Bright Plan

Semi-Annual Financial Statements

Unaudited

April 30, 2019

Contents

Unaudited semi-annual financial statements

The accompanying semi-annual financial statements have not been reviewed by the external auditors of the Plan in accordance with assurance standards applicable to a review of interim financial statements.

Statement of Financial Position

As at April 30, 2019 and October 31, 2018 (in thousands of Canadian dollars)

	Apr 30, 2019	Oct 31, 2018
		(Audited)
Assets		
Cash and cash equivalents	**$ 9**	$ –
Investments, at fair value *(Schedule I)*	**441**	351
Accrued income and other receivables	**4**	–
	454	351
Liabilities		
Accounts payable and accrued liabilities	**1**	–
	1	–
Net Assets Attributable to Subscribers and Beneficiaries	**453**	351
Represented by:		
Subscribers' deposits *(Note 6)*	**56**	8
Government grants	**22**	2
Accumulated gains (loss)	**25**	(9)
Unallocated reserve *(Note 3 (b))*	**350**	350
	$453	$351

Approved on behalf of the Board of Canadian Scholarship Trust Foundation.

Douglas P. McPhie, FCPA, FCA, CPA (Illinois)
Director

Sherry J. MacDonald, CPA, CA
Director

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

Statement of Comprehensive Income

For the six months ended April 30, 2019 (in thousands of Canadian dollars)

	2019
Income	
Change in unrealized gains	$ 32
Distribution from investment funds	5
	37
Expenses	
Management fees *(Note 3(a))*	3
Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries	$ 34

Statement of Changes in Net Assets Attributable to Subscribers and Beneficiaries

For the six months ended April 30, 2019 (in thousands of Canadian dollars)

	2019
Net Assets Attributable to Subscribers and Beneficiaries, Beginning of Period	$351
Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries	34
Receipts	
Net increase in Subscribers' deposits *(Note 6)*	48
Government grants received (net of repayments)	20
Total Receipts	68
Change in Net Assets Attributable to Subscribers and Beneficiaries	102
Net Assets Attributable to Subscribers and Beneficiaries, End of Period	$453

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

Statement of Cash Flows

For the six months ended April 30, 2019 (in thousands of Canadian dollars)

	2019
Operating Activities	
Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries	$ 34
Net disbursments for investment transactions	(58)
Items not affecting cash	
Change in unrealized gains	(32)
Change in non-cash operating working capital	
Increase in Accrued income and other receivables	(4)
Increase in Accounts payable and accrued liabilities	1
Cash flow used in Operating Activities	(59)
Financing Activities	
Government grants received (net of repayments)	20
Net increase in Subscribers' deposits *(Note 6)*	48
Cash flow from Financing Activities	68
Net increase in Cash and cash equivalents	9
Cash and cash equivalents, Beginning of Period	
Cash	–
Cash equivalents	–
	–
Cash and cash equivalents, End of Period	
Cash	9
Cash equivalents	–
	$ 9
Supplemental cash flow information:	
Withholding Taxes	$ –
Interest Income Received	–

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

Schedule I – Statement of Investment Portfolio

As at April 30, 2019 (in thousands of Canadian dollars)

Security	Number of Securities	Fair Value ($)	Average Cost ($)
Exchange-traded Funds – 100.0%			
iShares Canadian Real Return Bond Index ETF	751	19	18
iShares Canadian Short Term Bond Index ETF	863	24	24
iShares Canadian Universe Bond Index ETF	1,819	57	56
iShares Core Canadian Long Term Bond Index ETF	1,966	48	47
iShares Core MSCI EAFE IMI Index ETF	2,240	70	68
iShares Core MSCI Emerging Markets IMI Index ETF	896	24	24
iShares Core S&P 500 Index ETF	2,219	109	98
iShares Core S&P/TSX Capped Composite Index ETF	1,522	40	38
iShares Global Real Estate Index ETF	845	26	24
iShares Premium Money Market ETF	474	24	24
		441	421

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

Notes to the Financial Statements

April 30, 2019 (Unaudited, in thousands of Canadian dollars)

Note 1. Nature of Operations

Bright Plan (the "Plan") is a scholarship plan formed on May 23, 2018. The Plan assists parents and others to save for post-secondary education of children. The Plan is managed and distributed by C.S.T. Spark Inc., a wholly-owned subsidiary of the Canadian Scholarship Trust Foundation (the "Foundation'). The Plan's registered place of business is 1600-2235 Sheppard Avenue East, Toronto, Ontario, Canada.

Subscribers enter into an education savings plan agreement with the Foundation (the "Agreement") and make contributions on behalf of one or more beneficiaries. Agreements are registered as Registered Education Savings Plans under the *Income Tax Act* (Canada). The Plan collects government grants offered by the federal and provincial governments ("Government Grants") on behalf of subscribers and invests these funds along with contributions in accordance with the Plan's investment policies. Contributions accumulated over the term of the Agreement are returned in whole or in part at any time at the request of the subscriber, subject to fluctuations in market value. Education assistance payments ("EAPs") are paid to qualified beneficiaries and comprise government grants and investment income earned on contributions and government grants.

Note 2. Significant Accounting Policies

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These interim financial statements were prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

These financial statements were approved by the Board of Directors of the Foundation on June 6, 2019.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for financial instruments classified as "at fair value through profit or loss" ("FVTPL"), which are measured at fair value.

(c) Financial Instruments

The Plan recognizes financial assets and financial liabilities when it becomes a party to a contract. Financial assets and financial liabilities, with the exception of those classified as FVTPL, are measured at fair value plus transaction costs on initial recognition. Financial assets and financial liabilities classified as FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred. Investments, at fair value have been classified as FVTPL.

Measurement in subsequent periods depends on the classification of the financial instrument. The financial assets and financial liabilities of the Plan are classified as follows:

Financial asset or financial liability	Classification
Investments, at fair value	FVTPL[i]
Cash and cash equivalents	Amortized cost[ii]
Accrued income and other receivables	Amortized cost[ii]
Receivables for securities sold	Amortized cost[ii]
Accounts payable and accrued liabilities	Amortized cost[iii]
Payables for securities purchased	Amortized cost[iii]

[i] Financial assets are classified as FVTPL when acquired principally for the purpose of trading. Financial assets classified as FVTPL are measured at fair value, with changes in unrealized gains and losses recognized on the Statement of Comprehensive Income.

[ii] Financial assets classified as Amortized Cost are non-derivative financial assets that are held to collect contractual cash flows and are not quoted in an active market. Subsequent to initial recognition, these financial assets are carried at amortized cost using the effective interest method. They are considered for impairment when there is objective evidence of impairment or when their expected credit loss increases.

[iii] Financial liabilities classified as Amortized Cost are liabilities that are not derivative liabilities or classified as FVTPL. Subsequent to initial recognition, financial liabilities are carried at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial instrument and allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all transaction costs and other premiums or discounts) through the expected life of the financial instrument to the net carrying amount on initial recognition.

(d) Investment valuation

Investments, at fair value are comprised of Exchange-traded funds ("ETF"). ETFs are publicly traded in an active market and are measured using closing prices at the reporting date.

Note 7 provides further guidance on fair value measurements.

(e) Investment transactions and income recognition

Investment transactions are accounted for on a trade-date basis. Interest is accounted for on an accrual basis. Dividends and distributions are accrued as of the ex-dividend date and ex-distribution date, respectively. Realized gains (losses) on the sale of investments and change in unrealized gains (losses) are calculated with reference to the average cost of the related investments and are recognized in the period that such gains (losses) occur.

(f) Subscribers' deposits

Subscribers' deposits reflect amounts received from subscribers and do not include future amounts receivable on outstanding Agreements.

(g) Income taxes

The Plan is exempt from income taxes under Section 146.1 of the *Income Tax Act* (Canada).

Notes to the Financial Statements (continued)

April 30, 2019 (Unaudited, in thousands of Canadian dollars)

Note 2. Significant Accounting Policies (continued)

(h) Cash and cash equivalents

Cash and cash equivalents include deposit balances with banks and securities with a purchase date to maturity of 90 days or less and includes term deposits, treasury bills and bankers' acceptances.

(i) Foreign currency

The functional and presentation currency of the Plan is the Canadian Dollar.

To the extent applicable in any period, foreign currency purchases and sales of investments and foreign currency dividend and interest income are translated into Canadian dollars at the rate of exchange prevailing at the time of the transactions. Realized and unrealized foreign currency gains or losses on investments are included in the Statement of Comprehensive Income in Realized gains (losses) on sale of investments and Change in unrealized gains (losses), respectively.

(j) Critical accounting estimates and judgments

When preparing the financial statements, management makes estimates and judgments that affect the reported amounts recognized and disclosed in the financial statements. These estimates and judgments have a direct effect on the measurement of transactions and balances recognized in the financial statements. By their nature, these estimates and judgments are subject to measurement uncertainty and actual results could differ.

Note 3. Related Party Transactions

Related party transactions are measured at the exchange amount, which is the amount agreed between the parties.

(a) Distribution and Management of the Plan

The Foundation, as the Plan sponsor, has appointed C.S.T. Spark Inc., as the Scholarship Plan Dealer and Investment Fund Manager to distribute and manage the Plan. The distribution and license agreement is renewable annually on May 24. Annual management fees are paid to the Foundation at 1.5% of the total amount of principal, Government Grants and income earned thereon. The Foundation waives a portion of its management fee to absorb fees charged by ETFs. C.S.T. Spark Inc. has retained C.S.T. Consultants Inc. (CSTC), to provide investment management, accounting and administration services.

During the six months ended April 30, 2019, $3 was recognized as an expense for Management fees. Management fees included in Accounts payable and accrued liabilities at April 30, 2019 was $1 (October 31, 2018 – $nil).

(b) Unallocated reserve

The unallocated reserve represents cash received by the Plan from the Foundation to constitute and settle the Plan as a trust for the benefit of subscribers and beneficiaries.

Note 4. Capital Risk Management

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

Note 5. Risks Associated with Financial Instruments

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

The Plan's risk management process includes monitoring compliance with the Plan's investment guidelines. The Plan manages the effects of these financial risks to the Plan portfolio performance by retaining and overseeing an external investment manager. The investment manager regularly monitors the Plan's permitted investments, rebalances, and manages the investment portfolio according to the investment policy and mandate.

(a) Market risk

i. Interest rate risk

Interest rate risk is the risk of a change in the fair value or cash flows of the Plan's investments in interest-bearing financial instruments as a result of fluctuations in market interest rates. There is an inverse relationship between changes in interest rates and changes in the fair value of interest bearing securities. As at April 30, 2019, the Plan is exposed to indirect interest rate risk to the extent that the underlying ETFs are invested in interest bearing financial securities.

ii. Other price risk

Other price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices, other than those arising from interest rate risk. Factors specific to an individual investment, its issuer or other factors affecting all instruments traded in a market or market segment affect other price risk. The Plan has a significant indirect exposure to other price risk arising from its investment in the underlying ETFs which invest in equity securities.

Due to the fact the Plan has been in existence for less than twelve months, the impact on the Plan's net assets using the historical correlation between the Plan's return and a broad-based index is not disclosed because there is insufficient data and any resulting calculation could be materially misleading.

Notes to the Financial Statements (continued)

April 30, 2019 (Unaudited, in thousands of Canadian dollars)

Note 5. Risks Associated with Financial Instruments (continued)

(b) Credit risk

Credit risk refers to the ability of the issuer of debt securities to make interest payments and repay principal. As at April 30, 2019, the Plan is exposed to indirect credit risk to the extent that the underlying ETFs are invested in debt instruments and preferred securities.

(c) Liquidity risk

Liquidity risk is the risk that the Plan may not be able to meet its financial obligations as they come due. The Plan's exposure to liquidity risk is concentrated in principal repayments to subscribers and EAPs to beneficiaries. The Plan primarily invests in securities that are traded in active markets and can be readily sold. The Plan retains sufficient cash and cash equivalent positions to meet liquidity requirements by utilizing cash forecasting models that reflect the distribution of subscribers' deposits and accumulated income. All other financial liabilities are short term and due within one year.

(d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As at April 30, 2019, the Plan is exposed to indirect currency risk to the extent that the underlying ETFs are invested in financial instruments that were denominated in a currency other than the functional currency of the Plan.

Note 6. Subscribers' Deposits

The changes in Subscribers' deposits for the six months ended April 30, 2019 are as follows:

	Apr 30, 2019
Payments from subscribers	$48
Return of principal	–
Net increase in Subscribers' deposits	48
Balance, Beginning of Period	**8**
Balance, End of Period	**$56**

Note 7. Fair Value Measurements and Disclosure

Estimates of fair value used for measurement and disclosure are designed to approximate amounts that would be received to sell an asset, or paid to discharge a liability, in an orderly transaction between market participants.

The carrying values of other financial instruments such as Cash and cash equivalents and Accounts payable and accrued liabilities approximate their fair values as these financial instruments are short term in nature.

The following table presents the level, in the fair value hierarchy, into which the Plan's financial instruments are categorized:

i. Level 1 financial instruments are valued using quoted market prices.
ii. Level 2 financial instruments are valued using directly or indirectly observable inputs.
iii. Level 3 financial instruments are valued using unobservable inputs (including the use of assumptions based on the best information available).

Assets Measured at Fair Value as of April 30, 2019

	Level 1	Level 2	Level 3	Total
Exchange-traded funds	$ 441	$ –	$ –	**$441**
Total Investments, at fair value	**$441**	**$ –**	**$ –**	**$441**

Assets Measured at Fair Value as of October 31, 2018

	Level 1	Level 2	Level 3	Total
Exchange-traded funds	$ 351	$ –	$ –	**$351**
Total Investments, at fair value	**$351**	**$ –**	**$ –**	**$351**

For the six-month period ended April 30, 2019 and year ended October 31, 2018, there were no transfers among the levels.

Bright Plan

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For updates on your Plan account, login to Online Services at www.cstspark.ca