

**STUDENTS TRUST
INTERNATIONAL PLANS**
*Bermuda Students Trust
International Plan*

Financial Statements as of and
for the year ended September 30, 2018
and Independent Auditors' Report

STUDENTS TRUST INTERNATIONAL PLANS

Bermuda Students Trust International Plan

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INDEPENDENT AUDITORS' REPORT

To the Trustee of
Bermuda Students Trust International Plan

Opinion

We have audited the financial statements of the Bermuda Students Trust International Plan (the "Plan"), which comprise the statement of financial position as at September 30, 2018 and the statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at September 30, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in the British Virgin Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management's for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieved fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Ltd.

July 31, 2019

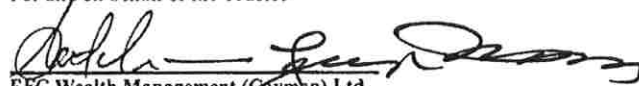
STUDENTS TRUST INTERNATIONAL PLANS
Bermuda Students Trust International Plan
STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2018
(Expressed in Canadian dollars)

	Notes	2018	2017
Assets			
<i>Non-current assets</i>			
Available-for-sale financial assets	7	\$ 6,660,006	\$ 7,759,956
Held-to-maturity financial assets	7	1,700,000	3,400,000
Subscriber deposits receivable	5	58,486	43,990
Total non-current assets		8,418,492	11,203,946
<i>Current assets</i>			
Cash and cash equivalents		5,397,007	969,716
Available-for-sale financial assets	7	2,254,765	2,922,573
Held-to-maturity financial assets	7	1,787,000	1,600,000
Financial assets at fair value through profit or loss	7	-	4,407,598
Subscriber deposits receivable	5	28,974	89,331
Total current assets		9,467,746	9,989,218
Total assets		17,886,238	21,193,164
Liabilities			
<i>Current liabilities</i>			
Accounts payable and accrued expenses		907,937	679,309
Due to related parties	8	717,837	1,082,683
Total liabilities		1,625,774	1,761,992
Net assets		\$ 16,260,464	\$ 19,431,172
Net assets represented by:			
<i>Subscriber balances</i>			
Subscriber deposits	6	\$ 5,435,164	\$ 7,807,489
Subscriber deposits receivable		87,460	133,321
Total subscriber balances		5,522,624	7,940,810
<i>Beneficiary balances</i>			
Beneficiary pre maturity pool interest	6	4,099,378	5,103,894
Beneficiary post maturity pool interest	6	6,651,094	6,286,218
Enhancement account		278,902	382,471
Total beneficiary balances		11,029,374	11,772,583
Investment revaluation reserve	11	(291,534)	(282,221)
Net Assets		\$ 16,260,464	\$ 19,431,172

For and on behalf of the Plan


Tom F. O'Shaughnessy
O'Shaughnessy Education Foundation Ltd.

For and on behalf of the Trustee


EFG Wealth Management (Cayman) Ltd.

STUDENTS TRUST INTERNATIONAL PLANS
Bermuda Students Trust International Plan
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(Expressed in Canadian dollars)

	Notes	2018	2017
Income			
Interest income		\$ 354,374	\$ 372,720
Donation income	8	100,000	100,000
Dividend income		59,856	38,767
		<u>514,230</u>	<u>511,487</u>
Expenses			
Administration fee	8	56,118	69,150
Broker fee		108,421	122,603
Trustee fee	8	21,000	12,659
Exchange loss/(gain)		14,288	14,916
Other expenses		-	7,575
		<u>199,827</u>	<u>226,903</u>
Net investment income		314,403	284,584
Unrealised gain on financial assets at fair value through profit or loss		(81,685)	81,234
Realised gain on available-for-sale financial assets through profit or loss		<u>510,717</u>	<u>110,471</u>
Operating profit		<u>743,435</u>	<u>476,289</u>
Other comprehensive income			
Items that may be subsequently classified to profit or loss			
Unrealised losses on available-for-sale financial assets	11	(9,313)	(450,482)
Total comprehensive income for the year		<u>\$ 734,122</u>	<u>\$ 25,807</u>

STUDENTS TRUST INTERNATIONAL PLANS
Bermuda Students Trust International Plan
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(Expressed in Canadian dollars)

	Notes	<u>Subscriber balances</u>	<u>Investment Beneficiary balances</u>	<u>Investment revaluation reserve</u>	<u>Total</u>
Balance at September 30, 2016		\$ 9,636,872	\$ 12,517,169	\$ 168,261	\$ 22,322,302
Deposits received		40,965	-	-	40,965
Deposits due		(40,965)	-	-	(40,965)
Deposits repaid		(1,696,062)	-	-	(1,696,062)
Education payments	10	-	(1,220,875)	-	(1,220,875)
Unrealised loss on available-for-sale financial assets		-	-	(450,482)	(450,482)
Operating profit		-	476,289	-	476,289
Balance at September 30, 2017		<u>7,940,810</u>	<u>11,772,583</u>	<u>(282,221)</u>	<u>19,431,172</u>
Deposits received		30,687	-	-	30,687
Deposits due		(30,687)	-	-	(30,687)
Deposits repaid		(2,418,186)	-	-	(2,418,186)
Education payments	10	-	(1,486,644)	-	(1,486,644)
Unrealised loss on available-for-sale financial assets		-	-	(9,313)	(9,313)
Operating profit		-	743,435	-	743,435
Balance at September 30, 2018		<u>\$ 5,522,624</u>	<u>\$ 11,029,374</u>	<u>\$ (291,534)</u>	<u>\$ 16,260,464</u>

STUDENTS TRUST INTERNATIONAL PLANS
Bermuda Students Trust International Plan
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(Expressed in Canadian dollars)

	2018	2017
Cash flows from operating activities		
Total comprehensive income	\$ 734,122	\$ 25,807
Interest income	(354,374)	(372,720)
Dividend income	(59,856)	(38,767)
Donation income	(100,000)	(100,000)
Available-for-sale financial assets		
Change in unrealised loss	9,313	450,482
Financial assets at fair value through profit or loss		
Change in unrealised gain	81,685	(81,234)
Realised gains	(510,717)	(110,471)
	<u>(199,827)</u>	<u>(226,903)</u>
Movements in working capital:		
Increase/(decrease) in due to related parties	(364,846)	462,180
(Increase)/decrease in due from related parties	-	6,265
Decrease in accounts payable and accrued expenses	228,628	(558,300)
(Increase)/decrease in subscriber receivable	45,861	(21,383)
	<u>(90,357)</u>	<u>(111,238)</u>
Available-for-sale financial assets		
Payments for investments purchased	-	(7,310,529)
Proceeds from investments sold	1,665,000	3,474,876
Accrued interest	96,102	-
Held-to-maturity financial assets		
Payments for investments purchased	(87,000)	-
Proceeds from investments sold	1,600,000	(8,123,407)
At fair value through profit and loss financial assets		
Proceed from investments sold	4,833,973	3,923,355
	<u>8,108,075</u>	<u>(8,035,705)</u>
	<u>7,817,891</u>	<u>(8,373,846)</u>
Interest received	439,558	368,633
Dividends received	59,856	38,767
Net cash generated by (used in) operating activities	<u>8,317,305</u>	<u>(7,966,446)</u>
Cash flows from financing activities		
Distribution of education assistance payments	(1,487,004)	(1,220,875)
Subscriber deposits paid	(2,403,010)	(1,555,097)
Net cash used in financing activities	<u>(3,890,014)</u>	<u>(2,775,972)</u>
Net increase (decrease) in cash and cash equivalents	<u>4,427,291</u>	<u>(10,742,418)</u>
Cash and cash equivalents at the beginning of the year	969,716	11,712,134
Cash and cash equivalents at the end of the year	<u>\$ 5,397,007</u>	<u>\$ 969,716</u>

STUDENTS TRUST INTERNATIONAL PLANS
Bermuda Students Trust International Plan
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
(Expressed in Canadian dollars)

1. GENERAL INFORMATION

The objective of the Students Trust International Plans (which consists of the Bermuda Students Trust International Plan (the “Plan”), US \$ Students Trust International Plan (“US \$ Plan”) and Canadian \$ Students Trust International Plan (“CAD \$ Plan”), (together the “other Plans”)) is to provide education savings plans for individual subscribers who reside in countries other than Canada and the United States, to save for the post-secondary education of their children.

The contract for administration and distribution of the Plan was acquired by O’Shaughnessy Education Foundation Limited (“OEF”) on April 30, 2006 and transferred on February 1, 2007 from Canadian Scholarship Trust Foundation (“CSTF”). The Plan was formed in Bermuda under a trust agreement with Bermuda Trust Company (the “Trustee”). The Plan is registered as a standard fund with the Bermuda Monetary Authority (“BMA”). OEF, which is recognised under the BVI Securities and Investment Business Act, 2010, (“SIBA”) as a provider of investment business services in accordance with Category 6: Sub-category A: Administration of Investments (Excluding Mutual Funds) is the administrator of the Plan. EFG Wealth Management (Cayman) Ltd. is the current appointed Trustee of the Plan.

The investment objective of the Plan is to maximise income earned while preserving capital by investing in government guaranteed securities such as federal and provincial Canadian bonds, coupons and treasury bills, guaranteed investment certificates, insured mortgages, mutual funds and index linked funds that invest primarily in the above securities. An additional objective of the Plan is to ensure that there is sufficient liquidity to satisfy subscriber principal requests for withdrawals.

These financial statements were approved by the Board of Directors of OEF (the “OEF Board”) and authorised for issue on July 31, 2019.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

Adoption of new and amended accounting standards and interpretations

The standards, interpretations or amendments to existing standards that are effective for the first time for the year beginning October 1, 2017 that are relevant to the financial statements are listed below.

Amendments to IAS 1 – Presentation of Financial Statements: The amendments are intended to encourage businesses to identify what information is sufficiently relevant to be disclosed in the financial statements. It also clarified that materiality applies to the complete set of financial statements, including the notes to the financial statements, and that it is applicable to all and any disclosure requirement of the IFRS standards.

Amendments to IFRS 7 - The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Management assessed that the application of these new and amended accounting standards and interpretations will have no material impact on the Plan’s financial statements.

Standards, interpretations and amendments to published standards that are not yet effective

A number of new standards, amendments to standards and interpretations which are relevant to the Plan have been issued to date and are not yet effective for financial year beginning October 1, 2017, and have not been applied nor early adopted in preparing these financial statements.

The amendment issued but not yet effective at the date of authorization of the Plan’s financial statements which is relevant to the Plan is listed below:

IFRS	Title	Effective from
IFRS 9	‘Financial Instruments’	January 1, 2018

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2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (cont’d)

- IFRS 9, ‘Financial Instruments’, issued in November 2009. This standard is the first step in the process to replace IAS 39, ‘Financial Instruments: Recognition and Measurement’. IFRS 9 introduces new requirements for classifying and measuring financial assets. In October 2010, requirements for financial liabilities were added to IFRS 9 and most of these requirements were carried forward unchanged from IAS 39. In November 2013, the standard was amended to also include the new general hedge accounting model and to allow early adoption of the requirement to present fair value changes due to own credit on liabilities designed as at fair value through profit or loss to be presented in other comprehensive income. The application date of January 1, 2015 was removed and the new effective date is for periods starting on or after January 1, 2018, however the standard is available for early adoption. The Directors have not adopted IFRS 9. Its adoption is not expected to have a significant impact on the financial statements because the majority of the Plan’s financial assets are designated as at fair value through profit or loss.

Other standards in issue, but not yet effective, are not expected to have a material effect on the financial statements and have not been disclosed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with IFRS.

Basis of preparation

Plan has elected to present a single statement of comprehensive income. The financial statements have been prepared on the historical cost basis except for the revaluation of available-for-sale (“AFS”) financial assets and financial assets at fair value through profit or loss (“FVTPL”). Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies have been consistently applied to all years presented and the principal accounting policies are set out below.

Certain comparative figures have been reclassified to conform to the current year’s presentation. This has had no material effect on the financial statements.

Foreign currency translation

The financial statements are presented in Canadian dollars (“\$”), which is both the presentation and the functional currency. Transactions in currencies other than the Plan’s functional currency (“foreign currencies”) are recorded at the exchange rates prevailing at the dates of the transactions.

At the date of the statement of financial position the “reporting date”, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences are recognised in the investment revaluation reserve in the period in which they arise. Foreign exchange gains or losses from investments are also presented in the statement of comprehensive income within “other comprehensive income”. There were no exchange differences for the comparative years under audit.

Financial instruments

The Plan classifies its investments into the following specified categories: AFS financial assets and at FVTPL and the Plan classifies its financial liabilities at FVTPL. These financial liabilities are classified as held for trading or designated by the Board as at FVTPL upon initial recognition.

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NOTES TO THE FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

A financial asset is classified as AFS if:

- it has been designated as such; or
- it is not classified as (a) loans and receivables, (b) held-to-maturity or (c) at FVTPL.

A financial asset or a financial liability is classified as held to maturity if:

- it has been acquired (incurred) principally for the purpose of selling (repurchasing) in the near future; or
- it is a part of an identified portfolio of financial instruments that the Plan manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset or a financial liability other than a financial asset or a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset or the financial liability forms part of a Plan of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Plan's documented risk management or investment strategy, and information about the Plan is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Subscriptions receivable and due from related parties which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Recognition and derecognition

Financial assets and financial liabilities are recognised in the Plan's statement of financial position when the Plan becomes a party to the contractual provision of the instruments.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Realised gains and losses on these investments are recorded in the statement of comprehensive income.

Other financial assets are derecognised only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Plan derecognises financial liabilities when, and only when, the Plan's obligations are discharged, cancelled or they expire.

Measurement

AFS financial assets are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised in operating profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to operating profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets and financial liabilities at FVTPL are initially recognised at cost. Transaction costs are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at FVTPL are presented in the statement of comprehensive income in the period in which they arise.

Loan and receivables

Receivables from subscribers and due from related parties have fixed or determinable payments that are not quoted in an active market are classified as loan and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities, other than those at FVTPL, are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded securities) are based on quoted market prices at the close of trading on the reporting date.

The Plan utilises the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. As at September 30, 2018, the Plan did not hold any financial assets or liabilities that were valued using valuation techniques.

Offsetting

The Plan only offsets financial assets and liabilities at FVTPL if the Plan has a legally enforceable right to set off recognised amounts and either intends to settle on a net asset basis, or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For listed and unlisted equity investments classified as AFS financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in the investment revaluation reserve are reclassified to profit or loss in the period. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

With respect to AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Cash and cash equivalents

The Plan considers cash at bank, short-term deposits and other short-term highly liquid investments with maturities of three months or less to be cash and cash equivalents.

Income and expenses recognition

Interest income is recorded when it is probable that the economic benefits will flow to the Plan and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income is recognised when the investor's right to receive payment has been established, normally the ex-dividend date.

Other expenses are recorded on the accrual basis as they are incurred.

Subscriber deposits and subscriber deposits receivable

Subscriber deposits reflect amounts received from subscribers and do not include amounts receivable on outstanding agreements. Deposits receivable represent amounts owing from subscribers which they have committed to under contract and which, if not made in accordance with the contract, will trigger the withdrawal of the subscriber from the Plan.

Taxation

Under the current laws of Bermuda, the Plan is not subject to income, estate, corporation or capital gains taxes. Accordingly, no provision has been made for these taxes in these financial statements. The Plan intends to conduct its affairs such that it will not be subject to taxation in any jurisdiction, other than withholding taxes on investment income and capital gains, where applicable. Withholding taxes, if any, are shown as a separate item in the statement of comprehensive income.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Plan's accounting policies, the OEF Board is required to make judgments, estimates and assumptions about carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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(Expressed in Canadian dollars)

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5. SUBSCRIBER DEPOSITS RECEIVABLE

Subscribers have the option to pay for their fraction in the interest pool ("units") in full or in installments. Subscriptions receivable represent future installments to be made by the subscribers. These amounts are determined based on contracts between the Plan and the subscriber and are due at a future date based on these individual contracts.

	2018	2017
Non-current portion	\$ 58,486	\$ 43,990
Current portion	28,974	89,331
Total subscriber deposits receivable	<u>\$ 87,460</u>	<u>\$ 133,321</u>

6. SUMMARY OF SCHOLARSHIP UNITS AND SUBSCRIBER AND BENEFICIARY BALANCES

<u>Year of commencement</u>	<u>2018</u>			
	<u>Subscriber balances</u>			
	<u>Number of outstanding units</u>	<u>Subscriber deposits</u>	<u>Beneficiary prematurity pool interest</u>	<u>Beneficiary post maturity pool interest</u>
2013	-	\$ -	\$ -	\$ 545,850
2014	12	11,070	12,664	1,112,141
2015	244	229,277	201,890	1,013,832
2017	394	267,257	354,443	1,022,532
2018	772	587,333	522,190	1,063,123
2018	527	364,537	321,643	1,127,370
2019	1,160	885,914	649,308	642,262
2020	2,374	1,778,922	1,262,338	64,623
2021	695	557,555	337,607	40,475
2022	375	293,321	177,278	14,832
2023	400	283,828	182,807	3,849
2024	187	176,150	77,210	205
TOTAL	<u>7,140</u>	<u>\$ 5,435,164</u>	<u>\$ 4,099,378</u>	<u>\$ 6,651,094</u>

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6. SUMMARY OF SCHOLARSHIP UNITS AND SUBSCRIBER AND BENEFICIARY BALANCES
(cont'd)

<u>Year of commencement</u>	<u>2017</u>			
	<u>Subscriber balances</u>			
	<u>Number of outstanding units</u>	<u>Subscriber deposits</u>	<u>Beneficiary prematurity pool interest</u>	<u>Beneficiary post maturity pool interest</u>
2012	-	\$ -	\$ -	\$ 236,806
2013	48	43,292	40,767	554,329
2014	123	110,349	100,033	1,158,566
2015	309	279,621	215,071	1,123,588
2017	530	366,760	389,210	1,260,058
2018	1,149	915,653	666,901	1,077,680
2018	1,599	1,225,311	847,656	696,485
2019	2,377	1,812,274	1,135,892	73,402
2020	2,408	1,793,743	1,070,346	43,322
2021	655	519,674	276,734	43,094
2022	375	291,069	146,715	14,832
2023	400	283,828	151,862	3,849
2024	187	165,915	62,707	207
TOTAL	<u>10,160</u>	<u>\$ 7,807,489</u>	<u>\$ 5,103,894</u>	<u>\$ 6,286,218</u>

7. FINANCIAL ASSETS

The fair value of financial instruments is determined as follows within the fair value hierarchy:

- Level 1 is represented by quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2 is represented by 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 is represented by inputs for financial instruments that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

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7. FINANCIAL ASSETS (cont'd)

Fair value of the Plan's financial assets that are measured at fair value on a recurring basis

The components of investments owned at September 30, are as follows:

	2018		2017	
	Amortised Cost/Cost	Fair value	Amortised Cost/Cost	Fair value
Available-for-sale				
<i>Fixed income securities</i>				
Canadian provincial bonds	\$ 5,166,000	\$ 4,950,724	\$ 5,405,910	\$ 5,174,123
Canadian federal bonds	-	-	1,497,370	1,499,816
Canadian provincial agency bonds	2,259,509	2,254,076	2,271,985	2,274,040
Other government bonds	1,779,939	1,709,971	1,789,483	1,734,550
Total available-for-sale	<u>\$ 9,205,448</u>	<u>\$ 8,914,771</u>	<u>\$ 10,964,749</u>	<u>\$ 10,682,529</u>
Held-to-Maturity				
Canadian financial institutions	\$ 3,487,000	\$ 3,487,000	\$ 5,000,000	\$ 5,000,000
Total Held-to-maturity	<u>\$ 3,487,000</u>	<u>\$ 3,487,000</u>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Financial assets at FVTPL				
Exchange traded funds	\$ -	\$ -	\$ 4,325,913	\$ 4,407,598
Total financial assets at FVTPL	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,325,913</u>	<u>\$ 4,407,598</u>

At September 30, 2018 and 2017, all of the Plan's investments in financial assets at FVTPL were valued using Level 1 inputs and the investments in available for sale financial assets were valued using Level 2 inputs.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1 include active exchange traded funds. The Plan does not adjust the quoted price for these instruments. There were no such investments as at September 30, 2018 and 2017.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing source supported by observable inputs are classified within Level 2. These include investment-grade government and provincial bonds. The fair value these bonds are the present value of the stream of cash flows it is expected to generate. Hence, the value of a bond is obtained by discounting the bond's expected cash flows to the present using a discount rate. This discount rate is determined by reference to similar instruments.

There were no transfers between levels for the year ended September 30, 2017 and 2018.

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7. FINANCIAL ASSETS (cont'd)

The Plan's main investment strategy is to invest in fixed income securities. The move to invest in index linked funds and mutual funds were a planned strategy to counter a fall in returns of long term government provincial and federal bonds. These investment types are allowed by the Plan's prospectus and the main line of investments remains fixed income securities.

Fixed income investments held by the Plan by calendar year of maturity are as follows:

<u>Year of maturity</u>	<u>2018</u>		<u>2017</u>	
	<u>Fair value</u>	<u>Maturity value</u>	<u>Fair value</u>	<u>Maturity value</u>
2018	\$ 1,412,089	\$ 4,500,000	\$ 4,523,079	\$ 4,500,000
2019	2,629,677	2,100,000	2,551,861	2,533,000
2020	1,700,169	1,700,000	1,700,590	1,700,000
2021	3,606,933	3,729,111	3,849,685	3,706,485
2022	1,934,261	1,994,893	1,919,188	1,907,052
2024	1,118,642	943,443	1,138,126	901,900
	<u>\$ 12,401,771</u>	<u>\$ 14,967,447</u>	<u>\$ 15,682,259</u>	<u>\$ 15,248,437</u>

The return on investments for the current year is 3.64% (2017: 2.18%). The overall return on Plan assets, including donations from OEF and expenses is 4.14% (2017: 2.23%).

Financial instruments not carried at fair value but for which fair value is disclosed

For all of the Plan's financial assets and liabilities not carried at fair value, disclosure of fair value is not required as the carrying amount is a reasonable approximation of fair value.

8. RELATED PARTY TRANSACTIONS AND BALANCES

	2018	2017
Due to OEF	\$ 746,385	\$ 789,280
Due to CAD \$ Plan	-	43,735
Due (from)/to US \$ Plan	(37,500)	240,523
Due to Trustee	8,952	9,145
Total due to related parties	<u>\$ 717,837</u>	<u>\$ 1,082,683</u>

The amounts due to/from other Plans represent subscriptions in the other Plans received by the Bermuda Plan on their behalf. These amounts are unsecured, interest free and have no fixed repayment terms.

Trustee fee

The annual trustee fee is calculated quarterly at a rate of 0.15% per annum, based upon the opening balance of assets under administration of the Plan which includes cash, cash equivalents and investments of the Plan.

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8. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

The Trustee will seek reimbursement for all reasonable disbursements and out of pocket expenses as may be incurred in the execution of its duties. Any additional fees that may become chargeable relate to extraordinary events which may not have been anticipated in the fee agreement between the trustee and OEF.

During the year ended September 30, 2018, trustee fee of \$21,000 (2017: \$12,659) was incurred.

Administration fee

An annual administration fee of 0.5% of all amounts held in subscriber accounts, deducted from interest earned quarterly at a rate of 1/4 of 1% of the quarter end balance was charged by OEF, the administrator.

During the year ended September 30, 2018, an administration fee of \$56,118 (2017: \$69,150) was incurred.

Donations

For the year ended September 30, 2018, OEF made a donation to the Plan totaling \$100,000 (2017: \$100,000) which was allocated to enhancement (refer to Note 10).

9. SUBSCRIBER BALANCES

Subscriptions for units

A subscriber agrees to purchase units or fraction of units in the Plan, which will entitle the subscriber's child or beneficiary under the age of 13 to a share of a pool of income that is earned by the Plan. The subscriber may acquire additional units or fraction of units until the beneficiary is 13 years old, by increasing the amount of the deposits in accordance with the deposit schedule set out in the OM in respect of the Plan, using the current age of the beneficiary to determine the amount of the increase.

The maximum deposit for any single beneficiary is \$50,000, unless written authorisation is received from the Trustee and OEF prior to submission of the application. The Plan is in the pay-out phase and as a result, no additional subscribers have been accepted into the Plan since 2009.

Withdrawals by subscribers

A subscriber is entitled to withdraw from the Plan at any time by written notice to OEF. If withdrawal from the Plan is within 60 days from the date that the subscriber signed the application, the subscriber is entitled to a complete refund of all deposits made less any expenses incurred. If withdrawal is 61 days or more after the subscriber signed the application, OEF shall pay expenses of the Trustee, return the principal to the subscriber and transfer the interest earned on principal and interest to the education payment fund for the benefit of beneficiaries who will qualify in the same maturity year. On the death of the subscriber, where arrangements have not been made to continue payments of deposits, that subscriber will be deemed to have withdrawn and subject to the above terms of withdrawal.

Unclaimed funds

If the subscriber or beneficiary cannot be located by OEF at their last known address within six years after OEF sends written notice of maturity or termination, or cheques representing payment of the principal remain uncashed for six years after they are mailed, then such amounts will be for use in respect of any purpose not inconsistent with the objects and goals of the OEF.

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9. SUBSCRIBER BALANCES (cont'd)

There are certain restrictions on use of these monies by OEF:

- OEF shall ensure that a significant percentage of the unclaimed funds be donated back to the Plan to enhance Education Payments;
- OEF shall pursue a course of prudent cost control and operating efficiency to delay as long as possible the potential of using funds for ongoing administration; and
- When the requirement to use funds is imminent OEF shall obtain the confirmation from subscribers as to the method of allocating funds for this purpose.

The amount of the above mentioned donations are determined annually based on the discretion of OEF management.

Return of principal

A subscriber may choose to have the entire principal deposited under the contract repaid when the beneficiary has qualified for an education payment. The principal, less any expenses incurred, can also be returned on withdrawal from the Plan.

In order for a beneficiary to qualify for education payments the school they attend must be an eligible institution. The subscriber or beneficiary should contact OEF to ensure that a school is an eligible institution. In addition, the course of study the beneficiary takes must be a qualifying education program. A program qualifies if it is at least 13 consecutive weeks in duration and provides that each student in the program spend not less than ten hours per week on courses or work in the program.

10. BENEFICIARY BALANCES

Beneficiary pool interest and education payments

An education payment is a distribution of income from the Plan's pool of income that is paid to a beneficiary who qualifies by attending an eligible institution with a qualifying education program. A beneficiary who qualifies is eligible for up to three education payments during the three-year period starting in the year after maturity occurs (when beneficiary reaches 18 or 19 years).

In each year that the beneficiary is eligible, OEF shall pay to the beneficiary the education payment determined in accordance with the Plan. Payments may be deferred by notice to OEF, provided that all payments are made before the earliest of the beneficiary turning 26 years of age, 60 days prior to the end of the 25th year following the year in which the subscriber entered into one of the Plan, or such date as otherwise required by applicable legislation.

Enhancement account

The enhancement account held in trust by the Trustee has the sole purpose of accumulating funds which are used at the discretion of OEF to supplement education payments, pay for education payments in full and fund the repayment of enrolment fees to beneficiaries. The sources of the funds are from donations, grants or bequests received from various parties and interest earned.

Funds in this account are invested on the same basis as the subscriber deposits and interest earned is added to the return of the enhancement account.

11. INVESTMENT REVALUATION RESERVE

	2018	2017
Balance at beginning of the year	\$ (282,221)	\$ 168,261
Unrealised loss on available-for-sale financial assets	(9,313)	(450,482)
	<u> </u>	<u> </u>
Balance at end of the year	<u>\$ (291,534)</u>	<u>\$ (282,221)</u>

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12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

The Plan's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

An investment in the Plan is speculative and involves some degree of risk due to the nature of the portfolio of investments and the strategies employed. There can be no assurance that the investment objectives of the Plan will be achieved.

Asset allocation is determined by management who manages the distribution of the assets to achieve the investment objective. Divergence from target asset allocation and the composition of the portfolio is monitored by management.

The nature and extent of the financial instruments outstanding at the reporting date and the risk management policies employed by the Plan are discussed below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market variables. Market risk comprise three types of risk: foreign currency risk, interest rate risk and price risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Plan holds financial instruments denominated in currencies other than the functional currency. It is therefore exposed to currency risk as the value of the financial instruments denominated in other currencies will fluctuate due to changes in exchange rates.

A summary of the currency exposure presented in Canadian dollars is as follows:

	2018	2017
United States Dollars	\$ 3,052,905	\$ 113,696
British Pound Sterling	-	54
Mexican Pesos	1,709,114	-
	<u>\$ 4,762,019</u>	<u>\$ 113,750</u>

At the reporting dates, if the exchange rate between the currencies on the previous table and the functional currency increased or decreased by 50 basis points, with all other variables held constant, the increase/decrease in operating profit or loss would be approximately \$3,717 (2017: \$569). The percentage used represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes all monetary assets and monetary liabilities. The sensitivity analysis above was prepared only for significant foreign currencies. In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign currency risk as the year end exposure does not reflect the exposure during the year. Management's assumptions were identical for 2018 and 2017. The Plan does not actively manage its exposure to the foreign currency risk.

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12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (cont'd)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plan's financial assets and liabilities are non-interest bearing with the exception of the AFS fixed income securities and cash and cash equivalents. As a result, the Plan is exposed to the interest rate risk with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Since the investment strategy is to buy and hold AFS financial assets to maturity, changes in interest levels from year to year do not affect the future cash flow of the investments. The Plan does not actively manage its exposure to the interest rate risk.

At September 30, 2018 the Plan had cash and cash equivalents of \$ 5,397,007 (2017: \$969,716). If the spread between long-term and short-term interest rates had been 50 basis points higher or lower for the entire year and all other variables were held constant, the Plan's net investment income would decrease/increase by \$1,572 (2017: \$4,849). The Plan's assumptions have not changed from the prior year.

Price risk is the risk that the value of the equity securities and related derivatives will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all.

Price risk

The Plan's exposure to price risk is limited as the main line of investments is fixed income securities which are stable and not affected greatly by market volatility.

All investments present a risk of loss of capital. The maximum risk resulting from the investments is determined by their fair value.

The Plan manages the risk by investing in safe investments such as fixed income securities.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

All transactions in fixed income securities, index linked funds and mutual funds are settled upon delivery using approved brokers. The risk of credit default is considered minimal, as delivery of fixed income securities, index linked funds and mutual funds sold are only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. Risk relating to unsettled transactions is considered small due to the short settlement period involved.

The Plan seeks to mitigate the credit risk on fixed income securities by the fact that, in accordance with the Plan's prospectus, all debt investments are with government or government guaranteed issuers of G-20 countries. As of September 30, 2018 all debt holdings had credit ratings of at least A or better as determined Dominion Bond Rating Service.

Concentration

In accordance with the Plan's prospectus, the Plan may only invest in bonds, coupons and other instruments of, G-20 countries, their provinces or states that meet the A rating test.

Management mitigates the risk by constantly monitoring the portfolio to ensure the above investment type restrictions are respected.

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12. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (cont'd)

Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with its financial liabilities.

The Plan's prospectus provides for the on demand cancellation of subscriptions/ agreements and it is therefore exposed to the liquidity risk of meeting subscriber withdrawals from the Plan. All other financial liabilities have a contractual repayment or maturity dates ranging from on demand to three months.

The Plan mitigates its risk by requesting from the subscribers to the Plan to provide withdrawal written notices of at least 60 days which gives time to the Plan to gather the necessary amounts by selling investments. All investments are actively traded and the Plan can quickly liquidate a position on demand.

The Plan does not anticipate any significant liquidity concerns in funding withdrawal requests or other liabilities.

Offsetting and amounts subject to master netting arrangements and similar agreements

As at September 30, 2018 and 2017 the Plan's financial assets and liabilities were not subject any master netting arrangement or similar agreements.

Capital risk management

Management considers the Plan's capital to consist of the subscriber balances attributable to unit subscriptions in the Plan. Management monitors the capital of the Plan to ensure compliance with the Plan's investment objectives, policies and restrictions, as outlined in the Plan's prospectus, while maintaining sufficient liquidity to present obligations. The Plan does not have externally imposed capital requirements.

13. SUBSEQUENT EVENTS

Management has evaluated the subsequent events occurring until July 31, 2019, the date that these financial statements were available to be issued, and determined that there were no other subsequent events that would require recognition or additional disclosure in these financial statements.