

Heritage International Scholarship Trust Foundation

Heritage International Scholarship Trust Plan 2009 Annual Report



Working Together For Their Future.

Message to our Subscribers and Beneficiaries



Dear Subscribers and Beneficiaries,

2009 has been another year of solid performance for Heritage International Scholarship Trust Foundation. Over the many years that we have helped thousands of parents, grandparents and other caring family members save for the post-secondary education of the children they love, we have developed prudent and effective strategies to help your money grow, while protecting it from the volatility created by increasingly sophisticated market forces.

Your Heritage International Education Savings Plan is one of the safest investments available worldwide. We have continued our tradition of placing your savings in safe and secure investments earning competitive returns. The value of our customer accounts has always increased year over year, regardless of the stock market's ups and downs. Over the past year we have seen the Heritage International Plan grow to over USD \$96 million in assets under management and have returned a respectable 3 year return of 6.86%, 5 year return of 6.82% and 10 year return of 7.63%.

Our Beneficiary enrollment rose by 5.2% over 2008. This demonstrates our Subscribers' commitment to providing children with the benefits of a post-secondary education. Heritage has always fulfilled its part by ensuring that you'll be financially prepared for when a child sets off for school, anywhere in the world. In the last 20 years, we have returned almost USD \$67 million in Principal and Educational Assistance Payments or "Scholarships" to our Subscribers and Beneficiaries. In 2009 alone, we have paid out over USD \$8.5 million for educational purposes. In this way, we are proud to help contribute to the future of our Beneficiaries.

Over the years, Heritage has established robust governance practices, financial strength, stability, experienced leadership and risk management policies. This together with the commitment of our Subscribers and their confidence in us create a bright future for our Beneficiaries through access to a post-secondary education. Our track record speaks to the advantages our Subscribers realize by entrusting their money to a company that has been securing children's futures since 1988. A child's future will always be one of the smartest investments you can make.

We look forward to continuing to help you prepare for the future success of your children.

Sincerely,

A handwritten signature in black ink that reads "Scott McIndless". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Scott McIndless
Chairman
Heritage International Scholarship Trust Foundation

Heritage International Scholarship Trust Plan: commitment to securing children's futures through post-secondary education.

Heritage has been helping parents, grandparents and caring family members save for the post-secondary education of the children they love for **over two decades**. Back then, the idea of taking an organized approach to saving for a college or university education was a new idea. Scholarship Trusts were the first type of investment savings account to be developed for the specific goal of saving for a post-secondary education. From the start, we've worked to develop and maintain **professional standards**, while making it easier to save and grow your money.

One of the benefits of having focused exclusively on investing for the purpose of funding a post-secondary education is that we have become **industry experts**, with a long-term track record that is hard to beat. Our sole focus is to help you save towards a post-secondary education by offering our **expertise**, a **smart investment strategy** to maximize your returns and a **safe and flexible savings plan** to ensure money will be there when needed.

You might not think that investing in an Education Savings Plan (ESP) is much different from other types of investing. But we've learned that there are important differences that must be recognized and managed to keep your money **safe** and ensure it will be there when it is needed. A prime example is the difference between saving for a post-secondary education and saving for retirement. Most of us will save for retirement for 20 to 40 years. Then, we'll spend the next 10, 20 or 30 years living off that money. If you don't have enough money to retire at 55, you keep working until you do. When investing for post-secondary education, in most cases, you save for 15 to 18 years. That's a relatively short period of time, but even more critical is the fact that the money will be used up in a very short period of time (usually 4 years). This difference in time horizons makes **saving with safety in mind** crucial. That's why it is so important to seek the safety and security of **low-risk government bonds** and **guaranteed securities**. Unlike retirement, postponing an education for more than a year can hurt your child, not only in lost earning potential but also in potential harm to academic performance.



Investing in low-risk securities doesn't mean that the returns in your Heritage ESP are uncompetitive. At Heritage, not only are we experts in saving for safety, we have also developed strategies to ensure **competitive performance**. Perhaps the most obvious proof of this expertise came when the news headlines bemoaned the fate of all those parents whose equity investments had "shrunk" as a result of the global financial crisis. Heritage Subscribers were not, and have never been, part of that group. Throughout our history, the value of our clients' accounts have always increased year over year – a record and tradition we are very proud of.

In the spirit of that tradition, you have our **unwavering commitment** to continuing to help you secure the future of your child through the gift of a post-secondary education.

2009 Financial Highlights

The Heritage International Scholarship Trust Foundation has remained committed to investing our Subscribers' and Beneficiaries' education funds in secure, high-quality, fixed-income investments.

Payments to Subscribers and Beneficiaries (\$ in millions)

Payments including the refund of savings were USD \$8.9 million for the year ended December 31, 2009 – an increase of 2.2% over previous year's payment of USD \$8.7 million.



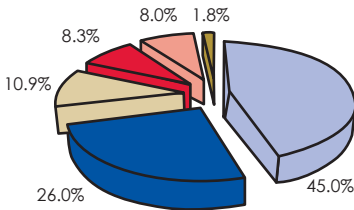
Assets Under Management (\$ in millions)

Assets under management as at December 31, 2009 stood at USD \$96.8 million, an increase of 4% compared to USD \$93.1 million as at December 31, 2008.



Heritage International Scholarship Trust Plan - Asset Weightings

Our investment strategy adopts a diversified investment approach that focuses on US Government, Canadian Government, Corporate Bonds and Short-Term investments. The chart illustrates asset weightings as at December 31, 2009.

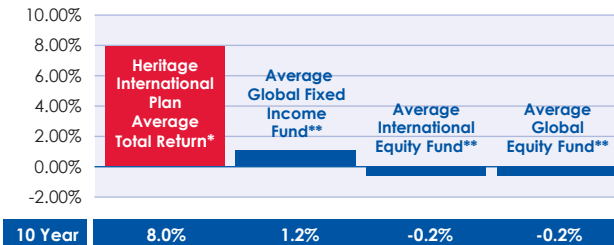


US - Federal	45.0%
US - Corporate	26.0%
Canadian - Federal	10.9%
Canadian - Corporate	8.3%
Canadian - Provincial	8.0%
Short-Term Investments	1.8%

Investment Portfolio Return

Investment	1 Year	3 Year	5 Year	10 Year
Heritage International Plan	2.48%	6.86%	6.82%	7.63%

Average Total Return*



* Based on students who have received their final scholarships, as of September 2009. Past results may not be indicative of future returns. Enhancements are included in this return.

** Source: Morningstar Canada (12.31.09).

US Economic Commentary and Strategy*

Economic Commentary

At the close of 2008, the global economy was mired in what the International Monetary Fund described as the sharpest decline in world's output since the Great Depression. However, with the enactment of the American Recovery and Reinvestment Act and the associated stimulus programs, the U.S. economy was able to grow out of recession in 2009. The outlook for 2010 is positive, although the expectation is that the typical upturn in growth following a deep recession will be hampered as excesses in the U.S. economy are worked through, particularly in the housing sector. Finally, muted U.S. consumer spending due to debt hangover from the residential real estate crash may result in weaker than normal GDP growth, but this will be offset somewhat by improving U.S. exports, aided in part by a weaker greenback. Unprecedented coordinated actions between governments and Central Banks resulted in extremely low interest rates for the entire year. The U.S., Canadian and European Central Banks cut rates aggressively to 1% or below, providing credit markets with liquidity and stability. Additionally, many countries ramped up fiscal spending with stimulus policies and/or provided assistance to corporations in financial trouble.



Market Commentary

Following a rocky start, financial markets staged an impressive recovery in 2009. Long-term assets generated solid returns, with riskier asset classes outperforming their less risky counterparts; equities outperformed bonds, longer term bonds outperformed money market instruments; corporate bonds outperformed sovereign debt. Investors showed an insatiable appetite for credits in 2009, an about-face from shunning them in 2008. This led to a "junk rally" in fixed-income markets where low quality BBB bonds outperformed bonds of financially strong companies. The most dramatic movements came from bonds of companies that were in financial distress earlier in the year. As a result, corporate fixed-income securities were among the highest returning assets over the year. It is believed that the knee-jerk rebound phase of the market bottom has concluded, and that going forward traditional fundamentals and valuations will play a more important role in determining returns.

Fixed-Income Strategy

The conservative style of investing in high quality names and the strategy of significantly underweighting lower quality (low credit rated) names was a drag on performance in 2009. The negative impact was partly offset by our overweight in Yankee (foreign Issued, U.S. dollar pay) government bonds, primarily Canada and its provinces. Curve positioning is a barbell structure with an overweight in the short and long ends, while underweight the middle section of the yield curve. As 2010 is now upon us, the strategy of the portfolio is to focus on enhancing yield by underweighting U.S. Treasuries, while staying focused on quality to preserve capital. We also await signs that the steep yield curve will flatten. Although the catalyst and timing of the flattening is uncertain, the move, we believe, is inevitable.

* Commentary provided by Scotia Asset Management LP. As with all investments, we caution you that past performance is not indicative of future returns. Information is for the period ending December 31, 2009. Allocations and holdings may have changed since then. Scotia Asset Management LP acts as Advisor to the Plan.

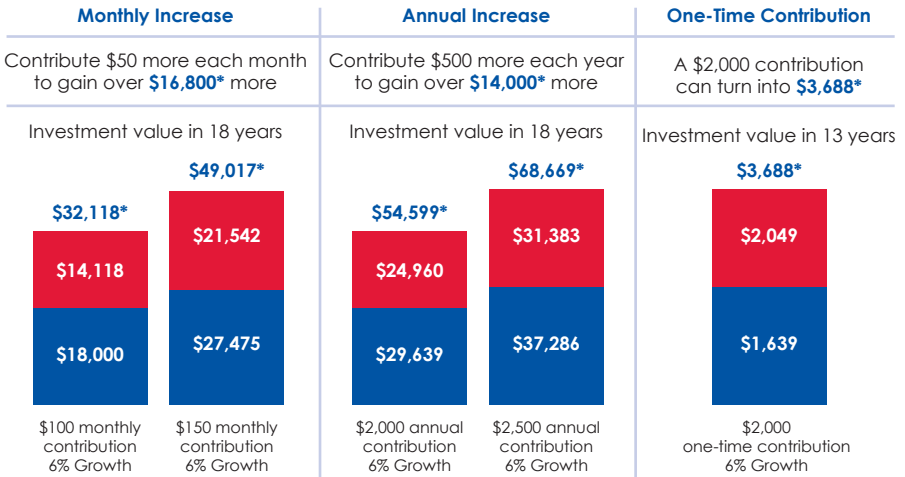
Increase the Value of Your ESP and Give It Every Opportunity to Grow

The rising cost of tuition and accommodation could push post-secondary education out of sight for students in the future, without proper planning in place.

You are already on the right track with a Heritage ESP. Here are some tips that can help you reach your education savings goal quicker:

- Contribute more on a regular basis – you'd be surprised at the difference a small increase in your monthly or annual contribution can make. That's because, those small extra amounts add up and the earnings on them compound.
- Make one-time contributions when you have extra money. Our Single Contribution option allows you to contribute an amount of your choice whenever it is convenient for you.

Examples below show the impact of increasing your contributions



■ Your contributions ■ Earnings on your investment

Harness the power of compound interest and get more value in your ESP by contributing more sooner and you'll be glad you did! Your money and earnings on it will add up sooner than you think, and, as long as you keep up with your savings plan, you'll have the comfort of knowing the money will be there when needed. Heritage will return your net savings to you and your Beneficiary will be entitled to his or her share of the interest pool plus any discretionary enhancements.

If you'd like to increase your contributions, visit www.HeritageESP.com, log in to your secure Subscriber area and submit your request online. Alternatively, you can email us at customer@heritageesp.com or call us at **1.416.502.2500** or contact your Heritage local representative.

* These amounts could be increased by discretionary payments from the Heritage International Scholarship Trust Foundation.

15th Anniversary Celebrations in Jamaica

In 1995, the Heritage International Scholarship Trust Foundation entered the Jamaican marketplace under the leadership of Agency Director, Lyndie Headley. This was a lifelong dream as Lyndie, who joined our marketing company in 1982 in Vancouver, British Columbia, had a strong belief in encouraging parents to save for their children's post-secondary/tertiary education. As the years passed, the desire to introduce Heritage to Jamaican parents grew stronger and stronger, and in 1995, Lyndie encouraged the Heritage Foundation to introduce the Plan to Jamaicans.

Jamaican parents have reacted very favourably to the Heritage Plan and since its inception in Jamaica, the Agency has enrolled almost 8,000 children and has paid in excess of USD \$2 million in Principal and Educational Assistance Payments or "Scholarships" back to Subscribers and Beneficiaries.

"Looking back over the years, I feel a great sense of satisfaction in having achieved my goal of providing education opportunities not just for Canadian children, but also for Jamaican children. Our Jamaican children are highly motivated towards attaining a higher education and I am particularly proud to be playing a part in helping them to achieve their objectives."

Lyndie Headley,
Agency Director, Jamaica



What our Subscribers say...

Helena Ross, a Heritage Subscriber since 2001 shares with us her appreciation for support and service and says:

"I have always believed in the benefits of enrolling a child into a Heritage Plan and over the years became certain that Heritage has the best staff and customer service...."

Thank you Heritage!"

What our Beneficiaries say...

Jessica Schnerch, a Heritage Beneficiary since 1992 says:

"Thanks to Heritage and my grandparents, I am able to pursue my professional dreams and volunteer my time to help great causes. I am pursuing medicine through a Bachelor of Science Major in Biology and I couldn't have done it without my Heritage ESP!"



Thank you Grandma and Grandpa and thank you Heritage!"

Heritage International Scholarship Trust Plan - Fund D

Statements of Net Assets*

	2009	2008
Assets		
Cash	\$ 559,691	\$ 100,376
Accounts receivable from related parties	182,041	3,168,421
Investments, at fair value	72,655,384	68,698,755
Accrued interest	1,405,946	1,265,880
Restricted investments, at fair value	21,979,539	19,848,818
	96,782,601	93,082,250
Liabilities		
Accounts payable	10,500	185,514
Accounts payable to related parties	1,659,121	-
Payable to the Foundation	340,006	324,606
Principal withdrawals on terminations	4,169,512	2,968,248
Accounts payable to the Distributor	312,955	185,046
Subscribers' contributions	62,403,412	59,271,458
Membership fee obligation	3,366,000	4,022,000
	72,261,506	66,956,872
Net assets	\$ 24,521,095	\$ 26,125,378
Net assets represented by:		
Subscribers' accumulated interest	\$ 20,355,340	\$ 19,978,626
Surplus Funds	4,165,755	6,146,752
Enhancement Fund	-	-
	\$ 24,521,095	\$ 26,125,378

Statements of Operations*

	2009	2008
Income:		
Interest and investment	\$ 3,838,120	\$ 3,749,827
Other	420,207	323,227
Realized gains	1,402,513	1,174,423
Unrealized gains (losses)	(3,664,114)	3,253,284
	1,996,726	8,500,761
Expenses:		
Administration fees	856,496	807,506
Portfolio management fees	46,602	41,429
Transaction costs	32,625	37,875
	935,723	886,810
Net investment income	1,061,003	7,613,951
Decrease in Membership fee obligation	656,000	483,000
Increase in net assets from operations	\$ 1,717,003	\$ 8,096,951

Statements of Changes in Net Assets*

	2009	2008
Net assets, beginning of year	\$ 26,125,378	\$ 21,236,370
Decrease in net assets:		
Educational Assistance Payments:		
Group Plan	(2,352,902)	(2,238,805)
Self-Determined Plan	(288,861)	(236,834)
Repayment of Membership fees	(679,523)	(732,304)
	(3,321,286)	(3,207,943)
Increase in net assets from operations	1,717,003	8,096,951
Net assets, end of year	\$ 24,521,095	\$ 26,125,378

* Expressed in U.S. dollars. Years ended December 31, 2009 and 2008.

Investments

The face values, cost/amortized costs and fair values of investments by contractual maturity are as follows:

	2009			2008		
	Face value	Cost/ amortized value	Fair value	Face value	Cost/ amortized value	Fair value
U.S. Government Treasury securities and federally guaranteed bonds:						
Due in one year or less	\$ -	\$ -	\$ -	\$ 2,850,000	\$ 2,840,352	\$ 2,881,635
Due in one to five years	15,200,000	15,255,232	15,304,752	24,200,000	24,506,786	25,832,523
Due after five years	18,750,000	17,162,797	17,436,405	10,200,000	10,567,257	13,270,120
U.S. Corporate Bonds:						
Due between one and five years	12,000,000	12,188,855	12,737,707	2,200,000	2,215,011	2,260,236
Due after five years	5,700,000	6,023,857	6,169,194	5,200,000	5,254,694	5,451,800
Canadian federally and provincially guaranteed bonds:						
Due in one year or less	2,000,000	2,002,010	2,059,600	-	-	-
Due between one and five years	11,200,000	11,408,124	12,028,179	10,000,000	10,261,649	10,902,905
Due after five years	-	-	-	6,000,000	5,960,262	6,478,625
Canadian Corporate Bonds:						
Due between one and five years	4,150,000	4,284,063	4,422,268	1,100,000	1,108,930	1,130,800
Due after five years	1,500,000	1,500,727	1,627,500	-	-	-
Short-Term Investments	870,000	869,969	869,779	470,000	469,859	490,111
Restricted investments	21,150,542	21,628,891	21,979,539	18,967,245	19,388,262	19,848,818
Total	\$92,520,542	\$92,324,525	\$94,634,923	\$81,187,245	\$82,573,062	\$88,547,573

The Statements of Net Assets, Statements of Operations, Statements of Changes in Net Assets and Trust Investments are based on audited Financial Statements and are available upon request. KPMG LLP are the auditors of the Heritage International Scholarship Trust Plan.

Depository Fees

Depository Fees/unit	Lump sum	Annual	Monthly	5 Year Annual	5 Year Monthly	10 Year Monthly
Plan A	\$1.00	\$2.00	\$5.00	\$2.00	\$5.00	N/A
Plan E	\$1.00	\$2.00	\$5.00	\$2.00	\$5.00	\$5.00

Board of Directors and Officers of the Foundation

Directors of the Foundation	Scott McIndless, Onofrio Loduca, Jason Maguire Robert Coleman
Officers of the Foundation	Scott McIndless, Onofrio Loduca, Jason Maguire Robert Coleman, Salman Syed

Remuneration of Directors and Officers of the Foundation

Members of the Board of Directors and Officers of the Foundation receive no remuneration directly or indirectly for services provided. Other than remuneration received by certain Directors and Officers of the Foundation from the Distributor in connection with their provision of services related to the distribution and administration of the Plans, and other than remuneration received by such persons or their associates as shareholders of the parent company of the Distributor, no Director or Officer of the Foundation has any financial interest in any other company connected in any way with a Plan.

Administration of the Plan

Depository Bank of N.T. Butterfield and Son Ltd. 65 Front Street Hamilton HM12, Bermuda	Acts as Depository for all Contracts. Bank of N.T. Butterfield and Son Ltd., receives Contributions made by Subscribers, deducts Membership fees and, if applicable, Insurance Premiums and remits the balance, together with any interest, to the Trustee who deducts Depository Fees and contributes the balance to the account maintained by the Trustee in trust for the Subscriber.
Registrar	The Foundation acts as Registrar for the Plan.
Trustee and Custodian Butterfield Trust (Bermuda) Ltd. 65 Front Street Hamilton HM12, Bermuda	Acts as the Trustee and Custodian and was established in 1858. Has a network of over 600 international correspondent banks, depositories and brokers around the world with over BD \$80 billion in client assets under administration (as at December 31st, 2007). Their Head Office located in Hamilton, Bermuda.
Auditors KPMG LLP Chartered Accountants Bay Adelaide Centre 333 Bay Street, Suite 4600 Toronto, Ontario, M5H 2S5	Are the Auditors of the Plan.
Portfolio Advisor Scotia Asset Management LP P.O. Box 85 One Queen Street East, Suite 1200 Toronto, Ontario, M5C 2W5	Is the Portfolio Advisor for the Foundation assisting the Foundation in investing principal and investment income earned thereon, and is a member of the Bank of Nova Scotia (Scotia Bank) Group of Companies.
Distributor Heritage Education Funds International, LLC 2005 Sheppard Avenue East, Suite 700 Toronto, Ontario, Canada M2J 5B4	Is the Distributor of the Plan.

Advisory Board Members

The Heritage International Advisory Board is a successful syndication of individuals with various backgrounds and who have extensive experience in business, science, arts and community involvement. They provide insight and information to the Board of Directors on challenges and opportunities as well as an unbiased view of educational finance to those in their community on the benefits of the Heritage International Scholarship Trust Plan.

The Advisory Board Members are:

Jamaica

- Robert Gregory, BSc, MA
- Rex H. James, BSc., ACIB
- Geoffrey Messado, FCA, FCCA, ATII
- Dr. Evan Nepaul, MMBS, FACOG, MRCOG, DGO, DM (OBS/GYNAE)
- Beverly Ulett
- Dr. Rueleo R. Wilson, DDS, BSc.
- Prof. The Hon. Hugh H. Wynter, OJ, CD, JP, MD, FRCOG, FACOG

Bermuda

- Clevelyn A. J. Crichlow, BA, MBA
- The Hon. David Dodwell, JP, BSc
- Mildred Hunt, BSc, MA(Ed)
- W. Wayne Jackson, JP, BA
- Bishop Vernon G. Lambe, Sr., DD, JP, MBE
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- Dr. Charlotte S. Ming, BSc, MEd, PhD
- Kristy Simons, B.Comm, CPA, CA
- Calvin J.M. Smith, BA, MSc
- Michele Smith, B.A.A.I.D.

Bahamas

- William McP. Christie, Attorney-at-Law
- Perry Cunningham, BSc, MSc
- Craig Gomez, BSc, CA, CPA
- Ida Portier-Turnquest
- Warren Rolle, FCCA
- Dr. L. Barry Russell, BSc, DDS

British Virgin Islands

- Dr. Kedrick Pickering, DM (OBS/GYNAE)
- Mr. Lewis Hunte, QC
- Mrs. Janice Skelton, MBA



Your Privacy Matters To Us

We are committed to meeting and exceeding your needs as it relates to respecting your privacy and the security of the personal information that we have about you. We are also determined to provide you with innovative ways that can help you achieve other benefits for you and your family. If you prefer not to be contacted about these opportunities from us or our partners, please let us know by calling our Customer Service Department at 1.416.502.2500.



Working Together For Their Future.

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