

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

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

STUDENTS TRUST INTERNATIONAL PLANS

Bermuda 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 Bermuda Students Trust International Plan (expressed in Canadian dollars), which comprise the balance sheet as of September 30, 2008, the statement of comprehensive income, the statement of changes in net assets and 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 Bermuda Students Trust International Plan as of September 30, 2008, and 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 & Touche". The signature is written in a cursive, flowing style.

November 2, 2009
British Virgin Islands

STUDENTS TRUST INTERNATIONAL PLANS

Bermuda Students Trust International Plan

STATEMENT OF FINANCIAL POSITION

AT SEPTEMBER 30, 2008

(Expressed in Canadian dollars)

	Note	2008	2007
Assets			
<i>Non-current assets</i>			
Available-for-sale financial assets	4	\$ 28,973,617	\$ 36,190,864
Financial assets at fair value through profit or loss	4	14,707,546	18,416,292
Subscriber deposits receivable	5	3,600,729	4,602,708
		<u>47,281,892</u>	<u>59,209,864</u>
<i>Current assets</i>			
Subscriber deposits receivable	5	1,084,412	1,485,742
Cash and cash equivalents		4,215,139	2,855,558
Donations receivable		1,173,042	681,290
Other receivables		43,412	-
		<u>6,516,005</u>	<u>5,022,590</u>
Liabilities			
<i>Current liabilities</i>			
Due to related parties	6	581,672	165,204
Trade and other payables		598,351	1,878,978
		<u>1,180,023</u>	<u>2,044,182</u>
NET ASSETS		<u><u>\$ 52,617,874</u></u>	<u><u>\$ 62,188,272</u></u>

See notes to financial statements

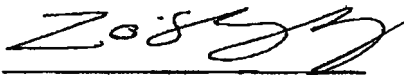
STUDENTS TRUST INTERNATIONAL PLANS
Bermuda Students Trust International Plan
STATEMENT OF FINANCIAL POSITION (continued)

AT SEPTEMBER 30, 2008

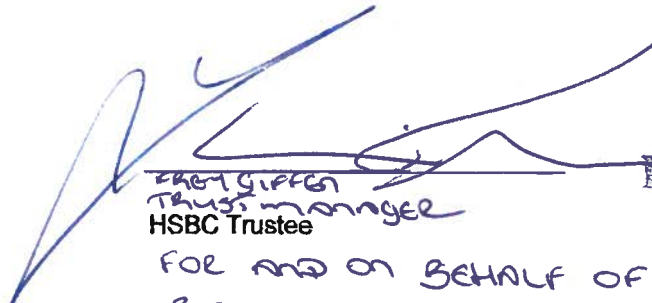
(Expressed in Canadian dollars)

	Note	2008	2007
NET ASSETS REPRESENTED BY:			
Subscriber balances			
Subscriber deposits	7	\$ 31,569,928	\$ 34,614,623
Subscriber deposits receivable	5	4,685,141	6,088,450
		36,255,069	40,703,073
Beneficiary balances			
Beneficiary pool interest	7	14,842,826	20,916,736
Enhancement account		623,469	624,664
		15,466,295	21,541,400
Investment revaluation reserve	10	896,510	(56,201)
		\$ 52,617,874	\$ 62,188,272

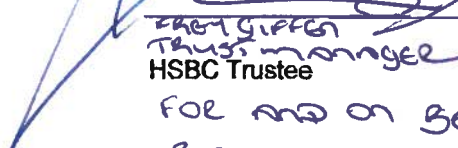
For and on behalf of the Plan



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



 John B. Nassif
 Beneficiary Director



 Peter Giffen
 Trust Manager
 HSBC Trustee

FOR AND ON BEHALF OF
 BERMUDA TRUST COMPANY LIMITED
 AS TRUSTEE

See notes to financial statements

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

(Expressed in Canadian dollars)

	Note	2008	2007
Income			
Interest income		\$ 1,324,870	\$ 1,994,909
Donations received	6	1,156,562	681,290
		2,481,432	2,676,199
Expenses			
Administration fee	6	230,072	251,733
Broker fee		214,605	-
Trustee fee	6	98,361	102,777
Exchange loss		66,287	-
		609,325	354,510
Net investment income		1,872,107	2,321,689
Unrealised loss on financial assets at fair value through profit or loss		(4,400,134)	(477,433)
Realised loss on financial assets at fair value through profit or loss		(292,955)	-
Realised (loss)/gain on available-for-sale financial assets		(418,232)	188,837
		(3,239,214)	2,033,093
<i>Operating (loss)/profit</i>			
Other comprehensive income			
Unrealised gain/(loss) on available-for-sale financial assets		952,711	(340,601)
Total comprehensive income for the year		\$ (2,286,503)	\$ 1,692,492

See notes to financial statements

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

(Expressed in Canadian dollars)

	Note	2008	2007
Balance at the beginning of the year		\$ 62,188,272	\$ 67,141,612
Funds received			
<i>Subscriber balances</i>			
Subscriber deposits received		1,111,354	1,169,076
Subscriber deposits due		(1,403,309)	(1,458,324)
Total net subscriber deposits		(291,955)	(289,248)
<i>Beneficiary balances</i>			
Beneficiary pool interest earned		1,324,870	1,807,921
Interest earned on enhancement fund		-	186,988
Unrealised loss on financial assets at fair value through profit or loss		(4,400,134)	(477,433)
Realised (loss)/gain on available-for-sale financial assets		(418,232)	188,837
Realised loss on financial assets at fair value through profit or loss		(292,955)	-
Donations received	6	1,156,562	681,290
Total interest and other inflows		(2,629,889)	2,387,603
Total funds received carried forward		\$ 59,266,428	\$ 69,239,967

See notes to financial statements

STUDENTS TRUST INTERNATIONAL PLANS
Bermuda Students Trust International Plan
STATEMENT OF CHANGES IN NET ASSETS (continued)
FOR THE YEAR ENDED SEPTEMBER 30, 2008

(Expressed in Canadian dollars)

	Note	<u>2008</u>	<u>2007</u>
Total funds received brought forward		\$59,266,428	\$ 69,239,967
<i>Funds disbursed</i>			
<i>Payments to subscribers</i>			
Subscriber deposits repaid		4,156,049	3,756,937
Education assistance payments		2,880,255	2,739,145
Transfers from internal and external plans		(44,364)	(139,498)
Total payments to subscribers		<u>6,991,940</u>	<u>6,356,584</u>
<i>Operating expenses paid</i>			
Administration fee	6	230,072	251,733
Broker fee		214,605	-
Trustee fee	6	98,361	102,777
Exchange loss		66,287	-
		<u>609,325</u>	<u>354,510</u>
Total funds disbursed		<u>7,601,265</u>	<u>6,711,094</u>
Investment revaluation reserve			
Unrealised gain/(loss) on available-for-sale financial assets		952,711	(340,601)
		<u>6,648,554</u>	<u>7,051,695</u>
Balance at the end of the year		<u><u>\$52,617,874</u></u>	<u><u>\$ 62,188,272</u></u>

See notes to financial statements

STUDENT TRUST INTERNATIONAL PLANS
Bermuda Students Trust International Plan
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2008
(Expressed in Canadian dollars)

	2008	2007
Cash flows from operating activities		
Total comprehensive income for the year	\$ (2,286,503)	\$ 1,692,492
Interest income	(1,324,870)	(1,994,909)
Available-for-sale financial assets		
Realised (losses)/gains	418,232	(188,837)
Change in unrealised (appreciation)/depreciation	(952,711)	340,601
Financial assets at fair value through profit or loss		
Change in unrealised depreciation	4,400,134	477,433
Realised losses	292,955	-
Movements in working capital:		
Increase in donations receivable	(491,752)	(681,290)
Increase in other receivables	(43,412)	-
Increase in due to related parties	416,468	139,921
(Decrease)/increase in trade and other payables	(1,280,627)	852,043
Distribution of education assistance payments	(2,880,255)	(2,599,647)
	(3,732,341)	(1,962,193)
Available-for-sale financial assets		
Payments for purchases	(11,601,908)	3,880,774
Proceeds from sales	14,753,634	-
Proceeds from maturities	4,600,000	-
Financial assets at fair value through profit or loss		
Payments for purchases	(2,569,293)	-
Proceeds from sales	1,584,950	-
Cash used in operating activities	3,035,042	1,918,581
Interest received	1,324,870	1,994,909
Net cash used in operating activities	4,359,912	3,913,490
Cash flows from financing activities		
Subscriber deposits received	(3,044,695)	(2,598,721)
Internal transfers	44,364	-
Net cash provided by financing activities	(3,000,331)	(2,598,721)
Net increase/(decrease) in cash and cash equivalent	1,359,581	1,314,769
Cash and cash equivalents at the beginning of the year	2,855,558	1,540,789
Cash and cash equivalents at the end of the year	\$ 4,215,139	\$ 2,855,558

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Non-cash operating activities not included herein consists of:

Financial assets at fair value through profit or loss were disposed of for compensation of \$950,000, which was settled by the acquisition of similar financial assets at fair value through profit or loss.

STUDENTS TRUST INTERNATIONAL PLANS

Bermuda Students Trust International Plan

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

(Expressed in Canadian dollars)

1. FORMATION AND ACTIVITY

The objective of the Students Trust International Plans (which consists of the Bermuda Students Trust International Plan (the "Plan"), US \$ Students Trust International Plan and Canadian \$ 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 contract for administration and distribution of the Plan (expressed in Canadian dollars) 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, which was the former Plan trustee. Following transfer of the Plan to OEF, HSBC International Trustee Limited (the "Trustee") became the trustee of the Plan.

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 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 "Board") and authorised for issue on November 2, 2009.

2. ADOPTION OF NEW AND REVISED STANDARDS AND STANDARDS, AMENDMENTS AND INTERPRETATIONS

Standards and interpretations effective in the current period

In the current year, the Plan has adopted International Financial Reporting Standard ("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 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:

- IFRS 3 *Business Combinations*
 - Comprehensive revision on applying the acquisition method (July 2009)

STUDENTS TRUST INTERNATIONAL PLANS

Bermuda Students Trust International Plan

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

(Expressed in Canadian dollars)

2. ADOPTION OF NEW AND REVISED STANDARDS AND STANDARDS, AMENDMENTS AND INTERPRETATIONS (continued)

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

- IFRS 7 *Financial Instruments: Disclosures*
 - Amendments enhancing disclosures about fair value and liquidity risk (January 2009)

- IAS 1 *Presentation of Financial Statements*
 - Amendments relating to disclosure of puttable instruments and obligations arising on liquidation (January 2009)
 - Amendments resulting from May 2008 Annual Improvements to IFRSs (January 2009)
 - Amendments resulting from May 2008 Annual Improvements to IFRSs (January 2009)

- IAS 27 *Consolidated and Separate Financial Statements*
 - Consequential amendments arising from amendments to IFRS 3 (July 2009)
 - Amendments resulting from May 2008 Annual Improvements to IFRSs (January 2009)

- IAS 32 *Financial Instruments: Presentation*
 - Amendments relating to puttable instruments and obligations arising on liquidation (January 2009) (January 2009)

- IAS 36 *Impairment of Assets*
 - Amendments resulting from May 2008 Annual Improvements to IFRSs (January 2009)

- IAS 39 *Financial Instruments: Recognition and Measurement*
 - Amendments resulting from May 2008 Annual Improvements to IFRSs (January 2009)

- International Financial Reporting Interpretations Committee ("IFRIC") 17 *Distributions of Non-cash Assets to Owners* (July 2009)

The Board anticipates that all of the above standards, amendments and interpretations will be adopted in the Plan's financial statements for the period prescribed above 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.

STUDENTS TRUST INTERNATIONAL PLANS

Bermuda Students Trust International Plan

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

(Expressed in Canadian dollars)

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 ("AFS") financial assets and financial assets at fair value through profit or loss ("FVTPL").

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

Foreign currency translation

The financial statements are presented in Canadian dollars ("C\$"), 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". Net gains or losses from assets or liabilities (other than investments) denominated in foreign currencies are reported separately in the statement of comprehensive income within "Exchange gain/loss".

Financial instruments

Classification

The Plan classifies its investments as AFS financial assets and financial assets at FVTPL based on the nature. These financial assets are designated by the Board as AFS and FVTPL 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 FVTPL.

A financial asset or 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 Fund 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

Bermuda Students Trust International Plan

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification (continued)

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 group 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 Fund'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.

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 inception 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 year.

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

Financial liabilities that are not designated as at FVTPL include balances due to related parties, and trade and other payables.

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 or in profit or loss for the year. 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.

STUDENTS TRUST INTERNATIONAL PLANS

Bermuda Students Trust International Plan

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Measurement

AFS financial assets are initially recognised at amortised cost. Transaction costs are expensed as incurred in the statement of comprehensive income. Subsequent to initial recognition, AFS financial assets 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.

Financial assets at FVTPL are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income. Subsequent to initial recognition, financial assets 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.

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.

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 the 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.

STUDENTS TRUST INTERNATIONAL PLANS
Bermuda Students Trust International Plan
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008
(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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.

Taxation

Under the current laws of the 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.

STUDENTS TRUST INTERNATIONAL PLANS

Bermuda Students Trust International Plan

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

(Expressed in Canadian dollars)

4. FINANCIAL ASSETS AVAILABLE-FOR-SALE AND AT FVTPL

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

	2008		2007	
	Amortised cost/Cost	Fair value	Amortised cost/Cost	Fair value
Available-for-sale				
<i>Fixed income securities</i>				
International bonds	\$ 8,637,326	\$ 8,977,052	\$ 19,703,124	\$ 19,451,283
Canadian federal bonds	10,144,907	10,448,020	10,245,155	10,359,645
Canadian provincial bonds	9,294,874	9,548,545	6,298,786	6,379,936
Total available-for-sale	<u>\$ 28,077,107</u>	<u>\$ 28,973,617</u>	<u>\$ 36,247,065</u>	<u>\$ 36,190,864</u>
Financial assets at FVTPL				
<i>Equities</i>	19,585,113	14,707,546	18,893,725	18,416,292
Total financial assets at FVTPL	<u>\$ 19,585,113</u>	<u>\$ 14,707,546</u>	<u>\$ 18,893,725</u>	<u>\$ 18,416,292</u>

The Plan's main investment strategy is to invest in fixed income securities. The move to investment in equities 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.

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

	2008		2007	
Year of maturity	Fair value	Maturity value	Fair value	Maturity value
2008	\$ 2,335,625	\$ 2,300,000	\$ 5,879,443	\$ 5,850,000
2009	3,472,845	3,400,000	5,925,427	5,800,000
2010	6,077,179	5,800,000	8,041,522	8,000,000
2011	6,223,722	6,000,000	7,087,469	6,950,000
2012	8,429,431	8,050,000	9,257,004	9,150,000
2016	2,434,815	2,400,000	-	-
	<u>\$ 28,973,617</u>	<u>\$ 27,950,000</u>	<u>\$ 36,190,864</u>	<u>\$ 35,750,000</u>

The yield on these investments for the current year is -5.24% (2007 – 2.76%). The overall yield on Plan assets, including donations from OEF and CSTF and other sources is -3.95% (2007 – 3.67%).

STUDENTS TRUST INTERNATIONAL PLANS

Bermuda Students Trust International Plan

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

(Expressed in Canadian dollars)

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.

	<u>2008</u>	<u>2007</u>
Non-current portion	\$ 3,600,729	\$ 4,602,708
Current portion	1,084,412	1,485,742
Total subscriber deposits receivable	<u>\$ 4,685,141</u>	<u>\$ 6,088,450</u>

6. RELATED PARTY TRANSACTIONS AND BALANCES

	<u>2008</u>	<u>2007</u>
Due to US\$ Plan	\$ 272,044	\$ -
Due to Canadian\$ Plan	250,989	-
Due to OEF	58,639	165,204
Total due to related parties	<u>\$ 309,628</u>	<u>\$ 165,204</u>

The amounts due to 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.

Donations received

For the year ended September 30, 2008, OEF made a donation to the Plan totaling \$110,000 (2007 – \$Nil) and CSTF made a donation totaling \$1,046,562 (2007 – \$681,290) all of which was allocated to the enhancement account.

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 \$10,000	

For the year ended September 30, 2008, a trustee fee of \$98,361 (2007 – \$102,777) was incurred.

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 fee of \$230,072 (2007 – \$251,733) was incurred, of which \$58,639 (2007 – \$165,204) was payable at the reporting date.

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FOR THE YEAR ENDED SEPTEMBER 30, 2008

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7. SUMMARY OF SCHOLARSHIP UNITS AND SUBSCRIBER AND BENEFICIARY BALANCES

Year of commencement	2008		
	Number of outstanding units	Subscriber deposits	Beneficiary pool interest
2008 and earlier	7.10	\$ 23,237	\$ 4,285,936
2009	480.70	746,924	2,441,720
2010	2,887.21	3,747,981	1,424,199
2011	2,962.60	3,858,214	1,257,205
2012	2,802.36	3,173,630	1,019,647
2013	2,742.40	2,730,223	843,560
2014	3,160.42	2,902,993	841,606
2015	3,081.00	2,627,945	667,581
2016	3,145.35	2,433,744	596,261
2017	3,148.00	2,378,307	475,588
2018	3,029.29	2,102,640	408,547
2019	2,726.73	1,770,665	283,606
2020	2,824.45	1,863,634	222,443
2021	906.17	570,778	50,523
2022	528.83	326,324	12,883
2023	551.00	242,310	10,118
2024	217.00	70,379	1,403
	<u>35,200.61</u>	<u>\$ 31,569,928</u>	<u>\$ 14,842,826</u>

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

Year of commencement	2007		
	Number of outstanding units	Subscriber deposits	Beneficiary pool interest
2008 and earlier	126.30	\$ 284,499	\$ 253,660
2009	2,814.20	4,319,154	8,717,920
2010	2,892.21	3,644,654	2,127,748
2011	2,962.60	3,687,935	1,863,706
2012	2,826.20	3,150,019	1,489,333
2013	2,743.70	2,664,046	1,240,282
2014	3,178.90	2,850,094	1,230,929
2015	3,084.00	2,581,735	982,443
2016	3,203.35	2,423,597	889,610
2017	3,153.00	2,316,129	690,138
2018	3,106.29	2,096,914	586,517
2019	2,783.73	1,769,674	418,272
2020	2,824.45	1,798,272	322,514
2021	916.17	520,880	72,752
2022	528.83	268,701	17,074
2023	536.00	189,022	12,124
2024	217.00	49,298	1,714
	<u>37,896.93</u>	<u>\$ 34,614,623</u>	<u>\$ 20,916,736</u>

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.

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NOTES TO FINANCIAL STATEMENTS

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8. SUBSCRIBER BALANCES (continued)

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.

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 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.

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10. INVESTMENT REVALUATION RESERVE

	<u>2008</u>	<u>2007</u>
Opening balance	\$ (56,201)	\$ 284,400
Unrealised losses on available-for-sale financial assets	952,711	(340,601)
Closing balance	<u>\$ 896,510</u>	<u>\$ (56,201)</u>

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.

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

	<u>2008</u>	<u>2007</u>
Euro	\$ 898,947	\$ 699,474
United States dollars	312,278	1,947,944
Great British pounds	23,754	8,747
Australian dollars	2,096	1,888
Bermudian dollars	1,063	4,110
New Zealand dollars	33	-

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NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

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11. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Market risk (continued)

Foreign currency risk (continued)

At the reporting dates, if the exchange rate between the currencies above and the functional currency increased or decreased by 5% with all other variables held constant, the increase or decrease in profit or loss would be approximately \$62,000 (2007 – \$133,000). 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 2007. The Plan does not actively manage its exposure to the foreign currency risk.

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 strategy is to buy and hold AFS fixed income securities 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, 2008 the Plan had cash and cash equivalents of \$4,215,139 (2007 – \$2,855,558). 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 \$31,614 (2007 – \$21,417). The Plan's assumptions have not changed from the prior year.

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 which are stable and not affected greatly by market volatility. A 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
Financial assets at FVTPL				
Equities	\$ 19,585,115	37.22%	\$ 18,893,725	30.38%

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11. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Market risk (continued)

Other price risk (continued)

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 and risk management strategies that evaluate the effect of cash instruments.

At the reporting dates, had the prices of the equities held increased/decreased by 5%, with all other variables held constant, the effect on the fair value of the Plan's investments would be \$735,377 (2007 – \$920,369).

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 equities are settled upon delivery using approved brokers. The risk of credit default is considered minimal, as delivery of fixed income securities and equities 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 unsettle 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.

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. 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.

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11. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (continued)

Liquidity risk (continued)

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

The enhancement account, where funds are obtained for supplementary payments to the basic principal, traditionally has been very stable.

However, the combination of nil contributions in 2008 and higher than expected participation has resulted in the account being in a negative position in 2009. Therefore the amount that the Plan can supplement for the next few years is compromised resulting in much lower anticipated supplementary payouts.

There is no threat to the guaranteed principal and there will still be payouts of income, although these may be nil or lower than in previous years.