

Global Educational Trust Plan

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

December 31, 2011 and 2010

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 RESP Corporation ("GESP"), which administers the Plan, maintains appropriate processes to ensure that relevant and reliable financial information is produced.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies, which management believes are appropriate for the Plan, are described in Note 2 to the Financial Statements.

Deloitte & Touche LLP is the external auditor of the Plan. It has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable it to express to the Directors of the Foundation its 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 Education Trust Foundation and
Global Growth Assets Inc.

We have audited the accompanying financial statements of Global Educational Trust Plan, which comprise the statement of investment portfolio as at December 31, 2011, the statements of net assets as at December 31, 2011 and 2010, 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 the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Global Education Trust Plan as at December 31, 2011 and 2010, and 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

April 16, 2012
Toronto, Ontario

Global Educational Trust Plan Statements of Net Assets

As at December 31, 2011 and 2010

Assets	2011 \$	2010 \$
Investments - at fair value cost (\$364,211,257; 2010: \$332,754,153)	374,750,477	342,507,376
Cash and cash equivalents	50,360,465	18,711,087
Short-term investment - at fair value; cost (\$3,526,763; 2010 - \$0)	3,526,661	-
Grant Receivable (Schedule 2)	2,136,372	2,020,159
Accrued interest	1,714,551	2,020,454
	<u>432,488,526</u>	<u>365,259,076</u>

Liabilities

Subscribers' savings Account (Note 4) (Schedule 2)	261,554,319	225,651,083
Payable for investments purchased	4,941,086	5,004,782
Accounts payable (Note 3)	1,601,896	802,802
Net Assets	<u>164,391,225</u>	<u>133,800,409</u>

Represented by

Accumulated government grants deposits (Schedule 2)	101,304,840	84,565,538
Accumulated and undistributed investment income and realized gains on investments (Schedule 2)	52,531,429	39,476,068
Unrealized appreciation of investments	10,554,956	9,758,803
	<u>164,391,225</u>	<u>133,800,409</u>

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

Approved by the Board of Directors of
Global Educational Trust Foundation and Global
Growth Assets Inc.



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, 2011 and 2010

	2011	2010
	\$	\$
Investment income		
Interest	<u>14,242,758</u>	<u>14,332,519</u>
Expenses		
Administration fees (Note 3)	4,380,335	3,423,162
Other charges	173,601	464,815
Audit costs	86,355	78,758
Independent review committee	11,433	4,500
	<u>4,651,724</u>	<u>3,971,235</u>
Net investment income	<u>9,591,034</u>	<u>10,361,284</u>
Realized and unrealized gains on investments		
Net realized gain (loss) on sale of investments	6,948,893	(209,069)
Increase in unrealized appreciation of investments	<u>796,153</u>	<u>8,783,360</u>
Net realized and unrealized gains on investments	<u>7,745,046</u>	<u>8,574,291</u>
Increase in net assets from operations for the year	<u>17,336,080</u>	<u>18,935,575</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, 2011 and 2010

	2011	2010
	\$	\$
Increase in net assets from operations for the year	<u>17,336,080</u>	<u>18,935,575</u>
Government grants received (note 5)		
Canada Education Savings Grants (CESG)	12,637,275	13,234,712
Canada Learning Bond (CLB)	4,001,584	3,094,677
Alberta Centennial Education Savings Plan (ACES)	2,769,984	2,305,859
Quebec Education Savings Incentive (QESI)	629,530	672,832
Payments to nominees		
Government grants	(3,299,069)	(2,719,652)
Education Assistance Payments	(2,711,744)	(2,292,110)
Government grants income	<u>(772,824)</u>	<u>(596,839)</u>
Increase in net assets during the year	<u>30,590,816</u>	<u>32,635,054</u>
Net assets - beginning of year	<u>133,800,409</u>	<u>101,165,355</u>
Net assets - end of year	<u>164,391,225</u>	<u>133,800,409</u>

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

Global Educational Trust Plan
Statement of Investment Portfolio

As at December 31, 2011

Government Grants Invested (24.6%)

Government Securities (5.4%)

	Par value \$	Cost \$	Fair value \$
Canada Housing Trust FRN September 15, 2015	22,125,000	22,195,978	22,140,810
Canada Housing Trust No. 1 2.70% due December 15, 2013	390,000	391,330	402,141
Canada Housing Trust 2.75% due September 15, 2014	390,000	387,569	406,442
Canada Housing Trust 1.40% due March 15, 2016	240,000	240,312	239,705
Total Government Securities		<u>23,215,189</u>	<u>23,189,098</u>

Provincial Securities (12.3%)

City of Toronto 4.95% June 27, 2018	1,195,000	1,191,367	1,371,668
Ontario Province 4.2% March 8, 2018	1,190,000	1,228,094	1,332,543
BC Municipal Fin Auth 4.6% April 23, 2018	1,290,000	1,284,995	1,459,314
BC Province 3.7% December 18, 2020	1,460,000	1,439,677	1,578,176
Quebec Province 6% October 1, 2012	1,510,000	1,631,802	1,564,217
Ontario Province 4.4% June 2, 2019	1,640,000	1,713,516	1,859,032
Quebec Province 6% October 1, 2029	1,630,000	2,077,435	2,187,638
Hydro-Quebec 11% August 15, 2020	1,910,000	2,972,496	3,110,173
BC Province 5.7% June 18, 2029	3,680,000	4,280,697	4,874,488
Ontario Province 6.5% March 8, 2029	6,170,000	7,857,203	8,761,867
Quebec Province 4.25% December 1, 2021	7,875,000	8,195,932	8,756,282
Ontario Province 4% June 2, 2021	12,965,000	13,563,233	14,246,535
Ontario Province (Generic Int Pymt) due December 2, 2013	260,000	229,931	253,140
Quebec Province (Generic Int Pymt) due June 1, 2014	325,000	279,383	314,215
Ontario Province 3.25% September 8, 2014	350,000	355,689	368,109
Financement Quebec 1.20% December 1, 2014	400,000	395,840	396,400
Nova Scotia Province 4.15% November 25, 2019	100,000	100,900	110,702
BC Province 4.10% December 18, 2019	100,000	100,786	111,552
Manitoba Province 4.15% June 3, 2020	100,000	100,650	111,454
New Brunswick Province 4.65% September 26, 2035	90,000	89,010	105,515
Total Provincial Securities		<u>49,088,636</u>	<u>52,873,020</u>

Financial Institution Securities (5.2%)

Bank of Nova Scotia 4.94% April 15, 2014-19	1,000,000	1,058,250	1,058,801
CIBC Cap. Trust 9.976% June 30, 2019-2108	900,000	1,201,527	1,120,217
GE Capital Canada 5.68% September 10, 2019	650,000	682,507	723,303
Great West Lifeco 6.67% March 21, 2033	1,000,000	1,099,000	1,177,182
Manulife Financial 4.896% June 2, 2014	1,000,000	1,048,940	1,039,006
National Bank 4.926% December 22, 2014-19	1,000,000	1,055,120	1,070,097
Royal Bank of Cda 5% June 6, 2013-18	600,000	638,250	624,651
Scotiabank Tier I Trust 7.802% June 30, 2019-2108	600,000	657,408	724,609
Sun Life Financial 4.95% June 1, 2016-36	1,000,000	1,021,900	1,024,777
TD Bank 5.828% July 9, 2018-23	1,100,000	1,236,268	1,267,329
Royal Bank of Cda 4.93% July 16, 2025	1,200,000	1,243,836	1,364,230
Royal Bank of Cda 3.77% March 30, 2018	1,500,000	1,499,820	1,596,689
Bank of Montreal 6.02% May 2, 2018	1,500,000	1,651,545	1,773,812

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

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

As at December 31, 2011

	Par value \$	Cost \$	Fair value \$
TD Bank 4.779% December 14, 2016-2105	2,000,000	1,818,356	2,134,119
Bank of Nova Scotia 4.1% June 8, 2017	2,200,000	2,286,702	2,360,051
Canadian Imperial Bank 3.05% June 3, 2013	650,000	655,168	668,905
American Express Canada 4.85% October 3, 2014	325,000	327,600	340,875
Bank of America Corp. 4.36% September 21, 2015	150,000	145,647	140,682
BAC Canada Finance Co Series 2 September 15, 2016	1,740,000	1,740,000	1,517,454
GE Capital Canada Funding COo 4.55% January 17, 2017	250,000	255,313	263,117
Royal Bank of Canada 3.66% January 25, 2017	200,000	198,300	210,172
Desjardins Capital 5.19% May 5, 2020	200,000	203,950	215,290
Total Financial Institution Securities		<u>21,725,407</u>	<u>22,415,368</u>

Principal Protected Notes (1.7%)

BNP Paribas Millenium Comm. USD Excess, due November 10, 2014	1,450,000	1,450,000	1,406,210
Royal Bank of Canada, Enhanced Yield Note, due November 27, 2014	2,900,000	2,900,000	2,889,560
Toronto Dominion Canadian Equity Coupon Notes december 3, 2012	2,900,000	<u>2,900,000</u>	<u>2,854,760</u>
Total Principal Protected Notes		<u>7,250,000</u>	<u>7,150,530</u>

Total Government Grants Invested

101,279,232 105,628,016

Subscribers' Contribution Invested (62.8%)

Government Securities (11.2%)

Canada Housing Trust FRN September 15, 2015	45,490,000	45,633,429	45,522,505
Canada Housing Trust No. 1 2.70% December 15, 2013	960,000	963,274	989,885
Canada Housing Trust 2.75% September 15, 2014	960,000	953,696	1,000,474
Canada Housing Trust 1.40% March 15, 2016	600,000	600,780	599,262
Total Government Securities		<u>48,151,179</u>	<u>48,112,126</u>

Provincial Securities (22.6%)

BC Municipal Financial Authority 4.6% April 23, 2018	3,230,000	3,217,468	3,653,941
BC Province 3.7% December 18, 2020	5,030,000	4,959,982	5,437,141
BC Province 5.7% June 18, 2029	8,920,000	10,315,124	11,815,335
City of Toronto 4.95% June 27, 2018	2,935,000	2,926,078	3,368,909
Hydro-Quebec 11% August 15, 2020	4,615,000	7,182,885	7,514,895
Ontario Province 4% June 2, 2019	23,510,000	24,440,549	25,833,863
Ontario Province 4.4% June 2, 2012	1,385,000	1,444,140	1,569,975
Ontario Province 5.375% December 2, 2012	2,300,000	2,373,404	2,388,714
Ontario Province 6.5% March 8, 2029	6,520,000	8,300,946	9,258,893
Quebec Province 4.25% December 1, 2021	14,785,000	15,386,536	16,439,572
Quebec Province 6% October 1, 2029	3,715,000	4,734,768	4,985,936

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

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

As at December 31, 2011

	Par value \$	Cost \$	Fair value \$
Financement Quebec No 1.20% December 1, 2014	1,000,000	989,600	991,000
Ontario Province (Generic Int Pymt) due December 2, 2013	640,000	565,984	623,114
Quebec (Generic Int Pymt) due June 1, 2014	800,000	687,712	773,452
Ontario Province 3.25% September 8, 2014	850,000	863,817	893,979
Nova Scotia Province 4.15% November 25, 2019	250,000	252,250	276,755
BC Province 4.10% December 18, 2019	250,000	251,965	278,880
Manitoba Province 4.15% June 3, 2020	250,000	251,625	278,635
New Brunswick Province 4.65% September 26, 2035	225,000	222,525	263,789
Total Provincial Securities		<u>89,367,358</u>	<u>96,646,778</u>
Financial Institution Securities (19.6%)			
Bank of Montreal 6.02% May 2, 2018	3,000,000	3,303,090	3,547,623
Bank of Nova Scotia 4.1% June 8, 2017	4,000,000	4,158,520	4,291,001
Bank of Nova Scotia 4.94% April 15, 2014-19	2,700,000	2,857,275	2,858,763
CIBC Cap. Trust 9.976% June 30, 2019-2108	2,000,000	2,670,060	2,489,372
Great West Lifeco 6.67% March 21, 2033	3,000,000	3,297,000	3,531,547
Manulife Financial 4.896% June 2, 2014	3,000,000	3,146,820	3,117,018
National Bank 4.926% December 22, 2014-19	3,000,000	3,165,360	3,210,292
Royal Bank of Cda 3.77% March 30, 2018	3,250,000	3,249,610	3,459,492
Royal Bank of Cda 4.93% July 16, 2025	3,000,000	3,109,590	3,410,575
Royal Bank of Cda 5% June 6, 2013-18	1,500,000	1,595,625	1,561,628
Scotiabank Tier I Trust 7.802% June 30, 2019-2108	1,800,000	1,972,224	2,173,826
Sun Life Financial 4.95% June 1, 2016-36	3,000,000	3,065,700	3,074,332
TD Bank 4.779% December 14, 2016-2105	4,500,000	4,119,969	4,801,769
TD Bank 5.828% July 9, 2018-23	2,500,000	2,809,700	2,880,294
Pacific & Western Bank of Canada 11% February 27, 2019	10,000,000	10,000,000	10,000,000
Pacific & Western Bank of Canada 11% June 30, 2019	1,500,000	1,500,000	1,500,000
Pacific & Western Bank of Canada 8% March 11, 2021	10,000,000	10,000,000	10,000,000
Canadian Imperial Bank 3.05% June 3, 2013	1,600,000	1,612,720	1,646,535
American Express Canada 4.85% October 3, 2014	800,000	806,400	839,077
Bank of America Corp. 4.36% September 21, 2015	340,000	330,133	318,879
BAC Canada Finance Co Series 2 September 15, 2016	4,260,000	4,260,000	3,715,146
GE Capital Canada Funding Co 4.55% January 17, 2017	615,000	628,068	647,268
Royal Bank of Canada 3.66% January 25, 2017	500,000	495,750	525,430
Pacific & Western Bk GIC 4.5% August 3, 2021	10,000,000	10,000,000	10,000,000
Capital Desjardins 5.19% May 5, 2020	500,000	509,875	538,220
Total Financial Institution Securities		<u>82,663,489</u>	<u>84,138,087</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, 2011

Principal Protected Notes (9.4%)

	Par value \$	Cost \$	Fair value \$
BNP Paribas Millenium Comm. USD Excess, due November 10, 2014	3,550,000	3,550,000	3,442,790
Royal Bank of Canada, Enhanced Yield Note due November 27, 2014	7,100,000	7,100,000	7,074,440
Toronto Dominion Canadian Equity Coupon Notes December 3, 2012	7,100,000	7,100,000	6,989,240
BAC Canada Finance Ser 1 PPN August 24, 2014	15,000,000	15,000,000	12,630,000
Bank of Nova Scotia Global Alpha Strategy Deposit Notes Series 1, due August 29, 2014	10,000,000	10,000,000	10,089,000
Total Principal Protected Notes		<u>42,750,000</u>	<u>40,225,470</u>

Total Subscriber's Contribution Invested		<u>262,932,026</u>	<u>269,122,461</u>
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**Total Subscribers' Contribution and
Government Grants Invested (87.4%)**

Cash (1.6%)		364,211,257	374,750,477
Cash Equivalents (10.2%)		6,660,323	6,660,323
Short term Investments (0.8%)		43,684,305	43,700,142
		3,526,763	3,526,661

Total Investment Portfolio		<u>418,082,648</u>	<u>428,637,603</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, 2011 and 2010

Year of eligibility	Number of units outstanding	Principal plus accumulated income	Government grants plus accumulated income	Total
		\$	\$	\$
2000	58	36,993	8,113	45,106
2001	31	11,582	2,590	14,172
2002	138	5,340	1,852	7,192
2003	832	85,203	14,775	99,978
2004	2,004	212,429	33,949	246,378
2005	2,935	394,558	76,566	471,124
2006	5,564	593,803	116,187	709,990
2007	10,917	1,013,448	190,150	1,203,598
2008	18,763	1,645,408	350,868	1,996,276
2009	28,225	3,007,079	669,561	3,676,640
2010	42,264	5,438,116	1,364,239	6,802,355
2011	54,533	11,681,474	2,911,601	14,593,075
2012	73,116	23,004,498	5,645,240	28,649,738
2013	81,405	24,153,028	6,251,507	30,404,535
2014	91,975	24,297,921	6,623,762	30,921,683
2015	104,863	24,566,535	7,069,235	31,635,770
2016	111,957	23,739,069	7,094,354	30,833,423
2017	119,017	22,165,962	6,823,367	28,989,329
2018	129,696	21,586,745	6,905,823	28,492,568
2019	131,350	19,786,330	6,483,628	26,269,958
2020	148,626	19,880,897	6,766,132	26,647,029
2021	149,158	17,063,088	6,303,105	23,366,193
2022	155,650	15,515,559	8,090,793	23,606,352
2023	161,699	12,961,577	8,169,908	21,131,485
2024	174,496	10,883,185	7,745,468	18,628,653
2025	179,667	8,269,768	7,034,008	15,303,776
2026	163,721	4,603,714	5,576,943	10,180,657
2027	141,431	1,188,342	3,587,754	4,776,096
2028	114,557	435,959	1,939,903	2,375,862
2029	75,360	124,837	694,232	819,069
2030	9,646	12,927	206,582	219,509
2031	7,512	1,149	109,705	110,854
2032	2,493	495	25,298	25,793
Dec. 31, '11	2,493,659	298,367,018	114,887,198	413,254,216
Dec. 31, '10	2,294,284	252,887,505	94,785,024	347,672,530

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, 2011 and 2010

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

Opening agreements	Inflow agreements	Outflow agreements	Closing agreements
74,614	8,489	3,796	79,307
70,127	8,010	3,523	74,614

Legend:	2011 Year	2010 Year
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The following reconciles Schedule 1 to the statements of net assets:

	2011	2010
	\$	\$

Total principal, government grants and accumulated income (Schedule 1)

413,254,216	347,672,530
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Represented in the statements of net assets by

Subscribers' Savings Account Accumulated government grants deposits	261,554,319	225,651,083
Accumulated and undistributed investment income and realized gains on investments	101,304,840	84,565,538
	52,531,429	39,476,068
	415,390,588	349,692,689

Less: Government grants receivable

2,136,372	2,020,159
413,254,216	347,672,530

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

NOTES TO THE FINANCIAL STATEMENTS - December 31, 2011

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. The Foundation continues to be the sponsor of the Plan.

Due to the Ontario Securities Commission (“OSC”) implementation of National Instrument 31-103 “Registration Requirements and Exemptions” (“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 have changed.

The Plan provides post-secondary education financial assistance to nominees named in the Educational Financial Assistance (“EFA”) Agreements. Global Educational RESP Corporation (“GESP”), 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”).

Grants receivable are classified as loans and receivables and are recorded at amortized cost, which approximates fair value. Accounts payable and Payable for investments purchased are classified as other financial liabilities and are recorded at amortized cost, which approximates fair value.

Investment income is recognized in the Statement of Operations as it is earned.

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 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:

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 by the Foundation during the reporting period are paid to GESF 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, and at the discretion of the Foundation; neither the Plan nor GESF has any legal obligation to return enrollment fees to contributors, and no assets have been set aside in GESF or the Plan in respect of 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. The Pacific and Western Bank of Canada ("PWB") bonds held by the Plan are non traded and are valued at fair value using industry recognized valuation methods.

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 Government of Canada treasury bills maturing within ninety days to one year from the date of purchase. These investments are carried at fair value.

Cash and Cash Equivalents

Cash and Cash Equivalents consist of investments in money market funds and Government of Canada treasury bills maturing within ninety days from the date of purchase. 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 institution. Interest income forfeited from these terminated Plans from inception to the 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. The Foundation, on behalf of the Plan expects a similar process to be done in 2012 as no payment was made in 2011.

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. On December 12, 2011, the Canadian Accounting Standards Board (“AcSB”) amended the deadline for adoption of IFRS for investment companies to fiscal years beginning on or after January 1, 2014. Accordingly, the Plan will adopt IFRS for the fiscal year beginning January 1, 2014, and will issue its initial financial statements in accordance with IFRS, including comparative information, for the interim period ending June 30, 2014.

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 (“GGAI”) 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 custodian counsel fees. The Plan’s accounts payable includes an amount of \$1,078,690 (2010 - \$313,602) payable to the Foundation. This is comprised of a \$1,269,605 (2010 - \$989,031) receivable from GESP settled through the Foundation for discretionary EFA payments made to subscribers, \$2,338,329 (2010 - \$1,309,692) payable to GESP settled through the Foundation for enrollment fees, and \$9,966 (2010 - \$ 7,059 receivable) payable to GGAI settled through the Foundation for administration fees.

- b) GESP 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 GESP.
- c) Special services fees paid from subscribers’ savings accounts are remitted by the Foundation to GESP. The fees principally relate to amounts charged to subscribers in respect of cheques returned and not honored.
- d) During the year, the Plan has entered into transactions in securities of PWB, for which Global Maxfin Capital Inc. (“GMCI”), an entity under common control, received finder’s fees of \$951,000. These fees were paid directly by PWB.
- e) Effective January 1, 2011, a mortgage agreement of approximately \$4.5 million commenced between PWB as lender and Global Maxfin Development Inc., (“GMD”) a company under common control, as borrower at a rate of prime plus 1%.

4. Subscribers' savings account

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

	2011	2010
	\$	\$
Subscribers' Savings Account		
- Beginning of year	225,651,083	191,169,728
Subscribers' deposits	71,516,786	68,275,359
Enrollment fees (Note 3)	(13,992,337)	(14,134,986)
Depository fees	(815,942)	(757,706)
Insurance premiums (Note 3)	(404,365)	(382,716)
Special services fees (Note 3)	(310,406)	(310,050)
Principal withdrawals on terminations or return of deposits	(20,090,500)	(18,208,546)
	<hr/>	<hr/>
Subscribers' Savings Account - End of year	<u>261,554,319</u>	<u>225,651,083</u>

5. Government grants

Canada Education Savings Grants ("CESGs")

The Federal government of Canada 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 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.

If a subscriber terminates prior to eligibility for EFA payments, government grants are returned to the government and income earned on government grants is remitted to an educational institution as discussed in note 2, under Donations.

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, 2011

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash and short-term investments	6,660,323	47,226,803	-	53,887,126
Fixed-Income Securities	-	295,874,477	31,718,055	327,592,532
PPNs	-	-	47,157,945	47,157,945
Total	6,660,323	343,101,280	78,876,000	428,637,603

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

Level 3 - Rollforward of level 3 securities as of December 31, 2011

Opening balance	\$59,532,134
Purchases	22,630,000
Transfers	-
Sales	(10,000,000)
Realized loss on sales	-
Increase in unrealized gains	6,713,866
Closing balance	78,876,000
Changes in unrealized gain/loss for investments held at December 31, 2011	2,482,503

Level 3 - Rollforward of level 3 securities as of December 31, 2010

Opening balance	\$29,220,271
Purchases	1,500,000
Transfers	24,580,500
Sales	-
Realized loss on sales	-
Increase in unrealized gains	4,231,363
Closing balance	59,532,134
Changes in unrealized gain/loss for investments held at December 31, 2010	5,430,592

PPNs are carried at fair value using valuation models and use, among others, historical or implied volatility and historical correlation, to compute the present value of the note. The PWB bonds were valued using contractual terms, market inputs and industry standard calculation methodologies.

Financial instruments classified as Level 3 represent the Plan's investment in PPNs and the PWB 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 \$1,867,000 (2010 - \$1,094,000).

7. Risks associated with financial instruments and capital management

Capital Management

The Plan defines its capital as its net assets and subscribers' savings account, 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, 2011 and 2010, the Plan's holdings of long term debt instruments by maturity are as follows:

	2011	2010
Less than 1 year	15.8%	4.7%
1-3 years	27.6%	9.7%
3-5 years	5.9%	31.4%
Greater than 5 years	50.7%	54.2%
Total debt instruments	100%	100%

As at December 31, 2011, management estimates that if prevailing interest rates had increased or decreased by 1% (2010 - 1%), the total investment portfolio value would decrease by approximately \$17,241,000 (2010 - \$19,447,000) or increase by approximately \$18,994,000 (2010 - \$22,771,000), 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 10.9% (2010 - 9.5%) of the portfolio. The return on PPNs are not determinable prior to maturity, and are instead 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, 2011, 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 \$1,867,000 (2010 - \$1,094,000). 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 institutions 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, 2011 and 2010, the Plan's credit exposure to long term debt instruments is as follows:

Credit Rating

	2011	2010
AAAH/AAA/AH/AAL	59.4%	57.1%
AA/AH/A/BBH	31.0%	33.1%
Unrated	9.6%	9.8%
Total debt instruments	100%	100%

The above ratings were provided by Dominion Bond Rating Service ("DBRS"). Unrated debt instruments are composed of the PPNs and PWB bonds and Guaranteed Investment Certificates ("GIC").

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.

8. Subsequent Events

The Ontario Securities Commission has completed a compliance review of Global RESP Corporation, the principal distributor of the Plan, and noted deficiencies that have been referred to the enforcement branch. Global RESP Corporation is currently addressing these deficiencies. The impact, if any, is not determinable.

