CST Bright Plan

Audited Financial Statements and

Management Report of Fund Performance

October 31, 2019 and 2018

Contents

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain portions of the Management Report of Fund Performance, including but not limited to, "Results of Operations" and "Recent Developments", may contain forward-looking statements about the Plan, including its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" and similar forward-looking expressions or negative versions thereof.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Plan action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Plan and economic factors. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date.

Forward-looking statements are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any forward-looking statements made by the Plan. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

It should be stressed that the above-mentioned list of important factors is not exhaustive. You are encouraged to consider these and other factors carefully before making any investment decisions and you are urged to avoid placing undue reliance on forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

Management Report of Fund Performance

Introduction

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statement of CST Bright Plan ("the Plan"). A copy of the annual financial statement can be obtained on request, and at no cost, by visiting our website at www.cstspark.ca, SEDAR at www.sedar.com, by calling our customer service team at 1-800-461-7100 or by writing to us by mail at 2235 Sheppard Avenue East, Suite 1600, Toronto, Ontario M2J 5B8.

The Canadian Scholarship Trust Foundation (the "Foundation"), as the Plan sponsor, and C.S.T. Spark Inc., as the Investment Fund Manager, view corporate governance and compliance as critical to overall corporate performance and long-term investment returns, and as such we review and support the proxy voting guidelines established by our investment managers. Each investment manager's proxy voting policy is available on request through our customer service area or by contacting us at info@cstspark.ca.

This management discussion of fund performance presents the portfolio management team's view on the significant factors and developments during the year ended October 31, 2019, that have affected the Plan's performance and outlook.

Investment Objective and Strategy

The Plan's fundamental investment objective is to invest subscribers' contributions in a way to preserve capital while delivering a reasonable positive return on investments over a long-term investment horizon within prudent risk tolerances.

The Plan invests contributions, government grants and earnings, according to a proprietary glide path investment approach that seeks to match asset classes and investment mix with the expected length of time a beneficiary has before attending post-secondary education. Assets are managed with an investment mix that has an emphasis on equity investing in the early years, transitioning to a more conservative investment mix over time, with an emphasis on fixed income securities.

The Plan's assets are passively managed by BlackRock Asset Management Canada Limited ("BlackRock") according to a pre-defined glide path mandate using exchange-traded funds ("ETFs").

Risk

The risks associated with investing in the Plan remain as described in the prospectus. There were no material changes to the Plan during the reporting period that affected the overall level of risk associated with an investment in the Plan.

Results of Operation

Plan Performance

The Plan's 2019 rate of return, net of fees, was 10.4% compared to the investment policy benchmark (the "Benchmark") return of 11.9%. As compared the following Broad-based indices, the FTSE Canada Universe Bond Index generated a return of 10.2%, and the MSCI All Country World Index gained 12.7% over the same time period. The Plan's return is after the deduction of fees and expenses of 1.5% plus tax, while the Benchmark and Broad-based Indices returns do not include any costs of investing, such as fees, expenses and commissions.

The Plan's rate of return, before fees and expenses, outperformed the Benchmark rate over the one-year period. The Plan's allocation to both equities and fixed income outperformed relative to their underlying components outlined within the investment policy benchmark.

Economic Review

According to the October 2019 World Economic Outlook, global growth stabilized in the first half of 2019 after sharply declining throughout 2018. Rising trade and geopolitical tensions continued to build throughout the year, negatively impacting business confidence, capital investment decisions, and global trade. As global expansion weakened, core inflation slid further below target across both advanced and developing economies.

The U.S. economy shifted to a somewhat slower pace of expansion as the boost from tax cuts obtained in early 2018 faded. Although business investment remained sluggish, employment and consumption remained resilient. After several increases in 2018, the U.S. Federal Reserve Board lowered interest rates three times throughout the 2019 period in response to slowing economic indicators. Core inflation moved slightly higher than the Federal Open Market Committee's longer-run objective of two percent, boosted in part by a sizable increase in energy prices.

The Canadian economy grew at a moderate pace over the year, supported by a healthy labour market and improved activity in housing. However, global trade conflicts and related uncertainty dampened business investment and export activities, and investment in the energy sector continued to decline. The Bank of Canada maintained the overnight rate at 1.75% throughout the year, standing out as one of the only economies to hold interest rates at current levels. Consumer price index inflation was in line with the 2 percent target and is expected to maintain those levels going into 2020.

Canadian fixed income returns were amongst the top performing asset classes as yields fell which pushed the benchmark FTSE Canada Universe Bond Index to an annual return of 10.2%. Longer dated maturities benefited as the FTSE Canada Long Term Bond Index gained 18.0% over the same period. Canadian corporate bonds and shorter maturity fixed income issues also experienced strong returns with gains of 9.6% for the FTSE Corporate Bond Index and 4.7% for the FTSE Canadian Short-Term Bond Index.

Despite slowing throughout the latter half of the fiscal year, equity markets largely experienced strong returns over the 2019 fiscal period, more than overcoming losses incurred in late 2018. North American equities posted double digit annual returns with the U.S. S&P 500 gaining 14.3% while the Canadian S&P/TSX Capped Composite increased by 13.3%. In both cases, almost all underlying sectors, with the exception of Energy, were positive contributors. Developed International equity markets also generated strong returns as reflected by the MSCI EAFE Index gaining 11.2%. Despite being in negative territory for the second half of the fiscal year, the MSCI Emerging Markets Index was up 11.9% over 2019.

Financial and Operating Highlights

The following table is intended to help you understand the key financial results for the past two years ending October 31 for the Plan. The information presented below represents key financial information for the year ended October 31, 2019 and the period from May 23, 2018 to October 31, 2018. This information is derived from the Plan's audited annual financial statements.

($ thousands)	**2019**	2018
Statements of Financial Position		
Total Assets	**$683**	$ 351
Net Assets	**682**	351
Statements of Comprehensive Income		
Net Investment Income (Loss)	**$ 44**	$ (9)
Statements of Changes in Net Assets		
Education Assistance Payments	**$ –**	$ –
Government Grants Received (net of repayments)	**104**	2
Government Grant payments to Beneficiaries	**(1)**	–
Other		
Total number of Agreements	**170**	20

Management Fees

A management fee of $6 (2018 – $2) was paid to the Foundation. This fee is for operating, managing, distributing and administering the Plan including portfolio management, trustee, record-keeping, valuation, distribution and custody services. Annual management fees are paid to the Foundation at 1.5% plus tax, 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.

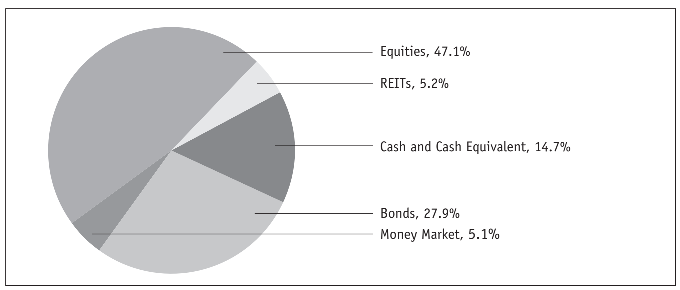
The Foundation has delegated certain management, administrative and distribution functions to its wholly-owned subsidiary, C.S.T. Spark Inc., which is registered as the Plan's Investment Fund Manager in Ontario, Quebec, Newfoundland and Labrador, and Scholarship Plan Dealer under securities legislation of each of the provinces and territories of Canada in which it operates to sell scholarship plans. C.S.T. Spark Inc. is the exclusive distributor of the Plan.

In exchange for its services, C.S.T. Spark Inc. receives an amount equal to the costs incurred plus a percentage of such costs from the Foundation. The management services agreement is renewable on an annual basis. C.S.T. Spark Inc. has retained C.S.T. Consultants Inc., to provide investment management, accounting and administration services.

Summary of Plan Investment Portfolio

The following chart illustrates the Plan's Total Portfolio Assets by investment categories.

Asset Mix as at October 31, 2019



The following table details the top 25 long positions in the Total Portfolio Assets of the Plan.

Issuer	Fair Value ($ 000's)	% of Plan Porfolio Assets
iShares Core S&P/TSX Capped Composite Index ETF	51	7.8%
iShares Core Canadian Long Term Bond Index ETF	56	8.6%
iShares Canadian Universe Bond Index ETF	76	11.7%
iShares Canadian Short Term Bond Index ETF	28	4.3%
iShares Canadian Real Return Bond Index ETF	22	3.4%
iShares Global Real Estate Index ETF	34	5.2%
iShares Premium Money Market ETF	31	4.8%
iShares Core S&P 500 Index ETF	142	21.8%
iShares Core MSCI EAFE IMI Index ETF	82	12.6%
iShares Core MSCI Emerging Markets IMI Index ETF	33	5.1%
Top 25 long positions as a percentage of Total Portfolio Asset of the Plan		**85.3%**

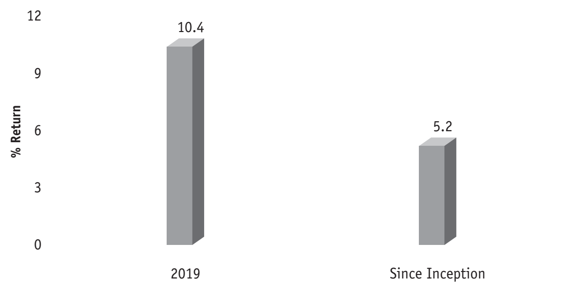
Note: The Plan held fewer than 25 individual holdings.

Past Performance

The returns presented in the following chart and the annual compound returns table are based on the investment performance of the Plan's Total Portfolio Assets only and do not reflect the investment performance of each separate glide path beneficiary age group. Investment returns have been calculated using market values and time-weighted cash flows during the periods. Management fees incurred by the Plan have been deducted and only net returns are displayed in each period. Past returns of the Plan do not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart illustrates the annual performance of the Plan's Total Portfolio assets for 2019, which is its first full year of operations, and since inception. The chart illustrates, in percentage terms, how much an investment made on the first day of the fiscal year would have increased or decreased by the last day of that year:



Annual Compound Returns

The Plan's investment benchmark is defined as 40% FTSE Canada Universe Bond Index + 60% MSCI All Country World Index.

The FTSE Canada Universe Bond Index is a broad measure of the Canadian investment-grade fixed income market and includes government and corporate bonds with maturities greater than one year.

The MSCI All Country World Index is a market capitalization weighted index designed to provide a broad measure of equity-market performance throughout the world and is comprised of stocks from both developed countries and emerging markets.

The following table illustrates the annual compound returns of the Plan's Total Portfolio Assets, for the periods shown, ending on October 31, 2019.

	Period	
	1 Yr	Since Inception**
Net Plan Return*	**10.4**	**5.2**
Benchmark	**11.9**	**6.6**
FTSE Canada Universe Bond Index	**10.2**	**6.3**
MSCI All Country World Index	**12.7**	**6.6**

* The Plan's returns are after the deduction of fees and expenses, while the Benchmark's and Broad-based Index returns do not include any costs of investing such as fees, expenses and commissions. The Plan's annual fees and expenses were 1.5% for all periods.

** Since Inception returns calculated based on June 1, 2018 through October 31, 2019 annualized performance.

For commentary on the market and/or information regarding the relative performance of the Plan compared to its Broad-based Index and Benchmark, see the Results of Operations section of this report.

Management's Responsibility for Financial Reporting

The accompanying financial statements of CST Bright Plan (the "Plan") are prepared by management and are approved by the Board of Directors (the "Board") of Canadian Scholarship Trust Foundation (the "Foundation"). Management is responsible for the information and representations contained in these financial statements. The Board is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities.

The Foundation, through C.S.T. Spark Inc., a wholly-owned subsidiary which administers the Plan, maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies, which management believes are appropriate for the Plan, are described in Note 2 to the financial statements.

Deloitte LLP is the external auditor of the Plan. It has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable it to express to the Board and Members of the Foundation its opinion on the financial statements. Its report is set out below.

Sherry J. MacDonald, CPA, CA	**Christopher Ferris, CPA, CGA, CFA**
President and Chief Executive Officer	Chief Financial Officer

Toronto, Ontario
December 17, 2019

Independent Auditor's Report

To the Board of Directors and Members of the Canadian Scholarship Trust Foundation

Opinion

We have audited the financial statements of CST Bright Plan (the "Plan"), which comprise the statements of financial position as October 31, 2019 and 2018, and the statements of comprehensive income, changes in net assets attributable to subscribers and beneficiaries, and cash flows for the periods then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at October 31, 2019 and 2018, and its financial performance and its cash flows for the periods then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
December 17, 2019

Statement of Financial Position

As at October 31, 2019 and 2018

(in thousands of Canadian dollars)

	2019	2018
Assets		
Cash and cash equivalents	**$ 96**	$ –
Investments, at fair value *(Schedule I)*	**555**	351
Accrued income and other receivables	**16**	–
Government grants receivable	**16**	–
	683	351
Liabilities		
Accounts payable and accrued liabilities	**1**	–
	1	–
Net Assets Attributable to Subscribers and Beneficiaries	**682**	351
Represented by:		
Subscribers' deposits *(Schedule II)*	**192**	8
Government grants	**106**	2
Accumulated Income Held for future education assistance payments	**34**	(9)
Unallocated reserve *(Note 3 (b))*	**350**	350
	$682	$351

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

Douglas P. McPhie, FCPA, FCA
Director

Sherry J. MacDonald, CPA, CA
Director

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

Statement of Comprehensive Income

For the year ended October 31, 2019 and period from May 23, 2018 to October 31, 2018

(in thousands of Canadian dollars)

	2019	2018
Income		
Realized gains on sale of investments	**$ 2**	$ –
Change in unrealized gains (losses)	**38**	(11)
Distribution from investment funds	**10**	4
	50	(7)
Expenses		
Management fees *(Note 3(a))*	**6**	2
Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries	**$44**	$ (9)

Statement of Changes in Net Assets Attributable to Subscribers and Beneficiaries

For the year ended October 31, 2019 and period from May 23, 2018 to October 31, 2018

(in thousands of Canadian dollars)

	2019	2018
Net Assets Attributable to Subscribers and Beneficiaries, Beginning of Period	**$351**	$ –
Increase (decrease) in Net Assets from Operations Attributable to Subscribers and Beneficiaries	**44**	(9)
Receipts		
Net increase in Subscribers' deposits *(Schedule II)*	**184**	8
Government grants received (net of repayments)	**104**	2
Unallocated reserve *(Note 3 (b))*	**–**	350
Disbursements		
Payments to beneficiaries	**(1)**	–
Receipts less Disbursements	**287**	360
Change in Net Assets Attributable to Subscribers and Beneficiaries	**331**	351
Net Assets Attributable to Subscribers and Beneficiaries, End of Period	**$682**	$351

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

Statement of Cash Flows

For the year ended October 31, 2019 and period from May 23, 2018 to October 31, 2018

(in thousands of Canadian dollars)

	2019	2018
Operating Activities		
Increase (decrease) in Net Assets from Operations Attributable to Subscribers and Beneficiaries	**$ 44**	$ (9)
Net purchase of investments	**(164)**	(362)
Items not affecting cash		
Realized gains on sale of investments	**(2)**	–
Change in unrealized gain (loss)	**(38)**	11
Change in non-cash working capital		
Increase in Accrued income and other receivables	**(16)**	–
Increase in Government grants receivable	**(16)**	–
Increase in Accounts payable and accrued liabilities	**1**	–
Cash flow used in Operating Activities	**(191)**	(360)
Financing Activities		
Unallocated reserve *(Note 3 (b))*	**–**	350
Government grants received (net of repayments)	**104**	2
Net increase in Subscribers' deposits *(Schedule II)*	**184**	8
Payments to beneficiaries	**(1)**	–
Cash flow from Financing Activities	**287**	360
Net increase in Cash and cash equivalents	**96**	–
Cash and cash equivalents, Beginning of Period		
Cash	**–**	–
Cash equivalents	**–**	–
	–	–
Cash and cash equivalents, End of Period		
Cash	**96**	–
Cash equivalents	**–**	–
	$ 96	$ –
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 October 31, 2019

(in thousands of Canadian dollars)

Security	Number of Securities	Fair Value ($)	Average Cost ($)
Exchange-traded Funds – 85.3%			
iShares Core S&P/TSX Capped Composite Index ETF	1,902	51	49
iShares Core Canadian Long Term Bond Index ETF	1,912	56	52
iShares Canadian Universe Bond Index ETF	2,210	76	74
iShares Canadian Short Term Bond Index ETF	1,016	28	28
iShares Canadian Real Return Bond Index ETF	803	22	22
iShares Global Real Estate Index ETF	1,047	34	30
iShares Premium Money Market ETF	622	31	31
iShares Core S&P 500 Index ETF	2,833	142	128
iShares Core MSCI EAFE IMI Index ETF	2,650	82	80
iShares Core MSCI Emerging Markets IMI Index ETF	1,249	33	34
Total ETFs – 85.3%		**555**	**528**
Total Investments – 85.3%		**555**	**528**
Cash and cash equivalents – 14.7%		**96**	**96**
Total Portfolio Assets – 100.0%		**651**	**624**
Total Investment Fund		**651**	**624**
Represented by:			
Cash and cash equivalents		96	
Investments, at fair value		555	
		651	

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

Schedule II – Subscribers' Deposits, Grants and Accumulated Loss

As at October 31, 2019

(in thousands of Canadian dollars)

The following table provides a summary of CST Bright Plan agreements, Subscribers' Deposits, Grants and Accumulated Loss:

Opening Agreements	Inflow Agreements	Outflow Agreements	Closing Agreements	Subscribers' Deposits	Government Grants	Accumulated Loss
20	151	1	170	$192	$106	$35

The changes in Subscribers' deposits are as follows:

	2019	2018[1]
Net payments from subscribers	**$191**	$8
Inter-Plan principal transfers	**–**	–
Return of principal	**(7)**	–
Net increase in Subscribers' Deposits	**184**	8
Balance, Beginning of Period	**8**	–
Balance, End of Period	**$192**	$8

1. Amounts are for the period from May 23, 2018 to October 31, 2018.

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

Notes to the Financial Statements

October 31, 2019 and 2018

(in thousands of Canadian dollars)

Note 1. Nature of Operations

CST Bright Plan (the "Plan") is a scholarship plan formed on May 23, 2018. The objective of the Plan is to assist parents and others to save for the 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 financial statements were approved by the Board of Directors of the Foundation on December 17, 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 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 6 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)

October 31, 2019 and 2018

(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 manage and distribute 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 year ended October 31, 2019, $6 was recognized as an expense for Management fees (2018 – 2). Management fees included in Accounts payable and accrued liabilities at October 31, 2019 was $1 (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 October 31, 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.

As at October 31, 2019, if equity and underlying indices prices had increased or decreased by 1%, with all other variables held constant, the fair value of the Total Investment Fund as per Schedule I – Statement of Investment Portfolio would have increased or decreased by approximately $6. In practice, actual results may differ materially.

Notes to the Financial Statements (continued)

October 31, 2019 and 2018

(in thousands of Canadian dollars)

Note 5. Risks Associated with Financial Instruments (continued)

(a) Market risk (continued)

ii. Other price risk (continued)

Due to the fact the Plan was formed on May 23, 2018, 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 for comparative year because there is insufficient data and any resulting calculation could be materially misleading.

(b) Credit risk

Credit risk refers to the ability of the issuer of debt securities to make interest payments and repay principal. As at October 31, 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 October 31, 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. The Plan holds ETFs with exposure to foreign markets which represent 57% of the Total Investment Fund. The fair value of the Total Investment Fund would increase or decrease by approximately $4 in response to a 1% depreciation or appreciation of the Canadian dollar currency exchange rate. In practice the actual change may differ materially.

Note 6. 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, Accrued income and other receivables, Government grants receivable 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 October 31, 2019

	Level 1	Level 2	Level 3	Total
Exchange-traded funds	$ 556	$ –	$ –	**$556**
Total Investments, at fair value	**$556**	**$ –**	**$ –**	**$556**

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 year ended October 31, 2019 and period ended October 31, 2018, there were no transfers among the levels.

Bright Plan

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