

Global Educational Trust Plan

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

December 31, 2010 and 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") and Global Growth Assets Inc ("GGAI"). 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
Director

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Global Educational Trust Foundation and
Global Growth Assets Inc.

We have audited the accompanying financial statements of Global Educational Trust Plan (the "Plan"), which comprise the statement of investment portfolio as at December 31, 2010, the statements of net assets as at December 31, 2010 and 2009, and the statements of operations and changes in net assets for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In

making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2010 and 2009, the results of its operations and changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

March 22, 2011
Toronto, Ontario

Global Educational Trust Plan Statements of Net Assets

As at December 31, 2010 and 2009

Assets	2010 \$	2009 \$
Cash and short-term investments	18,711,087	14,150,005
Investments - at fair value (cost \$332,754,153; 2009: \$284,877,098)	342,507,376	285,852,540
Grant Receivable (Schedule 2)	2,020,159	-
Accrued interest	2,020,454	2,035,573
	<u>365,259,076</u>	<u>302,038,118</u>
Liabilities		
Accounts payable (Note 3)	802,802	609,406
Payable for investments purchased	5,004,782	9,093,629
Subscribers' Savings Account (Note 4) (Schedule 2)	225,651,083	191,169,728
	<u>231,458,667</u>	<u>200,872,763</u>
Net Assets	<u>133,800,409</u>	<u>101,165,355</u>
Represented by		
Accumulated government grants deposits (Schedule 2)	84,565,538	67,977,109
Accumulated and undistributed investment income and realized gains on investments (Schedule 2)	39,476,068	32,212,803
Unrealized appreciation of investments	<u>9,758,803</u>	<u>975,443</u>
	<u>133,800,409</u>	<u>101,165,355</u>

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

Approved by the Board of Directors of
Global Educational Trust Foundation



Sam Bouji
Director



Frank Gataveckas
Director

Approved by the Board of Directors of
Global Growth Assets Inc.



Sam Bouji
Director



Glenn Moore
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, 2010 and 2009

	2010	2009
	\$	\$
Investment income		
Interest	<u>14,332,519</u>	<u>11,821,264</u>
Expenses		
Administration fees (Note 3)	3,423,162	2,634,572
Audit costs	78,758	60,000
Independent review committee	4,500	-
Other charges	<u>464,815</u>	<u>167,220</u>
	<u>3,971,235</u>	<u>2,861,792</u>
Net investment income	<u>10,361,284</u>	<u>8,959,472</u>
Realized and unrealized gains on investments		
Net realized (loss) gain on sale of investments	(209,069)	1,372,661
Increase (decrease) in unrealized appreciation of investments	<u>8,783,360</u>	<u>(779,609)</u>
Net realized and unrealized gains on investments	<u>8,574,291</u>	<u>593,052</u>
Increase in net assets from operations for the year	<u>18,935,575</u>	<u>9,552,524</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, 2010 and 2009

	2010	2009
	\$	\$
Increase in net assets from operations for the year	<u>18,935,575</u>	<u>9,552,524</u>
Government grants received (note 5)		
Canada Education Savings Grants (CESG)	13,234,712	10,702,646
Canada Learning Bond (CLB)	3,094,677	2,425,102
Alberta Centennial Education Savings Plan (ACES)	2,305,859	1,946,909
Quebec Education Savings Incentive (QESI)	672,832	662,094
Payments to nominees		
Education Assistance Payments	(2,292,110)	(2,055,661)
Government grants	(2,719,652)	(2,302,076)
Government grants income	<u>(596,839)</u>	<u>(496,953)</u>
Increase in net assets during the year	<u>32,635,054</u>	<u>20,434,585</u>
Net assets - Beginning of year	<u>101,165,355</u>	<u>80,730,770</u>
Net assets - End of year	<u>133,800,409</u>	<u>101,165,355</u>

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

Global Educational Trust Plan
Statement of Investment Portfolio

As at December 31, 2010

Government Grants invested - (24.0%)

Government Securities - 5.5%

	Par value \$	Cost \$	Fair value \$
Canada Housing Trust FRN March 15, 2015	7,600,000	7,619,149	7,617,807
Canada Housing Trust FRN September 15, 2015	11,120,000	11,133,177	11,135,868
Canada Government 2.00%, due September 1, 2012	310,000	308,698	311,916
Canada Housing Trust 2.75%, due September 15, 2014	390,000	391,330	396,322
Canada Housing Trust No. 1 2.70%, due December 15, 2013	390,000	387,569	395,353
Total Government Securities		<u>19,839,923</u>	<u>19,857,265</u>

Provincial Securities - 11.2%

BC Municipal Fin Auth 4.6% April 23, 2018	1,290,000	1,284,995	1,381,495
BC Province 3.7% December 18, 2020	1,460,000	1,439,677	1,454,862
BC Province 5.7% June 18, 2029	2,130,000	2,331,200	2,546,498
City of Toronto 4.95% June 27, 2018	1,195,000	1,191,367	1,283,805
Hydro-Quebec 11% August 15, 2020	1,910,000	2,972,496	2,993,732
Ontario Province 4.2% March 8, 2018	1,190,000	1,228,094	1,251,486
Ontario Province 4.4% June 2, 2019	1,640,000	1,713,516	1,727,979
Ontario Province 6.5% March 8, 2029	11,915,000	14,461,073	15,284,800
Quebec Province 4.5% December 1, 2018	4,830,000	4,954,853	5,146,607
Quebec Province 4.5% December 1, 2019	3,925,000	4,101,597	4,143,422
Quebec Province 6% October 1, 2012	1,510,000	1,631,802	1,617,370
BC Province 4.1%, due December 18, 2019	100,000	100,786	103,630
Manitoba Province 4.15%, due June 3, 2020	100,000	100,650	103,160
Nova Scotia Province 4.15%, due November 25, 2019	100,000	100,900	103,236
Ontario Province (Generic Int Pymt), due December 2, 2013	260,000	229,931	242,513
Ontario Province 3.25%, due September 8, 2014	350,000	355,689	359,573
Quebec Province (Generic Int Pymt), due June 1, 2012	325,000	306,478	316,613
Quebec Province (Generic Int Pymt), due June 1, 2014	325,000	279,383	297,237
New Brunswick Province 4.65%, due September 26, 2035	90,000	89,010	92,740
Total Provincial Securities		<u>38,873,498</u>	<u>40,450,758</u>

Financial Institution Securities - 5.3%

Bank of Montreal 5.04% September 4, 2012	1,600,000	1,717,584	1,675,669
Bank of Montreal 6.02% May 2, 2018	1,500,000	1,651,545	1,699,812
Bank of Nova Scotia 4.94% April 15, 2014-19	1,000,000	1,058,250	1,059,044
CIBC 5% September 10, 2012	1,100,000	1,121,454	1,151,703
CIBC Cap. Trust 9.976% June 30, 2019-2108	900,000	1,201,527	1,138,389
GE Capital Canada 5.685 September 10, 2019	650,000	682,507	698,816
Great West lifeco 6.67% March 21, 2033	1,000,000	1,099,000	1,121,312
Manulife Financial 4.896% June 2, 2014	1,000,000	1,048,940	1,043,386
National Bank 4.926% December 22, 2014-19	1,000,000	1,055,120	1,060,162
Royal Bank of Cda 3.18% March 16, 2015	1,500,000	1,499,445	1,512,342
Royal Bank of Cda 5% June 6, 2013-18	600,000	638,250	632,682
Scotiabank Tier I Trust 7.802% June 30, 2019-2108	600,000	657,408	690,924

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

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

As at December 31, 2010

	Par value \$	Cost \$	Fair value \$
Sun Life Financial 4.95% June 1, 2016-36	1,000,000	1,021,900	1,028,716
TD Bank 4.779% December 14, 2016-2105	2,000,000	1,818,356	2,078,754
American Express Canada 4.85%, due October 3, 2014	325,000	327,600	342,318
Bank of America Corp 4.36%, due September 21, 2015	150,000	145,647	146,671
Bank of Nova Scotia 3.03%, due June 4, 2012	650,000	663,293	659,437
Canadian Imperial Bank 3.05%, due June 3, 2013	650,000	655,168	660,387
Desjardins Capital 5.19%, due May 5, 2020	200,000	203,950	210,836
GE Capital Canada Funding 4.55%, due January 17, 2017	250,000	255,313	255,581
Royal Bank of Canada 3.66%, due January 25, 2017	200,000	198,300	201,603
Royal Bank of Canada 4.93%, due July 16, 2025	185,000	194,620	189,160
Total Financial Institution Securities		<u>18,915,176</u>	<u>19,257,704</u>

Principal Protected Notes - 2.0%

BNP Paribas Millenium Comm. USD Excess, due November 10, 2014	1,450,000	1,450,000	1,369,960
Royal Bank of Canada, Enhanced Yield Note, due November 27, 2014	2,900,000	2,900,000	2,937,120
Toronto Dominion VAR Canadian Equity Coupon Notes, due December 3, 2012	2,900,000	2,900,000	2,874,190
Total Principal Protected Notes		<u>7,250,000</u>	<u>7,181,270</u>

Total Government Grants Invested

84,878,596 86,746,997

Subscribers' contribution invested - (70.8%)

Government Securities - 13.8%

Canada Housing Trust FRN March 15, 2015	17,850,000	17,894,999	17,891,823
Canada Housing Trust FRN September 15, 2015	29,300,000	29,336,041	29,341,811
Canada Government 2.00%, due September 1, 2012	780,000	776,724	784,820
Canada Housing Trust 2.75%, due September 15, 2014	960,000	963,274	975,561
Canada Housing Trust No. 1 2.70%, due December 15, 2013	960,000	953,696	973,177
Total Government Securities		<u>49,924,734</u>	<u>49,967,192</u>

Provincial Securities - 28.9%

Bc Municipal Fin Auth 4.6% April 23, 2018	3,230,000	3,217,468	3,459,091
BC Province 3.7% December 18, 2020	7,280,000	7,178,662	7,254,382
BC Province 5.7% June 18, 2029	5,495,000	6,007,365	6,569,487
City of Toronto 4.95% June 27, 2018	2,935,000	2,926,078	3,153,112
Hydro-Quebec 11% August 15, 2020	4,615,000	7,182,885	7,233,546
Ontario Province 4.2% March 8, 2018	3,340,000	3,468,091	3,512,574
Ontario Province 4.4% June 2, 2019	1,385,000	1,444,140	1,459,300
Ontario Province 6.5% March 8, 2029	30,460,000	37,141,127	39,074,697
Quebec Province 4.5% December 1, 2018	14,255,000	14,682,411	15,189,415

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

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

As at December 31, 2010

	Par value \$	Cost \$	Fair value \$
Quebec Province 4.5% December 1, 2019	10,325,000	10,795,384	10,899,576
Ontario Province 5.375% December 2, 2012	2,300,000	2,373,404	2,451,340
BC Province 4.1%, due December 18, 2019	250,000	251,965	259,076
Manitoba Province 4.15%, due June 3, 2020	250,000	251,625	257,900
Nova Scotia Province 4.15%, due November 25, 2019	250,000	252,250	258,090
Ontario Province (Generic Int Pymt), due December 2, 2013	640,000	565,984	596,956
Ontario Province 3.25%, due September 8, 2014	850,000	863,817	873,248
Quebec Province (Generic Int Pymt), due June 1, 2012	800,000	754,408	779,354
Quebec Province (Generic Int Pymt), due June 1, 2014	800,000	687,712	731,660
New Brunswick Province 4.65%, due September 26, 2035	225,000	222,525	231,849
Total Provincial Securities		<u>100,267,301</u>	<u>104,244,652</u>
Financial Institution Securities - 20.6%			
Bank of Montreal 5.04% September 4, 2012	4,500,000	4,830,705	4,712,819
Bank of Montreal 6.02% May 2, 2018	3,000,000	3,303,090	3,399,624
Bank of Nova Scotia 4.94% April 15, 2014-19	2,700,000	2,857,275	2,859,419
CIBC 5% September 10, 2012	4,500,000	4,598,190	4,711,514
CIBC Cap. Trust 9.976% June 30, 2019-2108	2,000,000	2,670,060	2,529,754
Great West lifeco 6.67% March 21, 2033	3,000,000	3,297,000	3,363,936
Manulife Financial 4.896% June 2, 2014	3,000,000	3,146,820	3,130,158
National Bank 4.926% December 22, 2014-19	3,000,000	3,165,360	3,180,486
Royal Bank of Cda 3.18% March 16, 2015	3,250,000	3,248,798	3,276,741
Royal Bank of Cda 5% June 6, 2013-18	1,500,000	1,595,625	1,581,705
Scotiabank Tier I Trust 7.802% June 30, 2019-2108	1,800,000	1,972,224	2,072,772
Sun Life Financial 4.95% June 1, 2016-36	3,000,000	3,065,700	3,086,148
TD Bank 4.779% December 14, 2016-2105	4,500,000	4,119,969	4,677,197
American Express Canada 4.85%, due October 3, 2014	800,000	806,400	842,630
Bank of America Corp 4.36%, due September 21, 2015	340,000	330,133	332,454
Bank of Nova Scotia 3.03%, due June 4, 2012	1,600,000	1,632,720	1,623,229
Canadian Imperial Bank 3.05%, due June 3, 2013	1,600,000	1,612,720	1,625,568
Desjardins Capital 5.19%, due May 5, 2020	500,000	509,875	527,091
GE Capital Canada Funding 4.55%, due January 17, 2017	615,000	628,069	628,729
Royal Bank of Canada 3.66%, due January 25, 2017	500,000	495,750	504,007
Royal Bank of Canada 4.93%, due July 16, 2025	520,000	547,040	531,694
Pacific & Western Bank of Canada 11%, due February 27, 2019	10,000,000	10,000,000	11,902,761
Pacific & Western Bank of Canada 11%, due April 30, 2019	10,000,000	10,000,000	11,682,757
Pacific & Western Bank of Canada 11%, due June 30, 2019	1,500,000	1,500,000	1,705,222
Total Financial Institution Securities		<u>69,933,523</u>	<u>74,488,411</u>

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

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

As at December 31, 2010

Principal Protected Notes - 7.5%

Bank of Nova Scotia, Global Alpha Strategy Deposit Notes,
 Series 1, due August 29, 2014

Par value	Cost	Fair value
\$	\$	\$

10,000,000	10,000,000	9,478,394
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BNP Paribas Millenium Comm. USD Excess,
 due November 10, 2014

3,550,000	3,550,000	3,354,040
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Royal Bank of Canada, Enhanced Yield Note,
 due November 27, 2014

7,100,000	7,100,000	7,190,880
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Toronto Dominion VAR Canadian Equity Coupon Notes,
 due December 3, 2012

7,100,000	7,100,000	7,036,810
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Total Principal Protected Notes

<u>27,750,000</u>	<u>27,060,124</u>	
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Total Subscribers' contribution invested

<u>247,875,557</u>	<u>255,760,379</u>	
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Total Subscribers' contribution and Government

Grants invested - (94.8%)

332,754,153	342,507,376	
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Cash - (1.6%)

5,628,819	5,628,819	
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Cash equivalent - (3.6%)

13,076,689	13,082,268	
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Total Investment Portfolio

<u>351,459,661</u>	<u>361,218,463</u>	
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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, 2010 and 2009

Scheduled deposit completion year	Number of units outstanding	Principal plus accumulated income \$	Government grants plus accumulated income \$	Total \$
2000	58	35,852	7,906	43,759
2001	48	18,089	3,412	21,501
2002	174	10,005	2,592	12,597
2003	887	84,326	14,643	98,969
2004	22	215,947	35,731	251,677
2005	3,120	420,499	81,117	501,615
2006	6,307	751,838	140,632	892,470
2007	12,225	1,274,130	238,905	1,513,035
2008	22,063	2,211,646	439,348	2,650,994
2009	30,357	4,193,665	897,446	5,091,111
2010	44,947	8,943,592	2,049,940	10,993,533
2011	56,358	17,872,944	4,238,191	22,111,135
2012	73,058	21,040,643	5,310,830	26,351,473
2013	81,142	20,414,776	5,455,164	25,869,940
2014	90,638	20,607,627	5,782,832	26,390,458
2015	102,019	20,100,076	5,961,193	26,061,269
2016	108,650	19,139,988	5,901,097	25,041,085
2017	114,128	17,863,141	5,658,433	23,521,573
2018	124,896	17,437,115	5,762,623	23,199,738
2019	125,619	15,863,513	5,390,005	21,253,518
2020	142,034	15,844,014	5,591,924	21,435,937
2021	141,344	13,201,706	5,130,969	18,332,675
2022	148,806	11,676,362	6,471,332	18,147,694
2023	154,377	9,069,467	6,435,010	15,504,477
2024	166,550	7,141,394	5,952,196	13,093,590
2025	168,748	4,793,098	5,139,430	9,932,529
2026	152,270	2,041,748	3,765,353	5,807,101
2027	120,777	456,723	1,980,079	2,436,801
2028	73,772	153,232	607,866	761,098
2029	11,000	9,722	197,412	207,134
2030	9,157	380	110,426	110,806
2031	6,554	247	30,990	31,238
Dec. 31, '10	2,294,284	252,887,505	94,785,024	347,672,530
Dec. 31, '09	2,093,835	214,365,718	76,993,922	291,359,640

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, 2010 and 2009

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

Opening agreements	Inflow agreements	Outflow agreements	Closing agreements
70,127	8,010	3,523	74,614
64,254	9,324	3,451	70,127

Legend:	2010 Year	2009 Year
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The following reconciles 2010 2009
Schedule 1 to the \$ \$
statements of net assets:

Total principal, government grants and accumulated income (Schedule 1) **347,672,530** 291,359,640

Represented in the statements of net assets by

Subscribers' Savings Account Accumulated government grants deposits	225,651,083	191,169,728
Accumulated and undistributed investment income and realized gains on investments	84,565,538	67,977,109
	39,476,068	32,212,803
	349,692,689	291,359,640

Less: Government grants receivable **2,020,159** -
347,672,530 291,359,640

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

NOTES TO THE FINANCIAL STATEMENTS - December 31, 2010

1. Organization and general

The Global Educational Trust Plan (the “Plan”) was established on October 14, 1998. It was administered by the Global Educational Trust Foundation (the “Foundation”), up to September 28, 2010. The Foundation is a not-for-profit organization, incorporated without share capital, under the laws of Canada.

Due to the Ontario Securities Commission (OSC) implementation of National Instrument (NI31-103) effective September 28, 2010, the Foundation elected to retain Global Growth Assets Inc. (GGAI) as administrator and investment fund manager of the Plan. None of the roles and duties of the Trustee, Custodian, Distributor, Portfolio Advisers or Independent Review Committee has changed.

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 have been 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”).

Use of Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts. The most significant estimates and assumptions relate to 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:

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 on accrual basis. This amount received is dependent on each individual Planholder’s taxation status.

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 Statement 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 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. The return of enrollment fees is the sole responsibility of the Foundation; neither the Plan nor GEMC have any obligation to return enrollment fees.

Investments

Investments in bonds are stated at fair values, determined using the bid price at year-end. PPNs 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. 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.

Short-term investments

Short-term investments 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.

Donations

Periodically the Foundation on behalf of the Plan and in accordance with government guidelines and the Prospectus of the Plan, disposes income accrued on grants and deposits of terminated Plans, by way of donation to an educational institutions. Interest income forfeited from these terminated Plans from inception to end of 2010 was paid to Educational Institutions as designated by the Foundation and has been recorded in other charges in the Statement of Operations.

International Financial Reporting Standards ("IFRS")

Canadian publicly accountable enterprises, which include investment funds, are required to prepare financial statements in accordance with IFRS, as issued by the International Accounting Standards Board, for years beginning on or after January 1, 2011. On September 7, 2010, the Canadian Accounting Standards Board ("AcSB") approved an optional one-year deferral of IFRS adoption for investment companies applying Accounting Guideline AcG 18, Investment Companies until fiscal years beginning on or after January 1, 2012. On January 12, 2011, the AcSB approved an additional one year extension to the optional one year deferral until fiscal years beginning on or after January 1, 2013. Accordingly, the Plan will adopt IFRS for its fiscal year beginning January 1, 2013, and will issue its initial financial statements in accordance with IFRS, including comparative information, for the interim period ending June 30, 2013.

3. Related party transactions

- a) The Foundation is the sponsor and was the administrator of the Plan up to September 28, 2010. In consideration for administrative services provided, the administrator 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 management and custodial

fees. The administration and depository fees are remitted to GEMC on behalf of GGAI. GGAI retains 25% of the net administration fees and the Foundation retains 3% of the net enrollment fees paid to GEMC representing GEMC's contributions to the Foundation's Enhancement Fund. The Plan's accounts payable includes \$313,602 (2009 - \$315,372) 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 honored and are remitted by GGAI to GEMC.

4. Subscribers' savings account

The changes in the subscribers' savings account for the year are as follows:

	2010	2009
	\$	\$
Subscribers' Savings Account		
- Beginning of year	191,169,728	159,497,987
Subscribers' deposits	68,275,359	63,110,391
Enrollment fees (Note 3)	(14,134,986)	(14,292,782)
Depository fees (Note 3)	(757,706)	(704,826)
Insurance premiums (Note 3)	(382,716)	(360,247)
Special services fees (Note 3)	(310,050)	(300,645)
Principal withdrawals on terminations or return of deposits	(18,208,546)	(15,780,150)
	<hr/>	<hr/>
Subscribers' Savings Account - End of year	225,651,083	191,169,728

5. Government grants

Canada Education Savings Grants ("CESGs")

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, 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 additional amounts for lower income families.

6. Fair value of financial instruments

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:

Assets measured at fair value as of December 31, 2010

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Cash and short-term investments	5,628,819	13,082,268	-	18,711,087
Fixed-Income Securities	-	282,975,242	25,290,740	308,265,982
PPNs	-	-	34,241,394	34,241,394
Total	5,628,819	296,057,510	59,532,134	361,218,463

Assets measured at fair value as of December 31, 2009

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Cash and short-term investments	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	\$29,220,271
Purchases	1,500,000
Transfers	24,580,500
Sales	-
Realized gains on sales	-
Increase in unrealized gains	4,231,363
Closing balance	\$59,532,134

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 most 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 \$1,094,000. PPNs previously

classified as Level 2 were valued based on bid prices obtained in secondary markets. These PPNs were transferred to level 3 investments in 2010 due to a change in valuation model.

7. Risks associated with financial instruments and capital management

Capital Management

The Plan defines its capital as its net assets and subscribers' deposits, which consists primarily of its financial instruments. GGAI's investment objective is to protect principal and deliver a positive return for the Plan.

Risk Management

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 and liquidity risk.

The Plan's risk management process includes monitoring compliance with the Plan's investment policy. The Plan manages the effects of these financial risks to the Plan portfolio performance by retaining and overseeing professional external investment managers. The investment managers regularly monitor the Plan's positions, market events and manage the investment portfolio within the constraints of the investment policy.

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, 2010 and 2009, the Plan's holdings of long term debt instruments by maturity are as follows:

	2010	2009
Less than 1 year	4.7%	4.7%
1-3 years	9.7%	33.4%
3-5 years	31.4%	14.5%
Greater than 5 years	54.2%	47.4%
Total debt instruments	100%	100%

As at December 31, 2010, management estimates that if prevailing interest rates had increased or decreased by 1% (2009 - 1%), the total investment portfolio value would decrease by approximately \$19,447,000 (2009 - \$14,600,000) or increase by approximately \$22,771,000 (2009 - \$16,000,000), 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. Factors specific to an individual investment, its issuer or all factors affecting other price risk. The asset class that is most impacted by other price risk are PPNs which represent 9.5% (2009 - 11.0%) of the 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, 2010, 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 \$1,094,000 (2009 - \$563,000). 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, 2010 and 2009, the Plan's credit exposure to long term debt instruments is as follows:

Credit Rating

	2010	2009
AAAH/AAA/AAH/AAL	57.1%	58.3%
AA/AH/A/BBH	33.1%	33.6%
Unrated	9.8%	8.1%
<hr/>		
Total debt instruments	100%	100%

The above ratings were provided by Dominion Bond Rating Service (DBRS). The PPNs 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 short-term investments positions and primarily invests in securities that are traded in the active markets and can be readily disposed to meet expected cash requirements.

