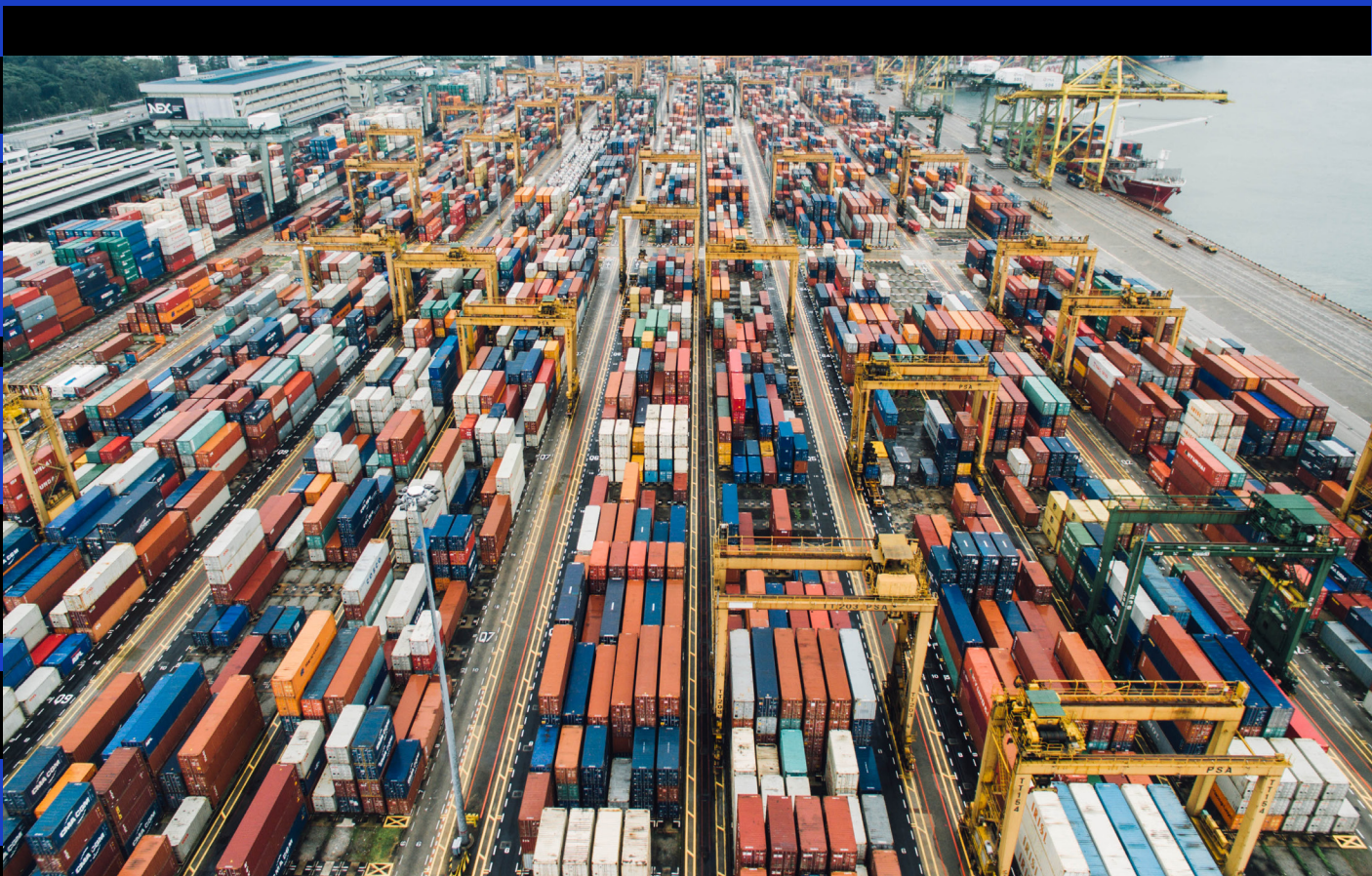


# Scale your potential

with Canada's AI Supercluster



ANNUAL REPORT  
2019 — 2020

**SCALE** | **AI**



As Canada's AI supercluster, Scale AI acts as an investment and innovation hub that accelerates the rapid adoption and integration of artificial intelligence into supply chains and contributes to the development of a world-class Canadian and Quebec AI ecosystem.

Scale AI invests in programs aimed at supporting companies that implement concrete applications in AI, the emergence of future Canadian flagships in the sector, as well as the development of a skilled Canadian workforce.

Based in Montreal and funded by the federal and Quebec governments, the supercluster has nearly 120 industry partners, research institutes and other players in the AI sector.

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# Message from the Minister of Innovation, Science and Industry

The Honourable Navdeep Bains

Canada is in an innovation race. We are committed to growing the economy and taking a new and uniquely Canadian approach to innovation investment.



Canada

Our five Superclusters were selected in early 2018 to accelerate innovation and foster stronger connections between all players in areas of competitive advantage – from large anchor firms to small and medium-sized enterprises (SMEs). The creation of superclusters and our investment of nearly a billion dollars marked a big change for both industry and government.

I am pleased to see this investment paying off as the superclusters continue to grow their membership and announce new, ground-breaking projects. This strong membership base has helped them pursue an ambitious and collaborative approach, developing networks that bring together businesses, academics, governments and not-for-profits. They are creating new business opportunities, economic growth and jobs of the future.

This past year, we have seen unprecedented momentum from the superclusters in terms of projects reviewed and launched, including a concerted effort to meet Canada's critical need for healthcare supplies, equipment and technology during the COVID-19 pandemic. I'm particularly happy to note that roughly half of all project collaborators are SMEs, giving smaller businesses access to cutting-edge research, highly skilled talent and helping them scale up.

I want to thank Scale AI for helping to lead the way on innovation in Canada.

To cite just one recent example, the Scale AI Supercluster is working with a Canadian online food wholesale and logistics company to forecast shipping dates well into the future, enabling better planning and greater efficiency. This project is expected to significantly reduce transportation costs for farmers by using AI-informed algorithms. That's the tremendous value that these hotbeds of innovation are bringing to our everyday lives.



# Message from The Minister of Economy and Innovation and Minister responsible for the Lanaudière region

Pierre Fitzgibbon

Scale AI: leveraging artificial intelligence to boost business performance.



Québec 

Researchers' work and creativity has enabled the development of data science, artificial intelligence and their applications. Open-mindedness, a desire for innovation and its valorization as well as the development and excellence of research that prevail in Quebec have helped to make our province a competitive hub in data valorization, as well as a preferred site for the growth of artificial intelligence. We must therefore encourage our companies to further introduce artificial intelligence into their business practices.

Investing in the integration of artificial intelligence into our businesses, as well as in the training of the next generation, will support the creation of good jobs throughout Quebec. Artificial intelligence plays a key role in the transformation of supply chains and represents strong growth potential for their links in all industries.

The Government of Quebec is proud to support the Scale AI intelligent supply chain supercluster. It brings together the tools and expertise needed to implement artificial intelligence-driven business solutions and gives innovative companies the opportunity to collaborate with one of the largest research networks in the world.

May Scale AI continue to strive to help Quebec companies be even more competitive in international markets!

# Message from the co-chairs of the Board of Directors

Hélène Desmarais and Louis Roy

Our vision in creating Scale AI was to provide a direct and coordinated response to issues related to the adoption of AI by Canadian businesses and the integration of digital and artificial intelligence to Canada's supply chains.



To optimize the ecosystems of Quebec-Montreal, Toronto-Waterloo and Edmonton, which have been globally recognized for the quality of their fundamental research centres in artificial intelligence for several decades, our mission is to support and bring together the key players in AI and supply chains by investing in their most innovative and ambitious initiatives. One year after the official launch of Scale AI, we are proud to see this vision taking shape thanks to the tremendous efforts and commitment of many partners. We are already seeing several strong indications of the vitality and potential of our ecosystem, notably:

- A sustained interest in our co-investment programs, which generate \$1.80 of private investment for every \$1 invested by Scale AI
- A significant increase in collaboration between industry and academia, between and within the academic institutions themselves, and between various private sector companies
- The launch of innovative and ambitious projects across all of our target industries, involving an average of 4 SMEs per project
- The ability to mobilize hundreds of organizations in only a few days to respond to the COVID-19 crisis

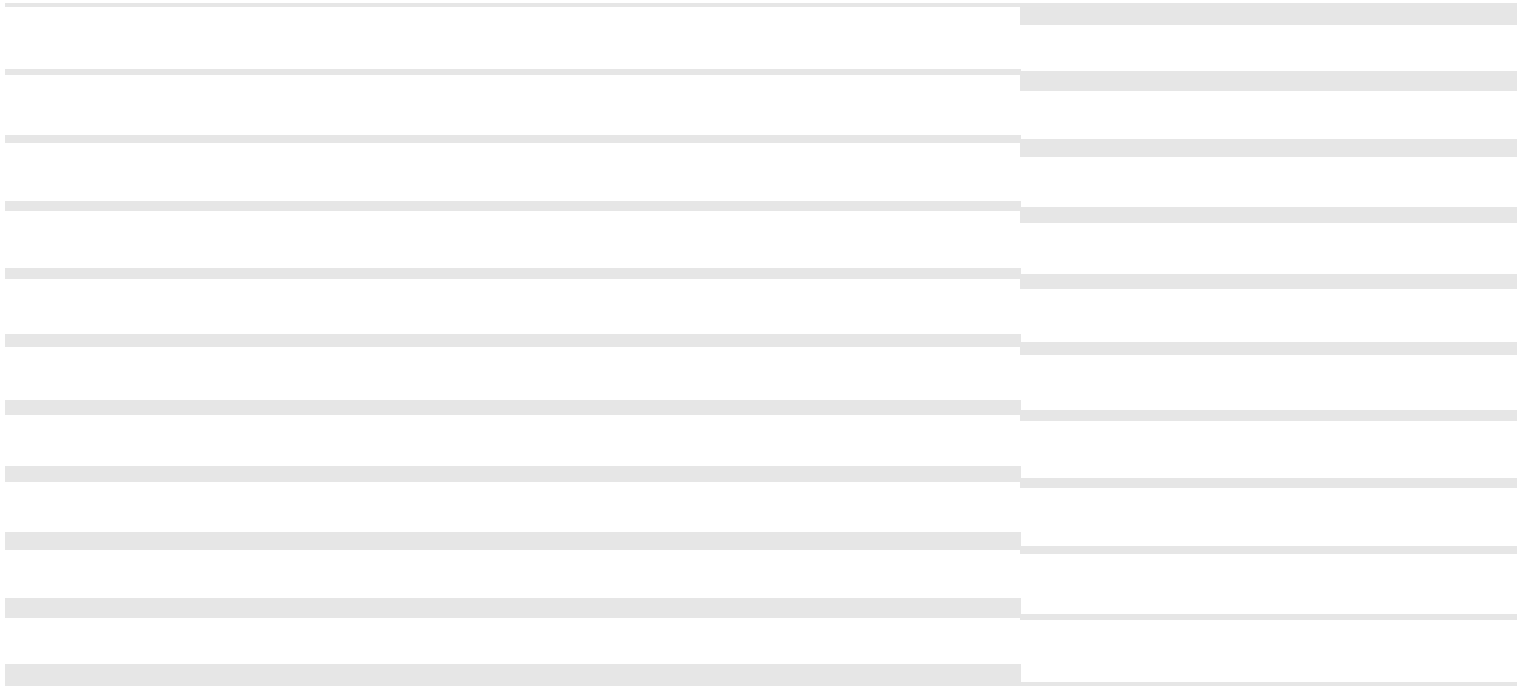
This very positive trend confirms the relevance of our approach, which leverages the synergy between the innovation needs of established companies and the AI talent that develops new solutions, thereby forming the industrial flagships that will make us proud tomorrow.

By positioning ourselves at the heart of this new industry, we are placing Canada — and Quebec — at the heart of economic growth for decades to come.

We would also like to acknowledge the unwavering commitment of the entire Scale AI team, who was able to achieve our vision by implementing programs and processes that are both concrete and effective, while always keeping innovation and support for businesses at the heart of their approach. If 2019 was a year of foundation, 2020 should be the year of the densification of our ecosystem and the extension of Scale AI activities across Canada. There is still a long way to go and international competition is intensifying every day. In an unprecedented economic and health context, we will need to redouble our efforts in the coming months to support our businesses and enable them to emerge stronger from the crisis.

More than ever, we will need all the players in our ecosystem to carry out our vision of building the first global centre of expertise in AI and intelligent supply chains.

On behalf of Scale AI and its partners, we would like to thank the Government of Canada and the Government of Quebec for their trust and support, as well as all of the companies and organizations that are counting on AI to ensure their success and their sustainability.



# Word from the CEO

Julien Billot

Living the launch of a unique organization like Scale AI is an exciting adventure.



Armed with a vision and an ambitious project, the creation of Scale AI was driven by the enthusiasm and commitment of its initial partners, but at this point everything still had to be done. Before we could officially launch our programs and activities, we consolidated our foundations on two pillars: our governance framework and our team.

In a process that somewhat resembled that of the startups we support, we took the time to demonstrate our "proof of concept" and establish solid processes, while at the same time assembling the best talent. Finally, in the spring of 2019, we implemented our first programs and sent out calls for project submissions. The pace has gradually accelerated and we are seeing the results: an effective organization, programs that fulfil the needs of the sector, and objectives achieved or surpassed.

In just over a year, Scale AI has become a fully operational organization. To be certain, we had our share of unforeseen events, and I must share that I was impressed by the responsiveness of our young team who knew how to adapt and adjust so that we could remain agile and effective.

In these pages you will have the opportunity to read the details of the progress of each of our programs as well as the projects we're involved in, the investments made to support industry projects, workforce training and support for startups. I hope that, like me, you will see this as a demonstration of the coherence of our actions, targeted to serve as leverage in order to create a sustainable ecosystem that generates growth for our entire economy.



The final weeks of our fiscal year 2019-2020 were marked by the emergence of COVID-19, which tested the maturity, responsiveness and agility of our organization. Within a few days, we had to manage at once the transfer of all of our activities to remote work, the creation of a one-time program and the launch of a call for projects with an accelerated process of analysis. And we achieved it through the professionalism and commitment of our team, who rose to the challenge brilliantly.

This being said, we still have work to do. We're continuing to accelerate the pace of analysis of co-investment projects and the implementation of all of our programs, and we're committed to continuing to network within the AI ecosystem and in conjunction with all industries whose supply chain efficiency will benefit from its capabilities.

Scale AI's accomplishments are the result of a collective dedication. That of our team, of course, but also that of the board of directors whose vision guides our actions, the Government of Canada and the Government of Quebec that provide us with the means to act, the companies that develop ambitious projects, and all our partners who inspire and challenge us by sharing their ideas and their needs.



# Scale AI at a glance

01

## Our mandate

To boost economic development in Canada through the adoption and integration of AI into supply chains.

02

## Our vision

To connect industries and researchers, with the goal of establishing Canada as a global hub for AI development.

03

## Our mission

To boost productivity across industries in Canada and establish a knowledge-sharing framework to advance technology research.

04

## Our network

Scale AI is a central pillar of the AI ecosystem in Canada that brings together private entities, academic researchers, supply chains and high-potential startups.

05

## Our purpose

- To support the transition of AI from the laboratory to applications in the field
- To position Canada as a leader in AI and intelligent supply chains
- To develop and attract the best talent in the world and create high value-added jobs

06

## Our sectors of interest

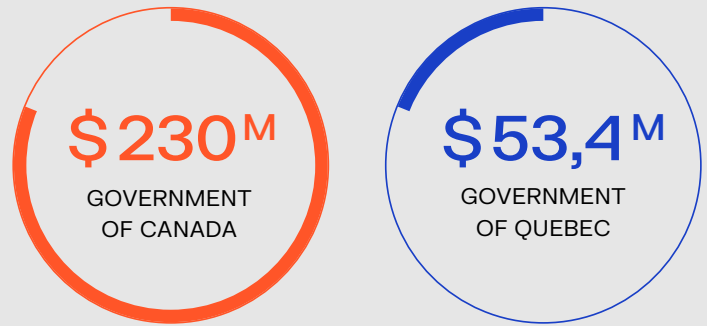
- Consumer and retail goods
- Industrial and manufactured goods
- Transport and logistics
- Intra-hospital transport
- Infrastructure and construction

# Scale AI at a glance

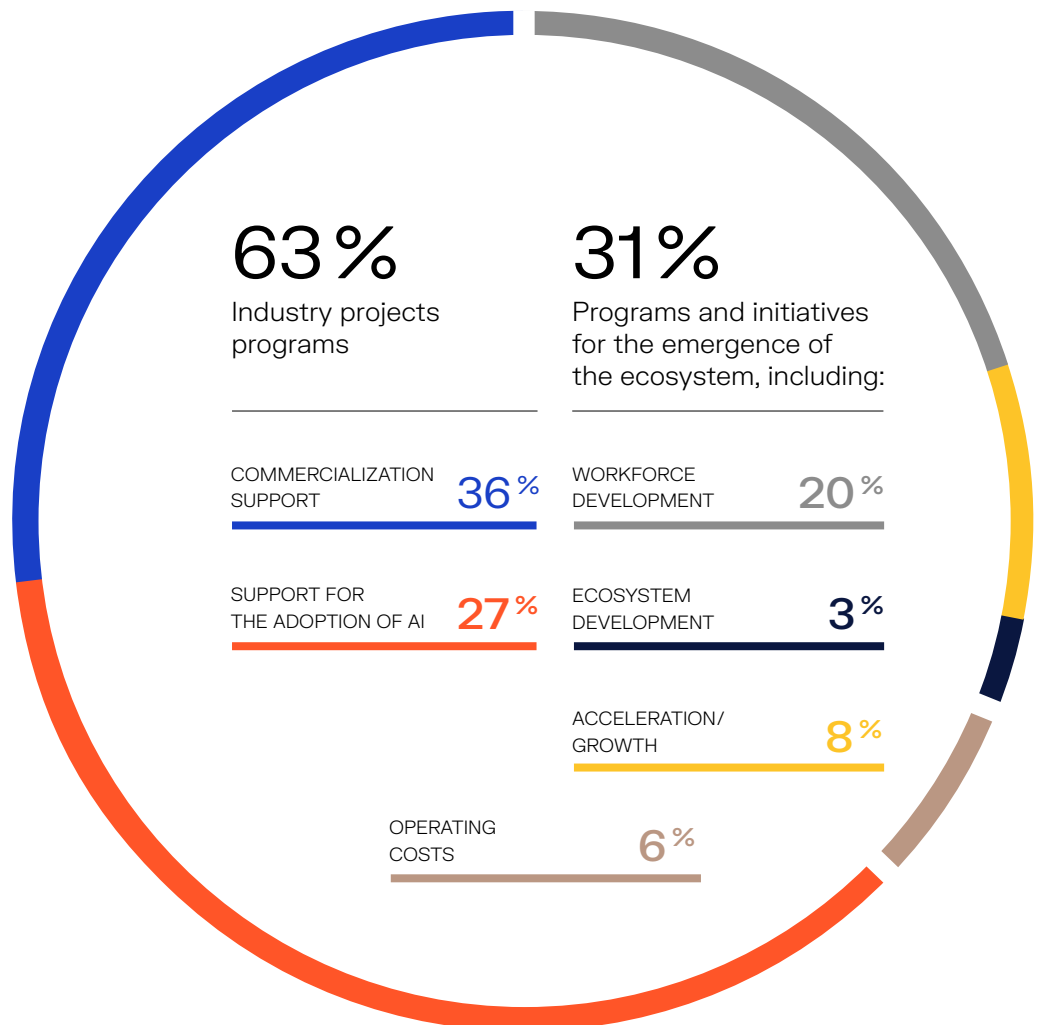
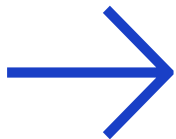
07

## Our funding

Scale AI receives government funding coupled with contributions from the private sector. These funds are transformed into co-investment programs that allow us to identify collaborative intersectoral projects and provide them with ongoing support and funding to ensure the success of their projects.



## Investing to make a difference

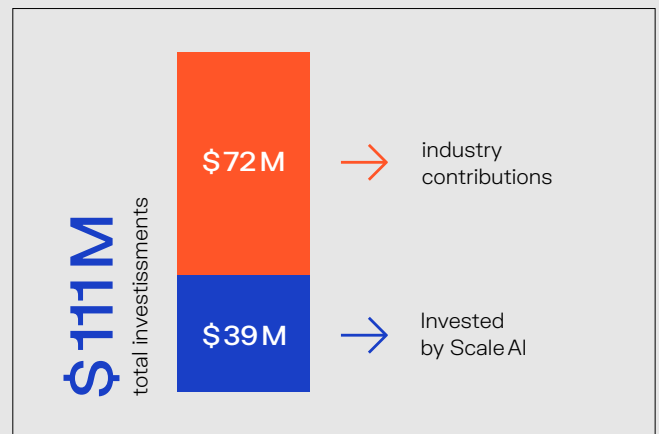


# Highlights 2019-2020

## → SUPPORTING THE IMPLEMENTATION OF INDUSTRY PROJECTS

### Launch and rollout of a co-investment program

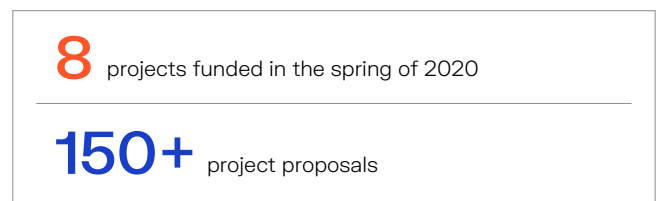
This program is comprised of two components: the adoption of intelligent supply chains by businesses and the commercialization of solutions for intelligent supply chains.



Scale AI has far surpassed its targets, particularly in terms of the total amount of investment and the proportion of business engagement.

### Launch of COVID-19 program in response to the pandemic

- A call for projects for an exceptional one-time program launched in March 2020, at the request of the Government of Canada.
- The projects themselves will be part of the next fiscal year. A preview is presented in the 2020-2021 outlook section.



Within a few weeks, Scale AI was able to establish a new program, launch the call for projects and deploy it, with 8 projects funded in the spring of 2020.



## → SUPPORTING THE EMERGENCE OF THE ECOSYSTEM

### Acceleration program

Launch of a program to support the emergence of innovative new startups, through the incubation and propulsion centres that accompany them.

After taking the time required to establish and launch this program, Scale AI has developed a unique collaboration network in the country with the best incubators and accelerators.

**22** accredited programs, primarily in Quebec, Ontario and British Columbia and advanced discussions with other organizations across Canada

Annual commitments of up to

**\$5.2 M**

Potential to finance up to

**150** targeted companies

### Workforce development program

Launch of a digital intelligence workforce development program in Quebec (funded by the Quebec government) with:

**66**

accredited programs

**\$3.61M**

committed by 2023

Agreements signed with programs to train

**9867** people  
by 2023

Canada-wide training programs will be launched gradually beginning in the spring of 2020 and will target academic and professional training.

The interest expressed by educational institutions, as well as by professionals looking for training and businesses in Quebec, demonstrates the relevance of our approach, with a program that will be extended to all of Canada beginning in June 2020.

### Development and collaboration initiatives

As part of our strategy for engaging with ecosystems, we have launched several series of events with a major forum on artificial intelligence and information workshops by industry or sector, in addition to participating in numerous forums that bring together key players in innovation or in connection with industrial development.

**1286** organizations joined our community this year, 40% of which are from Quebec.

Considerable emphasis has been placed on providing informative or promotional content on our digital platforms, in both French and English.

Scale AI was present in all forums, both to forge a strong link between stakeholders in the ecosystem as well as to raise awareness among organizations of the concrete potential of AI.

# Activities and achievements 2019-2020

Scale AI's activities have undergone a significant speed shift. We have expanded our internal resources and implemented and perfected our processes to finally embark on achieving our mandate and deploying capital in several programs in parallel.



## Our actions follow these strategic axes:

### Supporting the implementation of industry projects

- By adopting AI-powered intelligent supply chains
- By commercializing AI solutions for supply chains

### Supporting the emergence of the ecosystem

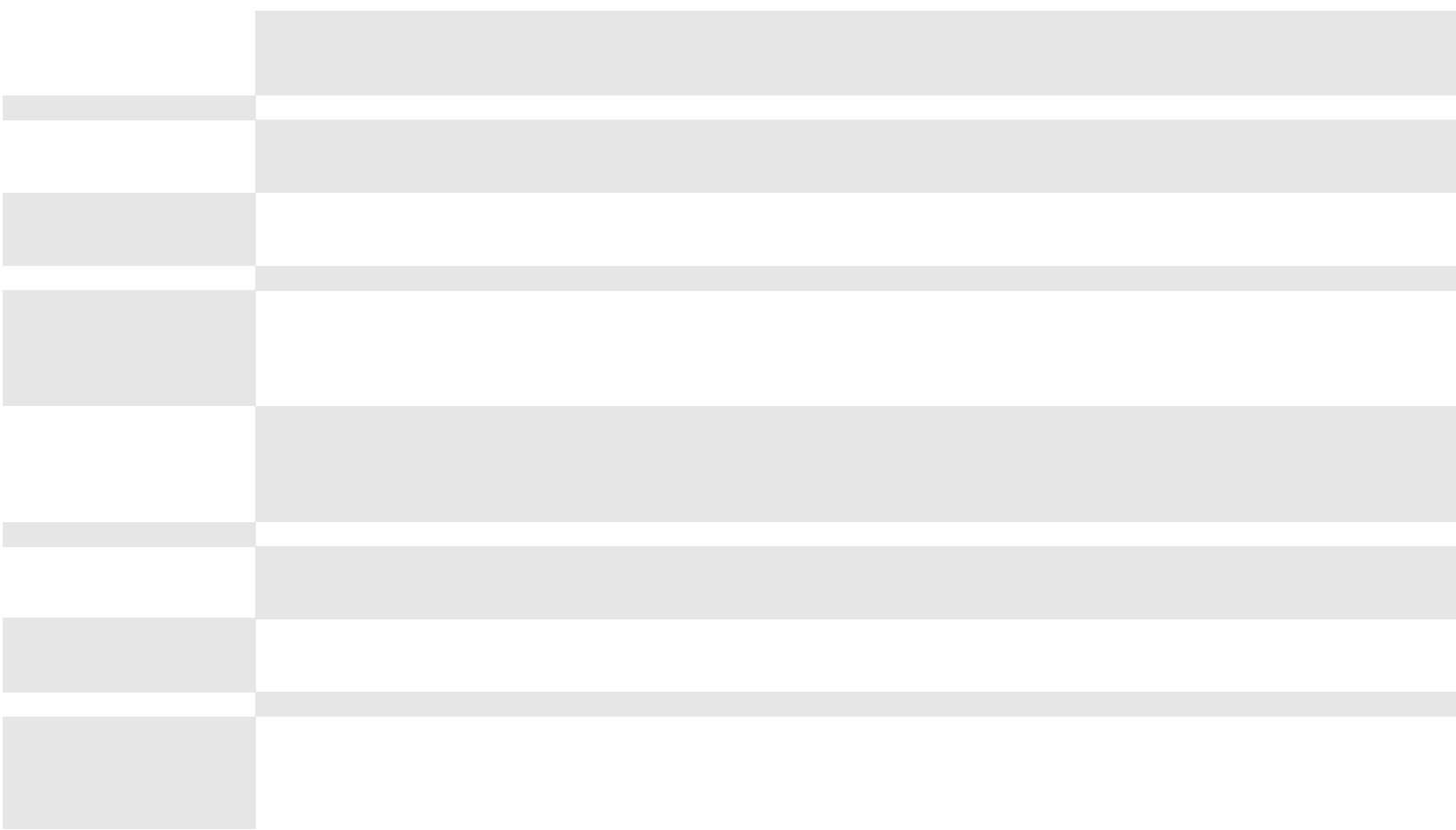
- With support for the development of emerging AI companies
- With the development of a skilled AI workforce
- With development and collaboration projects

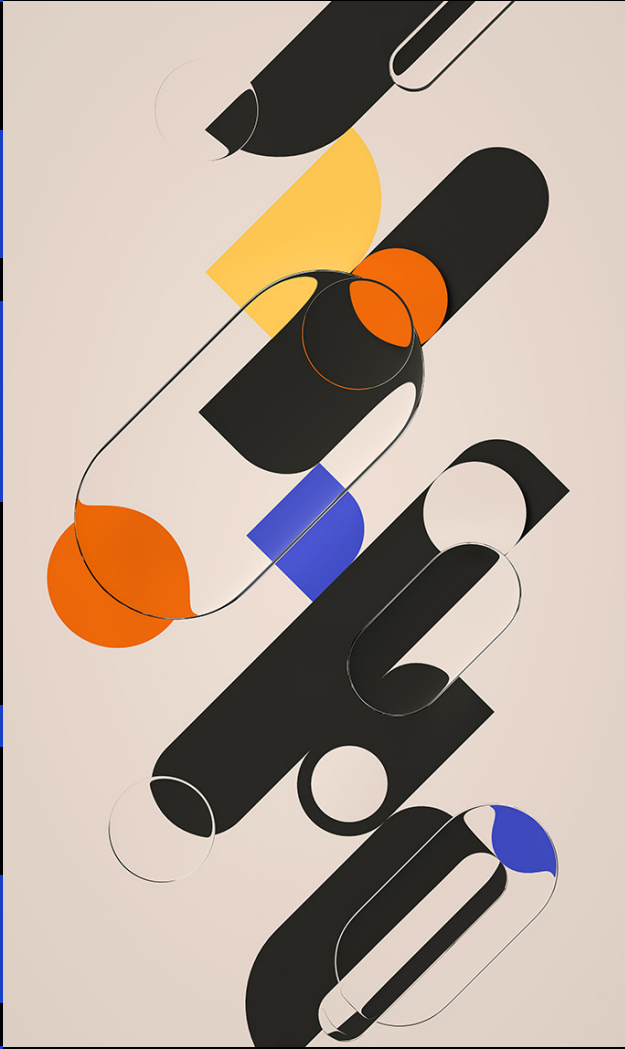
The programs are presented in detail on our website.

We have invested considerable energy in implementing our co-investment programs to support industry-led projects. After several weeks spent promoting our approach and our criteria, we were able to start analyzing dossiers and progressively accelerate our investments.

Our team is also refining our audit and information sharing processes so that we can continue to provide the best possible service to our members, while strictly adhering to our governance rules and our reporting obligations to our government partners.

In parallel, we are continuing with the other components of our activities contributing to the emergence of a thriving AI ecosystem.





→ A YEAR OF GROWTH



## → A YEAR OF GROWTH

### Diversification of the team

Over the past year, the Scale AI team has been strengthened with the addition of experienced industry talent.

At the executive level, Scale AI welcomed Mr. Albert Caponi as CFO, Ms. Isabelle Turcotte as Vice-President, Communication and Marketing, and Mr. Todd Bailey as Chief Intellectual Property Officer and General Counsel.

In order to support the escalation of our activities and operate our programs, we have also recruited.

As of March 31, 2020, our team has a total of 10 experts contributing to the achievement of our mission.



### Additional resources

An essential part of the growth of any business is resource optimization. Over the past year, Scale AI has chosen to equip its professionals with key resources to ensure the productivity of the organization as well as the security of its network.

Automation of internal processes and interaction with external stakeholders is channeled through a Salesforce platform. This centralized data and information management system offers significant productivity gains by way of the complete integration of activities throughout the Scale AI investment cycle.

It also represents the digitization of key processes, such as requests for project funding, the signing of membership agreements and follow-up. This choice proved to be even more relevant with the emergence of COVID-19, as the team switched to 100% remote work.



That said, this tool presents an increased level of risk in terms of cybersecurity. **For this reason, Scale AI has implemented several measures to protect confidential information and sensitive data. These measures include:**

- The combining of several layers of protection against intrusion and hacking of all employee equipment
- The integration of remote-control software to deactivate lost or stolen Scale AI computers
- The addition of extra protection when employees connect to networks outside the office

At Scale AI, we employ all necessary measures to support our employees, ensure the quality of our services across Canada, and ensure data security.





# → SUPPORTING THE IMPLEMENTATION OF INDUSTRY PROJECTS



## → SUPPORT THE REALIZATION OF INDUSTRY PROJECTS

For every dollar invested by the government, the industry is investing

# \$1.80

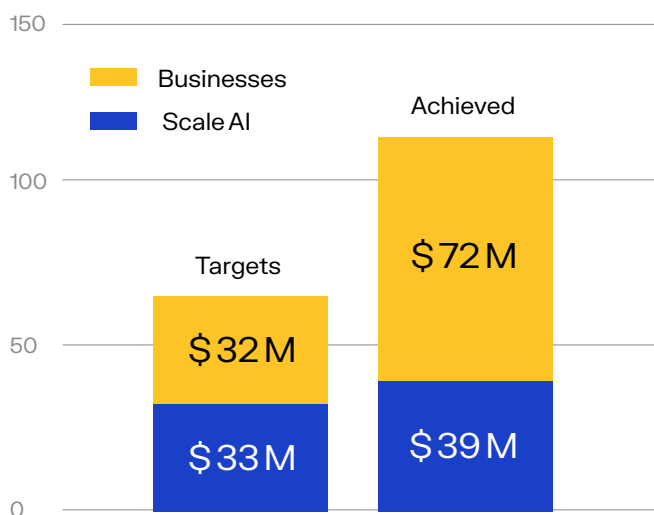
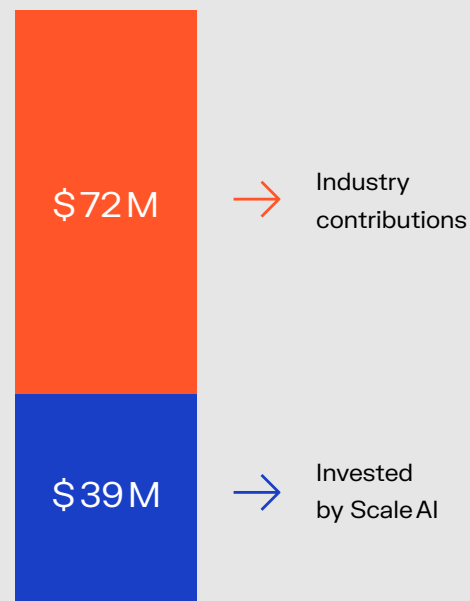
**75%** of the investments are going to SMEs

**73%** of the investments are made in Quebec

**2 542** jobs will be created by the investment projects

The value of these projects represents a total commitment of

# \$111M



Scale AI has far surpassed its targets, particularly in terms of the total amount of investment and the proportion of business engagement.

Total investments of \$65M were expected this year, including \$32M from businesses and \$33M from Scale AI.

# AI projects powered by Scale AI

## → 1: Optimization in the airline industry

Partner: Plotly

In this project, partners are applying machine learning and optimization to the value chain in order to predict passenger no-shows, revenue, and competitor behaviour. This will ultimately deliver an enriched information feed and a better prediction of consumer demand.

## → 2: AI for the air cargo industry

Partners: OEC Group, Edgenda

This project adopts AI-powered solutions to enhance airline cargo operations and performance by optimizing asset utilization, forecasting shipments, and identifying errors.

Two distinct projects that reflect a strategic integration approach to AI.

Organization  
**Air Canada**

Scale AI investment  
**\$11.9M**  
Total investment  
**\$31.1M**

Type  
**AI Adoption**

## → Smart supply chain for the minerals and metals sector

Partners: Aluminium Association of Canada, Laval University, Laserax, Lithion Recycling, SmartyAI

The project enables a highly advanced AI algorithm to ensure complete traceability of minerals and metals, from extraction to the end of life of products. This system ensures the provenance of materials, which will facilitate export management. From an environmental perspective, data analysis will facilitate the implementation of initiatives to comply with OECD guidelines on responsible procurement.

Organization  
**Groupe Optel**

Scale AI investment  
**\$5.4M**  
Total investment  
**\$16.6M**

Type  
**Commercialization**

## → Retail supply chain platform

Partners: Adeptmind, Coveo, Fintech Growth Syndicate, SoftMoc

Partners in this project are working together to create an AI-powered retail supply chain platform. The platform will connect people and physical and virtual spaces, while enabling retailers to use data to better predict customer demand, optimize inventory, and deliver products faster.

Organization  
**Ravel par CF**

Scale AI investment  
**\$4.8M**  
Total investment  
**\$13.0M**

Type  
**Commercialization**

### → Cognitive supply chain in aerospace

Partners: Presagis, Coupesag, GFI, BMB Metals Inc.

Project partners are collaborating to optimize the aerospace supply chain and manufacturing processes, further develop capabilities to reduce production cycle times, minimize inventory, and improve product time-to-market.

Organization  
**CAE**

Scale AI investment  
**\$2.8 M**  
Total investment  
**\$10.8 M**

Type  
**AI Adoption**

### → Breakthrough AI and machine learning models for Canadian supply chains

Partners: Hydro-Québec, S&P Canada, Musashi Canada, Alberta Machine Intelligence Institute (AMII), Dex Clothing, Enhance Energy, RenoRun, Xtract AI

This project's partners are bringing integrated solutions to supply chain issues by using breakthrough AI- and machine-learning software that makes it easier to access and engage with complex data. The software is being used to develop interactive data-driven web applications that decision-makers can easily draw actionable takeaways from for their respective supply chains.

Organization  
**Plotly**

Scale AI investment  
**\$2.0 M**  
Total investment  
**\$5.7 M**

Type  
**Commercialization**

### → Adaptive AI powering the oil and gas supply chain

Partners: Drift Technological Solutions, Egistix Corporation, IBM, Paramount Resources Ltd., TransMountain, NAL Resources

In this project, partners are using simulation tools to create virtual reality replications of field operations. This provides energy producers with a better understanding of the drivers and bottlenecks that affect the flow of assets through the oil and gas supply chain, allowing them to take action before a revenue opportunity is lost or gained.

Organization  
**Stream Systems**

Scale AI investment  
**\$1.8 M**  
Total investment  
**\$5.9 M**

Type  
**Commercialization**

### → Increasing efficiencies in the multimodal transport industry

Partners: SimWell Consulting Technologies Inc.

Project partners are developing an AI solution for better planning of container movement, maximization of space and crane scheduling. The solution will manage uncertainties and variability, ultimately increasing the efficiency of Canadian exports and the attractiveness of Canadian products.

Organization  
**Ray-Mont Logistics**

Scale AI investment  
**\$1.6 M**  
Total investment  
**\$3.2 M**

Type  
**AI Adoption**



<p>→ <b>Container flow optimization over multiple days</b></p> <p>Partners: Montreal Gateway Terminals, Canscan, EI Systems, Termont</p> <p>The movement of containers is generated by complex information held by many stakeholders. An AI-based approach will provide upstream visibility in order to make the best decisions and secure rail and maritime transport. Better synchronization of all elements of the supply chain is expected to bring substantial benefits to the entire gateway ecosystem.</p>	<p>Organization <b>Montreal Port Authority</b></p> <hr/> <p>Scale AI investment <b>\$1.3 M</b></p> <p>Total investment <b>\$2.7 M</b></p> <hr/> <p>Type <b>AI Adoption</b></p>
<p>→ <b>New intelligent planning tool for shipyards</b></p> <p>Partners: Sodan, Simwell, Genoa Design International, Polytechnique Montréal, Université Laval, Dalhousie University, Seaspan Victoria Shipyard</p> <p>Design and technology specialists teamed up with university researchers for this project with the aim of developing an innovative optimization solution for the planning of naval in-service support. These partners are developing an intelligent planning tool to help shipyards manage complex sets of constraints and adapt to unforeseen events.</p>	<p>Organization <b>Thales</b></p> <hr/> <p>Scale AI investment <b>\$1.2 M</b></p> <p>Total investment <b>\$2.4 M</b></p> <hr/> <p>Type <b>Commercialization</b></p>
<p>→ <b>Forecasting and analyzing demand in real time in retail stores</b></p> <p>Partners: Pr Chi-Guhn Lee, Pacific West Commercial Corporation, Boathouse Apparel, Cook Culture Ltd, Bella Group, Plenty Apparel, Purdy's</p> <p>Inventory management is one of the keys to success in retail both from a commercial and sustainable development perspective. The FIND solution leverages AI to provide greater predictability and better production control, to reduce waste and the financial loss and environmental impacts that result.</p>	<p>Organization <b>Find Innovation</b></p> <hr/> <p>Scale AI investment <b>\$1.1 M</b></p> <p>Total investment <b>\$4.5 M</b></p> <hr/> <p>Type <b>Commercialization</b></p>
<p>→ <b>Intelligent platform for automated construction of optimal and localized price and promotion plans</b></p> <p>Partners: Rexall, Google Canada Corporation, University of Guelph</p> <p>AI-driven workflow engines are being used in this project to automate promotional planning and demand-forecasting capabilities for retail and consumer packaged goods (CPG) companies. This new technology generates an entire promotional calendar, given the objectives, constraints, local consumer conditions and business rules on behalf of corporate planning teams in order to maximize profitability.</p>	<p>Organization <b>Rubikloud</b></p> <hr/> <p>Scale AI investment <b>\$1.0 M</b></p> <p>Total investment <b>\$3.2 M</b></p> <hr/> <p>Type <b>Commercialization</b></p>

### → Modernizing home care for better client outcomes

Partners: Bien Chez Soi, IntegraCare, Polytechnique Montréal

Partners in this project are using an AI-informed software platform to give home healthcare agencies better planning and management tools to optimize and prepare the home care workforce to meet the growing demands of Canada's aging population. By creating efficiencies in scheduling, time reporting, clinical documentation and patient monitoring, this innovative software will enable home care providers to deliver best-in-class services aimed at improving client outcomes in Canada.

Organization  
**AlayaCare**

Scale AI investment  
**\$0.9 M**

Total investment  
**\$1.8 M**

Type  
**Commercialization**

### → An AI-based prediction platform to improve supply chain efficiency

Partners: Pitstop, Sensata, NPL Canada, Superior Propane

While equipment maintenance affects supply chain efficiency, AI is introducing new ways to manage the maintenance of commercial fleets. With a robust, powerful and scalable data analytics solution, Fleet Complete provides advanced brake and tire diagnostics that will allow fleet managers to significantly reduce downtime and, in turn, the cost of owning mobile assets.

Organization  
**Fleet Complete**

Scale AI investment  
**\$0.88 M**

Total investment  
**\$3.6 M**

Type  
**Commercialization**

### → Analyzing and forecasting of demand transfer.

Partner: Plotly

Loblaws is using AI to analyze and understand consumers' thinking in their purchasing decisions, in order to better manage store supply and ensure the best possible shopping experience for their customers.

Organization  
**Loblaws**

Scale AI investment  
**\$0.7 M**

Total investment  
**\$1.7 M**

Type  
**AI Adoption**

### → Intelligent forecasting for a more reliable supply chain

Partners: Groupe Horizon Santé, Pharmacie SM, CS et AP Inc, Sodan Conseillers TI, Thales Digital Solutions

Alter Ego Pharma is an innovative platform to improve the drug distribution chain in an increasingly complex regulatory environment. This solution leverages AI to improve pharmacy inventory management, limit the impact of shortages and reduce administrative management, improving the service offered through a distinctive offering.

Organization  
**Distribution Pharmaplus**

Scale AI investment  
**\$0.7 M**

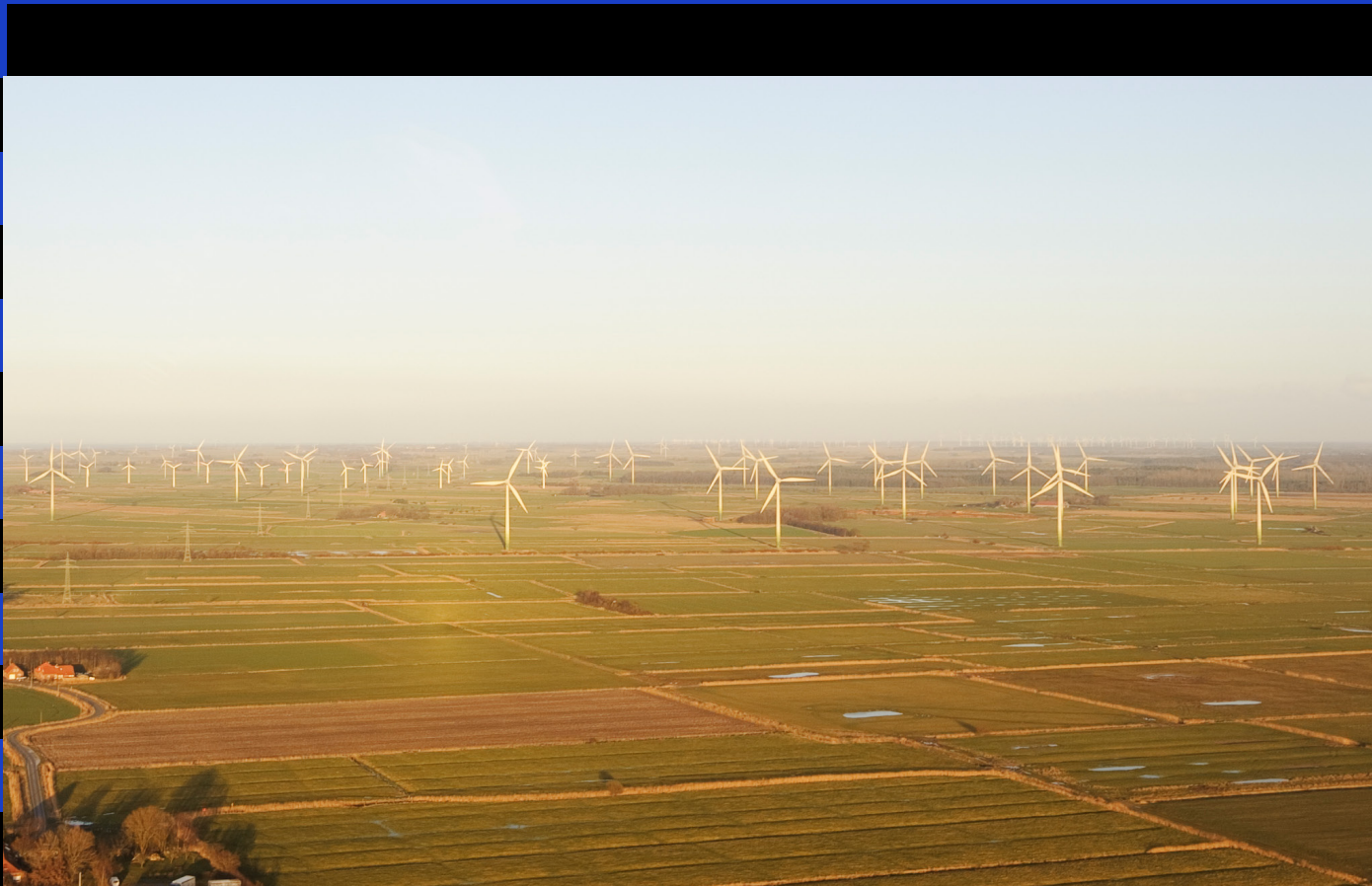
Total investment  
**\$1.6 M**

Type  
**Commercialization**

<p>→ <b>AI for customized packaging</b></p> <p>Partners: Mars Canada, Schenker Canada, Linsey Foods, Lake City Foods, Menasha</p> <p>This project's partners are leveraging production and demand data for an AI platform that allows for better supply chain planning and delivery. The platform also benefits other consumer packaged goods (CPG) brands and suppliers by accelerating growth in this space.</p>	<p>Organization <b>Nulogy</b></p> <hr/> <p>Scale AI investment <b>\$0.6 M</b></p> <p>Total investment <b>\$1.7 M</b></p> <hr/> <p>Type <b>Commercialization</b></p>
<p>→ <b>Augmented reality: a new approach to aerospace defect detection</b></p> <p>Partners: Bombardier inc., CiMMi, Pratt &amp; Withney Canada</p> <p>A critical supply chain issue in the aerospace industry is the need for more efficient and faster detection of defects. This project uses augmented reality, combined with computer vision with AI, to optimize the identification and repair of defective equipment, resulting in reduced repair time for air fleet operators and accelerated production.</p>	<p>Organization <b>OVA</b></p> <hr/> <p>Scale AI investment <b>\$0.7 M</b></p> <p>Total investment <b>\$0.8 M</b></p> <hr/> <p>Type <b>Commercialization</b></p>
<p>→ <b>Reducing installation and repair times for telecommunication customers</b></p> <p>Partners: Exfo, VuPoint Systems</p> <p>Project partners are employing AI models to assign technicians, optimizing field installation and repair processes. This reduces the number and average time of visits, and ultimately improves the consumer experience.</p>	<p>Organization <b>Bell Canada</b></p> <hr/> <p>Scale AI investment <b>\$0.2 M</b></p> <p>Total investment <b>\$0.5 M</b></p> <hr/> <p>Type <b>AI Adoption</b></p>
<p>→ <b>Farm to market</b></p> <p>Partners: Ontario Farmer Collective, Flanagan Foodservice</p> <p>This collaborative project establishes an innovative online platform that will significantly reduce distribution costs and enable access to new markets. The AI algorithms created identify co-loads in advance, giving farmers an entirely new logistics model where ship dates are projected and synchronized months into the future.</p>	<p>Organization <b>Local Line</b></p> <hr/> <p>Scale AI investment <b>\$0.2 M</b></p> <p>Total investment <b>\$0.5 M</b></p> <hr/> <p>Type <b>Commercialization</b></p>

# → SUPPORTING THE EMERGENCE OF THE ECOSYSTEM

The prosperity and vitality of an ecosystem depend on interactions between interdependent actors. In this spirit, Scale AI's interventions target three complementary areas of intervention.



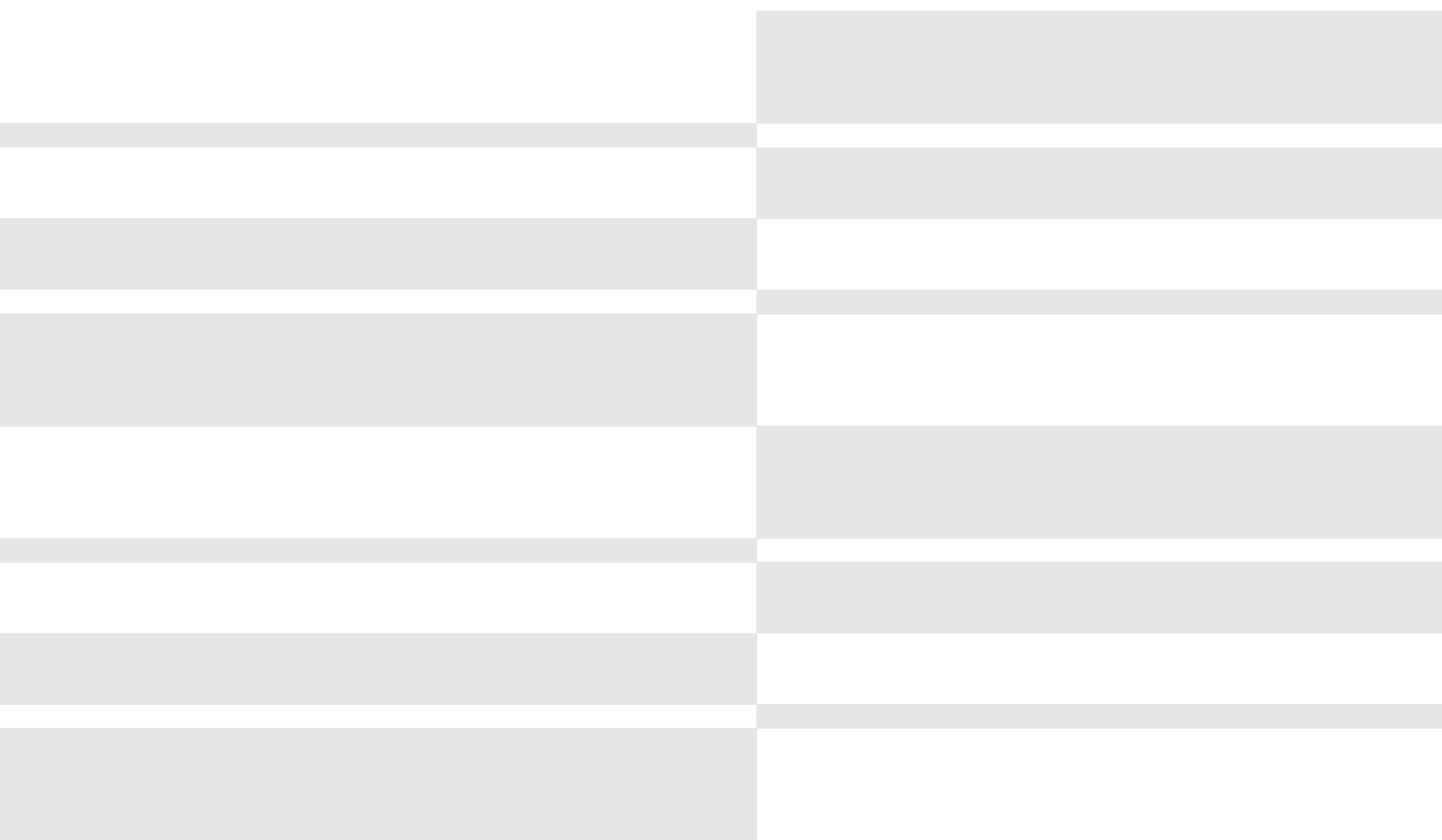
## → SUPPORTING THE EMERGENCE OF THE ECOSYSTEM

We encourage the development of links between universities and research establishments, SMEs, AI solution providers and large companies, thereby improving the talent pool in the field of AI technologies and supply chain activities.



We also support emerging SMEs, startups and providers of AI-based solutions for supply chains.

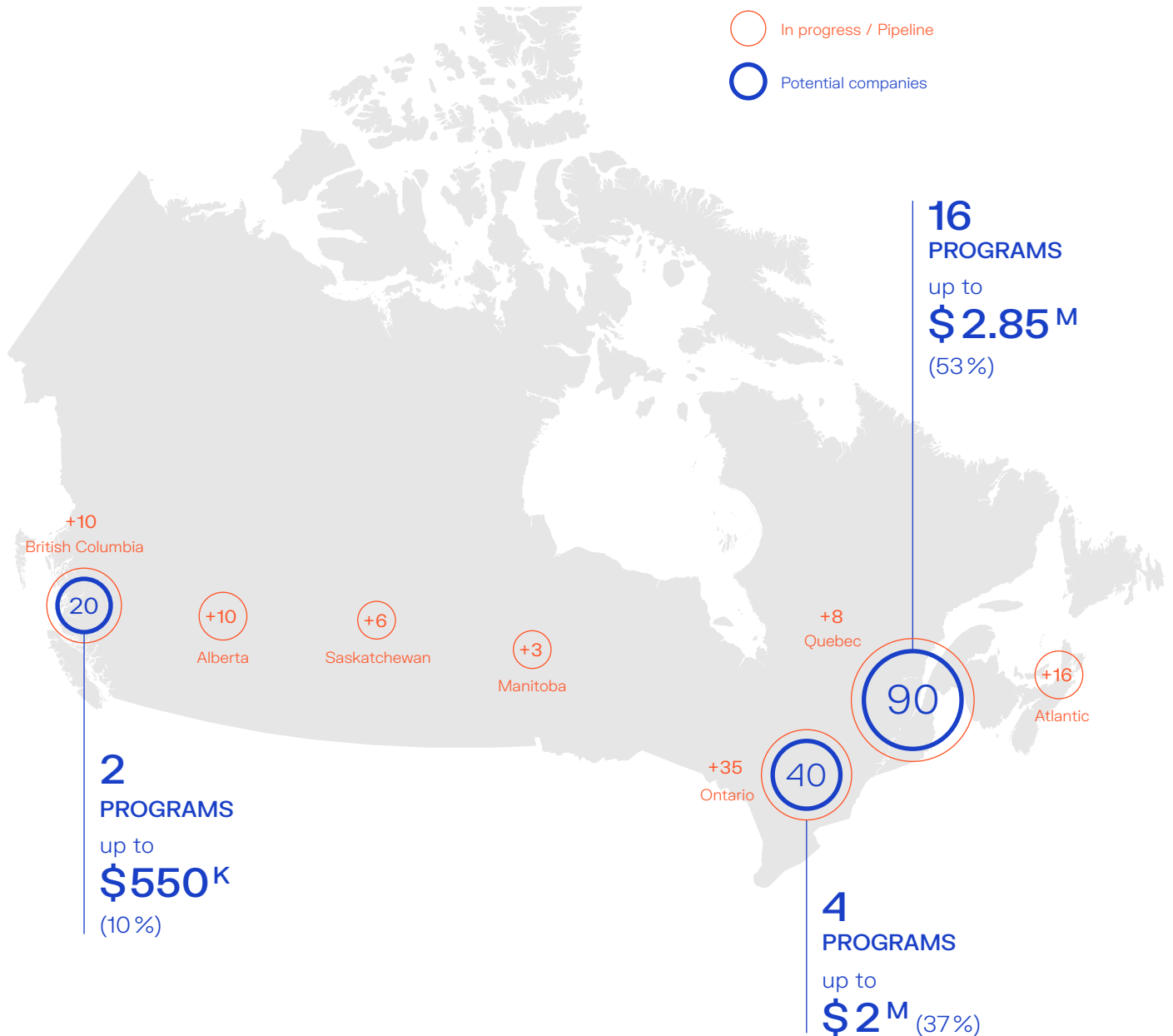
In particular, we support certain key sectors such as retail, manufacturing, transport and logistics, infrastructure and construction, to enable them to integrate AI into their activities to achieve productivity and efficiency gains.



## Acceleration program, in support of the growth of AI SMEs

In the past year, Scale AI launched its Acceleration program across Canada. Targeted approaches helped raise awareness and attract high-quality applicants.

To date, there are 22 accredited programs for the potential financing of 150 companies in Canada, representing financial commitments of up to \$5.4 million, or 25% of the total value of the program. Already 18 companies have passed through all the stages to obtain funding and the pace is accelerating now that the framework agreements are in place.





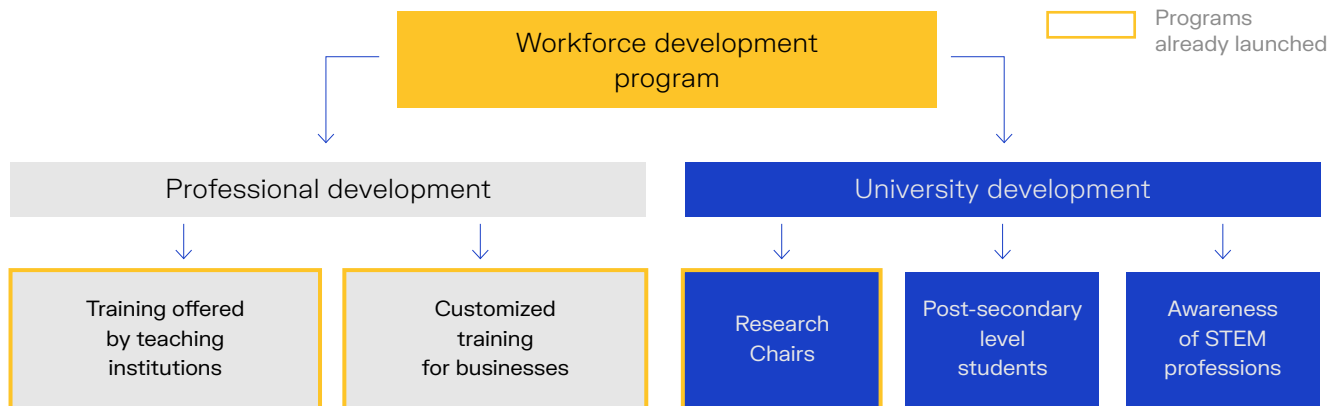
## Workforce development program

This area of Scale AI's activities is highly diverse and was partially deployed in the 2019-2020 period, with the balance planned for the coming months.

Scale AI's pan-Canadian workforce development strategy is ambitious and involves a large number of stakeholders. For this reason, its design has taken some time and its deployment will be completed in the coming months.

The approach is divided into two complementary axes targeting initial training and professional training respectively, through five programs:

- Professional development, with support for training offered by educational institutions or the development of customized programs for businesses
- University development, with a funding program for AI Research Chairs, a scholarship program and an awareness program in the fields of science, technology, engineering and mathematics



In September 2019 and in partnership with the Quebec Government, Scale AI launched a \$23.4M digital intelligence workforce development program for employees of Quebec companies. To date, 66 programs have been accredited in Quebec and \$3.61M committed to funding the training of 9.867 individuals by 2023.

Avec la participation financière de :



It should be noted that at the time of publication, the AI Research Chairs funding program and the pan-Canadian professional development program were launched in May and June 2020, respectively. The details will be included in next year's report.

The complete list of training programs accredited in Quebec by Scale AI can be found on our website: <https://www.scaleai.ca/training/funded-programs/>

## **Development and collaboration initiatives**

In 2019-2020, Scale AI organized a number of key events to engage the industry and bring together various organizations around the same table.

As part of our ecosystem engagement strategy, we launched several series of events targeting different stakeholders in AI ecosystems and the supply chain.

The calendar of scheduled events was of course disrupted by the COVID-19 pandemic, with several March events either cancelled, or postponed to be presented in virtual format later in the year.

### **AI in action forum**

These one-day conferences, which are held two or three times a year in several markets, aim to bring together all the players in our ecosystem to share the latest developments in the applications of AI. Presenting case studies using state-of-the-art technology, these conferences allow members to forge new partnerships while inspiring them to more effectively integrate AI into their supply chains.

In December 2019, Scale AI held its annual conference in Montreal, bringing together more than 400 members and presenting numerous projects in the AI ecosystem.

Two additional forums were planned for the spring in Toronto and Vancouver, but were postponed due to the pandemic.

### **Participation in industry or local events**

Scale AI experts and representatives are active in promoting the application of AI among industry organizations and companies, such as congresses, conferences or regional tours.

### **Industry-specific workshops**

Organized in collaboration with industry associations, these monthly half-day workshops encourage conversations between stakeholders in a given industry to identify relevant AI solutions and paths to increase adoption. AI workshops were held for the mining and professional services sectors, while those for retail, aerospace, transportation and energy were postponed due to the pandemic.

### **Digital presence**

With the aim to share information about our programs as widely as possible, as well as to increase understanding of the concrete benefits of AI for organizations, we produced and broadcast a considerable amount of content, including videos and webinars, on our digital platforms, in both French and English. This approach proved all the more relevant after the start of the pandemic, as it offered solutions for continuing our initiatives virtually.

# → SUPPORTING INTELLECTUAL PROPERTY PROTECTION AND LEVERAGE



## → SUPPORTING INTELLECTUAL PROPERTY PROTECTION AND LEVERAGE

### IP Strategy Deployment:

We started our work by supporting our IP strategy based on the requirements of our Master Project Agreement. However, we quickly realized that protecting AI with IP tools is no simple task, and that our launch IP Strategy needs to be adapted to reflect the reality seen in our projects.

To meet the unique challenges posed by IP in the AI sector, we created the position of Director of Intellectual Property, with Todd Bailey joining the team in November 2019.

For example, AI algorithms are considered unpatentable subject matter and supply chain AI projects typically use known AI models (algorithms), so there is a low likelihood of generating patents in Scale AI projects. Further, although copyright protection is available for new software code, it does not protect the underlying ideas and does not offer a useful substitute to patenting. Consequently, protecting confidentiality and trade secrets is the IP protection tool most often adopted in Scale AI projects.



This type of IP protection requires a higher IP “IQ” within our ecosystem members to ensure critical protections are not missed or lost.

On the leverage side, although the trained AI models are highly valuable to their owners, they are also highly customized to their owners’ data, meaning they can be less valuable to others in the ecosystem. A trained AI model may be thought of like a custom-tailored suit – very comfortable to the owner, but less comfortable to others and sometimes unwearable.

**Often, it is the “lessons learned” in AI adoption projects that are valuable to leverage, i.e. the collected learnings as our Members deploy their projects.**

Many difficult decisions lay on the road between selecting a publicly-available AI model and deploying a successful business application – such as how to organize data, engineer data features, train the models, or integrate solutions into improved business practices.

# Helping Members benefit from the learnings gained in other projects has been identified as a high priority item for building our ecosystem.

Therefore, we are in the process of updating our IP and Data Strategies to capture and reflect our experiences gained this year.

## Our IP Objectives

IP plays a central role in fostering the development of the AI-powered supply chain ecosystem in Canada. Entities that are able to systematically identify and protect their most important IP are generally more successful in scaling their businesses.

With this context, we have four main IP objectives:

1. **Raise IP Awareness.** To mature, the ecosystem must clearly understand how businesses need to integrate IP strategy into their business strategy. We will be targeting our Members with strategic, AI-focused digestible training, designed to build confidence in their abilities to harness IP as an everyday business tool.
2. **Protect Foreground IP.** We will work with our Members to ensure project Foreground IP is appropriately protected using state-of-the-art IP tools and best practices.
3. **Supporting SMEs.** We will work to improve our SMEs' ability to strategically manage their IP.
4. **Create opportunities for IP leverage by removing barriers.** Anchored around our Supercluster Registry, we are developing opportunities for growth by connecting Members and fostering opportunities for IP leverage among our Members. All of our projects' IP has been listed on our Registry, which is now ready for imminent deployment on our Member portal.





# Priorities

## 2020-2021

We started 2020 with a clear plan in mind. We were to complete the program rollout by the end of spring and continue to expand our investments and initiatives in all of our axes of intervention.

**And then the COVID-19 pandemic began.**

Answering the call from the Government of Canada, we revised our plans to include initiatives that leverage the best of our expertise and our network to find a solution.





## → GLOBAL ACTION PLAN

While 2019 was focused on building solid foundations (team, pipeline, partnerships, etc.), in 2020-2021 Scale AI will focus on strengthening its programs to support an even greater number of organizations.



### 2020-2021 objectives

- Strengthen our portfolio of industry-led projects to ensure a continuous flow of high-quality projects
- Operationalize the workforce development program in the rest of Canada
- Continue to build relationships with all players in the AI ecosystem and the supply chain
- Optimize our reporting and performance monitoring systems to manage the increase in the volume of investments made and ensure full compliance with government requirements
- Increase our presence across Canada by highlighting our existing investments in Canadian projects and through a greater physical presence in Ontario and British Columbia
- Develop a longer-term vision and strategy for Scale AI beyond the current mandate

The achievement of these short-term goals will help us achieve several key medium-term results:

#### **Improved access to potential partners and AI expertise for companies of all sizes in all industries;**

- Accelerating collaboration between large and small businesses to generate and maintain global AI expertise in Canada
- Improving the competitiveness of key players in the Canadian supply chain ecosystem



## → COVID-19: TAKING ACTION TO GET THROUGH THE CRISIS

In response to the emergency created by the COVID-19 crisis, Scale AI launched a call for projects in order to find ideas and solutions that could help Canada meet the challenge using technology and artificial intelligence (AI).

Over 120 submissions were received in a three-week period. At the time of publication of this annual report, eight projects totalling investments of more than \$3.4M had already passed all of the stages and obtained funding.

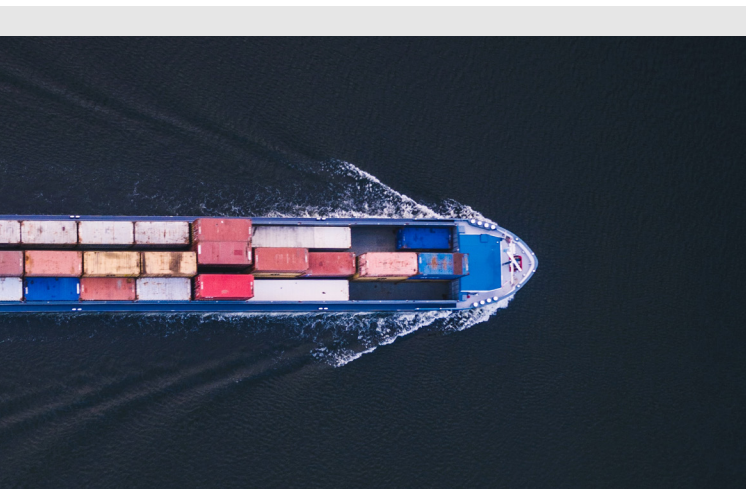
→ **View the list and a summary of projects on page 36.**

## → SUPPORTING THE IMPLEMENTATION OF INDUSTRY PROJECTS

Scale AI will continue to invest in tools and systems to better meet the needs of our members and to ensure appropriate monitoring and reporting on investment performance.

**We intend to increase our collaboration with our government partners to connect and support more businesses from across Canada around the following priorities:**

- Drive projects with a total value of \$120 M, thus doubling our investments including industry contribution and the investment of Scale AI, while continuing to support the supply chains of a wide range of industrial sectors and businesses of all sizes
- Accelerate our proactive strategy of attracting projects across Canada in targeted sectors (health, transportation, retail, mining and agriculture)
- Expand our strategic partnerships with organizations with strong potential for developing AI projects
- Automate project compliance monitoring and control processes



## → SUPPORTING THE EMERGENCE OF THE ECOSYSTEM

Scale AI will continue to implement its programs and its commitment to all players in the AI sector both established and emerging, while fostering a critical mass of AI experts in Canada.

### Acceleration program

We will continue to roll out the program with the following priorities:

- Expand the program to ensure support for projects in all Canadian provinces
- Approve more than 130 projects
- Integrate the projects and organizations supported at the acceleration stage into the Scale AI ecosystem
- Raise market awareness of the diversity of AI offerings and promote the companies supported by Scale AI
- Finalize the implementation of an automated process for monitoring and controlling project compliance

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### Workforce development program

We will continue to implement our targeted programs. At the time of writing, several steps have already been taken:

- Rollout of the professional development program across Canada, with its two components for accessing training offered by educational institutions and the implementation of customized training for businesses (launched in June 2020);

- Launch of the funding program for University Research Chairs in AI in Canada (launched in May 2020)
- Launch of the university AI scholarship program
- Development of a program and / or initiatives to raise awareness in the fields of science, technology, engineering and mathematics

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### Development and collaboration initiatives

The context of the pandemic obliges us to review several of our projects, with in-person events having to be rethought and reconfigured. Nevertheless, we are continuing our efforts around the following priorities:

- Develop and organize activities — in person or virtual — that help to consolidate the dynamism of the ecosystem and all its stakeholders
- Continue to develop Scale AI's digital presence and deliver content that showcases the achievements and impact of AI
- Expand our collaboration with partners in Ontario
- Expand and diversify our membership

# COVID-19 projects

## → Optimization of the distribution of diagnostic tests for COVID-19

With the unprecedented demand for COVID-19 diagnostic testing and despite the ongoing ramp up in production, there is currently still a limited supply of these tests. This AI solution will be powered by a robust forecasting model and an allocation optimization engine that takes into account constraints in global supply, as well as national testing capacity and evolving circumstances.

Company  
**Roche Diagnostics**

Scale AI investment  
**\$500 K**

Total investment  
**\$600 K**

## → Intelligent digital assistance system

The support network for vulnerable people, including professional home services and caregiver interventions, is completely disrupted by the current crisis. This project aims to equip community organizations and volunteers to document needs and manage interventions in a coordinated manner, on a digital platform that brings together local stakeholders.

Companies  
**Careteam Technologies & FleetOps**

Scale AI investment  
**\$500 K**

Total investment  
**\$500 K**

## → Rapid distribution capacity of essential cargo

Distribution networks are under stress, with the need to quickly deliver basic necessities in the health and food sectors, while other sectors are operating at a slower pace. This AI-based solution enables the optimization of identification and prioritization of critical cargo arriving by container at the Port of Montreal to ensure the rapid distribution of essential goods, such as medical equipment and food products, in the current COVID-19 context.

Companies  
**Administration portuaire de Montréal and CargoM**

Scale AI investment  
**\$500 K**

Total investment  
**\$600 K**

## → Response to the COVID-19 crisis for home care

While home care is turned upside down by the COVID-19 crisis, this solution aims to create a new tool for monitoring the health of both patients and workers. This helps protect their health, limit the risk of spreading the virus and ensure continuity of care and services, whether in person or through a new offer of virtual consultations.

Company  
**AlayaCare**

Partners  
Les Services Bien Chez Soi,  
Polytechnique Montréal

Scale AI investment  
**\$297.5 K**

Total investment  
**\$312.5 K**

→ Access to resources on COVID-19 through a chatbot

While the public has many questions about COVID-19, 811 phone lines and telemedicine interventions are multiplying, but nursing teams are not able to meet demand. Dialogue is developing a project to improve the service of the Chloé automated public chatbot for COVID-19. The system aims to facilitate quick access to relevant information for citizens and allow healthcare professionals to focus on tasks that require their expertise, while protecting the public and avoiding misinformation.

Company  
**Dialogue Technologies**

Partners  
Mila, Nu Echo, Samasource, Google, John Hopkins University et Dataperformers

Scale AI investment  
**\$500 K**

Total investment  
**\$500 K**

→ Strengthening deep learning in the search for effective antiviral molecules against COVID-19

To accelerate the interpretation of research data for effective antiviral molecules in the fight against COVID-19, this project takes advantage of a new deep learning algorithm to exploit the capabilities of artificial intelligence in fundamental research and to transfer this knowledge into applied research.

Organization  
**Mila**

Scale AI investment  
**\$125 K**

Total investment  
**\$250 K**

→ Digital framework for clinical trials for accelerated evaluation of a new COVID-19 treatment based on colchicine

This project will develop an intelligent infrastructure to oversee clinical trials by optimizing the management of informed patient consent, as well as the capture, filtering and analysis of data from a treatment evaluation study based on colchicine to reduce mortality from COVID-19.

Organization  
**Institut de Cardiologie de Montréal**

Scale AI investment  
**\$100 K**

Total investment  
**\$300 K**

→ CDL recovery program

Creative Destruction Lab is adapting its objectives-based mentorship program to enable start-ups to face the challenges posed by COVID-19 in terms of public health and economic recovery. The selected projects will benefit from the support and expertise of leading entrepreneurs, economists, scientists, inventors, business leaders and investors.

Organization  
**Creative Destruction Lab**

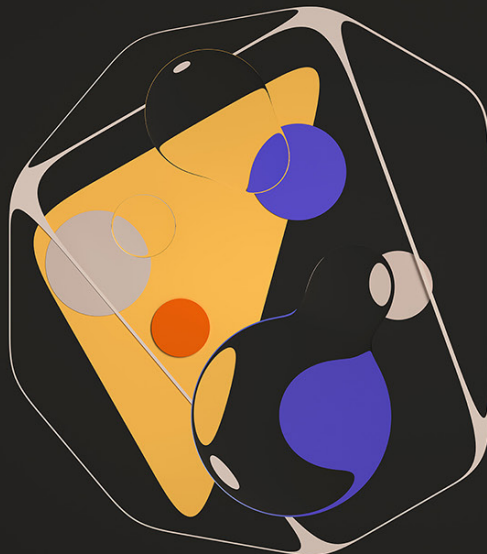
Scale AI investment  
**\$500 K**

Total investment  
**\$500 K**

# Governance

Contributing to the emergence of an entire industry by implementing programs funded largely by governments demands tremendous rigour.

It is with this in mind that Scale AI has put in place a governance framework and processes that are aligned with best practices.





## **Board of Directors**

- H el ene Desmarais  
(Co-Chairwoman)  
Belvoir Investments
- Louis Roy  
(Co-Chairman)  
Groupe Optel
- Pearl Sullivan  
(Vice-Chairwoman)  
University Waterloo
- Andr e Beaulieu  
Bell Canada
- Hubert Bolduc  
Montreal International
- Yoshua Bengio  
Mila
- Michelle Courchesne  
Optimum Talent
- Martha Crago  
McGill University
- Anu Dodda  
Thomson Reuters
- Thierry Dorval  
Norton Rose Fulbright
- Jody Fitzpatrick  
Canadian Tire
- Marc Gilbert  
BCG
- Julie Godin  
CGI
- Paul Lavoie  
Beau Lake
- Michel Leblanc  
CCMM
- Andrea Lodi  
CERC
- Catherine Luelo  
Air Canada
- David Markwell  
Loblaw
- Michel Patry  
Michel Patry et associ es
- Miriam Pozza  
PWC
- Denise Robert  
Cin emaginaire
- Catherine Rosenberg  
Waterloo University
- Gilles Savard  
Ivado
- Solmaz Shahalizadeh  
Shopify
- Philippe Tanguy  
Polytechnique Montreal
- Galen Weston Jr.  
Loblaw
- Jean-Fr ed eric Lafaille  
(Observer)  
Canada Economic  
Development
- Thomas Bilodeau Genest  
(Observer)  
Minist re de l' conomie  
et de l'innovation du  
Qu ebec
- Louis T tu  
(Observer)  
Coveo



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## **Executive Committee**

- H el ene Desmarais  
(Chairwoman)
- Julien Billot  
(CEO)
- Andrea Lodi
- Gilles Savard
- Michel Patry

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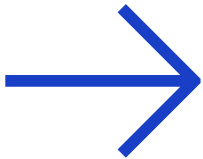
## **Executive Team**

- Julien Billot
- Albert Caponi
- Cl ment Bourgogne
- Serge Massicotte
- Todd Bailey
- Isabelle Turcotte



## → DESIGN AND PROMOTION OF PROGRAMS

For a startup organization whose mode of intervention is relatively new, designing relevant programs is essential from the start.



Thus, each program underwent a specific approach to establishing transparent and clear objectives and eligibility criteria for all players involved.

Requiring more time up front, this approach and the preliminary consultations carried out with stakeholders, enabled the programs to be implemented seamlessly.

Attracting diverse and quality dossiers also requires efforts to promote the benefits of AI in general and the programs offered by Scale AI in particular.

On a daily basis, Scale AI's experts and advisors offer personalized support to all interested organizations in order to assess their projects and their eligibility, in a spirit of collaboration and efficiency.

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## → PROCESS OF VALIDATION FOR PROJECTS OR AGREEMENTS

Project approval or accreditation follows the same process for all programs:

- Application preparation: Each interested organization has the opportunity to be assisted by a Scale AI advisor who will conduct a preliminary analysis of the eligibility of their application and offer information and advice.
- Project analysis and selection: a committee composed of several independent experts evaluates each application based on each program's pre-established criteria and makes a recommendation.

- Approval by the ratification board: Dossiers receiving a favourable recommendation are presented to the ratification board, which ensures that the process was conducted in accordance with the guidelines, in a transparent, clear and fair manner. The decision may be favourable, unfavourable or conditional on project development.
- Signing of the agreement: the allocation of funding is subject to an agreement that clearly establishes the obligations and responsibilities for project implementation and accountability.
- Monitoring and control: the project manager assigned to the dossier follows up according to the terms of the agreement and the planned timetable and validates the disbursement of the funding awarded.

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## → RESPECT OF THE GOVERNANCE FRAMEWORK

- As CEO, Julien Billot confirms that the financial controls in place respect the commitments of Scale AI as well as the processes established with funders.

- Note, Scale AI's investment policies and procedures have not changed in 2019-2020.

# Financial report



## → RESULTS

### **Scale AI for the year ended March 31, 2020**

	2020 \$	2019 \$
<b>→ Revenue</b>		
Contributions - Government grants	6 336 367	2 364 683
Membership fees	203 237	-
Registration fees for conferences	57 848	82 918
Interest income	551 896	201 645
	<b>7 149 348</b>	<b>2 649 246</b>
<b>→ Expenses</b>		
Salaries and social charges*	1 885 238	100 091
Professional fees	1 510 557	1 165 805
Marketing and promotion	604 884	13 155
Events	407 549	-
Rental charges	388 750	-
Software	310 168	-
Travel and meal expenses	31 727	22 420
Office expenses	22 249	9 442
Conventions	15 157	10 766
Insurance	11 832	9 362
Training	6 433	1 147
Interest and bank charges	3 915	-
Bad debt	3 600	-
	<b>5 202 059</b>	<b>1 332 188</b>
	<b>1 947 289</b>	<b>1 317 058</b>
Contributions related to projects**	<b>(548 523)</b>	<b>-</b>
<b>→ Excess of revenue over expenses</b>	<b>1 398 766</b>	<b>1 317 058</b>

\*The executive team salaries are between \$200K and \$450K for the 2019-2020 fiscal year. Compensation for two employees exceeded \$300 000 for the year.

\*\*These contributions represent reimbursements of eligible project costs approved by Scale AI and exclude \$ 554,615 of unfunded eligible costs also related to these projects.

**SCALE.AI**  
**Financial Statements**  
**March 31, 2020**

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Cash Flows	7
Financial Position	8
Notes to Financial Statements	9 - 13

## Independent Auditor's Report

To the Directors of  
SCALE.AI

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Raymond Chabot  
Grant Thornton LLP  
Suite 2000  
National Bank Tower  
600 De La Gauchetière Street West  
Montréal, Québec  
H3B 4L8

T 514-878-2691

### Opinion

We have audited the financial statements of SCALE.AI (hereafter "the Organization"), which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 Organization 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.

### 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 Canadian accounting standards for not-for-profit organizations, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Organization'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 Organization'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 Organization 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.

*Raymond Chabot Grant Thornton LLP*<sup>1</sup>

Montréal  
July 23, 2020

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<sup>1</sup> CPA auditor, CA public accountancy permit no. A116823

# SCALE.AI

## Operations

Year ended March 31, 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>Revenues</b>		
Contributions		
Government grants (Note 4)	<b>6,336,367</b>	2,364,683
Membership revenues	<b>203,237</b>	
Interest income	<b>551,896</b>	201,645
Conference registration fees	<b>57,848</b>	82,918
	<u><b>7,149,348</b></u>	<u>2,649,246</u>
<b>Expenses</b>		
Salaries and employee benefits	<b>1,885,238</b>	100,091
Professional fees	<b>1,510,557</b>	1,165,805
Marketing and promotion	<b>604,884</b>	13,155
Events	<b>407,549</b>	
Rental expense	<b>388,750</b>	
IT expense	<b>310,168</b>	
Travel and meals	<b>31,727</b>	22,420
Office supplies and expenses	<b>22,249</b>	9,442
Conventions	<b>15,157</b>	10,766
Insurance	<b>11,832</b>	9,362
Training	<b>6,433</b>	
Interest and bank charges	<b>3,915</b>	1,147
Doubtful accounts	<b>3,600</b>	
	<u><b>5,202,059</b></u>	<u>1,332,188</u>
	<b>1,947,289</b>	1,317,058
Contributions to projects (Note 8)	<b>(548,523)</b>	
<b>Excess of revenues over expenses</b>	<u><b>1,398,766</b></u>	<u>1,317,058</u>

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



# SCALE.AI

## Cash Flows

Year ended March 31, 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
<b><i>OPERATING ACTIVITIES</i></b>		
Excess of revenues over expenses	1,398,766	1,317,058
Net change in working capital items and deferred government grants	<u>21,154,034</u>	<u>2,363,575</u>
Cash flows from operating activities	<u>22,552,800</u>	<u>3,680,633</u>
<b><i>INVESTING ACTIVITIES</i></b>		
Investments	<u>(80,663,000)</u>	(7,000,000)
Disposal of investments	<u>66,663,000</u>	<u>                    </u>
Cash flows from investing activities	<u>(14,000,000)</u>	<u>(7,000,000)</u>
<b>Net increase (decrease) in cash</b>	<b>8,552,800</b>	<b>(3,319,367)</b>
Cash, beginning of year	<u>6,680,633</u>	<u>10,000,000</u>
Cash, end of year	<u>15,233,433</u>	<u>6,680,633</u>

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

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## Financial Position

March 31, 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>ASSETS</b>		
Current		
Cash	15,233,433	6,680,633
Trade and other receivables (Note 5)	465,838	648,936
Prepaid expenses	<u>119,903</u>	
	15,819,174	7,329,569
Long-term		
Investments (Note 6)	<u>21,000,000</u>	7,000,000
	<u>36,819,174</u>	<u>14,329,569</u>
<b>LIABILITIES</b>		
Current		
Trade payables and other operating liabilities (Note 7)	1,589,817	12,511
Deferred membership revenues	<u>171,644</u>	
	1,761,461	12,511
Long-term		
Deferred government grants (Note 8)	<u>32,341,889</u>	13,000,000
	<u>34,103,350</u>	<u>13,012,511</u>
<b>NET ASSETS</b>		
Restricted to rental expense (Note 9)	111,109	
Unrestricted	<u>2,604,715</u>	1,317,058
	<u>2,715,824</u>	1,317,058
	<u>36,819,174</u>	<u>14,329,569</u>

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

On behalf of the Board,



Director



Director



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## Notes to Financial Statements

March 31, 2020

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### **1 - GOVERNING STATUTES**

The Organization, constituted under the Canada Not-for-profit Corporations Act, aims to build the next generation of supply chains in Canada by optimizing the use of artificial intelligence technologies. It is a not-for-profit organization under the Income Tax Act.

### **2 - ACCOUNTING CHANGE**

During the year, the Organization retrospectively changed the method of accounting for a government grant received during the year ended March 31, 2019 by the Ministère de l'Économie et de l'Innovation, following certain clarifications obtained from the latter. For the year ended March 31, 2019, this change led to a decrease of the revenue contributions from government grants and of the excess of revenues over expenses of \$5,000,000. Additionally, as at March 31, 2019, this change led to an increase of the deferred government grants of \$5,000,000 and a decrease of the net assets restricted for the realization of industrial projects in Quebec of the same amount.

### **3 - SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation**

The Organization's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

#### **Accounting estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

#### **Revenue recognition**

##### *Contributions*

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

##### *Membership revenues*

Membership revenues are recognized as revenue in accordance with the agreement between the parties, as the services are provided, fees are fixed or determinable and collection is reasonably assured. The liability relating to the received but unearned portion of membership revenues is recognized in the statement of financial position as deferred membership revenues.

##### *Conference registration fees*

Conference registration fees are recognized as revenue in accordance with the agreement between the parties, when the conference has taken place, fees are fixed or determinable and collection is reasonably assured.

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## Notes to Financial Statements

March 31, 2020

### 3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Interest income*

Investment transactions are recorded on the transaction date and resulting interest revenues are recognized using the accrual method of accounting.

All interest revenues are not subject to externally imposed restriction and are recognized in the statement of operations.

#### **Financial assets and liabilities**

##### *Initial measurement*

Upon initial measurement, the Organization's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs.

##### *Subsequent measurement*

At each reporting date, the Organization measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

With respect to financial assets measured at amortized cost, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that, during the year, there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

### 4 - CONTRIBUTIONS

	<u>2020</u>	<u>2019</u>
	\$	\$
Government grants		
Operating		
Federal government		
Innovation Superclusters Initiative	3,567,702	364,683
Provincial government		
Ministère de l'Économie et de l'Innovation	2,000,000	2,000,000
Emploi-Québec	220,142	
	<u>5,787,844</u>	<u>2,364,683</u>
Projects		
Federal government		
Innovation Superclusters Initiative	430,998	
Provincial government		
Ministère de l'Économie et de l'Innovation	107,749	
Emploi-Québec	9,776	
	<u>548,523</u>	<u>-</u>
	<u>6,336,367</u>	<u>2,364,683</u>

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**Notes to Financial Statements**  
 March 31, 2020

**5 - TRADE AND OTHER RECEIVABLES**

	<u>2020</u>	<u>2019</u>
	\$	\$
Trade accounts receivable	72,454	80,157
Government grants receivable		364,683
Sales taxes receivable	106,092	64,430
Accrued interest	287,292	139,666
	<u>465,838</u>	<u>648,936</u>

**6 - INVESTMENTS**

	<u>2020</u>	<u>2019</u>
	\$	\$
Investments measured at amortized cost		
Guaranteed investment certificate, 2%, maturing in April 2020	15,000,000	
Guaranteed investment certificate, 1.51%, maturing in April 2021	6,000,000	
Guaranteed investment certificate, 1.45%		1,000,000
Guaranteed investment certificate, 2%		1,000,000
Guaranteed investment certificate, 2.15%		5,000,000
	<u>21,000,000</u>	<u>7,000,000</u>

**7 - TRADE PAYABLES AND OTHER OPERATING LIABILITIES**

	<u>2020</u>	<u>2019</u>
	\$	\$
Accounts payable and accrued liabilities	1,170,674	
Salaries and vacation payable	419,143	12,511
	<u>1,589,817</u>	<u>12,511</u>

**8 - DEFERRED GOVERNMENT GRANTS**

	<u>2020</u>	<u>2019</u>
	\$	\$
Provincial government operating grant (a)		
Balance, beginning of year	8,000,000	10,000,000
Amount recognized in operations	(2,000,000)	(2,000,000)
Balance, end of year	<u>6,000,000</u>	<u>8,000,000</u>
Federal government projects grants (b)		
Balance, beginning of year		
Amount recognized in operations	(430,998)	
Amount received relating to the following years	6,379,304	
Balance, end of year	<u>5,948,306</u>	-
Provincial government projects grants (b)		
Balance, beginning of year	5,000,000	
Amount recognized in operations	(117,525)	
Amount received relating to the following years	15,511,108	5,000,000
Balance, end of year	<u>20,393,583</u>	<u>5,000,000</u>
	<u>32,341,889</u>	<u>13,000,000</u>

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## Notes to Financial Statements

March 31, 2020

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### **8 - DEFERRED GOVERNMENT GRANTS (Continued)**

- (a) The provincial government deferred operating grant represents unused resources which, as a result of external restrictions, are recognized as contribution revenues to a pre-established calendar.
- (b) The deferred projects grants represent unused resources which, as a result of external restrictions, are intended to cover future contributions to projects.

### **9 - NET ASSETS**

#### **Restricted to rental expense**

The sums allocated to this reserve are used to meet the future costs of rental expense. During the year, an amount of \$111,109 was allocated to this reserve.

### **10 - COMMITMENTS**

The Organization has entered into a long-term lease agreement expiring in March 2023 which calls for lease payments of \$333,327 for the rental of office spaces. Minimum annual lease payments for the next years are \$111,109 in 2021, 2022 and 2023.

The Organization has also committed, according to project agreements signed before March 31, 2020 totalling \$103,011,716, to make contributions to those projects within the next years.

### **11 - FINANCIAL RISKS**

#### **Credit risk**

The Organization is exposed to credit risk regarding the financial assets recognized in the statement of financial position. The Organization has determined that the financial assets with more credit risk exposure are trade accounts receivable since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

#### **Market risk**

The Organization's financial instruments expose it to market risk, in particular, to interest rate risk, resulting from its investing activities.

##### *Interest rate risk*

The Organization is exposed to interest rate risk with respect to financial assets bearing a fixed interest rate.

The guaranteed investment certificates bear interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

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**Notes to Financial Statements**  
March 31, 2020

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**11 - FINANCIAL RISKS (Continued)**

**Liquidity risk**

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized on the statement of financial position.

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