

**STUDENTS TRUST  
INTERNATIONAL PLANS**  
*US \$ Students Trust  
International Plan*

Financial Statements  
for the year ended September 30, 2008  
and Independent Auditor's Report

**STUDENTS TRUST INTERNATIONAL PLANS**

**US \$ Students Trust International Plan**

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## INDEPENDENT AUDITOR'S REPORT

To the Directors of

### **O'Shaughnessy Education Foundation Limited**

We have audited the accompanying financial statements of the US \$ Students Trust International Plan (expressed in US dollars), which comprise the statement of financial position as of September 30, 2008, the statement of comprehensive income, the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### ***Management's Responsibility for the financial statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### ***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 is sufficient and appropriate to provide a basis for our audit opinion.

## **Audit • Tax • Consulting • Financial Advisory •**



***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of the US \$ Students Trust International Plan as of September 30, 2008, its financial performance, its changes in net assets and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "Deloitte &amp; Touche". The signature is written in a cursive, flowing style.

April 6, 2009  
British Virgin Islands

**STUDENTS TRUST INTERNATIONAL PLANS**

**US \$ Students Trust International Plan**

**STATEMENT OF FINANCIAL POSITION**

**AT SEPTEMBER 30, 2008**

*(Expressed in United States dollars)*

	Note	<u>2008</u>	<u>2007</u>
<b>Assets</b>			
<i>Non-current assets</i>			
Available-for-sale financial assets	6	\$ 1,358,683	\$ 1,681,066
Subscriber deposits receivable	5	3,052,774	2,240,604
		<u>4,411,457</u>	<u>3,921,670</u>
 <i>Current assets</i>			
Subscriber deposits receivable	5	1,038,544	642,214
Cash and cash equivalents		3,824,974	1,206,219
Due from related parties	7	264,085	-
		<u>5,127,603</u>	<u>1,848,433</u>
 <b>Liabilities</b>			
<i>Current liabilities</i>			
Due to related parties	7	162,385	203,986
 <b>NET ASSETS</b>			
		<u>\$ 9,376,675</u>	<u>\$ 5,566,117</u>

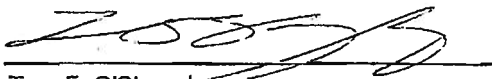
See notes to financial statements

**STUDENTS TRUST INTERNATIONAL PLANS**  
**US \$ Students Trust International Plan**  
**STATEMENT OF FINANCIAL POSITION (continued)**  
**AT SEPTEMBER 30, 2008**

(Expressed in United States dollars)

	Note	2008	2007
<b>NET ASSETS REPRESENTED BY:</b>			
<b>Subscriber balances</b>			
Subscriber deposits	4	\$ 5,016,232	\$ 2,538,261
Subscriber deposits receivable		4,006,733	2,846,919
Subscriber deposits - guaranteed return of fees	4	62,041	41,335
Guaranteed return of fees due from subscribers		17,013	2,303
Guaranteed return of fees interest for subscribers	4	1,097	489
		9,103,116	5,429,307
<b>Beneficiary balances</b>			
Beneficiary pool interest	4	174,679	99,905
Beneficiary post maturity interest		1,122	1,121
Return of enrolment fee reserve		31,377	15,943
Enhancement account		46,211	20,617
		253,389	137,586
<b>Investment revaluation reserve</b>	10	20,170	(776)
		<b>\$ 9,376,675</b>	<b>\$ 5,566,117</b>

For and on behalf of the Plan

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

  
 Freya D. Giffen,  
 Trust Manager

  
**John B. Nusum**  
**Fiduciary Director**

FOR AND ON BEHALF OF  
 HSBC INTERNATIONAL TRUSTEE  
 LIMITED AS TRUSTEE OF  
 THE US\$ STI PLAN

See notes to financial statements

**STUDENTS TRUST INTERNATIONAL PLANS**  
**US \$ Students Trust International Plan**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

(Expressed in United States dollars)

	Note	2008	2007
<b>Income</b>			
Interest income		\$ 110,685	\$ 77,952
Donations received	7	57,500	10,000
Dividend		3,526	-
		171,711	87,952
<b>Expenses</b>			
Administration fee	7	40,722	19,531
Trustee fee	7	14,579	14,508
		55,301	34,039
		116,410	53,913
Realised gain on available-for-sale financial assets		-	2,289
<i>Operating profit</i>		116,410	56,202
<b>Other comprehensive income</b>			
Available- for-sale financial assets		20,946	(3,604)
<b>Total comprehensive income for the year</b>		<b>\$ 137,356</b>	<b>\$ 52,598</b>

See notes to financial statements

**STUDENTS TRUST INTERNATIONAL PLANS**  
**US \$ Students Trust International Plan**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

(Expressed in United States dollars)

	Note	<u>2008</u>	<u>2007</u>
<b>Balance at the beginning of the year</b>		\$ 5,566,117	\$ 2,754,762
<b><i>Funds received</i></b>			
<i>Subscriber balances</i>			
Subscriber deposits received		3,123,101	1,710,443
Subscriber deposits due		1,182,914	1,659,949
Subscriber deposits - guaranteed return of fees received	8	20,706	32,375
Enrolment fees	7	(642,355)	(474,193)
<b>Total net subscriber deposits</b>		<u>3,684,366</u>	<u>2,928,574</u>
<i>Beneficiary balances</i>			
Beneficiary pool interest earned		110,077	77,486
Guaranteed return of fees interest earned for subscribers	8	608	466
Realised gains on investments		-	2,289
Dividends received		3,526	-
Donations received	7	57,500	10,000
<b>Total interest and other inflows</b>		<u>171,711</u>	<u>90,241</u>
<b>Total funds received carried forward</b>		<u>\$ 9,422,194</u>	<u>\$ 5,773,577</u>

See notes to financial statements

**STUDENTS TRUST INTERNATIONAL PLANS**  
**US \$ Students Trust International Plan**  
**STATEMENT OF CHANGES IN NET ASSETS (continued)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
(Expressed in United States dollars)

	Note	2008	2007
<b>Total funds received brought forward</b>		\$ 9,422,194	\$ 5,773,577
<b><i>Funds disbursed</i></b>			
<i>Payments to subscribers</i>			
Subscriber deposits repaid		11,164	169,817
<b>Total payments to subscribers</b>		11,164	169,817
<i>Operating expenses paid</i>			
Administration fee	7	40,722	19,531
Trustee fee	7	14,579	14,508
		55,301	34,039
<b>Total funds disbursed</b>		66,465	203,856
<b>Investment revaluation reserve</b>			
Unrealised (gains)/losses on available-for-sale assets		(20,946)	3,604
<b>Balance at the end of the year</b>		\$ 9,376,675	\$ 5,566,117

See notes to financial statements

**STUDENT TRUST INTERNATIONAL PLANS**  
**US \$ Students Trust International Plan**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
*(Expressed in United States dollars)*

	2008	2007
<b>Cash flows from operating activities</b>		
Total comprehensive income	\$ 137,356	\$ 52,598
Interest Income	(110,685)	77,952
Available-for-sale financial assets		
Change in unrealised appreciation/(depreciation)	(20,946)	-
Movements in working capital:		
(Increase)/decrease in subscriptions receivable	5,880	(27,188)
(Increase)/decrease in due from related parties	(264,085)	-
Increase/(decrease) in due to related parties	(81,457)	175,010
Increase/(decrease) in accounts payable	-	9,407
	(339,662)	157,229
Purchase of long-term available-for-sale financial assets	(384,565)	(464,006)
Purchase of short-term available-for-sale financial assets	(3,788,720)	-
Proceeds from maturity of short-term available-for-sale financial assets	4,581,340	-
Cash used in operating activities	74,118	(176,227)
Interest received	45,960	(77,952)
Net cash used in operating activities	120,078	(254,179)
<b>Cash flows from financing activities</b>		
Subscriber deposits received	2,477,971	1,234,723
Subscriber GRF received	20,706	32,375
Net cash provided by financing activities	2,498,677	1,267,098
<b>Net increase/(decrease) in cash and cash equivalents</b>	2,618,755	1,012,919
Cash and cash equivalents at the beginning of the year	1,206,219	193,300
<b>Cash and cash equivalents at the end of the year</b>	\$ 3,824,974	\$ 1,206,219

**STUDENTS TRUST INTERNATIONAL PLANS**

**US \$ Students Trust International Plan**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

*(Expressed in United States dollars)*

**1. FORMATION AND ACTIVITY**

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

The investment objective of the Plan is to maximize 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, and mutual funds that invest primarily in the above securities. An additional objective of the Plans is to ensure that there is sufficient liquidity to satisfy subscriber principal requests for withdrawals.

The US \$ Plan (expressed in US dollars) was formed in the British Virgin Islands on October 1, 2003, under trust agreements between O’Shaughnessy Education Foundation Limited (“OEF”) and HSBC International Trustee Limited (the “Trustee” of the US \$ Plan). Prior to April 1, 2007 the Trustee was Whitten Trust Company Limited. The US \$ Plan is administered by OEF, an International Business Company incorporated in the British Virgin Islands on September 9, 2002 with the mission to promote access to higher education primarily through the worldwide distribution of education savings plans.

The financial statements were approved by the Board of Directors of OEF (The “Board”) and authorised for issue on April 6, 2009.

**2. ADOPTION OF NEW AND REVISED STANDARDS AND STANDARDS, AMENDMENTS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED**

Standards and Interpretations effective in the current period

In the current year, the Plan has adopted International Financial Reporting Standards (“IFRS”) 7 *Financial Instruments: Disclosures* and the complementary amendment to International Accounting Standard (“IAS”) 1, *Presentation of Financial Statements*, which is effective for annual reporting periods beginning on or after January 1, 2007. The impact of the adoption of IFRS 7 has been to expand the disclosures provided in these financial statements regarding the Plan’s financial instruments and management of capital (see Note 11).

Early adoption of Standards and Interpretations

In addition, the Plan has elected to adopt IAS 1 *Presentation of Financial Statements* (September 2007) in advance of its effective date, on or after 1 January 2009. The revisions to the Standard are relatively minor – the titles of some of the financial statements have been changed.

Standards, amendments and interpretations in issue not yet adopted

At the date of authorisation of these financial statements the following standards, amendments and interpretations, relevant to the Plan, were in issue but not yet effective:

**STUDENTS TRUST INTERNATIONAL PLANS**

**US \$ Students Trust International Plan**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

*(Expressed in United States dollars)*

**2. ADOPTION OF NEW AND REVISED STANDARDS AND STANDARDS, AMENDMENTS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED (continued)**

Standards, amendments and interpretations in issue not yet adopted (continued)

- IAS 1 *Presentation of Financial Statements*
  - Comprehensive revision including requiring a statement of comprehensive income
  - Amendments relating to disclosure of puttable instruments and obligations arising on liquidation
  - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 32 *Financial Instruments: Presentation*
  - Amendments relating to puttable instruments and obligations arising on liquidation
- IAS 36 *Impairment of Assets*
  - Amendments resulting from May 2008 Annual Improvements to IFRSs
- IAS 39 *Financial Instruments: Recognition and Measurement*
  - Amendments resulting from May 2008 Annual Improvements to IFRSs
- International Financial Reporting Interpretations Committee ("IFRIC") 17 *Distributions of Non-cash Assets to Owners*

The Board anticipates that all of the above standards, amendments and interpretations will be adopted in the Plan's financial statements for the period commencing January 1, 2009 (IAS 1, 32, 36 and 39) and July 1, 2009 (IFRIC 17) and that the adoption of those standards, amendments and interpretations will have no material impact on the financial statements of the Plan in the period of initial application.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Statement of compliance

The financial statements have been prepared in accordance with IFRS.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of available for sale financial assets.

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

**STUDENTS TRUST INTERNATIONAL PLANS**

**US \$ Students Trust International Plan**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

*(Expressed in United States dollars)*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Foreign currency translation

The financial statements are presented in United States 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”. For the year ended September 30, 2008 (2007 – \$nil) there were no exchange differences.

Financial instruments

*Classification*

The Fund classifies its investments as available-for-sale (“AFS”). These financial assets and financial liabilities are designated by the Board as AFS upon initial recognition.

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 fair value through profit or loss (“FVTPL”).

AFS investments held by the Plan are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the investment revaluation reserve at the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is included in profit or loss of the period.

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

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.

A financial liability is classified as held for trading 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.

**STUDENTS TRUST INTERNATIONAL PLANS**

**US \$ Students Trust International Plan**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

*(Expressed in United States dollars)*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial instruments (continued)

*Classification* (continued)

A financial liability other than 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 liability forms part of a group of financial liabilities 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 grouping 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.

*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 investment revaluation reserve. 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 initially recognised at amortised cost. Transaction costs are expensed as incurred in the investment revaluation reserve. Subsequent to initial recognition, all financial assets and financial liabilities are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities are presented in the investment revaluation reserve in the period in which they arise.

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.

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

**STUDENTS TRUST INTERNATIONAL PLANS**

**US \$ Students Trust International Plan**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

*(Expressed in United States dollars)*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial instruments (continued)

*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*

The fair value of financial assets and financial liabilities traded in an active market is based on their last sale price at the reporting date without any deduction for estimated future selling costs. Where no sale occurred at the reporting date, financial assets are priced at current bid price while financial liabilities are priced at current asking price.

IAS 39 indicates that for listed assets and liabilities the best evidence of fair value is usually that last bid and offer prices per the quoted market, respectively. The Plan's offering memorandum, however, specifies that securities listed on recognised exchanges are valued at the last traded price. The Board has determined that at the reporting dates, the valuation of the investments per the Plan's offering memorandum is not materially different to that produced under IAS 39.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Plan uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques used by market participants.

Investments not traded on an exchange or over-the-counter shall have the value as management considers fair and reasonable; provided that management shall obtain at least one independent dealer or third-party pricing service quote (unless no quotes are available) and may not value such security above the highest price obtained from all independent dealer or third-party pricing service.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. 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 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. Changes in the carrying amount of the allowance account are recognised in the investment revaluation reserve.

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.

**STUDENTS TRUST INTERNATIONAL PLANS**

**US \$ Students Trust International Plan**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

*(Expressed in United States dollars)*

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Income and expenses recognition

Interest income is recorded on the accrual 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 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.

Enrolment fees

Enrolment fees are deductions from subscribers' deposits which are used to cover the costs of distribution of the Plan. These fees are ultimately repaid to beneficiaries with each education payment or to the subscriber on withdrawal through the Guaranteed Return of Fees ("GRF") program. As such, enrolment fees are not recorded in the statement of comprehensive income, but are taken directly to the representing subscriber balances in net assets.

Taxation

Under the current laws of the British Virgin Islands, 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.

**STUDENTS TRUST INTERNATIONAL PLANS**  
**US \$ Students Trust International Plan**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

*(Expressed in United States dollars)*

**4. SUMMARY OF SCHOLARSHIP UNITS AND SUBSCRIBER AND BENEFICIARY BALANCES**

2008					
Subscriber balances					
Year of commencement	Number of outstanding units	Subscriber deposits	Guaranteed return of fees	Guaranteed return of fees interest	Beneficiary pool interest
2010	44.10	141,120	-	-	18,650
2011	25.00	83,500	-	-	7,511
2012	19.00	47,625	4,400	333	4,721
2013	112.64	235,906	1,383	13	23,535
2014	59.68	118,892	6,473	54	3,954
2015	142.50	239,677	-	-	7,587
2016	150.35	224,749	3,756	31	11,786
2017	230.49	270,761	3,486	85	5,675
2018	126.00	140,174	-	-	3,046
2019	196.04	196,291	-	-	3,895
2020	306.76	328,103	596	5	9,958
2021	297.27	185,608	2,000	62	7,413
2022	673.52	348,600	2,305	67	17,418
2023	819.76	515,128	1,500	12	16,748
2024	952.54	417,602	2,616	30	10,773
2025	1,763.21	796,053	28,237	300	12,715
2026	1,930.32	726,443	5,289	105	9,294
	<u>7,849.18</u>	<u>\$ 5,016,232</u>	<u>\$ 62,041</u>	<u>\$ 1,097</u>	<u>\$ 174,679</u>

**STUDENTS TRUST INTERNATIONAL PLANS**  
**US \$ Students Trust International Plan**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

*(Expressed in United States dollars)*

**4. SUMMARY OF SCHOLARSHIP UNITS AND SUBSCRIBER AND BENEFICIARY BALANCES (continued)**

2007					
Subscriber balances					
Year of commencement	Number of outstanding units	Subscriber deposits	Guaranteed return of fees	Guaranteed return of fees interest	Beneficiary pool interest
2010	44.10	141,120	-	-	16,818
2011	25.00	77,800	-	-	6,467
2012	19.00	47,625	4,400	293	4,121
2013	110.14	219,125	1,383	1	20,320
2014	30.15	41,592	-	-	2,552
2015	115.30	111,478	-	-	1,551
2016	121.82	171,569	-	-	9,074
2017	135.08	118,666	2,637	27	2,197
2018	83.50	89,410	-	-	884
2019	127.53	79,720	-	-	1,590
2020	177.84	147,210	-	-	4,121
2021	232.27	123,365	2,000	45	5,200
2022	422.99	185,091	2,170	48	7,321
2023	471.40	214,846	-	-	9,556
2024	735.87	287,476	1,890	10	5,865
2025	1,358.64	482,169	26,855	65	2,267
	<u>4,210.63</u>	<u>\$ 2,538,261</u>	<u>\$ 41,335</u>	<u>\$ 489</u>	<u>\$ 99,905</u>

**STUDENTS TRUST INTERNATIONAL PLANS**

**US \$ Students Trust International Plan**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

*(Expressed in United States dollars)*

**5. SUBSCRIBER DEPOSITS**

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.

	<u>2008</u>	<u>2007</u>
Non-current portion	\$ 3,052,774	\$ 2,240,604
Current portion	1,038,544	642,214
Total subscriptions receivable	<u>\$ 4,091,318</u>	<u>\$ 2,882,818</u>

**6. AVAILABLE-FOR-SALE FINANCIAL ASSETS**

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

	<u>2008</u>		<u>2007</u>	
	Amortised cost/Cost	Fair value	Amortised cost/Cost	Fair value
<b>Available- for-sale</b>				
<i>Fixed income securities</i>				
Canadian provincial bonds	\$ 966,630	\$ 1,031,173	\$ 1,080,781	\$ 1,079,763
Canadian provincial agency bonds	79,857	86,280	75,640	76,689
Canadian Treasury bills	-	-	30,356	29,710
US Treasury bills	31,874	33,621	495,065	494,904
Total fixed income securities	<u>1,078,361</u>	<u>1,151,074</u>	<u>1,681,842</u>	<u>1,681,066</u>
<i>Exchange traded funds</i>	<u>260,152</u>	<u>207,609</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,338,513</u>	<u>\$ 1,358,683</u>	<u>\$ 1,681,842</u>	<u>\$ 1,681,066</u>

The Plan's main investment strategy is to invest in fixed income securities. The move to invest in exchange traded funds was a planned strategy to counter a fall in yields of long term government bonds. These investment types are allowed by the Plan's offering memorandum and the main line of investments remains fixed income securities.

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*(Expressed in United States dollars)*

**6. AVAILABLE-FOR-SALE FINANCIAL ASSETS** (continued)

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

Year of maturity	2008		2007	
	Fair value	Maturity value	Fair value	Maturity value
2007	\$ -	\$ -	\$ 494,904	\$ 496,000
2008	-	-	284,837	289,000
2010	62,995	66,615	-	-
2011	67,655	75,000	-	-
2013	95,556	115,000	87,259	115,000
2014	64,780	80,000	59,059	80,000
2016	35,808	50,124	32,324	50,080
2017	66,535	100,000	59,568	100,000
2018	173,455	270,521	154,056	270,521
2019	133,018	221,000	117,389	221,000
2020	60,058	102,927	52,498	102,927
2021	183,707	332,280	159,147	332,280
2024	47,489	99,985	41,633	99,985
2025	86,791	193,000	74,959	193,000
2026	36,858	86,474	31,906	86,474
2028	36,369	95,000	31,527	95,000
	<u>\$ 1,151,074</u>	<u>\$ 1,887,926</u>	<u>\$ 1,681,066</u>	<u>\$ 2,531,267</u>

The yield on these investments for the current year is 3.82% (2007 – 5.39%). The overall yield on Plan assets, including donations from OEF and expenses is 3.90% (2007 – 3.77%).

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**7. RELATED PARTY TRANSACTIONS AND BALANCES**

	<u>2008</u>	<u>2007</u>
Due from Bermuda Plan	\$ 260,585	\$ -
Due from other related party	3,500	-
Total due from related parties	<u>\$ 264,085</u>	<u>\$ -</u>
Due to OEF	150,069	194,579
Due to Canadian \$ Plan	7,803	-
Due to other related party	4,513	9,407
Total due to related parties	<u>\$ 162,385</u>	<u>\$ 203,986</u>

The amounts due from related parties represent subscriptions into the US \$ Plan received by the other Plans, on its behalf. The amounts due from and to related parties and are unsecured, interest free and have no fixed repayment terms.

Enrolment fees

In purchasing units in the Plan (Note 8), enrolment fees of \$200 per unit are deducted from the subscribers' deposits and paid to OEF to cover the costs of distribution of the Plan.

For the year ended September 30, 2008, enrolment fees of \$642,335 (2007 – \$474,193) were deducted.

Donations received

For the year ended September 30, 2008, OEF made a donation to the Plan totaling \$57,500 (2007 – \$10,000) which was allocated as follows: \$17,500 to beneficiary pool interest, \$15,000 to return of enrolment fee reserve and \$25,000 to the enhancement account, (Note 9).

Trustee fee

The annual Trustee fee, plus its costs, expenses and out-of-pocket charges and investment counsel fees as agreed to between OEF and the Trustee from time to time are:

Plan assets under \$75 Million	0.15% of total plan assets
Plan assets over \$75 Million	0.10% of total plan assets
Subject to a minimum annual fee of \$7,000	

For the year ended September 30, 2008, trustee fees of \$14,579 (2007 – \$14,508) were incurred.

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**7. RELATED PARTY TRANSACTIONS AND BALANCES** (continued)

Administration fee

An annual administration fee of 1% of all amounts held in subscriber accounts, deducted from interest earned monthly at a rate of 1/12 of 1% of the month end balance is charged by OEF, the Administrator.

During the year ended September 30, 2008 administration fees of \$40,722 (2007 – \$19,531) were incurred.

**8. 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 offering memorandum 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.

Withdrawals by subscriber

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.

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.

Guaranteed return of fees

The Plan provides subscribers the option to participate in the Guaranteed Return of Fees ("GRF") Program. Under the GRF program, subscribers can guarantee the return of fees by contributing the required GRF deposit at the time of enrolment. With this program, the Plan provides for an amount equal to the enrolment fees to be paid when a child qualifies for education payments however, no enrolment fees are paid if the child does not qualify.

GRF deposits are invested in exactly the same way as the Plan's assets; and income earned is segregated and accumulated to satisfy subscriber claims under the GRF Program.

For the year ended September 30, 2008, GRF deposits of \$20,706 (2007 – \$32,375) were received and \$608 (2007 – \$466) interest was earned and segregated.

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**9. 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 four education payments during the four-year period starting in the year 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 25<sup>th</sup> year following the year in which the subscriber entered into one of the Plan, or such date as otherwise required by applicable legislation.

Return of enrolment fee reserve

Upon payment of each education payment to the beneficiary, OEF shall pay out of the Plan to the beneficiary an amount equivalent to one quarter of the aggregate enrolment fee paid by the subscriber excluding any enrolment fees in respect of cancelled units.

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

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.

**10. INVESTMENT REVALUATION RESERVE**

	<u>2008</u>	<u>2007</u>
Balance at beginning of year	\$ (776)	\$ 2,828
Unrealised gain/(losses) on available for sale investments	20,946	(3,604)
Balance at end of year	<u>\$ 20,170</u>	<u>\$ (776)</u>

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**11. 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.

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 because of market prices. Market risk comprise three types of risk: foreign currency risk, interest rate risk and other 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. At September 30, 2008, the currency exposure was CAD\$19,000 (2007 – CAD\$ Nil)

At the reporting dates, if the exchange rate between the currencies above and the and the functional currency increased or decreased by 5% with all other variables held constant, the increase or decrease in profit or loss would not be material. 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.

*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 available-for-sale financial assets 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 strategy is to buy and hold available-for-sale financial assets to maturity, changes in interest levels from year to year do not affect the future cash flow of the investments.

At September 30, 2008 the Plan had cash and cash equivalents of \$3,824,974 (2007 – \$1,206,219). If the spread between long-term and short-term interest rates had been 75 basis points higher or lower and all other variables were held constant, the Plan net investment income would decrease/increase by \$28,687 (2007 – \$9,047). The Plan's assumptions have not changed from the prior year.

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**NOTES TO FINANCIAL STATEMENTS**

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**11. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)**

Market risk (continued)

*Other price risk*

Other 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.

The Plan’s exposure to other price risk is limited as the main line of investments are fixed income securities. A small percentage of the Plan investments are affected by market volatility.

The table below summarises the Plan’s exposure to other price risk by type of investments.

	2008		2007	
	Fair value	% of net assets	Fair value	% of net assets
<b>Available- for-sale</b>				
Exchange traded funds	\$ 207,609	2.21%	\$ -	-

All investments present a risk of loss of capital. The maximum risk resulting from the investments is determined by their fair value. Possible losses from financial liabilities at FVTPL can be unlimited.

At the reporting dates, had the prices of the exchange traded funds increased/decreased by 5%, with all other variables held constant, the effect on the fair value of the Plan’s investments would not be material.

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 and exchange traded funds are settled upon delivery using approved brokers. The risk of credit default is considered minimal, as delivery of fixed income securities and exchange traded funds sold is 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 Offering Memorandum, all debt investments are with government or government guaranteed issuers of G-7 countries. As of September 30, 2008 all debt holdings had credit ratings of at least AA or better as determined by Moody’s Investor Service.

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**11. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)**

Credit risk (continued)

*Concentration*

In accordance with the Plan's offering memorandum, the Plan may only invest in bonds, coupons and other instruments of, or guaranteed by, the governments of the United States and Canada or; bonds, coupons and other instruments of, or guaranteed, governments of the States of the United States and Provinces of Canada or; government of United States and Canada treasury bills or; first mortgages insured under National Housing Act (Canada) or; mutual funds, index linked funds or professionally managed investment accounts that invest primarily in the Canadian instruments noted above, or are based upon a stock market index replication and provide protection against foreign currency fluctuations. The management mitigates the risk by constantly monitoring the portfolio to ensure the above investment type restrictions are respected.

Liquidity risk

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

The Plan's offering memorandum 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.

Capital risk management

Management considers the Plan's capital to consist of the net assets. 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 offering memorandum, while maintaining sufficient liquidity to present obligations. The Plan does not have externally imposed capital requirements.

**12. EVENTS AFTER THE REPORTING PERIOD**

Subsequent to year end OEF has received approval from subscribers and the Bermuda Monetary Authority to transfer the jurisdiction of the Plan from the British Virgin Islands to Bermuda.