

Audited Financial Statements

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# Legacy Education Savings Plan

(formerly Global Educational Trust Plan)

For the years ended March 31, 2017 and 2016

# Legacy Education Savings Plan

March 31, 2017 and March 31, 2016

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# Management's Responsibility for Financial Reporting

The accompanying audited financial statements of Legacy Education Savings Plan (formerly known as Global Educational Trust Plan) (the "Plan") have been prepared by management and approved by the Board of Directors of the Global Educational Trust Foundation (the "Foundation") and Global Growth Assets Inc. ("GGAI"). Management is responsible for the information and representations contained in these financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. GGAI, which administers the Plan, maintains appropriate processes to ensure that relevant and reliable financial information is produced.

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

Deloitte LLP is the external auditor of the Plan. It has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable it to express to the Planholders of the Plan its opinion on the financial statements.



**David Prestwich**  
Chief Executive Officer

Toronto, Ontario

## Independent Auditor's Report

To the Planholders of Legacy Education Savings Plan (formerly known as Global Educational Trust Plan),

We have audited the accompanying financial statements of the Legacy Education Savings Plan, which comprise the statements of financial position as at March 31, 2017 and March 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to subscribers and beneficiaries, and statements of cash flows for the years ended March 31, 2017 and March 31, 2016, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Legacy Education Savings Plan as at March 31, 2017 and March 31, 2016, and its financial performance, changes in its net assets attributable to subscribers and beneficiaries and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants  
June 9, 2017

# Legacy Education Savings Plan

## Statements of Financial Position

As at March 31, 2017 and 2016

|   | 2017               | 2016               |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| <b>Assets</b>   |                    |                    |
| Cash and cash equivalents   | 8,093,507          | 60,879,924         |
| Investments - at fair value (Note 6)  | 674,168,772        | 606,378,333        |
| Due from the Global Educational Trust Foundation (Note 4)                         | 550,340            | 579,989            |
| Due from the Fund Manager - Global Growth Assets Inc. (Note 4)                    | -                  | 80,186             |
| Grants receivable (Note 2)  | 1,959,131          | 1,868,521          |
| Interest receivable   | 3,566,780          | 2,925,055          |
|   | <b>688,338,530</b> | <b>672,712,008</b> |
| <b>Liabilities</b>  |                    |                    |
| Accounts payable  | 770,829            | 877,857            |
| Payable for securities purchased  | 4,369,104          | 13,179,744         |
| Due to the Advanced Education Savings Plan ("AESP") (Note 4)                      | 83,861             | -                  |
| Due to the Distributor - Global RESP Corporation (Note 4)                         | 4,270,530          | 3,234,701          |
| Due to the Fund Manager - Global Growth Assets Inc. (Note 4)                      | 433,060            | -                  |
| <b>Net Assets Attributable to Subscribers and Beneficiaries</b>                   | <b>678,411,146</b> | <b>655,419,706</b> |
| <b>Net Assets Attributable to Subscribers and Beneficiaries represented by:</b>   |                    |                    |
| Subscriber contributions (Note 5)   | 426,280,373        | 405,581,320        |
| Accumulated government grants   | 171,841,738        | 162,992,327        |
| Unrealized appreciation of investments  | 4,625,112          | 10,942,046         |
| Accumulated and undistributed investment income and realized gains on investments | 75,663,923         | 75,904,013         |
|   | <b>678,411,146</b> | <b>655,419,706</b> |

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



Allan Smith  
Director



Harold Wolkin  
Director

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

# Legacy Education Savings Plan

## Statements of Comprehensive Income

For the years ended March 31, 2017 and 2016

|  | 2017              | 2016         |
|--|-------------------|--------------|
|  | \$                | \$           |
| <b>Revenue</b>   |                   |              |
| Interest income for educational assistance payments  | 16,505,624        | 16,241,089   |
| Realized gains on disposal of investments  | 1,382,599         | 1,155,923    |
| Change in unrealized depreciation on investments   | (6,316,934)       | (10,380,640) |
|  | <b>11,571,289</b> | 7,016,372    |
| <b>Expenses</b>  |                   |              |
| Administration fees  | 8,979,335         | 8,568,651    |
| Audit costs  | 182,051           | 159,465      |
| Other  | 72,730            | 78,543       |
| Independent review committee   | 16,575            | 20,825       |
|  | <b>9,250,691</b>  | 8,827,484    |
| <b>Increase (Decrease) in Net Assets Attributable to Subscribers and Beneficiaries from operations</b> | <b>2,320,598</b>  | (1,811,112)  |

## Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries

For the years ended March 31, 2017 and 2016

|  | 2017                | 2016         |
|--|---------------------|--------------|
|  | \$                  | \$           |
| <b>Net Assets Attributable to Subscribers and Beneficiaries, beginning of year</b>                     | <b>655,419,706</b>  | 625,699,925  |
| <b>Increase (Decrease) in Net Assets attributable to Subscribers and Beneficiaries from operations</b> | <b>2,320,598</b>    | (1,811,112)  |
| <b>Increase in Net Assets Attributable to Subscribers and Beneficiaries</b>                            |                     |              |
| Subscriber contributions received  | 60,708,527          | 63,800,236   |
| Government grants received (Note 2):   |                     |              |
| Canada Education Savings Grants (CESG)   | 13,839,892          | 15,267,916   |
| Canada Learning Bond (CLB)   | 2,385,925           | 2,885,775    |
| British Columbia Training and Education Savings Grant (BCTESG)   | 518,400             | 627,600      |
| Quebec Education Savings Incentive (QESI)  | 460,140             | 566,881      |
| Saskatchewan Advantage Grant for Education Savings (SAGES)   | 57,080              | 32,871       |
| Alberta Centennial Education Savings Plan (ACES)   | -                   | 9,150        |
|  | <b>77,969,964</b>   | 83,190,429   |
| <b>Decrease in Net Assets Attributable to Subscribers and Beneficiaries</b>                            |                     |              |
| Refund of subscriber contributions   | (40,009,474)        | (35,302,257) |
| Payments to Beneficiaries:   |                     |              |
| Government grants  | (8,412,026)         | (7,584,185)  |
| Income earned on Government grants   | (2,062,239)         | (2,112,044)  |
| Income earned on Subscriber contributions  | (6,815,383)         | (6,661,050)  |
|  | <b>(57,299,122)</b> | (51,659,536) |
| <b>Net Assets Attributable to Subscribers and Beneficiaries, end of year</b>                           | <b>678,411,146</b>  | 655,419,706  |

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

# Legacy Education Savings Plan

## Statements of Cash Flows

For the years ended March 31, 2017 and 2016

|   | 2017                 | 2016          |
|---|----------------------|---------------|
|   | \$                   | \$            |
| Cash provided by (used in):   |                      |               |
| <b>Operating Activities</b>   |                      |               |
| Increase (decrease) in Net assets attributable to Subscribers and Beneficiaries from operations | <b>2,320,598</b>     | (1,811,112)   |
| Adjustments for:  |                      |               |
| Change in unrealized depreciation on investments  | <b>6,316,934</b>     | 10,380,640    |
| Realized gains on disposal of investments   | <b>(1,382,599)</b>   | (1,155,923)   |
| Decrease in due from Foundation   | <b>29,649</b>        | 476,275       |
| Decrease (increase) in due from the Fund Manager - Global Growth Assets Inc.                    | <b>80,186</b>        | (80,186)      |
| (Increase) decrease in grants receivable  | <b>(90,610)</b>      | 55,409        |
| Decrease in receivable for securities sold  | -                    | 5,182,059     |
| (Increase) decrease in interest receivable  | <b>(641,725)</b>     | 20,578        |
| (Decrease) increase in accounts payable   | <b>(107,028)</b>     | 619,242       |
| Increase in due to the Advanced Education Savings Plan - AESP                                   | <b>83,861</b>        | -             |
| Increase in due to the Distributor - GRESP  | <b>1,035,829</b>     | 1,326,249     |
| Increase (decrease) in due to the Fund Manager - Global Growth Assets Inc.                      | <b>433,060</b>       | (423,901)     |
| (Decrease) increase in payable for securities purchased   | <b>(8,810,640)</b>   | 1,717,231     |
| Purchase of investments   | <b>(729,386,232)</b> | (833,707,019) |
| Proceeds from sale of investments   | <b>656,661,458</b>   | 790,241,623   |
|   | <b>(73,457,259)</b>  | (27,158,835)  |
| <b>Financing Activities</b>   |                      |               |
| Subscriber contributions received, net  | <b>20,699,053</b>    | 28,497,979    |
| Government grants received  | <b>17,261,437</b>    | 19,390,193    |
| Educational assistance payments made to beneficiaries   | <b>(17,289,648)</b>  | (16,357,279)  |
|   | <b>20,670,842</b>    | 31,530,893    |
| Increase in cash  | <b>(52,786,417)</b>  | 4,372,058     |
| Cash and cash equivalents, beginning of year  | <b>60,879,924</b>    | 56,507,866    |
| <b>Cash and cash equivalents, end of year</b>   | <b>8,093,507</b>     | 60,879,924    |
| Supplemental cash flow information:   |                      |               |
| Interest received   | <b>16,023,323</b>    | 16,372,561    |

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



# Legacy Education Savings Plan

## Schedule of Investment Portfolio

As at March 31, 2017

|  | Par Value<br>\$ | Cost<br>\$  | Fair value<br>\$ |
|--|-----------------|-------------|------------------|
| <b>Subscribers' contribution invested - (72.50%)</b>     |                 |             |                  |
| <b>Government Securities - 20.30%</b>                    |                 |             |                  |
| Canada Government 5.75% June 1, 2033                     | 34,835,000      | 53,820,449  | 52,030,504       |
| Canada Government 0.25% May 1, 2018                      | 22,565,000      | 22,453,033  | 22,465,567       |
| Canada Government 5.75% June 1, 2029                     | 14,020,000      | 20,021,652  | 19,830,646       |
| Canada Government T-bill August 10, 2017                 | 6,975,000       | 6,960,525   | 6,961,085        |
| Canada Housing Trust 2.35% September 15, 2023            | 5,205,000       | 5,376,590   | 5,394,503        |
| Canada Housing Trust 2.90% June 15, 2024                 | 5,000,000       | 5,065,361   | 5,347,150        |
| Canada Government 2.75% December 1, 2048                 | 4,145,000       | 4,790,927   | 4,557,428        |
| Canada Housing Trust 1.90% September 15, 2026            | 4,500,000       | 4,514,340   | 4,405,725        |
| Canada Government 1.50% September 1, 2017                | 3,504,000       | 3,540,903   | 3,517,245        |
| Canada Government 1.25% February 1, 2018                 | 3,275,000       | 3,307,193   | 3,291,768        |
| Canada Government 3.75% June 1, 2019                     | 2,480,000       | 2,733,704   | 2,637,455        |
| Canada Housing Trust 3.80% June 15, 2021                 | 2,275,000       | 2,524,925   | 2,496,790        |
| NHA Mortgage backed securities 2.00% December 1, 2017    | 3,700,000       | 2,201,830   | 2,175,045        |
| Canada Housing Trust 2.40% December 15, 2022             | 2,030,000       | 2,013,212   | 2,111,890        |
| CPPIB Capital Inc. SER A 1.40% June 4, 2020              | 1,300,000       | 1,302,210   | 1,300,845        |
|  |                 | 140,626,854 | 138,523,646      |
| <b>Provincial Securities - 16.31%</b>                    |                 |             |                  |
| Province of Ontario 4.00% June 2, 2021                   | 10,745,000      | 11,527,272  | 11,814,795       |
| Province of Ontario 6.50% March 8, 2029                  | 6,635,000       | 9,527,810   | 9,190,975        |
| Province of Alberta 2.90% September 20, 2029             | 7,945,000       | 7,918,782   | 8,000,237        |
| Province of Ontario 3.50% June 2, 2043                   | 6,890,000       | 7,016,659   | 7,243,733        |
| Province of British Columbia 2.70% December 18, 2022     | 6,430,000       | 6,369,416   | 6,755,178        |
| Province of Ontario 2.85% June 2, 2023                   | 5,330,000       | 5,346,517   | 5,612,762        |
| Province of British Columbia 5.70% June 18, 2029         | 3,275,000       | 3,787,223   | 4,310,603        |
| Province of Saskatchewan 3.20% June 3, 2024              | 4,000,000       | 4,096,710   | 4,288,560        |
| Province of Nova Scotia 1.12% August 15, 2018            | 4,250,000       | 4,258,205   | 4,257,565        |
| Province of British Columbia 2.30% June 18, 2026         | 4,000,000       | 4,020,640   | 4,004,520        |
| Province of Quebec 5.00% December 1, 2041                | 2,925,000       | 3,690,369   | 3,810,719        |
| Hydro-Quebec 11.00% August 15, 2020                      | 2,545,000       | 3,961,093   | 3,344,398        |
| Province of Saskatchewan 1.95% March 1, 2019             | 3,200,000       | 3,282,880   | 3,256,384        |
| Province of Manitoba 1.07% April 2, 2019                 | 3,200,500       | 3,199,644   | 3,200,596        |
| Province of Quebec 3.75% September 1, 2024               | 2,765,000       | 2,898,284   | 3,067,989        |
| Province of British Columbia 3.70% December 18, 2020     | 2,775,000       | 2,736,372   | 3,008,475        |
| Province of Manitoba 4.15% June 3, 2020                  | 2,300,000       | 2,535,060   | 2,500,928        |
| Province of New Brunswick 2.85% June 2, 2023             | 2,030,000       | 2,004,300   | 2,128,617        |
| Financement Quebec 1.33% June 1, 2018                    | 2,100,000       | 2,124,885   | 2,112,642        |
| Province of Ontario 1.12% September 22, 2017             | 2,100,000       | 2,111,999   | 2,104,410        |
| Financement Quebec 2.45% December 1, 2019                | 2,030,000       | 2,036,896   | 2,096,625        |
| Province of Manitoba 1.60% September 5, 2020             | 2,000,000       | 2,013,600   | 2,015,020        |
| Province of British Columbia 2.80% June 18, 2048         | 2,000,000       | 1,843,080   | 1,875,800        |
| British Columbia Municipal Fin Auth 4.60% April 23, 2018 | 1,785,000       | 1,778,074   | 1,854,328        |
| Province of Ontario 4.20% March 8, 2018                  | 1,675,000       | 1,842,500   | 1,727,779        |
| Province of Alberta 1.35% September 1, 2021              | 1,600,000       | 1,583,120   | 1,583,536        |
| Province of Alberta 2.55% December 15, 2022              | 1,500,000       | 1,573,500   | 1,555,425        |
| Province of Ontario 2.80% June 2, 2048                   | 1,500,000       | 1,390,950   | 1,389,930        |
| Province of Ontario 4.70% June 2, 2037                   | 1,000,000       | 1,206,100   | 1,232,290        |
| Province of Saskatchewan 5.00% March 5, 2037             | 855,000         | 1,136,723   | 1,074,786        |
| Province of Ontario 4.40% June 2, 2019                   | 770,000         | 802,879     | 824,584          |
|  |                 | 109,621,542 | 111,244,189      |

# Legacy Education Savings Plan

## Schedule of Investment Portfolio - continued

As at March 31, 2017

|  | Par Value<br>\$ | Cost<br>\$  | Fair value<br>\$ |
|--|-----------------|-------------|------------------|
| <b>Financial Institution Securities - 17.73%</b>                             |                 |             |                  |
| Pacific & Western Bank 8.00% March 11, 2021                                  | 10,000,000      | 10,000,000  | 10,000,000       |
| Pacific & Western Bank GIC 4.50% August 3, 2021                              | 10,000,000      | 10,000,000  | 10,748,488       |
| Canadian Imperial Bank 1.90% April 26, 2021                                  | 6,300,000       | 6,350,064   | 6,346,403        |
| Bank of Montreal 2.12% March 16, 2022  | 5,050,000       | 5,110,993   | 5,106,455        |
| Pacific & Western Bank 11.00% February 27, 2019                              | 4,500,000       | 4,500,000   | 4,500,000        |
| Bank of Nova Scotia 3.04% October 18, 2024                                   | 4,180,000       | 4,232,500   | 4,323,093        |
| Toronto Dominion Bank 3.23% July 24, 2024                                    | 3,200,000       | 3,200,000   | 3,403,723        |
| Royal Bank of Canada 1.97% March 2, 2022                                     | 3,345,000       | 3,373,359   | 3,353,514        |
| Canadian Imperial Bank 1.70% October 9, 2018                                 | 3,300,000       | 3,322,469   | 3,322,473        |
| National Bank of Canada 1.74% March 3, 2020                                  | 3,300,000       | 3,303,639   | 3,321,087        |
| Royal Bank of Canada 1.97% March 2, 2022                                     | 3,300,000       | 3,248,279   | 3,308,547        |
| Bank of Nova Scotia 2.27% January 13, 2020                                   | 3,200,000       | 3,198,784   | 3,267,537        |
| Bank of Montreal 1.88% March 31, 2021  | 3,200,000       | 3,199,840   | 3,221,451        |
| HSBC Bank 2.08% November 26, 2018  | 3,100,000       | 3,116,890   | 3,135,216        |
| Manulife Insurance 2.64% January 15, 2025                                    | 3,000,000       | 3,098,760   | 3,067,923        |
| Bank of Montreal 2.70% December 9, 2026                                      | 2,965,000       | 2,965,299   | 2,988,468        |
| Royal Bank of Canada 2.82% July 12, 2018                                     | 2,885,000       | 2,952,616   | 2,943,623        |
| Great West Lifeco 6.67% March 21, 2033                                       | 2,085,000       | 2,291,415   | 2,784,966        |
| Royal Bank of Canada 4.93% July 16, 2025                                     | 2,090,000       | 2,166,348   | 2,489,254        |
| Bank of Montreal 1.61% October 28, 2021                                      | 2,455,000       | 2,454,877   | 2,435,277        |
| Toronto Dominion Bank 2.05% March 8, 2021                                    | 2,400,000       | 2,416,560   | 2,430,048        |
| Toronto Dominion Bank 2.62% December 22, 2021                                | 2,300,000       | 2,411,425   | 2,378,223        |
| Royal Bank of Canada 3.45% September 29, 2026                                | 2,250,000       | 2,310,329   | 2,338,380        |
| National Bank of Canada 2.40% October 28, 2019                               | 2,255,000       | 2,255,000   | 2,310,089        |
| Royal Bank of Canada 2.03% March 15, 2021                                    | 2,255,000       | 2,254,143   | 2,280,257        |
| Omers Realty Corporation 2.50% June 5, 2018                                  | 2,190,000       | 2,239,600   | 2,223,726        |
| Bank of Nova Scotia 2.87% June 4, 2021                                       | 2,100,000       | 2,179,821   | 2,191,476        |
| Royal Bank of Canada 2.86% March 4, 2021                                     | 2,100,000       | 2,121,630   | 2,187,780        |
| Enbridge 3.19% December 5, 2022  | 2,100,000       | 2,069,375   | 2,172,954        |
| Toronto Dominion Bank 2.56% June 24, 2020                                    | 2,100,000       | 2,103,990   | 2,166,213        |
| Bank of Montreal 2.24% December 11, 2017                                     | 2,100,000       | 2,114,204   | 2,117,010        |
| National Bank of Canada 1.81% July 26, 2021                                  | 2,000,000       | 2,018,720   | 2,003,560        |
| Toronto Dominion Bank 1.99% March 23, 2022                                   | 1,740,000       | 1,740,000   | 1,748,911        |
| Toronto Dominion Bank 2.98% September 30, 2025                               | 1,670,000       | 1,681,490   | 1,708,995        |
| CIBC Deposit Note 1.64% July 12, 2021  | 1,655,000       | 1,645,782   | 1,648,372        |
| BMW Canada Inc 1.83% June 15, 2021   | 1,600,000       | 1,601,760   | 1,598,320        |
| Scotiabank Tier I Trust 7.80% June 30, 2019-2108                             | 1,250,000       | 1,369,600   | 1,402,916        |
| Wells Fargo Financial Canada 2.94% July 25, 2019                             | 1,190,000       | 1,217,965   | 1,230,151        |
| General Electric Capital Corp. 4.60% January 26, 2022                        | 695,000         | 694,833     | 782,225          |
|  |                 | 118,532,359 | 120,987,104      |
| <b>Principal Protected Notes - 12.38%</b>                                    |                 |             |                  |
| Bank of Nova Scotia Yorkville Guaranteed Top-up Yield Seeker May 1, 2020     | 15,000,000      | 15,000,000  | 14,635,500       |
| Bank of Nova Scotia Yorkville Guaranteed Top-up Yield Seeker August 25, 2021 | 11,250,000      | 11,250,000  | 11,264,625       |
| Bank of Nova Scotia Yorkville Canadian Equity PPN January 24, 2019           | 10,000,000      | 10,000,000  | 10,830,000       |
| National Bank of Canada Yorkville Canadian PPN March 21, 2018                | 10,000,000      | 10,000,000  | 10,049,000       |
| TD Bank Index Linked Dolphin PPN August 16, 2021                             | 7,100,000       | 7,100,000   | 7,744,680        |
| JP Morgan S&P 500 Low Index Variable Return PPN January 25, 2021             | 7,100,000       | 7,100,000   | 7,327,910        |
| JP Morgan ETF Efficiente PPN February 26, 2020                               | 7,100,000       | 7,100,000   | 6,994,210        |
| JP Morgan ETF Efficiente 5 Index PPN May 19, 2021                            | 7,100,000       | 7,100,000   | 6,909,010        |
| JP Morgan S&P 500 Low Volatility Index PPN March 14, 2019                    | 4,260,000       | 4,260,000   | 5,078,346        |
| JP Morgan STOXX Europe Large 200 PPN August 26, 2020                         | 3,550,000       | 3,550,000   | 3,606,090        |
|  |                 | 82,460,000  | 84,439,371       |

# Legacy Education Savings Plan

## Schedule of Investment Portfolio - continued

As at March 31, 2017

|   | Par Value<br>\$ | Cost<br>\$         | Fair value<br>\$   |
|---|-----------------|--------------------|--------------------|
| <b>Exchange Traded Funds - 5.78%</b>                  |                 |                    |                    |
| BMO S&P 500 Index ETF                                 | 520,300         | 17,847,135         | 17,971,162         |
| ISHARES S&P/TSX Capped ETF                            | 160,000         | 5,990,863          | 5,801,600          |
| ISHARES US Small Cap Index ETF                        | 134,000         | 3,992,937          | 3,967,740          |
| ISHARES S&P/TSX 60 Index ETF                          | 171,000         | 4,009,890          | 3,936,420          |
| BMO S&P 500 Hedged ETF                                | 55,000          | 1,989,900          | 1,982,750          |
| SPHERE US Sustainable ETF                             | 174,000         | 1,967,070          | 1,943,580          |
| SPHERE Canada Sustainable ETF                         | 162,000         | 1,961,820          | 1,934,280          |
| ISHARES S&P/TSX Small Cap Index ETF                   | 113,000         | 1,993,546          | 1,905,180          |
|   |                 | <u>39,753,161</u>  | <u>39,442,712</u>  |
| <b>Total Subscriber contributions invested</b>        |                 | <u>490,993,916</u> | <u>494,637,022</u> |
| <b>Government Grants invested - (26.32%)</b>          |                 |                    |                    |
| <b>Government Securities - 8.83%</b>                  |                 |                    |                    |
| Canada Government 5.75% June 1, 2033                  | 15,715,000      | 24,309,483         | 23,472,351         |
| Canada Government 0.25% May 1, 2018                   | 9,800,000       | 9,751,244          | 9,756,816          |
| Canada Government 5.75% June 1, 2029                  | 6,875,000       | 9,826,956          | 9,724,372          |
| Canada Government T-bill August 10, 2017              | 2,855,000       | 2,849,036          | 2,849,304          |
| Canada Housing Trust 2.90% June 15, 2024              | 2,660,000       | 2,694,747          | 2,844,684          |
| Canada Government 2.75% December 1, 2048              | 2,229,000       | 2,569,626          | 2,450,786          |
| Canada Government 3.75% June 1, 2019                  | 1,330,000       | 1,466,059          | 1,414,442          |
| Canada Government 1.25% February 1, 2018              | 1,327,000       | 1,339,780          | 1,333,794          |
| Canada Housing Trust 2.35% September 15, 2023         | 1,155,000       | 1,193,476          | 1,197,051          |
| Canada Housing Trust 3.80% June 15, 2021              | 1,075,000       | 1,190,645          | 1,179,802          |
| NHA Mortgage backed securities 2.00% December 1, 2017 | 2,000,000       | 1,190,179          | 1,156,496          |
| Canada Government 1.50% September 1, 2017             | 1,076,000       | 1,087,277          | 1,080,067          |
| Canada Housing Trust 2.40% December 15, 2022          | 870,000         | 862,805            | 905,096            |
| CPPIB Capital Inc. SER A 1.40% June 4, 2020           | 600,000         | 598,200            | 600,390            |
| Canada Housing Trust 1.90% September 15, 2026         | 300,000         | 300,956            | 293,715            |
|   |                 | <u>61,230,469</u>  | <u>60,259,166</u>  |
| <b>Provincial Securities - 7.59%</b>                  |                 |                    |                    |
| Province of Ontario 6.50% March 8, 2029               | 4,555,000       | 6,506,356          | 6,309,705          |
| Province of Ontario 4.00% June 2, 2021                | 5,030,000       | 5,348,056          | 5,530,798          |
| Province of Ontario 3.50% June 2, 2043                | 3,860,000       | 3,923,800          | 4,058,172          |
| Province of Alberta 2.90% September 20, 2029          | 3,890,000       | 3,877,163          | 3,917,045          |
| Province of British Columbia 2.70% December 18, 2022  | 2,995,000       | 2,966,865          | 3,146,456          |
| Province of Ontario 2.85% June 2, 2023                | 2,575,000       | 2,592,531          | 2,711,611          |
| Province of Quebec 5.00% December 1, 2041             | 1,667,000       | 2,100,720          | 2,171,784          |
| Province of Saskatchewan 3.20% June 3, 2024           | 1,775,000       | 1,805,603          | 1,903,049          |
| Province of Nova Scotia 1.11% August 15, 2018         | 1,784,000       | 1,787,504          | 1,787,176          |
| Province of British Columbia 2.30% June 18, 2026      | 1,700,000       | 1,701,534          | 1,701,921          |
| Province of Quebec 3.75% September 1, 2024            | 1,375,000       | 1,443,835          | 1,525,673          |
| Hydro-Quebec 11.00% August 15, 2020                   | 1,055,000       | 1,641,876          | 1,386,381          |
| Province of Ontario 4.20% March 8, 2018               | 1,335,000       | 1,423,868          | 1,377,065          |
| Province of Manitoba 1.07% April 2, 2019              | 1,349,500       | 1,349,226          | 1,349,540          |
| Province of Manitoba 4.15% June 3, 2020               | 1,225,000       | 1,350,108          | 1,332,016          |
| Province of Saskatchewan 1.95% March 1, 2019          | 1,300,000       | 1,333,670          | 1,322,906          |
| Province of British Columbia 5.70% June 18, 2029      | 765,000         | 889,873            | 1,006,904          |
| Province of Ontario 4.40% June 2, 2019                | 905,000         | 945,568            | 969,154            |
| Province of New Brunswick 2.85% June 2, 2023          | 870,000         | 858,986            | 912,265            |
| Financement Quebec 1.33% June 1, 2018                 | 900,000         | 910,665            | 905,418            |

# Legacy Education Savings Plan

## Schedule of Investment Portfolio - continued

As at March 31, 2017

|  | Par Value<br>\$ | Cost<br>\$ | Fair value<br>\$ |
|--|-----------------|------------|------------------|
| <b>Provincial Securities - 7.59% (continued)</b>         |                 |            |                  |
| Province of Ontario 1.12% September 22, 2017             | 900,000         | 905,203    | 901,890          |
| Financement Quebec 2.45% December 1, 2019                | 870,000         | 873,996    | 898,553          |
| Province of Alberta 2.55% December 15, 2022              | 850,000         | 891,650    | 881,408          |
| Province of British Columbia 3.70% December 18, 2020     | 805,000         | 793,794    | 872,729          |
| British Columbia Municipal Fin Auth 4.60% April 23, 2018 | 710,000         | 707,245    | 737,576          |
| Province of Alberta 1.35% September 1, 2021              | 600,000         | 593,670    | 593,826          |
| Province of Ontario 4.70% June 2, 2037                   | 450,000         | 542,340    | 554,531          |
| Province of Manitoba 1.60% September 5, 2020             | 500,000         | 502,680    | 503,755          |
| Province of Saskatchewan 5.00% March 5, 2037             | 385,000         | 511,858    | 483,968          |
|  |                 | 51,080,243 | 51,753,275       |
| <b>Financial Institution Securities - 6.38%</b>          |                 |            |                  |
| Canadian Imperial Bank 1.90% April 26, 2021              | 2,800,000       | 2,808,590  | 2,820,747        |
| Bank of Montreal 2.12% March 16, 2022                    | 2,150,000       | 2,167,927  | 2,174,044        |
| Bank of Nova Scotia 3.04% October 18, 2024               | 1,950,000       | 1,972,500  | 2,016,844        |
| Bank of Nova Scotia 2.27% January 13, 2020               | 1,800,000       | 1,799,316  | 1,837,990        |
| Bank of Montreal 1.88% March 31, 2021                    | 1,800,000       | 1,799,910  | 1,812,066        |
| Toronto Dominion Bank 3.23% July 24, 2024                | 1,500,000       | 1,500,000  | 1,595,495        |
| Manulife Insurance 2.64% January 15, 2025                | 1,500,000       | 1,549,380  | 1,533,962        |
| Royal Bank of Canada 2.82% July 12, 2018                 | 1,420,000       | 1,453,442  | 1,448,854        |
| Great West Lifeco 6.67% March 21, 2033                   | 1,050,000       | 1,201,935  | 1,402,501        |
| Canadian Imperial Bank 1.70% October 9, 2018             | 1,350,000       | 1,359,192  | 1,359,194        |
| National Bank of Canada 1.74% March 3, 2020              | 1,350,000       | 1,351,489  | 1,358,627        |
| Royal Bank of Canada 1.97% March 2, 2022                 | 1,350,000       | 1,328,841  | 1,353,497        |
| Royal Bank of Canada 1.97% March 2, 2022                 | 1,320,000       | 1,321,276  | 1,323,366        |
| Bank of Montreal 2.70% December 9, 2026                  | 1,285,000       | 1,284,176  | 1,295,173        |
| Royal Bank of Canada 4.93% July 16, 2025                 | 1,085,000       | 1,152,435  | 1,292,268        |
| National Bank of Canada 2.40% October 28, 2019           | 1,225,000       | 1,225,000  | 1,254,926        |
| Bank of Montreal 1.61% October 28, 2021                  | 1,245,000       | 1,244,938  | 1,234,998        |
| HSBC Bank 2.08% November 26, 2018                        | 1,200,000       | 1,206,555  | 1,213,632        |
| Royal Bank of Canada 2.03% March 15, 2021                | 1,155,000       | 1,154,561  | 1,167,937        |
| Toronto Dominion Bank 2.62% December 22, 2021            | 1,000,000       | 1,036,660  | 1,034,010        |
| Royal Bank of Canada 3.45% September 29, 2026            | 950,000         | 975,444    | 987,316          |
| Bank of Nova Scotia 2.87% June 4, 2021                   | 900,000         | 933,903    | 939,204          |
| Royal Bank of Canada 2.86% March 4, 2021                 | 900,000         | 909,270    | 937,620          |
| Omers Realty Corporation 2.50% June 5, 2018              | 918,000         | 938,604    | 932,137          |
| Enbridge Inc. 3.19% December 5, 2022                     | 900,000         | 886,890    | 931,266          |
| Toronto Dominion Bank 2.56% June 24, 2020                | 900,000         | 901,710    | 928,377          |
| Toronto Dominion Bank 1.99% March 23, 2022               | 915,000         | 915,000    | 919,686          |
| Bank of Montreal 2.24% December 11, 2017                 | 900,000         | 906,570    | 907,290          |
| CIBC Deposit Note 1.64% July 12, 2021                    | 835,000         | 830,349    | 831,656          |
| Toronto Dominion Bank 2.05% March 8, 2021                | 800,000         | 806,560    | 810,016          |
| National Bank of Canada 1.81% July 26, 2021              | 800,000         | 801,452    | 801,424          |
| Toronto Dominion Bank 2.98% September 30, 2025           | 680,000         | 684,678    | 695,878          |
| Scotiabank Tier I Trust 7.80% June 30, 2019-2108         | 565,000         | 643,541    | 634,118          |
| BMW Canada Inc 1.83% June 15, 2021                       | 600,000         | 600,660    | 599,370          |
| General Electric Capital Corp. 4.60% January 26, 2022    | 525,000         | 524,874    | 590,889          |
| Wells Fargo Financial Canada 2.94% July 25, 2019         | 510,000         | 521,980    | 527,202          |
|  |                 | 42,699,608 | 43,503,580       |

# Legacy Education Savings Plan

## Schedule of Investment Portfolio

As at March 31, 2017

|   | Par Value<br>\$ | Cost<br>\$                | Fair value<br>\$          |
|---|-----------------|---------------------------|---------------------------|
| <b>Principle Protected Notes - 3.52%</b>  |                 |                           |                           |
| Bank of Nova Scotia Yorkville Guaranteed Top-up Yield Seeker May 1, 2020        | 5,000,000       | 5,000,000                 | 4,878,500                 |
| Bank of Nova Scotia Yorkville Guaranteed Top-up Yield Seeker August 25, 2021    | 3,750,000       | 3,750,000                 | 3,754,875                 |
| TD Bank Index Linked Dolphin PPN August 16, 2021                                | 2,900,000       | 2,900,000                 | 3,163,320                 |
| JP Morgan S&P 500 Low Index Variable Return PPN January 25, 2021                | 2,900,000       | 2,900,000                 | 2,993,090                 |
| JP Morgan ETF Efficiente PPN February 26, 2020                                  | 2,900,000       | 2,900,000                 | 2,856,790                 |
| JP Morgan ETF Efficiente 5 Index PPN May 19, 2021                               | 2,900,000       | 2,900,000                 | 2,821,990                 |
| JP Morgan S&P 500 Low Volatility Index PPN March 14, 2019                       | 1,740,000       | 1,740,000                 | 2,074,254                 |
| JP Morgan STOXX Europe Large 200 PPN August 26, 2020                            | 1,450,000       | 1,450,000                 | 1,472,910                 |
|   |                 | <u>23,540,000</u>         | <u>24,015,729</u>         |
| <b>Total Government Grants Invested</b>   |                 | <b><u>178,550,320</u></b> | <b><u>179,531,750</u></b> |
| <b>Total Subscriber contributions and Government Grants invested - (98.82%)</b> |                 | 669,544,236               | 674,168,772               |
| Cash - 0.91%  |                 | 6,241,332                 | 6,241,332                 |
| Cash equivalent - 0.27%   |                 | 1,851,599                 | 1,852,175                 |
| <b>Total Investment Portfolio</b>   |                 | <b><u>677,637,167</u></b> | <b><u>682,262,279</u></b> |

# Legacy Education Savings Plan

## Notes to the Financial Statements

March 31, 2017 and 2016

### 1. Organization and general

Legacy Education Savings Plan (formerly known as Global Educational Trust Plan) (the "Plan") was established on October 14, 1998. It was administered by the Global Educational Trust Foundation (the "Foundation") up to September 28, 2010. The Foundation is a not-for-profit organization, incorporated without share capital, under the laws of Canada. The Foundation continues to be the sponsor of the Plan. The Foundation retained Global Growth Assets Inc. ("GGAI") as administrator and Investment Fund Manager of the Plan. The Plan's registered place of business is 100 Mural Street, Suite 201, Richmond Hill, Ontario, L4B 1J3.

The Plan provides post-secondary education financial assistance to beneficiaries named in the Educational Assistance Payment ("EAP") Contracts. Global RESP Corporation ("GRESP"), a company incorporated under the Canada Business Corporations Act, is the registered distributor of the Plan. The Foundation, GRESP and GGAI are under common management and control.

The Foundation has had a specimen copy of the EAP Contract approved by the Canada Revenue Agency ("CRA") such that subscribers' EAP Contracts may be submitted to CRA on the subscriber's behalf by the Foundation for registration as Registered Education Savings Plans ("RESP"). A subscriber's plan is an education savings plan and not an RESP until the applicable conditions of the Income Tax Act (Canada) (the "ITA") are met and registered.

Subscribers to the Plan enter into EAP Contracts with the Foundation. Under an EAP Contract, the subscriber purchases units in the Plan. The subscriber authorizes the Foundation to deduct fees, as outlined in the prospectus, for the purpose of providing services to the Plan. At maturity, payments are made to the beneficiary after meeting the conditions as set out in the EAP Contract. Education assistance payments are paid from the income earned on the subscriber's contributions.

The financial statements of the Plan were authorized for issuance by the Board of Directors of the Foundation and GGAI on June 9, 2017.

### 2. Summary of significant accounting policies

#### *Basis of presentation*

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements have been prepared on a going concern and historical cost basis, except for certain financial assets and liabilities which have been presented at fair value at the end of each reporting period as described below.

#### *Financial Instruments*

##### *(a) Recognition, measurement and classification*

The Plan's investment portfolio is designated at fair value through profit or loss ("FVTPL") and is measured at fair value. All other financial assets/liabilities are measured at amortized cost, and are classified as loans and receivables and other financial liabilities.

Financial assets and liabilities are recognized when the Plan becomes a party to the contractual provisions of the instrument and are initially measured at fair value with transaction costs recorded immediately through profit or loss. Investments are recorded on a trade date basis.

Gains or losses due to the revaluation of assets are recorded in net earnings for the period in which they arise. Financial assets classified as "loans and receivables" and financial liabilities classified as "other liabilities" are measured at their amortized cost using the effective interest method.

##### *(b) Fair value measurement*

The fair value of cash, grants receivable, accrued interest, accounts receivable and accounts payable approximates their carrying value, due to their short-term maturities. Investments in bonds are stated at fair values, determined using the bid price at year-end.

The Pacific & Western Bank of Canada ("PWB") bonds held by the Plan are not traded in an active market. Principal Protected Notes ("PPNs") are hybrid financial debt instruments issued by governments, Canadian chartered banks and licensed trust and loan companies that have embedded components that change the risk/return profile of the security. Included in this class are structured notes that are debt instruments whose returns are based on indices or underlying assets rather than typical interest payments. PPNS are carried at fair value using pricing methodologies established by management and use, among others, historical or implied volatility and historical correlation, to compute the present value of the note. The PWB bonds are valued using contractual terms, market inputs and industry standard calculation methodologies.

# Legacy Education Savings Plan

## Notes to the Financial Statements

March 31, 2017 and 2016

### 2. Summary of significant accounting policies (continued)

#### (c) *Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. No amounts have been offset in the statements of financial position.

#### (d) *Impairment of financial assets*

At each reporting date the Plan assesses whether there is objective evidence that financial assets at amortized cost is impaired. If such evidence exists, the Plan recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

#### *Cash and cash equivalents*

Cash and cash equivalents consist of investments in money market securities and Government of Canada treasury bills maturing within ninety days from the date of purchase. These investments are carried at fair value.

#### *Investment transactions and income recognition*

The interest for educational assistance payments shown on the statements of comprehensive income represents the coupon interest received by the Plan accounted for on an accrual basis, by reference to the principal outstanding and the nominal interest rate applicable. The Plan does not amortize premiums paid or discounts received on the purchase of fixed income securities.

Realized gains and losses on disposal of investments and changes in unrealized appreciation and depreciation on investments are recognized in the Statements of Comprehensive Income in the year when such gains or losses occur. Realized gains (losses) on disposal of investments are computed on an average cost basis. Unrealized appreciation and depreciation are not allocated to specific beneficiaries until they are realized by the Plan.

#### *Income taxes*

The Plan is exempt from income taxes under Section 146.1 of the ITA.

#### *Future accounting changes*

#### (a) *Financial instruments*

In July 2014, the International Accounting Standard Board ("IASB") issued IFRS 9, "Financial Instruments", which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 adds a requirement dealing with expected credit losses (impairment), amends classification and measurement requirements by adding a new measurement category of fair value through other comprehensive income and introduces a new hedge accounting model with corresponding disclosures about risk management activity. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Plan is still in the process of assessing the impact of this new standard on its financial statements.

#### (b) *Presentation of Financial Statements*

In December 2014, the IASB issued Disclosure Initiative Amendments to IAS 1 as part of the IASB's Disclosure Initiative. These amendments encourage entities to apply professional judgment regarding disclosure and presentation in their financial statements. These amendments are effective for annual periods beginning on or after January 1, 2016. The Plan is assessing the implications of these amendments.

#### *Net assets attributable to subscribers and beneficiaries*

The Net Assets Attributable to Subscribers and Beneficiaries are a financial liability resulting from a unique contract and the Plan details the composition of this liability as a note to the financial statements, according to its use (whether for subscriber contributions, EAP account, government grants).

# Legacy Education Savings Plan

## Notes to the Financial Statements

March 31, 2017 and 2016

### 2. Summary of significant accounting policies (continued)

#### (a) *Subscriber contributions*

Subscribers' contributions reflect all amounts received from the subscribers and do not include any amounts receivable on subscribed units, as subscribers may terminate their plan at any time. As the contributions are due on demand, the amounts are recorded at face value in net assets attributable to subscribers and beneficiaries. The Foundation deducts sales charges, account maintenance fees, special services fees, where applicable, and insurance premiums from contributions made by subscribers in accordance with the terms of the prospectus. Refer to Note 5 for further details.

#### (b) *Government grants*

The Federal government encourages saving for post-secondary education by providing Canada Education Savings Grants ("CESG") on RESP contributions made subsequent to 1997 for children under 18 years of age. The maximum basic CESG per child is 20% of RESP contributions of up to \$2,500 (prior to 2007, it was based on \$2,000) made on behalf of each beneficiary in a year. Effective in 2004, additional CESG can be added based on up to the first \$500 of RESP yearly contributions at a rate of 10% or 20% when there is eligibility based on family net income. The maximum lifetime CESG is \$7,200; prior to 2007, it was \$7,000. Upon maturity of an EAP Contract and fulfillment of certain criteria established by the Federal government, the CESG contributions and accumulated investment income thereon will be added to EAPs made to qualified students.

The Saskatchewan Advantage Grant for Education Savings ("SAGES") is a grant from the government of Saskatchewan offered to each resident beneficiary who is 17 years of age or under. The SAGES amount is 10% of annual contributions made into an RESP on or after January 1, 2013 and has an annual maximum amount of \$250 per eligible beneficiary. The cumulative lifetime maximum for the SAGES is \$4,500 per eligible beneficiary.

Each child born on or after January 1, 2004 will be eligible for a Canada Learning Bond ("CLB") in each year that child's family is entitled to the National Child Benefit ("NCB") supplement, up to and including the year in which the child turns 15 years of age. CLB is \$500 in the first year of entitlement and \$100 in each subsequent year that the child remains eligible for NCB supplement until the year the child turns 15 years of age. Maximum CLB payments per child total up to \$2,000.

On March 26, 2015, the Alberta Government announced the closure of the Alberta Centennial Education Savings ("ACES") Plan Grant program and the last day to apply for the grant was July 31, 2015. For residents of Alberta, the program provided an initial ACES grant of \$500, which was paid into an RESP for every child born in Alberta on or after January 1, 2005. Additional grants of \$100 were paid into the RESPs of eligible beneficiaries when they turned 8, 11 and 14 in the year 2005 or later and (i) were attending school at that time; (ii) had a parent or guardian who was a resident of Alberta at the time of the application or at the time of the child's particular birthday; and (iii) had met minimum contribution levels required by the Government of Alberta.

For residents of Quebec, the provincial government provides the Quebec Education Savings Incentive ("QESI"), which applies to contributions made on or after February 21, 2007 into the RESP, where a child named as a beneficiary is a resident of Quebec. The basic credit is 10% of the net annual contribution to a maximum of \$250 per eligible beneficiary. The total lifetime maximum is \$3,600 per eligible beneficiary. Families within Quebec's annual income threshold may qualify up to 10% of the first \$500 in RESP contributions to a maximum of \$50 in QESI. Family income thresholds are indexed for inflation and will be revised annually by the Quebec Ministry of Revenue.

The Government of British Columbia has introduced the new British Columbia Training and Education Savings Grant ("BCTESG") offered to each resident beneficiary born on or after January 1, 2007. After the beneficiary turns 6 years of age, the Province of British Columbia will deposit \$1,200 into the beneficiary's RESP. To qualify for the BCTESG, a subscriber must open the RESP and complete an application for the BCTESG within the following timeframes: (i) prior to August 15, 2018 for children born in 2007 and 2008, (ii) prior to August 15, 2018 for children born between January 1, 2009 and August 15, 2009 or (iii) prior to the beneficiary's ninth birthday for children born on or after August 16, 2009. The beneficiary and the custodial parent/legal guardian must be residents of British Columbia when applying for the BCTESG and the application must be made between the beneficiary's 6th and 9th birthday. No matching or additional contributions are required.

Government grants received by the Plan with respect to a beneficiary are invested by the Plan and will ultimately be paid out to the beneficiary when the beneficiary becomes entitled to receive EAP. Under various circumstances, including the case where a plan is cancelled by the subscriber, the grant must be repaid.



# Legacy Education Savings Plan

## Notes to the Financial Statements

March 31, 2017 and 2016

### 3. Critical accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make certain critical accounting estimates and use judgement that affect the reported amounts of assets, liabilities, income and expenses during the year. Actual results could differ from those estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The following discusses the most significant accounting judgements and estimates that the Plan has made in preparing the financial statements:

a) *Measurement of fair value of investments not quoted in an active market*

The Plan holds financial assets that are not traded in an active market such as PPN, PWB bonds and PWB guaranteed investment certificates. These are valued using pricing models that use both observable and unobservable inputs requiring estimates and assumptions to be made. Changes in assumptions about these factors could affect the reported fair values. Refer to Note 6 for more information on the fair value measurement of the Plan's financial instruments.

b) *Classification and measurement of investments and application of the fair value option*

In classifying and measuring financial instruments held by the Plan, management is required to make significant judgments regarding the instruments' characteristics. The most significant judgment rests with the designation of the investment portfolio designated as at FVTPL. The classification provides reliable and more relevant information about the effects of transactions, the financial position and the Plan's cash flows. This classification is in line with the Plan's strategy described in the continuous offering prospectus. The Plan's activity consists of investing in financial assets with a view to profiting from their total return in the form of interest and changes in fair value.

### 4. Related party transactions

- a) In consideration for administrative services received, the Plan pays the administrator (GGAI) administration fees of 1.95% per annum of the assets of EAP contracts entered subsequent to January 27, 2016. For Plan assets related to EAP contracts entered prior to January 27, 2016, the Plan pays the administrator administration fees of 1.20% per annum.
- b) The Plan's receivables include \$550,340 (March 31, 2016 - \$579,989) receivable from the Foundation for discretionary EAP payments made to subscribers and \$0 (March 31, 2016 - \$80,186) receivable from GGAI for administration fee rebate. The Plan's payables include \$4,270,530 (March 31, 2016 - \$3,234,701) payable to GRESP settled through the Foundation for sales charges, \$83,861 (March 31, 2016 - Nil) payable to AESP for contribution and grants not yet allocated to AESP and \$433,060 (March 31, 2016 - Nil) payable to GGAI settled through the Foundation for administration fees.
- c) GRESP receives sales charges from subscribers that are deducted from contributions made by subscribers. EAP contracts entered subsequent to January 27, 2016 include sales charges of \$30 per unit. Prior to that date the sales charge was at \$60 per unit. In addition, 20% to 40% of insurance premiums collected from subscribers who optionally take insurance are remitted by the Foundation to GRESP.
- d) Special services fees paid from subscribers' savings accounts are remitted by the Foundation to GRESP. The fees principally relate to amounts charged to subscribers in respect of cheques returned and not honored.

### 5. Subscriber contributions

The changes in the subscriber contributions for the years ended March 31, 2017 and March 31, 2016 are as follows:

|   | <b>March 31, 2017</b> | March 31, 2016 |
|---|-----------------------|----------------|
|   | <b>\$</b>             | <b>\$</b>      |
| Balance, beginning period                                       | 405,581,320           | 377,083,340    |
| Amount contributed by subscribers                               | 69,080,133            | 73,107,727     |
| Sales Charges   | (6,157,739)           | (7,297,408)    |
| Account maintenance fees  | (1,115,500)           | (1,099,708)    |
| Insurance premiums  | (339,537)             | (387,047)      |
| Special service fees  | (758,830)             | (523,327)      |
| Principal withdrawals on terminations or return of contribution | (40,009,474)          | (35,302,257)   |
| Balance, end of period  | <b>426,280,373</b>    | 405,581,320    |

# Legacy Education Savings Plan

## Notes to the Financial Statements

March 31, 2017 and 2016

### 6. Fair value of financial instruments

Fair value measurements are classified in accordance within a fair value hierarchy (i.e. Level 1,2,3). Investments measured at fair value are classified in one of three fair value hierarchy levels, based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The three fair value hierarchy levels are as follows:

Level 1 – Valuation based on bid prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 -Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Plan's financial instruments measured at fair value classified using the fair value hierarchy:

| Assets measured at fair value as of March 31, 2017 | Level 1           | Level 2            | Level 3            | Total              |
|--|-------------------|--------------------|--------------------|--------------------|
|  | \$                | \$                 | \$                 | \$                 |
| Cash equivalents                                   | -                 | 1,852,175          | -                  | <b>1,852,175</b>   |
| Fixed income securities                            | -                 | 501,022,472        | 25,248,488         | <b>526,270,960</b> |
| PPNs   | -                 | -                  | 108,455,100        | <b>108,455,100</b> |
| Equity Securities                                  | 39,442,712        | -                  | -                  | <b>39,442,712</b>  |
| <b>Total</b>                                       | <b>39,442,712</b> | <b>502,874,647</b> | <b>133,703,588</b> | <b>676,020,947</b> |

  

| Assets measured at fair value as of March 31, 2016 | Level 1 | Level 2            | Level 3            | Total              |
|--|---------|--------------------|--------------------|--------------------|
|  | \$      | \$                 | \$                 | \$                 |
| Cash equivalents                                   | -       | 26,468,272         | -                  | 26,468,272         |
| Fixed income securities                            | -       | 431,967,633        | 24,500,000         | 456,467,633        |
| PPNs   | -       | -                  | 149,910,700        | 149,910,700        |
| <b>Total</b>                                       | -       | <b>458,435,905</b> | <b>174,410,700</b> | <b>632,846,605</b> |

There were no financial instruments that were transferred into or out of Levels 1 or 2 during the years ended March 31, 2017 and March 31, 2016.

Financial instruments classified as Level 3 represent the Plan's investment in certain PPNs and the PWB bonds. These securities are priced based on valuation models. The most significant unobservable input used in the valuation model is the yield used to value the securities. Management estimates that a 1% increase or decrease in the yields used by management would decrease or increase net assets attributable to subscribers and beneficiaries by approximately \$900,000 (March 31, 2016 - \$580,150).

The reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

|                                     | March 31, 2017     | March 31, 2016 |
|-------------------------------------|--------------------|----------------|
| Opening balance                     | <b>174,410,700</b> | 177,413,300    |
| Purchases                           | -                  | 10,000,000     |
| Proceeds from Maturity and Sale     | (41,000,000)       | (10,000,000)   |
| Change in unrealized gains (losses) | 292,888            | (3,002,600)    |
| <b>Closing balance</b>              | <b>133,703,588</b> | 174,410,700    |

### 7. Capital risk management

The Plan's capital consists of the components of the net assets attributable to subscribers and beneficiaries as per the Statements of Financial Position. The Plan has obligations to return subscriber contributions upon maturity or termination as well as pay EAPs of investment income, grants and income on grants. The Plan endeavors to invest subscriber contributions and government grants received in appropriate investments while maintaining sufficient liquidity to meet subscribers' obligations.

# Legacy Education Savings Plan

## Notes to the Financial Statements

March 31, 2017 and 2016

### 8. Risk management

In the normal course of operations the Plan may be exposed to a variety of risks arising from financial instruments. The Plan's exposures to such risks are concentrated in its investment holdings and are related to market risk (which includes interest rate risk and other price risk), credit risk and liquidity risk.

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

#### (a) Market risk

Market risk is the risk that changes in market prices could affect the Plan's income or the value of the investment holdings. The Plan's Portfolio Advisers attempt to mitigate this risk by periodically reviewing the market conditions and the performance of the portfolio and by making necessary changes to the portfolio in accordance with the Plan's investment objectives. Management has identified two main market risk factors: interest rate risk related to the fixed income portfolio and price risk related to the PPNs.

##### (i) Interest rate risk

Interest rate risk is the risk of a decrease in the Plan's yield on interest-bearing investments as a result of fluctuations in market interest rates. There is an inverse relationship between changes in interest rates and changes in the fair value of fixed income securities. This risk is actively managed using duration, yield curve analysis, sector and credit selection. There is reduced risk to interest rate changes for cash and short term investments due to their short-term nature.

The table below summarizes the Plan's exposure to interest rate risks by remaining term to maturity as at March 31, 2017 and March 31, 2016:

|                      | March 31, 2017 | March 31, 2016 |
|----------------------|----------------|----------------|
|                      | %              | %              |
| Less than 1 year     | 6.4            | 13.2           |
| 1-3 years            | 19.6           | 20.3           |
| 3-5 years            | 31.2           | 23.2           |
| Greater than 5 years | 42.8           | 43.3           |
|                      | 100.0          | 100.0          |

As at March 31, 2017, management estimates that if prevailing interest rates had increased or decreased by 1% (March 31, 2016 - 1%), the total investment portfolio value would decrease by approximately \$29 million (March 31, 2016 - \$27 million) or increase by approximately \$31 million (March 31, 2016 - \$33 million), respectively. This 1% change assumes a parallel shift in the yield curve along with all other variables held constant. In practice the actual trading results may differ materially.

##### (ii) Price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, other than those arising from interest rate risk. The asset class that is most impacted by other price risk are PPNs which represent 15.9% (March 31, 2016 - 22.9%) of the portfolio. The return on PPNs are not determinable prior to maturity and instead are linked to the performance of their underlying index and will depend on the extent to which the index return is positive or negative at maturity. A negative return will result in a return of only the principal amount which is protected by the issuer. The risk is managed by security selection and active management by external managers within approved investment policies and manager mandates.

As at March 31, 2017, if underlying indices prices had increased or decreased by 1% with all other variables held constant, the portfolio amount would have increased or decreased by approximately \$900,000 (March 31, 2016 - \$580,150). In practice, the actual trading results may differ materially.

# Legacy Education Savings Plan

## Notes to the Financial Statements

March 31, 2017 and 2016

### 8. Risk management (continued)

#### (b) Credit risk

Credit risk refers to the ability of the issuer of debt securities to make interest payments and repay principal and sector risk relates to the exposure to changes in a particular industrial, commercial or service sector by virtue of concentration. The Plan's portfolio comprises bonds issued or guaranteed by federal and provincial governments along with Canadian financial institution corporate debt instruments which constitute its most significant exposure to credit risk.

The debt securities are invested according to the standard investment restrictions and practices in National Policy 15 of the Canadian Securities Administrators. The Plan has a concentration of investments in Canadian Government and Provincial Government guaranteed bonds, which are considered by management to be high credit quality investments thereby moderating its credit risk. All of the Plan's assets are exposed to credit risk.

As at March 31, 2017 and March 31, 2016, the Plan's credit exposure to long term debt instruments is as follows:

| Bond Ratings          | March 31, 2017 | March 31, 2016 |
|-----------------------|----------------|----------------|
|                       | %              | %              |
| AAAH/AAA/AAH/AAL      | 58.5           | 46.7           |
| AA/AH/A               | 37.5           | 49.2           |
| Unrated               | 4.0            | 4.1            |
| Total debt securities | 100.0          | 100.0          |

Dominion Bond Rating Service was the primary source for obtaining credit ratings. Secondary sources used include Moody's Investors Service and Standard & Poor's. Unrated debt instruments are composed of the PWB bonds and PWB GIC.

#### (c) Liquidity risk

Liquidity risk is the risk that the Plan may not be able to meet its obligations on time. In mitigation of these risks, the Plan retains sufficient cash and cash equivalent positions and primarily invests in securities that are traded in active markets and can be readily disposed to meet expected cash requirements. The Plan's exposure to liquidity risk is concentrated in principal repayment to subscribers and payments of EAPs. Other financial liabilities are all due within one month.

### 9. Ontario Securities Commission Review

In 2014, the Ontario Securities Commission ("OSC") completed a compliance review of GGAI and GRESP (collectively, the "Global Entities"), and noted deficiencies that have been referred to the enforcement branch. An independent consultant worked with the Global Entities to develop and implement improved compliance systems. The remaining terms and conditions imposed by the OSC as part of the compliance review were revoked on April 24, 2014.

The Global Entities and certain officers received letters dated December 4, 2012 from the OSC in which the OSC stated that it is of the view that these companies and a certain officer made investment decisions on behalf of the Plan without being registered to do so, and (i) failed to refer conflicts of interest in connection with the Plan to the Investment Review Committee; (ii) failed to provide full, true and plain disclosure of material conflicts of interest in the Plan's 2009 and 2011 prospectuses; (iii) failed to meet the standard required of an investment Plan manager; and (iv) failed to establish and maintain suitable compliance systems.

On April 14, 2014, the Global Entities and Sam Bouji, then Chief Executive Officer of the Plan, entered into a settlement agreement with the OSC. With respect to GGAI, the settlement agreement permanently suspended Mr. Bouji as the Ultimate Designated Person ("UDP") of the Global Entities. GGAI was required to create and maintain an independent board of directors to be approved by the OSC and to appoint a new independent CEO. During the fiscal year, Mr. Bouji has resigned as director and two independent directors were appointed to the Board. Mr. Bouji has resigned as an officer on January 16, 2015 and was replaced by David Prestwich.

# Legacy Education Savings Plan

## Schedule 1- Educational Assistance Payment Agreements

As at March 31, 2017 and March 31, 2016

| Year of eligibility   | Number of units outstanding | Principal plus accumulated income | Government grants plus accumulated income | Total              |
|-----------------------|-----------------------------|-----------------------------------|---|--------------------|
|                       |                             | \$                                | \$  | \$                 |
| 2002                  | 146                         | 23,304                            | 6,128                                     | 29,432             |
| 2003                  | 328                         | 52,656                            | 9,537                                     | 62,193             |
| 2004                  | 1,037                       | 123,845                           | 18,269                                    | 142,114            |
| 2005                  | 1,693                       | 190,386                           | 49,248                                    | 239,634            |
| 2006                  | 3,255                       | 295,346                           | 67,484                                    | 362,830            |
| 2007                  | 6,079                       | 446,010                           | 98,869                                    | 544,879            |
| 2008                  | 10,003                      | 515,192                           | 128,180                                   | 643,372            |
| 2009                  | 14,978                      | 672,327                           | 205,572                                   | 877,899            |
| 2010                  | 22,652                      | 1,294,163                         | 354,689                                   | 1,648,852          |
| 2011                  | 30,998                      | 1,774,387                         | 518,775                                   | 2,293,162          |
| 2012                  | 44,639                      | 2,856,685                         | 818,325                                   | 3,675,010          |
| 2013                  | 53,472                      | 4,574,115                         | 1,324,349                                 | 5,898,464          |
| 2014                  | 65,652                      | 7,411,742                         | 2,088,484                                 | 9,500,226          |
| 2015                  | 83,518                      | 12,769,884                        | 3,621,706                                 | 16,391,590         |
| 2016                  | 99,347                      | 20,880,009                        | 6,012,416                                 | 26,892,425         |
| 2017                  | 109,270                     | 38,816,895                        | 10,519,985                                | 49,336,880         |
| 2018                  | 123,201                     | 42,747,795                        | 11,954,226                                | 54,702,021         |
| 2019                  | 129,516                     | 40,932,284                        | 11,838,652                                | 52,770,936         |
| 2020                  | 143,998                     | 42,076,336                        | 12,480,601                                | 54,556,937         |
| 2021                  | 148,586                     | 40,075,803                        | 12,474,377                                | 52,550,180         |
| 2022                  | 163,822                     | 39,233,276                        | 16,226,854                                | 55,460,130         |
| 2023                  | 168,953                     | 36,186,474                        | 16,450,226                                | 52,636,700         |
| 2024                  | 180,690                     | 34,706,506                        | 16,402,363                                | 51,108,869         |
| 2025                  | 187,818                     | 32,027,253                        | 16,166,295                                | 48,193,548         |
| 2026                  | 173,885                     | 26,009,099                        | 14,184,737                                | 40,193,836         |
| 2027                  | 157,220                     | 19,227,434                        | 11,424,349                                | 30,651,783         |
| 2028                  | 137,202                     | 13,883,752                        | 8,895,752                                 | 22,779,504         |
| 2029                  | 124,416                     | 9,873,268                         | 6,999,782                                 | 16,873,050         |
| 2030                  | 99,776                      | 5,786,160                         | 4,961,960                                 | 10,748,120         |
| 2031                  | 77,313                      | 2,876,884                         | 3,322,607                                 | 6,199,491          |
| 2032                  | 46,141                      | 735,000                           | 1,898,958                                 | 2,633,958          |
| 2033                  | 5,030                       | 72,033                            | 838,943                                   | 910,976            |
| 2034                  | 1,850                       | 21,958                            | 294,499                                   | 316,457            |
| 2035                  | -                           | -                                 | 1,444                                     | 1,444              |
| <b>March 31, 2017</b> | <b>2,616,484</b>            | <b>479,168,261</b>                | <b>192,658,641</b>                        | <b>671,826,902</b> |
| March 31, 2016        | 2,471,527                   | 459,570,429                       | 183,038,710                               | 642,609,139        |

# Legacy Education Savings Plan

## Schedule 2- Reconciliation of Educational Assistance Agreements

As at March 31, 2017 and March 31, 2016

|   | Opening agreements | Inflow agreements | Outflow agreements | Closing agreements |
|---|--------------------|-------------------|--------------------|--------------------|
| The following is a summary of Educational Assistance Payment contracts            |                    |                   |                    |                    |
| 2017  | <b>82,043</b>      | <b>2,903</b>      | <b>4,393</b>       | <b>80,553</b>      |
| 2016  | 82,939             | 3,452             | 4,348              | 82,043             |
| The following reconciles Schedule 1 to the statements of financial position       |                    |                   |                    |                    |
|   |                    |                   | <b>2017</b>        | 2016               |
|   |                    |                   | \$                 | \$                 |
| Total principal, government grants and accumulated income (Schedule 1)            |                    |                   | <b>642,609,139</b> | <b>642,609,139</b> |
| Represented in the statements of financial position by                            |                    |                   |                    |                    |
| Subscriber contributions  |                    |                   | <b>426,280,373</b> | 405,581,320        |
| Accumulated government grants   |                    |                   | <b>171,841,738</b> | 162,992,327        |
| Accumulated and undistributed investment income and realized gains on investments |                    |                   | <b>75,663,923</b>  | 75,904,013         |
|   |                    |                   | <b>673,786,034</b> | 644,477,660        |
| Less: Government grants receivable  |                    |                   | <b>1,959,131</b>   | 1,868,521          |
|   |                    |                   | <b>671,826,903</b> | 642,609,139        |

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