Knowledge First Financial

Flex First 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.

FLEX FIRST 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	2,740,533	2,029,242
Investments (Note 5)	53,995,130	38,189,799
Receivable for investments sold	211,207	562,431
Government grants receivable	1,320,115	1,340,824
Interest and dividends receivable	365,617	265,439
Other receivables (Note 7)	2,265,553	1,058,421
	60,898,155	43,446,156
Liabilities		
Current Liabilities		
Accounts payable and other liabilities (Note 7)	799,417	201,586
Payable for investments purchased	246,854	631,046
	1,046,271	832,632
Net assets attributable to subscribers and beneficiaries (Note 6)	59,851,884	42,613,524

Approved by the Board of Directors of Knowledge First Foundation

Director

Director

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

FLEX FIRST PLAN
STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
For the six months ended October 31, 2016 and 2015
All amounts in Canadian Dollars

	2016	2015
Income		
Interest income	352,159	232,289
Dividend income	131,837	14,671
Other changes in fair value of investments:		
Net realized gains (losses) on investments	169,641	(497,865)
Net change in unrealized gains or (losses) on investments	956,853	73,983
Total income (net)	1,610,490	(176,922)
Expenses		
Management fees (note 7)	354,711	168,193
Independent review committee fees	995	236
Transaction Costs	5,466	2,120
Total Expenses (net)	361,172	170,549
Increase in net assets attributable to subscribers and beneficiaries	1,249,318	(347,471)

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

FLEX FIRST PLAN
STATEMENTS 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	42,613,524	17,894,167
Subscribers deposits (Note 6)		
Deposits	10,783,097	6,151,126
Return of deposits	(457,564)	(214,556)
	10,325,533	5,936,570
Government grants (Note 6)		
Government grant contributions	5,845,066	4,800,992
Government grant repayments and transfers	(162,384)	(39,465)
Government grant payments to beneficiaries	(41,645)	(14,323)
	5,641,037	4,747,204
Accumulated income (Note 6)		
Increase in net assets attributable to subscribers and beneficiaries	1,249,318	(347,471)
Education Assistance Payments	(12,856)	(2,600)
Payments of government grant income to beneficiaries		(542)
Income transferred in, net	35,328	30,700
	1,271,790	(319,913)
Net assets attributable to subscribers and beneficiaries, end of period	59,851,884	28,258,028

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

FLEX FIRST 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 in net assets attributable to subscribers and beneficiaries	1,249,318	(347,471)
Adjustments for:		
Net realized (gains) losses on investments	(169,641)	497,865
Net change in unrealized (gains) or losses on investments	(956,853)	(73,983)
Amortization of bond discounts / premiums	132,221	80,311
Purchase of investments	(31,024,362)	(30,737,970)
Proceeds from sale or maturity of investments	16,180,336	22,470,256
Interest and dividends receivable	(100,178)	(88,461)
Other Receivable	(1,207,132)	(266,914)
Accounts payable and other liabilities	597,831	(246,878)
Net cash from operating activities	(15,298,460)	(8,713,245)
Cash flows used in financing activities		
Subscribers deposits	10,783,097	6,151,126
Return of subscriber deposits	(457,564)	(214,556)
Government grant receipts	5,865,775	4,691,915
Government grant repayments	(162,384)	(39,465)
Government grant payments to beneficiaries	(41,645)	(14,323)
Income payments to beneficiaries		
Education Assistance Payments	(12,856)	(2,600)
Government Grants	-	(542)
Income transferred in (net)	35,328	30,700
Net cash from financing activities	16,009,751	10,602,255
Net increase in cash	711,291	1,889,010
Cash, beginning of year	2,029,242	517,517
Cash, end of period	2,740,533	2,406,527

Supplementary Information *

Interest received	*384,382*	*240,812*
Dividend received	*131,216*	*10,866*

* Included in operating activities

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

FLEX FIRST PLAN
SCHEDULE OF INVESTMENT PORTOLIO
As at October 31, 2016
All amounts in Canadian Dollars

BONDS	Coupon %	Maturity Date	Par Value $	Cost $	Fair Value $
FEDERAL (2.1% of Investments)					
GOVERNMENT OF CANADA	5.75%	01-06-2029	335,000	498,310	499,188
CANADA HOUSING TRUST	3.15%	15-09-2023	250,000	279,788	279,360
MERRILL LYNCH	1.30%	01-08-2021	350,000	344,622	345,973
TOTAL FEDERAL				**1,122,720**	**1,124,521**
PROVINCIAL (43.7% of Investments)					
PROVINCE OF ALBERTA	3.40%	01-12-2023	560,000	604,172	621,678
PROVINCE OF ALBERTA	2.35%	01-06-2025	2,205,000	2,212,086	2,264,816
PROVINCE OF BRITISH COLUMBIA	8.00%	08-09-2023	170,000	232,756	239,737
PROVINCE OF BRITISH COLUMBIA	3.30%	18-12-2023	790,000	862,147	880,595
PROVINCE OF BRITISH COLUMBIA	2.70%	18-12-2022	790,000	842,335	848,772
PROVINCE OF BRITISH COLUMBIA	5.70%	18-06-2029	1,000,000	1,371,030	1,366,774
PROVINCE OF BRITISH COLUMBIA	3.25%	18-12-2021	330,000	354,169	362,631
PROVINCE OF BRITISH COLUMBIA	2.85%	18-06-2025	895,000	969,780	966,784
PROVINCE OF MANITOBA	2.55%	02-06-2026	230,000	238,277	237,535
PROVINCE OF NEW BRUNSWICK	3.35%	03-12-2021	250,000	267,758	273,321
PROVINCE OF ONTARIO	8.10%	08-09-2023	170,000	233,987	240,479
PROVINCE OF ONTARIO	5.85%	08-03-2033	180,000	256,593	256,000
PROVINCE OF ONTARIO	3.50%	02-06-2024	1,670,000	1,830,129	1,872,779
PROVINCE OF ONTARIO	2.60%	02-06-2025	1,175,000	1,226,942	1,237,042
PROVINCE OF ONTARIO	3.15%	02-06-2022	2,425,000	2,596,075	2,649,043
PROVINCE OF ONTARIO	6.50%	08-03-2029	355,000	500,145	510,926
PROVINCE OF ONTARIO	4.00%	02-06-2021	975,000	1,087,631	1,094,396
PROVINCE OF ONTARIO	2.40%	02-06-2026	1,190,000	1,215,509	1,226,997
PROVINCE OF NEWFOUNDLAND	2.30%	02-06-2025	200,000	193,769	198,548
PROVINCE OF ONTARIO	2.85%	02-06-2023	2,050,000	2,185,750	2,208,803
PROVINCE OF QUEBEC	3.50%	01-12-2022	1,045,000	1,135,187	1,165,508
PROVINCE OF QUEBEC	4.25%	01-12-2021	585,000	657,905	668,008
PROVINCE OF QUEBEC	3.00%	01-09-2023	935,000	1,007,865	1,015,494
PROVINCE OF SASKATCHEWAN	5.80%	05-09-2033	100,000	135,111	139,709
PROVINCE OF SASKATCHEWAN	3.20%	03-06-2024	775,000	830,769	849,675
PROVINCE OF SASKATCHEWAN	2.55%	02-06-2026	200,000	199,847	207,166
TOTAL PROVINCIAL				**23,247,724**	**23,603,216**
CORPORATE (28.9% of Investments)					
BANK OF MONTREAL	2.12%	16-03-2022	2,615,000	2,608,546	2,674,669
BANK OF NOVA SCOTIA	2.87%	04-06-2021	525,000	543,741	555,473

BANK OF NOVA SCOTIA	3.27%	11-01-2021	1,195,000	1,261,462	1,280,482
CANADIAN IMPERIAL BANK	1.85%	14-07-2020	890,000	891,740	904,028
CANADIAN IMPERIAL BANK	1.64%	12-07-2021	1,315,000	1,319,127	1,320,493
NATIONAL BANK OF CANADA	2.11%	18-03-2022	1,520,000	1,519,367	1,549,963
ROYAL BANK OF CANADA	1.97%	02-03-2022	2,075,000	2,079,285	2,101,505
ROYAL BANK OF CANADA	2.86%	04-03-2021	1,770,000	1,837,366	1,866,167
TORONTO-DOMINION BANK	2.62%	22-12-2021	2,340,000	2,419,220	2,454,080
TORONTO-DOMINION BANK	1.91%	18-07-2023	490,000	490,958	490,549
TORONTO-DOMINION BANK	2.56%	24-06-2020	395,000	405,337	410,759
CORPORATE TOTAL				**15,376,149**	**15,608,168**
SHORT TERM SECURITIES (0.3% of Investments)					
GOVT OF CANADA TREASURY BILL	0.00%	01-12-2016	145,000	144,871	144,941
TOTAL SHORT TERM SECURITIES				**144,871**	**144,941**
TOTAL BONDS				**39,891,464**	**40,480,846**

	Shares	Cost $	Fair Value $
EQUITIES			
CONSUMER DISCRETIONARY 0.6%)			
GILDAN ACTIVEWEAR INC	6,025	226,273	207,561
MAGNA INTERNATIONAL INC	2,075	114,883	114,270
		341,156	**321,831**
CONSUMER STAPLES (0.7%)			
ALIMENTATION COUCHE-TARD INC	3,250	189,494	218,985
GEORGE WESTON LTD	1,295	139,977	141,544
		329,471	**360,529**
ENERGY (2.6%)			
CAMECO CORP	11,125	168,141	114,921
CANADIAN NATURAL RESOURCES LTD	6,500	223,258	276,705
CENOVUS ENERGY INC	8,775	165,031	169,796
ENBRIDGE INC	1,900	96,463	110,048
SHAWCOR LTD	4,975	154,772	166,911
SUNCOR ENERGY INC	7,950	281,520	319,988
TRANSCANADA CORP	4,225	219,510	256,542
		1,308,695	**1,414,911**
FINANCIALS (4.1%)			
BANK OF MONTREAL	4,400	347,184	375,583
BANK OF NOVA SCOTIA	5,725	357,799	412,658
BROOKFIELD ASSET MANAGEMENT INC	5,625	247,624	264,206
INTACT FINANCIAL CORP	1,700	151,658	155,006

MANULIFE FINANCIAL CORP	4,350	87,482	84,521
ROYAL BANK OF CANADA	4,625	349,173	387,575
SUN LIFE FINANCIAL INC	1,750	73,119	78,558
THOMSON REUTERS CORP	1,205	62,579	63,696
TORONTO DOMINION BANK	6,500	358,150	395,590
		2,034,768	**2,217,393**
INDUSTRIALS (1.1%)			
CANADIAN NATIONAL RAILWAY COMPANY	2,500	196,724	210,800
CANADIAN PACIFIC RAILWAY LTD	700	123,976	134,218
FINNING INTERNATIONAL INC	4,125	82,892	102,960
MACDONALD DETTWILER & ASSOCIATES LTD	925	79,526	71,012
STANTEC INC	2,325	70,173	69,378
		553,291	**588,368**
INFORMATION TECHNOLOGY (0.6%)			
CGI GROUP INC	2,850	162,947	181,574
OPEN TEXT CORP	1,800	126,177	149,904
		289,124	**331,478**
MATERIALS (1.6%)			
AGNICO EAGLE MINES LTD	3,225	160,677	219,686
FRANCO-NEVADA CORP	1,050	79,054	92,180
GOLDCORP INC	6,625	135,313	134,951
METHANEX CORP	4,875	205,414	237,656
TAHOE RESOURCES INC	4,350	81,424	69,948
WEST FRASER TIMBER LTD	2,875	134,949	132,020
		796,831	**886,441**
REAL ESTATE (0.4%)			
H&R REAL ESTATE INVESTMENT TRUST	4,225	89,321	96,372
RIOCAN REIT	4,550	119,459	118,664
		208,780	**215,036**
TELECOMMUNICATION SERVICES (0.4%)			
ROGERS COMMUNICATION INC	2,575	128,389	138,947
TELUS CORP	1,650	67,545	71,660
		195,934	**210,607**
UTILITIES (0.5%)			
FORTIS INC	5,550	217,785	245,033
		217,785	**245,033**
US EQUITY (12.4%)			
BMO S&P 500 Hedged to CAD Index Funds	154,250	4,992,262	5,019,294
BMO S&P 500 INDEX ETF	54,075	1,647,789	1,703,363
		6,640,051	**6,722,657**
TOTAL EQUITIES		**12,915,886**	**13,514,284**
Less: Transaction costs		5,466	
TOTAL INVESTMENTS		**52,801,884**	**53,995,130**

FLEX FIRST PLAN
NOTES TO THE FINANCIAL STATEMENTS
October 31, 2016
All amounts in Canadian Dollars

1. General information

Flex First 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 Plan commenced operations in November 2012.

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 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 or a beneficiary. The Plan invests in Canadian government bonds and high grade corporate debt and in Canadian equities and ETFs. The underlying investments held by the ETFs are exposed to the US dollar. The BMO S&P 500 Hedged has been hedged back to the Canadian dollar and therefore has no currency exposure. The Plan's investment in equities is limited to 30% of Net Assets of the Plan.

EAPs are paid from interest, dividends, other income, and income earned on education grants and subscriber deposits accumulated in the Plan over three years. Contributions are not included in EAPs, however are returned to the Subscriber upon maturity. 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 to the Plan terminates an account, a refund of net contributions is due to the subscriber and government grant monies 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 equities, ETFs and debt securities, which have been designated at FVTPL. All other financial assets and liabilities, including interest and dividends receivable, amounts receivable for investments sold, government grants receivable, other receivables, amounts payable for securities purchased and accounts payable, principal payable to beneficiaries 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 equities and ETFs, the Plan uses the last traded market price where the last traded price falls between that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. 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.

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 on the Statement of Financial Position based on the debt instruments' stated rates of interest. Dividends are recognized as income on the ex-dividend date. 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 are 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 are returned to the subscriber, income earned on that subscriber's deposits is due and payable to the subscriber as 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 is comprised of deposits received from subscribers, after deductions for enrolment 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 from the deposits made from subscribers and the net amount is invested in the Plan.

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.

Funds transferred in/out
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.

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.

Interests in Unconsolidated Structured Entities
A structured entity is an entity that has been designed so that voting or similar rights are not dominant factors in deciding who controls the entity, or when voting rights relate to administrative tasks only and the relevant activities are directed by means of a contractual arrangement. The Plan invests in exchange traded funds (ETFs) which are disclosed on the Schedule of Investment Portfolio and the Plan has determined that the ETFs are unconsolidated structured entities. The Plan accounts for its investments in unconsolidated structured entities at fair value through profit and loss. These ETFs finance their operations by issuing redeemable shares which are puttable at the holder's option and entitle the holder to a proportional stake in the ETF's net asset value. The ETFs are domiciled in Canada and listed on the Toronto Stock Exchange. These investments are included in "Investments" in the Statements of Financial Position. The Plan's maximum exposure to loss from its interest in the ETFs are equal to the total fair value of its investments in the ETFs.

Fair value reserve
The fair value reserve included in net assets attributable to subscribers and beneficiaries represents the net unrealized gains (losses) on fixed income investments and the net unamortized fixed income realized gains (losses). Fixed income realized gains and losses are transferred to the EAP Account and Income from government grants account over a twelve-month period in proportion to the balances in those accounts at the time of allocation. Equity gains and losses, both realized and unrealized, are transferred to the EAP Account and Income from government grants account immediately 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 and equity 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 significant activities in currencies other than the Canadian dollar, and only its holding of the US equities via the unhedged ETF are exposed to a 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 and provincial governments along with corporate debt instruments with an investment grade credit rating at the time of acquisition. The Plan may also be exposed to indirect credit risk through its holdings in ETFs.

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"	2.8	0.2
"AA"	58.1	59.6
"A"	39.1	40.2
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 subscriber 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 scholarship payments and 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.

Concentration	Percentage of Investments (%) As at October 31, 2016	April 30, 2016
Fixed Income		
Federal	2.1	0.1
Provincial	43.7	41.1
Corporate	28.9	34.6
Short-term	0.3	0.4
Equities		
Consumer Discretionary	0.6	1.1
Consumer Staples	0.7	0.6
Energy	2.6	2.4
Financials	4.1	4.1
Industrials	1.1	1.4
Information Technology	0.6	0.5
Materials	1.6	1.5
Real Estate	0.4	-
Telecommunications	0.4	0.4
Utilities	0.5	0.4
US ETFs	12.4	11.4
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) Currency Risk

The Plan invests in exchange traded funds (ETF) denominated in Canadian dollars. The underlying investments held by the ETFs are exposed to the US dollar. The BMO S&P 500 Index Hedged to CAD ETF has been hedged back to the Canadian dollar and therefore has no currency risk. The Plan is subject to the indirect risk that the fair value or future cash flows of BMO S&P 500 Index ETF which are not hedged back to Canadian dollar will fluctuate because of changes in foreign exchange rates.

b) 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 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 $0.6 million (approximately 1.1% of the total investment portfolio) (April 30, 2016 - $0.43 million, approximately 1.5% 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 investment – Treasury Bill	144,941			144,941
Government guaranteed instruments				
Federal	-	345,973	778,548	1,124,521
Provincial	-	1,094,396	22,508,820	23,603,216
Corporate	-	6,337,402	9,270,766	15,608,168
	144,941	7,777,771	32,558,134	40,480,846
Percentage of total	1%	19%	80%	100%

April 30, 2016	Within 1 year	From 1 to 5 years	Over 5 years	Total
Short term investment – Treasury Bill	154,976			154,976
Government guaranteed instruments				
Federal	-	-	51,190	51,190
Provincial	-	798,354	14,892,683	15,691,037
Corporate	-	5,043,456	8,157,252	13,200,708
	154,976	5,841,810	23,101,125	29,097,911
Percentage of total	1%	20%	79%	100%

c) Other price risk

The Plan is exposed to other price risk, which is the risk that fair value or 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, if the investment in equities and ETFs had increased or decreased by 5%, with all other variable held constant, the net assets attributable to subscribers and beneficiaries would have increased or decreased by approximately $0.7 million ($0.5 million as at April 30, 2016).

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. 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.

As of October 31, 2016	Level 1	Level 2	Level 3	Total
Short-term investment	-	144,941	-	144,941
Government guaranteed instruments	-		-	-
Federal	-	1,124,521	-	1,124,521
Provincial	-	23,603,216	-	23,603,216
Corporate	-	15,608,168	-	15,608,168
Equities & ETFs	13,514,284	-	-	13,514,284
Investments at fair value	13,514,284	40,480,846	-	53,995,130

As of April 30, 2016	Level 1	Level 2	Level 3	Total
Short-term investment	-	154,976	-	154,976
Government guaranteed instruments				
Federal	-	51,190	-	51,190
Provincial	-	15,691,037	-	15,691,037
Corporate	-	13,200,708	-	13,200,708
Equities & ETFs	9,091,888	-	-	9,091,888
Investments at fair value	9,091,888	29,097,911	-	38,189,799

All fair value measurements above are recurring. The carrying values of receivable for investments sold, government grant receivable, interest and dividend receivable, other receivables, payable for investments purchased and accounts payable and other liabilities, principal payable to subscribers 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.

Investments in unconsolidated structured entities

Underlying Fund as at October 31, 2016	Country of establishment and principal place of business	% Ownership in the underlying Fund	Fair value of the Plan's investment in the underlying Fund
BMO S&P 500 Index ETF	Canada	0.06%	1,703,363
BMO S&P 500 Hedged to CAD Index ETF	Canada	0.47%	5,019,294

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	33,931,274	23,605,741
Government grants	23,030,319	17,389,282
Accumulated income		
Education assistance payment account	1,224,163	817,370
Income from government grants	999,756	774,978
Fair value reserve	666,372	26,153
Balance – End of period/year	59,851,884	42,613,524

The changes to subscribers' deposits to the Plan for the six months period and year are as follows:

	October 31, 2016	**April 30, 2016**
Subscribers' deposits	16,387,835	26,594,679
Enrolment fee deducted	(5,604,738)	(11,513,491)
Return of deposits	(457,564)	(378,976)
Net increase in Subscribers' deposits	10,325,533	14,702,212
Balance – Beginning of year	23,605,741	8,903,529
Balance – End of period/year	33,931,274	23,605,741

7. 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, subscriber payouts, EAPs, administration, depository, portfolio management, audit and custodial-related costs for the Plan. In consideration for its administrative services, Knowledge First Financial is entitled to receive from the Plan a management fee calculated as a percentage of the sum of the closing balances of net contributions, grants and income. This fee is intended to cover ongoing costs of supporting the Plan including Plan administration, depository, portfolio management and custodial-related costs for the Plan and audit fees. All such expenses are included in Management fees in the Statements of Comprehensive Income. This fee cannot exceed 1.5% per annum plus applicable sales taxes.

Accounts payable of $969,052 (April 30, 2016 - $187,039) and $24,729 (April 30, 2016 - $2,870) are due to Financial in relation to the above agreement and education assistance payments and enrollment fees, and principal paid by Financial on behalf of the Plan, respectively. Included in other receivables as at October 31, 2016 is $2,374,748 (April 30, 2016 - $990,864) owing from another plan managed by Financial relating to government grants received on behalf of the Plan.

8. Maturities

Plan principal matures and is payable to the subscribers or their designated nominees on July 31 of the year in which students would normally enter the first academic year of post-secondary education.