

Knowledge First Financial
Family Single Student Education Savings Plan
(Education savings program provided by Knowledge First Foundation)

Financial Statements

For the six months ended October 31, 2016

Unaudited semi-annual financial statements

The auditor has not reviewed the Plan's October 31, 2016 financial statements. The Foundation appoints an independent auditor to audit the Plan's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the interim financial statements, this must be disclosed in an accompanying notice.


**FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN
STATEMENTS OF FINANCIAL POSITION (UNAUDITED)**

As at October 31, 2016 and April 30, 2016

All amounts in Canadian Dollars

	October 31 2016	April 30 2016
Assets		
Current Assets		
Cash	6,303,442	5,323,202
Investments (Note 5)	81,213,736	66,462,003
Receivable for investments sold	1,555,374	2,481,156
Government grants receivable	50,273	63,549
Interest receivable	827,116	744,673
	<u>89,949,941</u>	<u>75,074,583</u>
Liabilities		
Current Liabilities		
Payable for investments purchased	7,672,656	2,220,002
Principal payable to subscribers	7,676,668	5,978,580
Accounts payable and other liabilities (Notes 7 and 8)	819,286	767,360
	<u>16,168,610</u>	<u>8,965,942</u>
Net assets attributable to subscribers and beneficiaries (Note 6)	<u>73,781,331</u>	<u>66,108,641</u>

Approved by the Board of Directors of Knowledge First Foundation

Director 

Director 

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

**FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN
STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

For the six months ended October 31, 2016 and 2015

All amounts in Canadian Dollars

	<u>2016</u>	<u>2015</u>
Income		
Interest income	756,755	768,761
Forfeited income	29,534	-
Other changes in fair value of investments:		
Net realized gains on investments	560,805	360,320
Net change in unrealized gains or (losses) on investments	633,647	(1,274,990)
Total income (net)	<u>1,980,741</u>	<u>(145,909)</u>
Expenses		
Administration fees (Note 8)	187,073	168,454
Investment counsel fees (Note 9)	51,928	52,386
Custodian fees	8,083	5,928
Independent review committee fees	995	976
Total expenses	<u>248,079</u>	<u>227,744</u>
Increase (decrease) in net assets attributable to subscribers and beneficiaries	<u>1,732,662</u>	<u>(373,653)</u>

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

**FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SUBSCRIBERS AND
BENEFICIARIES (UNAUDITED)**

For the six months ended October 31, 2016 and 2015

All amounts in Canadian Dollars

	2016	2015
Net assets attributable to subscribers and beneficiaries, beginning of year	66,108,641	60,985,360
Subscribers deposits (Note 6)		
Deposits	25,850,963	20,861,973
Return of deposits	(28,891,454)	(25,439,065)
	<u>(3,040,491)</u>	<u>(4,577,092)</u>
Government grants (Note 6)		
Government grant contributions	201,300	281,692
Government grant repayments and transfers	5,566,702	4,429,184
Government grant payments to beneficiaries	(3,686,307)	(2,831,577)
	<u>2,081,695</u>	<u>1,879,299</u>
Accumulated income (Note 6)		
Increase (decrease) in net assets attributable to subscribers and beneficiaries	1,732,662	(373,653)
Education Assistance Payments	(7,717,960)	(5,737,565)
Payments of government grant income to beneficiaries	(1,860,552)	(1,301,964)
Payments of government grant income to educational institutions	(55,788)	(17,640)
Funds transferred in, net	16,533,124	12,717,641
	<u>8,631,486</u>	<u>5,286,819</u>
Net assets attributable to subscribers and beneficiaries, end of period	<u>73,781,331</u>	<u>63,574,386</u>

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

**FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN
STATEMENTS OF CASH FLOWS (UNAUDITED)**

For the six months ended October 31, 2016 and 2015

All amounts in Canadian Dollars

	2016	2015
Cash flows from operating activities		
Increase (decrease) in net assets attributable to subscribers and beneficiaries	1,732,662	(373,653)
Adjustments for:		
Net realized (losses) on investments	(560,805)	(360,320)
Net change in unrealized gains or (losses) on investments	(633,647)	1,274,990
Amortization of bond discounts and premiums	277,524	184,625
Purchases of investments	(116,520,137)	(105,236,916)
Proceeds from sale or maturity of investments	109,063,770	104,324,391
Interest receivable	(82,443)	(29,961)
Accounts payable and other liabilities	61,689	(2,428)
Net cash used in operating activities	(6,661,387)	(219,272)
Cash flows used in financing activities		
Subscribers deposits	25,850,963	20,861,973
Return of subscriber deposits	(27,193,366)	(22,456,834)
Government grant receipts	214,576	263,574
Government grant repayments and transfers	5,566,702	4,429,184
Government grant payments to beneficiaries	(3,686,307)	(2,831,577)
Income payments to beneficiaries:		
Education Assistance Payments	(7,717,960)	(5,737,565)
Government Grants	(1,860,554)	(1,301,964)
Funds transferred in	16,533,124	12,717,641
Income payments to educational institutions from government grants	(65,551)	
Due from Knowledge First Financial	-	9,801
Net cash from financing activities	7,641,627	5,954,233
Net increase in cash and cash equivalents	980,240	5,734,961
Cash and cash equivalents, beginning of year	5,323,202	451,621
Cash and cash equivalents, end of period	6,303,442	6,186,582

Supplementary Information *

Interest received

1,034,609

914,897

* Included in operating activities

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

**FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN
SCHEDULE OF INVESTMENT PORTOLIO**

As at October 31, 2016

All amounts in Canadian Dollar

	Coupon %	Maturity Date	Par Value \$	Cost \$	Fair Value \$
FEDERAL (38.8%)					
CANADA HOUSING TRUST	2.05%	2017-06-15	1,864,000	1,873,669	1,880,664
CANADA HOUSING TRUST	2.65%	2022-03-15	275,000	292,935	296,123
CANADA HOUSING TRUST	3.35%	2020-12-15	2,525,000	2,751,362	2,765,492
CANADA HOUSING TRUST	1.95%	2019-06-15	2,400,000	2,409,158	2,472,391
FARM CREDIT CANADA	4.30%	2020-10-05	612,000	627,326	688,553
GOVERNMENT OF CANADA	5.75%	2029-06-01	352,000	466,583	524,520
GOVERNMENT OF CANADA	5.75%	2033-06-01	1,502,000	2,249,614	2,383,939
GOVERNMENT OF CANADA	3.50%	2045-12-01	4,818,000	6,584,142	6,598,412
GOVERNMENT OF CANADA	0.25%	2018-05-01	3,866,000	3,849,316	3,848,559
GOVERNMENT OF CANADA	1.50%	2026-06-01	5,467,000	5,611,301	5,615,368
MILIT-AIR INC	5.75%	2019-06-30	663,283	706,840	702,685
PSP CAPITAL INC	2.26%	2017-02-16	356,000	356,002	357,614
PSP CAPITAL INC	3.03%	2020-10-22	1,035,000	1,054,936	1,109,691
PSP CAPITAL INC	3.29%	2024-04-04	310,000	309,895	341,277
ROYAL OFFICE FINANCE LP	5.21%	2032-11-12	1,665,000	1,658,334	1,977,487
				30,801,413	31,562,775
PROVINCIAL (50.1%)					
55 SCHOOL BOARD TRUST	5.90%	2033-06-02	414,000	524,718	569,054
HYDRO-QUEBEC	6.00%	2040-02-15	403,000	491,324	617,362
MCGILL UNIV HEALTH CENTRE	5.36%	2043-12-31	470,000	573,054	625,562
MCGILL UNIVERSITY	3.98%	2056-01-29	205,000	205,000	225,475
NEW BRUNSWICK FM PROJECT	6.47%	2027-11-30	330,620	351,428	413,358
ONTARIO SCHOOL BOARDS FINANCING CORPORATION	4.79%	2030-08-08	90,793	96,178	105,373
PROVINCE OF ALBERTA	3.30%	2046-12-01	1,094,000	1,084,277	1,175,635
PROVINCE OF ALBERTA	3.90%	2033-12-01	658,000	669,608	755,695
PROVINCE OF BRITISH COLUMBIA	5.86%	2029-06-18	180,000	202,604	249,066
PROVINCE OF BRITISH COLUMBIA	3.20%	2044-06-18	826,000	787,133	895,686
PROVINCE OF BRITISH COLUMBIA	6.35%	2031-06-18	650,000	896,088	957,298
PROVINCE OF MANITOBA	4.05%	2045-09-05	735,000	819,993	881,550
PROVINCE OF NEWFOUNDLAND	3.00%	2026-06-02	760,000	760,906	790,499
PROVINCE OF NOVA SCOTIA	4.10%	2021-06-01	920,000	1,012,935	1,034,150
PROVINCE OF ONTARIO	4.40%	2019-06-02	1,219,000	1,304,877	1,326,918
PROVINCE OF ONTARIO	3.45%	2045-06-02	1,230,000	1,275,907	1,379,548
PROVINCE OF ONTARIO	3.50%	2024-06-02	2,287,000	2,415,322	2,564,698
PROVINCE OF ONTARIO	2.60%	2025-06-02	343,000	357,396	361,111
PROVINCE OF ONTARIO	3.15%	2022-06-02	3,109,000	3,202,446	3,396,237
PROVINCE OF ONTARIO	3.50%	2043-06-02	772,000	759,528	868,316
PROVINCE OF ONTARIO	4.70%	2037-06-02	400,000	503,996	519,880
PROVINCE OF ONTARIO	4.20%	2020-06-02	3,800,000	4,192,994	4,212,181
PROVINCE OF ONTARIO	2.80%	2048-06-02	174,000	172,949	173,983
PROVINCE OF ONTARIO	5.50%	2017-06-02	290,000	294,829	297,804
PROVINCE OF ONTARIO	2.90%	2046-12-02	428,000	433,201	435,023
PROVINCE OF ONTARIO	2.85%	2023-06-02	3,123,000	3,075,055	3,364,923
PROVINCE OF PRINCE EDWARD ISLAND	5.70%	2035-06-15	110,000	126,739	149,830
PROVINCE OF QUEBEC	5.75%	2036-12-01	555,000	783,578	804,584
PROVINCE OF QUEBEC	3.50%	2022-12-01	3,186,000	3,351,764	3,553,404
PROVINCE OF QUEBEC	3.50%	2048-12-01	84,000	94,618	95,554
PROVINCE OF QUEBEC	3.75%	2024-09-01	2,600,000	2,872,460	2,964,991
PROVINCE OF QUEBEC	4.50%	2019-12-01	1,624,000	1,753,524	1,796,323
PROVINCE OF QUEBEC	3.50%	2045-12-01	609,000	628,922	684,229
PROVINCE OF QUEBEC	2.50%	2026-09-01	1,770,000	1,862,414	1,835,612
SINAI HEALTH SYSTEM	3.53%	2056-06-09	214,000	214,000	216,786
TCHC ISSUER TRUST	5.40%	2040-02-22	85,000	101,815	114,799
UNIVERSITY OF OTTAWA	3.26%	2056-10-12	95,000	95,000	92,811
YORK UNIVERSITY	4.46%	2054-02-26	147,000	147,000	176,937
				38,495,580	40,682,245
MUNICIPAL (3.4%)					
CITY OF QUEBEC	2.50%	2026-10-05	375,000	369,883	367,800
CITY OF TORONTO	4.70%	2041-06-10	560,000	638,531	699,588
FIRST NATIONS FINANCE AUTHORITY	3.40%	2024-06-26	315,000	330,080	340,293

REGIONAL MUNICIPALITY OF YORK	4.60%	2017-05-30	1,288,000	1,288,007	1,315,302
				2,626,501	2,722,983
SHORT TERM SECURITIES (7.7%)					
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2016-12-29	3,090,000	3,087,126	3,087,603
GOVERNMENT OF CANADA TREASURY BILL	0.00%	2016-12-15	3,160,000	3,157,914	3,158,130
				6,245,040	6,245,733
TOTAL INVESTMENTS				78,168,534	81,213,736

FAMILY SINGLE STUDENT EDUCATION SAVINGS PLAN NOTES TO THE FINANCIAL STATEMENTS

October 31, 2016

All amounts in Canadian Dollars

1. General information

Family Single Student Education Savings Plan (the Plan) was established by Knowledge First Foundation (the Foundation) as a savings vehicle for subscribers to save for a designated student's (beneficiary) post-secondary education.

The Foundation, the sponsor of the Plan, is a not-for-profit organization, which was incorporated without share capital on February 19, 1990 under the Canada Corporations Act and continued under the amended act of October 17, 2011. The Foundation has engaged its wholly-owned subsidiary, Knowledge First Financial Inc. (Knowledge First Financial) to be the distributor and manager of the Plan and to provide general administration services to the Plan. Knowledge First Financial is incorporated under the laws of Canada. The primary place of business of the Plan is 50 Burnhamthorpe Road West, Mississauga, Ontario, Canada.

Subscribers to the Plan make periodic deposits into the Plan, net of enrolment fees, insurance premiums, depository fees and service charges charged to each subscriber. The income earned on subscriber deposits is held in the Education Assistance Payment (EAP) Account. When a plan matures, is terminated, or is cancelled, such deposits, net of deductions, will be returned to the subscriber. All or a portion of the income may be paid to the subscriber as an accumulated income payment. The Plan invests in Canadian government bonds and short-term investments.

EAPs are paid from interest, other income, and education grants accumulated in the Plan. Deposits are not included in EAPs, however are returned to the Subscriber upon maturity, net of applicable fees. In order to be entitled to an EAP, the administrator must receive proof that a beneficiary meets EAP eligibility requirements for enrolment in a post-secondary program, inclusive of confirmation of beneficiary residency status. If a subscriber terminates an account, the subscriber's deposits less fees are returned to the subscriber, income earned on that subscriber's deposits is due and payable to the subscriber in the form of an accumulated income payment or payable to a designated educational institution. Government grant contributions are returned to the originating government agency. Forfeited grant income is payable to an eligible educational institution.

The financial statements were authorized for issue by the Board of Directors of the Foundation on December 8, 2016.

2. Basis of presentation and adoption of IFRS

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued and adopted by the International Accounting Standards Board ("IASB"). The Plan has consistently applied the accounting policies used in the preparation of its financial statements.

3. Summary of significant accounting policies

The significant accounting policies followed by the Plan are as follows.

Financial instruments

The Plan recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit or loss. Regular way purchases and sales of financial assets are recognized at their trade date. The Plan's investments are measured at fair value through profit or loss (FVTPL), including its investments in debt securities, which have been designated at FVTPL. All other financial assets and liabilities, including interest receivable, amounts receivable for investments sold, government grants receivable, other receivables, amounts payable for securities purchased, principal payable to subscribers and accounts payable and other liabilities, are measured at amortized cost. The Plan's obligation for net assets attributable to subscribers and beneficiaries is presented at the distribution amount, which is the residual amount of assets of the Plan after deducting all of its liabilities.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. The fair value of financial assets and liabilities traded in active

markets is based on quoted market prices at the close of trading on the reporting date. For bonds, the Plan uses mid prices provided by independent security pricing vendors. The Plan's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

Funds transferred in, net

During the life of an agreement, subscribers of another Knowledge First Financial Education Savings Plan or subscribers at another provider may choose to convert their agreement to another Knowledge First Financial Education Savings Plan or convert to another provider. Deposits, government grants and income transferred in/out are reported as changes in net assets attributable to subscribers and beneficiaries.

Income recognition, transaction costs and expenses

Interest income from investments in bonds and short-term investments is recognized at the effective interest rate. Interest receivable is shown separately on the Statement of Financial Position based on the debt instruments' stated rates of interest. The cost of investments is determined using the average cost method. Average cost includes amortization of premiums and discounts on the Plan's fixed income securities.

Impairment of financial assets

At each reporting date, the Plan assesses whether there is objective evidence that a financial asset 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.

Foreign currency

The financial statements are presented in Canadian dollars, which is the Plan's functional and presentation currency.

Cash

Cash is comprised of demand deposits with financial institutions.

Net Assets Attributable to Subscribers and Beneficiaries

Net assets attributable to subscribers and beneficiaries is comprised of subscribers' deposits, government grants and income earned on both subscribers' deposits and government grants. Net assets attributable to subscribers and beneficiaries is classified as a liability as subscribers have the option to withdraw at any point prior to maturity. If a subscriber withdraws before maturity, the subscriber's deposits less fees are returned to the subscriber, income earned on that subscriber's deposits is due and payable to the subscriber in the form of an accumulated income payment or payable to a designated educational institution. Government grant contributions are returned to the government and income on the government grants is owed to a designated educational institution. Refer to Note 6 for a breakdown of net assets attributable to subscribers and beneficiaries.

Subscribers' deposits are comprised of deposits received from subscribers, after deductions for various fees, and do not include amounts receivable on outstanding agreements, as subscribers may terminate their plans at any time. Knowledge First Financial deducts the applicable enrolment fees, insurance premiums, and depository and service charges from the deposits made from subscribers and the net amount is invested in the Plan. During the life of an agreement, subscribers may choose to change the level of their contributions.

Government grants represent contributions received from federal and provincial governments. Government grants are recognized upon receipt of an eligible contribution to a registered education savings plan by a subscriber to the Plan.

Accumulated income includes the increase (decrease) in net assets attributable to subscribers and beneficiaries. Education assistance payments, and payments of grant income to beneficiaries and designated financial institutions reduce the accumulated income account.

Taxation

The income on Subscribers' deposits is currently exempt from income taxes under the Income Tax Act (Canada) prior to the maturity of the plan. Education Assistance Payments, comprising government grants and all

accumulated income, made to qualified nominees will be included in their income for the purposes of the Income Tax Act (Canada). The amounts deposited by subscribers are not deductible to the subscribers for tax purposes and are not taxable when returned to subscribers or their designated nominees.

Fair Value Reserve

The fair value reserve reported in the net assets attributable to subscribers and beneficiaries includes the net unrealized gains (losses) on investments and the net unamortized realized gains (losses). Realized gains and losses are transferred to the EAP Account and Income from government grants over a five year period in proportion to the balances in those accounts at the time of allocation.

Accounting standards issued but not yet adopted

IFRS 9, Financial instruments

The final version of IFRS 9, Financial instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Manager is in the process of assessing the impact of IFRS 9 on the Plan and has not yet determined when it will adopt the new standard.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers, is a new standard effective for years beginning on or after January 1, 2018, which will supersede IAS 18, Revenue and related interpretations. The Plan is in the process of assessing the impact of IFRS 15.

4. Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant judgments and estimates that the Plan has made in preparing the financial statements.

Investment entity status

A significant judgment made in preparing the Plan's financial statements relates to the determination that the Plan meets the definition of an investment entity as described in IFRS 10, Consolidated financial statements. The Plan's objective is to invest subscribers' deposits to maximize their investment return over the long term for the purpose of generating investment income. Fair value is the primary measurement used to evaluate the performance of substantially all investments.

Classification and measurement of investments and the application of the fair value option

In classifying and measuring financial instruments held by the Plan, the Manager is required to make significant judgements about whether or not the business of the Plan is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments – Recognition and Measurement (IAS 39). The most significant judgment made includes the determination that the fair value option can be applied to the Plan's investments in debt securities.

5. Financial Instruments Risks

The Plan's investment activities expose it to a variety of risks associated with financial instruments, as follows: credit risk, liquidity risk, market risk (including price risk, currency risk and interest rate risk). The Plan does not conduct any activities in currencies other than the Canadian dollar and is therefore not subject to significant direct currency risk. The Plan's overall risk management approach includes investment guidelines, objectives, and limits which are designed to ensure that risk is mitigated through allocation of investments across different market sectors, maturity segments and issuers. The Plan employs a third party investment manager and monitors the investments

for compliance with the stated investment guidelines and relevant securities and tax regulations. Oversight responsibility and authority rests with the Foundation's Board of Directors and its Investment Committee. An Independent Review Committee is also in place.

Credit risk

The Plan is exposed to credit risk, which 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. Cash on hand is kept on deposit at a Canadian Schedule I bank. The majority of the credit risk to which the Plan is exposed arises from its investments in debt securities. The debt instruments held by the Plan are issued or guaranteed by federal, provincial, or municipal governments.

The fair value of debt investments includes consideration of the credit worthiness of the debt issuer. The carrying amount of cash, receivables and debt investments represents the maximum credit risk exposure as at October 31, 2016 and April 30, 2016. The analysis below summarizes the credit quality of the Plan's debt portfolio as at October 31, 2016 and April 30, 2016. Credit ratings are obtained from Standard & Poor's, Moody's and DBRS. Where one or more rating is obtained for a security, the lowest rating has been used.

Percentage of Fixed Income Investments (%) As at		
Credit Rating	October 31, 2016	April 30, 2016
"AAA"	42.1	46.8
"AA"	9.6	10.3
"A"	48.3	42.9
Total	100.0	100.0

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Plan has current exposure to the subscribers' deposits and government grant balances as subscribers can cancel or terminate their agreement at any time at which point the full balance would become immediately payable to the subscribers or the government. The Plan is also exposed to agreement maturities and obligations with respect to the accumulated income account. Therefore the Plan invests the majority of its assets in investments that are traded in an active market and can be easily liquidated. In addition, the Plan endeavours to retain adequate cash positions to maintain adequate liquidity.

Maturity Profile

EAPs (accumulated income and government contributions) are paid upon submission of required documentation to the Manager. Subscriber's principal is paid upon maturity of a respective agreement.

If a subscriber cancels an agreement, subscriber's principal and associated government contributions are due upon demand. Income on the subscribers principal and returned government grants become immediately payable to the subscriber or to a qualified educational institution, as applicable.

All other liabilities of the Plan are due within three months.

Concentration Risk

The table below summarizes this Fund's concentration risk as a percentage of investments as at October 31, 2016 and April 30, 2016.

Percentage of Investments (%) As at		
Concentration	October 31, 2016	April 30, 2016
Federal Bonds	38.8	46.7
Provincial Bonds	50.1	49.5
Municipal Bonds	3.4	3.5
Short Term Investments	7.7	0.3
Total	100.0	100.0

Market risk

The Plan's investments are subject to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses, as applicable that show how the net assets attributable to subscribers and beneficiaries would be affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

a) 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 holds securities with fixed interest rates that expose the Plan to fair value interest rate risk. As at October 31, 2016, had prevailing interest rates increased or decreased by 25 basis points, assuming a parallel shift in the yield curve, with all other variables held constant, net assets of the Plan would have decreased or increased, respectively, by approximately \$1.5 million (approximately 2% of the total investment portfolio) (April 30, 2016 - \$1.4 million, approximately 2.1% of the total investment portfolio). In practice, actual results may differ from this analysis and the difference could be material.

The table below summarizes the Plan's exposure to interest rate risk as at October 31, 2016 and April 30, 2016, by remaining term to maturity.

October 31, 2016	Within 1 year	From 1 to 5 years	Over 5 years	Total
Short term investments	6,245,733			6,245,733
Government guaranteed instruments				
Federal	2,238,278	11,587,371	17,737,126	31,562,775
Provincial	297,804	8,369,572	32,014,869	40,682,245
Municipal	1,315,302	-	1,407,681	2,722,983
	10,097,117	19,956,943	51,159,676	81,213,736
Percentage of total	12.4%	24.6%	63.0%	100.0%
April 30, 2016	Within 1 year	From 1 to 5 years	Over 5 years	Total
Short term investments	199,865	-	-	199,865
Government guaranteed instruments				
Federal	1,780,054	15,428,215	13,830,854	31,039,123
Provincial	-	3,479,415	29,395,330	32,874,745
Municipal	-	1,337,531	1,010,739	2,348,270
	1,979,919	20,245,161	44,236,923	66,462,003
Percentage of total	3.0%	30.5%	66.5%	100.0%

b) Other price risk

The Plan is exposed to other price risk, which is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Financial instruments held by the Plan are susceptible to market price risk arising from uncertainties about future prices of those instruments. Market prices of these instruments are predominantly a function of interest rate movements and changes in the market's perceived credit risks applicable to non-federal government securities. The maximum risk resulting from financial instruments held by the Plan is equivalent to their fair value. The investment manager manages this risk through the selection of securities within the parameters of the investment strategy. As at October 31, 2016 and April 30, 2016, the Plan had no significant exposure to other price risk as it did not hold equities.

Capital risk management

The capital of the Plan is represented by the net assets attributable to subscribers and beneficiaries. The capital of the Plan can change on a daily basis as the Plan is subject to ongoing deposits and cancellations. In addition, EAPs and maturities occur at specified times during the year. The Plan is not subject to externally imposed capital requirements. The Plan's objective, when managing capital risk, is to safeguard subscribers' deposits and government grants received and earn income on those amounts in order to pay EAPs to qualified beneficiaries. The Plan endeavours to invest subscribers' deposits, government grants received, and income earned in appropriate investments while maintaining sufficient liquidity to meet maturities, EAPs, cancellations and expenses in accordance with its investment objectives and risk management policies as described above. In order to manage the Plan's capital, the Plan's policy is to perform the following:

- Monitor the level of daily subscriber deposits and withdrawals relative to the liquid assets and adjust the amount of cash invested accordingly.
- Monitor the level of expected future payments for maturities and EAPs based on maturity and student applications received, and historical beneficiary qualification rates, and adjust the investment portfolio accordingly.
- Invest in securities which are traded in an active market and can be easily liquidated.

There has been no change with respect to the overall capital risk management strategy during the year.

Fair value measurement

The Plan classifies fair value measurement within a hierarchy which gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3	Inputs are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Plan's assets and liabilities measured at fair value within the fair value hierarchy as at October 31, 2016 and April 30, 2016.

As of October 31, 2016	Level 1	Level 2	Level 3	Total
Short-term investments	-	6,245,733	-	6,245,733
Government guaranteed instruments				
Federal	-	31,562,775	-	31,562,775
Provincial	-	40,682,245	-	40,682,245
Municipal	-	2,722,983	-	2,722,983
Investments at fair value	-	81,213,736	-	81,213,736

As of April 30, 2016	Level 1	Level 2	Level 3	Total
Short-term investments	-	199,865	-	199,865
Government guaranteed instruments				
Federal	-	31,039,123	-	31,039,123
Provincial	-	32,874,745	-	32,874,745
Municipal	-	2,348,270	-	2,348,270
Investments at fair value	-	66,462,003	-	66,462,003

All fair value measurements above are recurring. The carrying values of receivable for investments sold, government grant receivable, interest receivable, other receivables, payable for investments purchased, principal payable to subscribers and accounts payable and other liabilities and the Plan's obligation for net assets attributable to subscribers and beneficiaries approximate their fair value due to their short term nature. There were no transfers between levels during the years ended October 31, 2016 and April 30, 2016 or Level 3 securities held as at October 31, 2016 and April 30, 2016.

6. Net assets attributable to subscribers and beneficiaries

Net assets attributable to subscribers and beneficiaries is comprised as follows:

	As at	
	October 31, 2016	April 30, 2016
Subscribers' deposits, net of returns	20,117,323	23,157,814
Government grants	12,816,402	10,734,706
Accumulated income		
Education assistance payment account	9,220,203	9,543,042
Income from government grants	6,698,471	5,212,330
Foundation education assistance payment account	20,638,141	14,028,436
Fair value reserve	4,290,791	3,432,313
Balance – End of period/year	73,781,331	66,108,641

The changes to subscribers' deposits to the Plan are as follows:

	October 31, 2016	April 30, 2016
Subscribers' deposits	26,067,176	28,797,206
Insurance premiums deducted	(11,114)	(27,582)
Enrolment fee deducted	(144,409)	(75,504)
Return of deposits	(28,891,454)	(29,751,568)
Depository fees and service charges deducted	(60,690)	(83,159)
Net increase (decrease) in Subscribers' deposits	(3,040,491)	(1,140,607)
Balance – Beginning of year	23,157,814	24,298,421
Balance – End of period/year	20,117,323	23,157,814

7. Accounts Payable

Included in accounts payable are unclaimed deposits held for cancelled and matured plans. Forfeited grant income from terminated agreements will be paid out to a designated educational institution.

8. Related party transactions

The Foundation is the sponsor of the Plan. The general administration of the Plan is carried out on behalf of the Foundation by its wholly owned subsidiary, Knowledge First Financial, and includes processing and call centre services related to new agreements, payments, government grants, plan modifications, terminations, maturities and EAPs. Under a revised Fiscal 2014 fund management agreement, in consideration for its administrative services (inclusive of audit fees), Financial is entitled to receive from the Plan an annual fee of up to 0.5% of all funds on deposit related to the Plan, insurance administration-related fees, and special processing fees involving one-time fees for specific transactions. All such expenses are included in Administration fees in the Statements of Comprehensive Income. Accounts payable of \$236,665 (April 30, 2016 - \$39,612) are due to Financial in relation to the above agreements and are payable by the Plan. The Plan also pays remuneration to members of the Independent Review Committee which are included in Independent Review Committee Fees in the Statements of Comprehensive Income.

9. Investment counsel fees

Investment counsel fees, which are paid to the Plan's third party investment manager, are calculated as a percentage of the total fair value of the Plan's investment portfolio and during the current and prior years ranged from 0.27% to 0.09%. Investment counsel fees paid for the year amounted to 0.13% (0.13% as at April 30, 2016) of the total fair value of the investment portfolio in the Plan.