subscribers' deposits, which consists primarily of its financial instruments. Its financial instruments are managed as described in Note 1 and in the risk management policies described below.

In the normal course of operations 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 short term investments due to their short-term nature.

As at December 31, 2009, the Plan's holdings of debt instruments by maturity is as follows:

	2009	2008
Less than 1 year	4.7%	2.24%
1-3 years	33.4%	0.21%
3-5 years	14.5%	31.35%
Greater than 5 years	47.4%	66.20%
Total debt instruments	100%	100%

As at December 31, 2009, management estimates that if prevailing interest rates had increased or decreased by 1%, the total investment portfolio value would decrease by approximately \$14,600,000 (2008 - \$7,530,000) or increase by approximately \$16,000,000 (2008 - \$7,530,000) respectively. This 1% change assumes a parallel shift in the yield curve along 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. The asset class that is most impacted by other price risk is variable rate securities which represent 11.0% (2008 - 7.5%) of the investment portfolio. The return on PPNs are not determinable prior to maturity instead being linked to the performance of their underlying index and will depend on the extent to which the index return is positive or negative at maturity. A negative return will result in a return of only the principal amount which is protected by the issuer. The risk is managed

by security selection and active management by external managers within approved investment policies and manager mandates.

As at December 31, 2009, if underlying indices prices had increased or decreased by 1% with all other variables held constant, the portfolio amount would have increased or decreased by approximately \$563,000 (2008 - \$nil). 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 and sector risk relates to the exposure to changes in a particular industrial, commercial or service sector by virtue of concentration. The Plan's portfolio comprises bonds issued or guaranteed by federal and provincial governments along with Canadian financial institution and corporate debt instruments which constitute its most significant exposure to credit risk. The Plan has a concentration of investments in government and government guaranteed bonds, which are considered to be high credit quality investments thereby moderating its credit risk. All of the Plan's assets are exposed to credit risk.

As at December 31, 2009 and 2008, the Plan's credit exposure to long term debt instruments is as follows:

	2009	2008
AAA/AA/AAH/AAL	58.4%	43.6%
AA/AH/AL	33.5%	56.4%
Unrated	8.1%	0.0%
Total debt instruments	100%	100%

The above ratings were provided by Dominion Bond Rating Service. The variable rate notes are unrated.

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 repayment to subscribers and payments of Education Assistance payments. Further information on these future obligations is provided in

Schedule 1. Other financial liabilities are all due within one month.

In mitigation of these risks, the Plan retains sufficient cash and cash equivalents and primarily invests in securities that are traded in the active markets and can be readily disposed to meet expected cash requirements. ■

