

Gearing Up

ANNUAL REPORT 2018-19



LETTER FROM CEO JAYSON MEYERS

Dear NGen Members,

The 2018-19 fiscal year focused on starting up and scaling up Next Generation Manufacturing Canada and Canada's Advanced Manufacturing Supercluster.

It was a year in which our Contribution Agreement with Innovation, Science, and Economic Development Canada – the agreement that sets out the terms and conditions of Supercluster funding – was finalized and approved. Our governance and operating policies and procedures were developed and implemented. Robust management and reporting systems were put in place, including systems to manage data and data security. Strategic eligibility requirements for Supercluster project funding were agreed by NGen's Board of Directors. And a fair and independent project assessment and selection process was initiated.

Canada's Advanced Manufacturing Supercluster is built on the principle of open membership and an open call for proposals. We want to identify the best ideas for collaborative and transformative projects that will make a real contribution to the future of advanced manufacturing in Canada, and to the livelihoods of Canadians.

NGen's membership more than tripled from the time our online membership registration site opened at the beginning of January to the end of March 2019. An expanded membership base allowed NGen to launch its capabilities database and to develop a more accurate map of advanced manufacturing assets and capabilities resident across Canada.

The first round of Supercluster project assessments took place in mid-March. At the same time, we launched our open call for project proposals. That set the stage for NGen's first Collaboration Day in April – a resounding success with 470 registrants, 15 project pitches, and 30 technology pitches. We ended our first year of operations geared up to evaluate project proposals and with a strong pipeline of project ideas to kick things off.



The engagement of Supercluster members and the widespread interest in project proposals only confirms the importance of NGen's mission and strategic objectives over the next four years. NGen was created to help build world class advanced manufacturing capabilities in Canada by leveraging Canada's technology and manufacturing strengths for the benefit of Canadians. We aim to be the leading convenor and connector for Canada's advanced manufacturing ecosystem, to successfully develop and fund collaborative projects that are transformative for Canadian advanced manufacturing, and to enhance the capabilities of Canadian companies on their road to global manufacturing excellence and business success.

Our mission could not be any more important for members of Canada's Advanced Manufacturing Supercluster than it is today, in a world of fast paced innovation, intense competition, and rapid technological change.



ABOUT NGEN

Next Generation Manufacturing Canada (NGen) is an industry-led not-for-profit organization dedicated to building world class advanced manufacturing capabilities in Canada. NGen works to connect and leverage the strengths of Canada's advanced manufacturing ecosystem to accelerate the development, adoption, and scale-up of technologies in manufacturing for the benefit of all Canadians.

INCORPORATION

Next Generation Manufacturing Canada was incorporated as a not-for-profit corporation under the Canada Not-for-Profit Corporations Act on November 23rd, 2017.



THE ADVANCED MANUFACTURING SUPERCLUSTER

Next Generation Manufacturing Canada was awarded funding over a five-year period by the federal government to lead Canada's Advanced Manufacturing Supercluster on February 15th, 2018. The Advanced Manufacturing Supercluster is one of five Superclusters that Innovation, Science, and Economic Development Minister Navdeep Bains announced would be funded under the federal government's Innovation Superclusters Initiative.

Minister Bains summarized the mission statements for each of the Superclusters as follows:

- The Advanced Manufacturing Supercluster (based in Ontario) will connect Canada's technology strengths to our manufacturing industry to make us a world manufacturing leader in the economy of tomorrow;
- The Oceans Supercluster (based in Atlantic Canada) will use innovation to improve competitiveness in Canada's ocean-based industries, including fisheries, oil and gas, and clean energy;
- The SCALE.AI Supercluster (based in Quebec) will make Canada a world leading exporter by building intelligent supply chains through artificial intelligence and robotics;
- The Protein Industries Supercluster (based in the Prairies) will make Canada a leading source for plant proteins and help feed the world; and,
- The Digital Technology Supercluster (based in British Columbia) will use big data and digital technologies to unlock new potential in important sectors like healthcare, forestry, and manufacturing.

The Superclusters have established a close collaborative relationship since they were launched. They work together regularly to develop common funding terms, operating policies and procedures, and joint opportunities for project and program support and delivery.

NGen concluded Contribution Agreement negotiations with the federal government on October 17th, 2018. The Contribution Agreement received Ministerial approval and became effective on November 9th, 2018. Approval was officially announced at an NGen members' event hosted by Promotion Engineering in Oakville on November 13th, 2018. The Contribution Agreement sets out the terms and conditions for Supercluster funding. Terms affecting the eligibility of projects and project requirements have been incorporated in NGen's Supercluster Project Selection Guide.



STRATEGIC OBJECTIVES

By connecting and leveraging Canada's technology and manufacturing strengths, NGen's Advanced Manufacturing Supercluster initiative aims to enhance the competitiveness and growth potential of Canadian manufacturers, support the scale-up of smaller technology and manufacturing companies, and attract, retain, and increase the capital, highly skilled talent, and intellectual property available for Canada's advanced manufacturing ecosystem. NGen's target is to boost Canada's GDP by \$13.5 billion and create 13,500 full time jobs by 2028 as a result of Supercluster activities.

In order to achieve its strategic objectives, NGen developed a three-point strategy for the Advanced Manufacturing Supercluster. Over the five-year period of Supercluster funding, NGen will work:

1. To be the leading convenor and connector of Canada's advanced manufacturing ecosystem.
2. To successfully develop and fund collaborative projects that are transformative for Canadian advanced manufacturing and leave lasting benefits for Canadians.
3. To enhance the capabilities of Canadian companies to achieve global manufacturing excellence and business success.

The success of Canada's Advanced Manufacturing Supercluster will be measured by the outcomes it achieves. The Supercluster has ambitious targets for building collaboration and spurring economic growth over the next ten years.



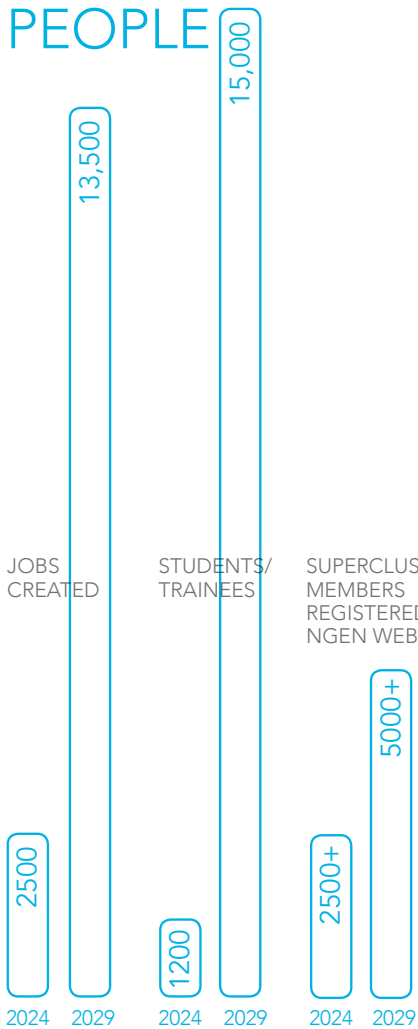
FIVE AND TEN-YEAR INCREMENTAL GROWTH TARGETS

PRODUCTIVITY

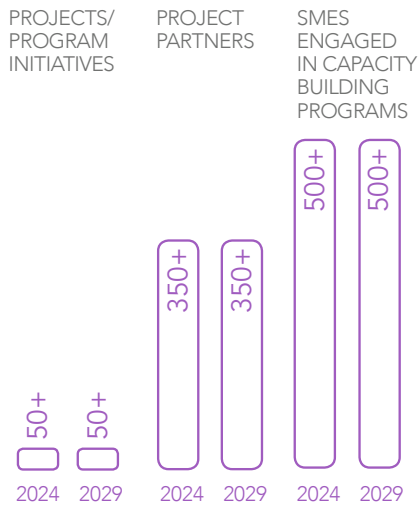
ANNUAL GROWTH IN LABOUR PRODUCTIVITY



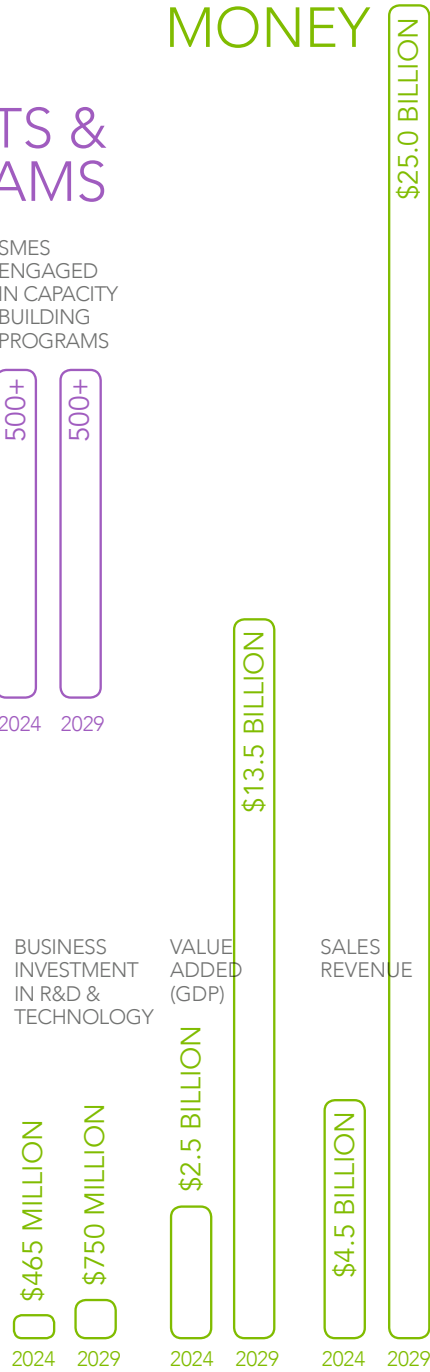
PEOPLE



PROJECTS & PROGRAMS



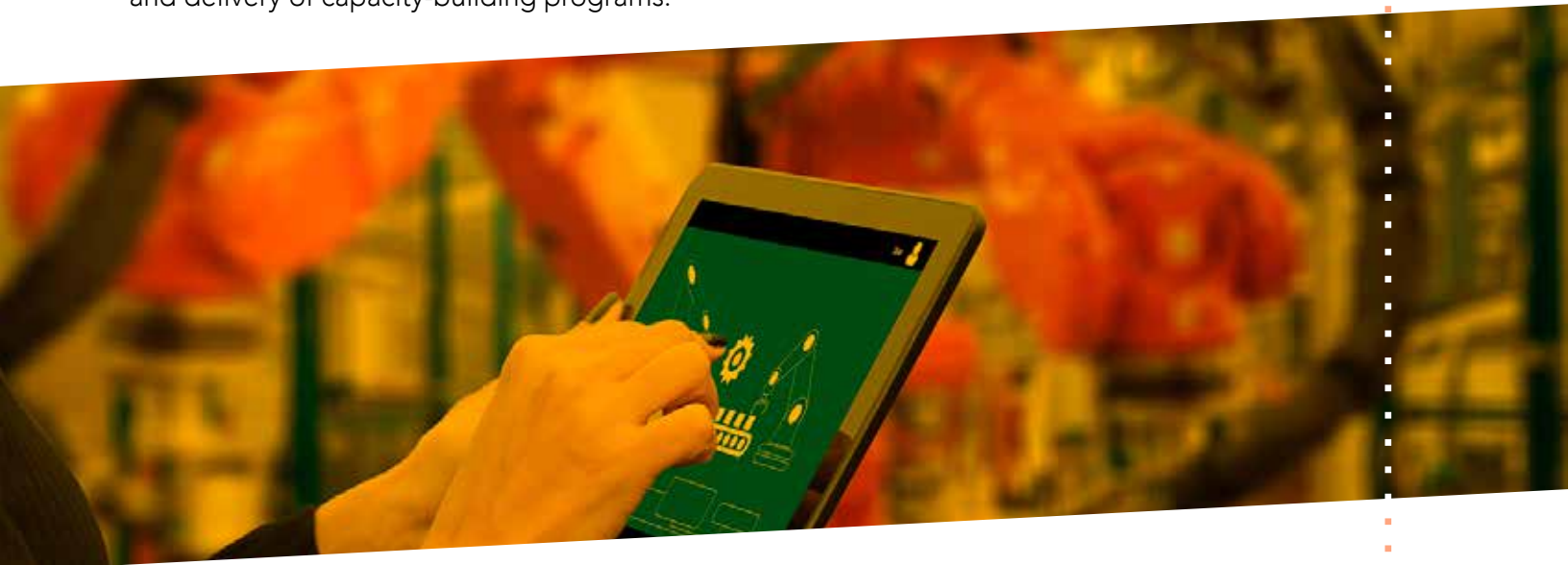
MONEY



CORPORATE PLAN 2018/19

NGen's objectives for 2018-19, set out in its corporate plan for its first fiscal year of operations, were to:

- Establish the corporation's governance structure, policies, and processes;
- Conclude its Supercluster Contribution Agreement with the federal Ministry of Innovation, Science, and Economic Development (ISED);
- Establish its five-year strategic plan, intellectual property and data management policies, membership model, and independent project selection process to the satisfaction of its Board of Directors and ISED;
- Scale-up as an organization and establish the project and program management processes required for effective and efficient administration of the Advanced Manufacturing Supercluster, including its financial, investment, and risk management, communications, project development, selection, and monitoring, program delivery, and information and reporting systems.
- Define and select the lighthouse projects that will be eligible for the first round of Supercluster funding;
- Launch its Supercluster membership registration platform and capabilities database;
- Organize the management and delivery of its capacity-building programs and activities; and,
- Enter into working relationships with other organizations that will assist NGen in project evaluation and selection, membership development and project recruitment, and delivery of capacity-building programs.



GOVERNANCE

NGen's Board of Directors was constituted in December 2017 with 17 Board members. Linda Hasenfratz, CEO of Linamar Corporation was elected Chair of NGen's Board. Bob Magee, Chair of Woodbridge Corporation, was elected Vice-Chair of the Board.

The Board of Directors was expanded to 20 members at NGen's general members' meeting held on September 28th, 2018. At that time, the Board achieved gender parity and an equal representation of invested and independent Directors. Board membership as constituted at the general meeting consisted of:

Mike Andrade, CEO, Morgan Solar

Mike Baker, Executive Director, Bluewater Wood Alliance

Rhonda Barnett, President & COO, Steelworks Design

Chris Brown, Vice President, GDLS Canada

Tony Chahine, CEO, Myant

Melissa Chee, President & CEO, ventureLAB

Jan De Silva, President & CEO, Toronto Region Board of Trade

Ryan Gariepy, CTO, Clearpath Robotics

Gary Graham, Partner, Graham Stephenson LLP

Moira Harvey, Executive Director, Ontario Aerospace Council

Linda Hasenfratz, Chair and CEO, Linamar

Patricia Hawkins, Director, Strategic Partnerships & Innovation, Xerox Research Centre of Canada

Sandra Ketchen, Senior Vice President, SE Healt

Jennifer Maki, former CEO, Vale Canada

Bob Magee, Chair, Woodbridge Group

Carol McGlogan, President & CEO, Electro Federation Canada

Joris Myny, Digital factory Lead, Siemens Canada

Angela Pappin, COO, ArcelorMittal Dofasco

Gerry Remers, Chair, Expert Review Panel, Ontario Network of Entrepreneurs

Salim Teja, President, Venture Services, MaRS Discovery District



The following individuals were also invited at NGen's 2018 general meeting to join the Board as Observers:

Cristina Amon, Dean, Faculty of Applied Science and Engineering, University of Toronto

Maria Aubrey, Vice President, Business and Professional Services, National Research Council

Iain Klugman, President & CEO, Communitech

Bill Mantel, Assistant Deputy Minister, Province of Ontario

James Meddings, Deputy Minister, Federal Economic Development Agency for Southern Ontario

Mitch Davies, Assistant Deputy Minister, Innovation, Science, and Economic Development Canada was invited to join the Board as an observer in November 2018, upon conclusion of NGen's Contribution Agreement.

Three Board Committees were established at NGen's September 28th, 2018 Board meeting:

- Finance and Audit, chaired by Chris Brown, will oversee NGen's finances and the administration of the Supercluster's investment policy;
- Human Resources and Nominating, chaired by Joris Myny, will oversee NGen's employment policies, set performance targets and evaluate the performance of NGen's CEO, and nominate candidates for Board membership;
- Governance and Compliance, chaired by Gary Graham, will oversee NGen's governance policies, compliance with legal agreements, and risk management procedures.

NGen's Board of Directors established its governance policies with respect to the roles and responsibilities of Board members, conflict of interest, and confidentiality in February 2018. Governance policies were reviewed and updated by the Board on September 28th, 2018. A Board workplan was developed and agreed by Board members on December 4th, 2018. Quarterly meeting dates for the Board and Board committees were also established at that time.



CONDITIONS PRECEDENT

With Board approval, NGen submitted the following documents to Innovation, Science, and Economic Development Canada as conditions precedent for project funding:

- The Advanced Manufacturing Supercluster's 5-year Strategic Plan;
- The Supercluster's membership agreement;
- NGen's guide for Supercluster project selection;
- NGen's strategy for managing and encouraging the sharing of IP arising from Supercluster projects; and
- NGen's strategy for managing, protecting, and maximizing the value of the data it collects.

These documents have been made available on NGen's website at www.ngen.ca.



START-UP AND SCALE-UP

NGen's staff originally consisted of:

Jayson Myers, Interim Chief Executive Officer;

David Fransen, Interim Chief Strategy Officer; and,

Bilal Haffejee, Interim Chief Financial Officer.

Jayson Myers, a founding member of Next Generation Manufacturing Canada and interim CEO, was appointed Chief Executive Officer of the corporation by the NGen's Board of Directors on June 15th, 2018.

As of March 31st, 2019, NGen's staff complement consisted of:

Jayson Myers, Chief Executive Officer;

John Laughlin, Chief Technology Officer, accountable for Supercluster project development, selection, and monitoring;

David Fransen, Chief Strategy Officer, accountable for the Supercluster's capacity building programs and partnerships;

Bilal Haffejee, Chief Financial Officer, accountable for finance and administration;

Bruce Wallace, Chief Creative Officer, accountable for marketing, communications, and member relations;

Steven Bell, Project Director;

Bridget Bohan, Business Development Director;

Carol Cutrone, Executive Assistant and Office Manager;

Frank Defalco, Communications Director;

Jenn Maclean, Project Director;

Rob MacLeod, Strategy Manager and Corporate Secretary;

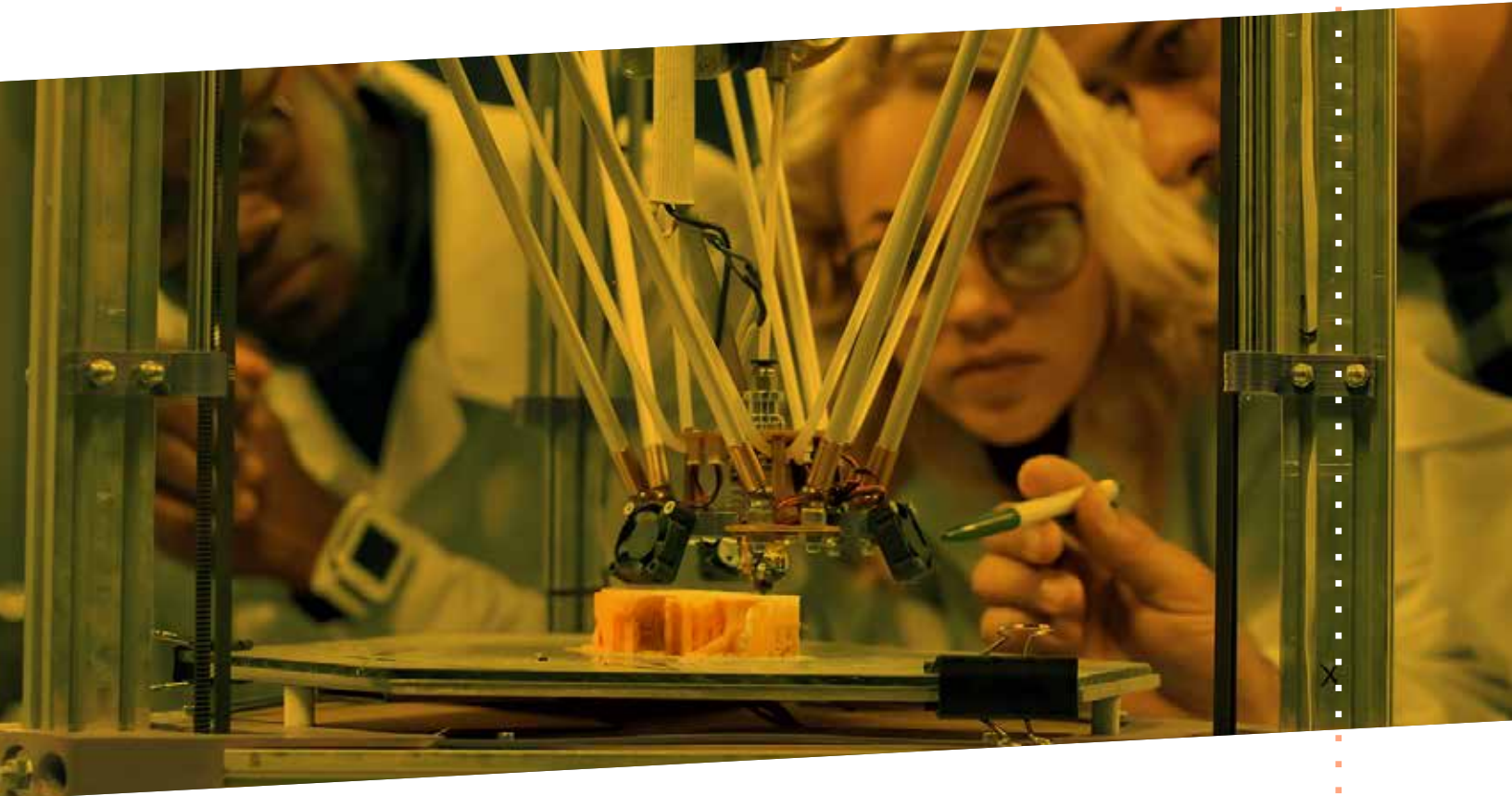
Lara Sanders, Finance Director.

None of NGen's officers, employees, or directors receive total compensation in excess of \$300,000.



Throughout the year, NGen put in place the financial, operating, communications, and reporting systems required for the effective and efficient management of the corporation and the Supercluster, including:

- Hiring and other employment policies;
- Policies and procedures for financial, human resource, and administrative management, project selection, monitoring, and reporting, membership and partnership development and relations, compliance and reporting;
- Development and launch of NGen's website, membership registration platform, member portal, capabilities database, and online project application and management systems;
- Data management and security systems; and,
- Legal agreements with respect to contracts, project applicants and assessors.

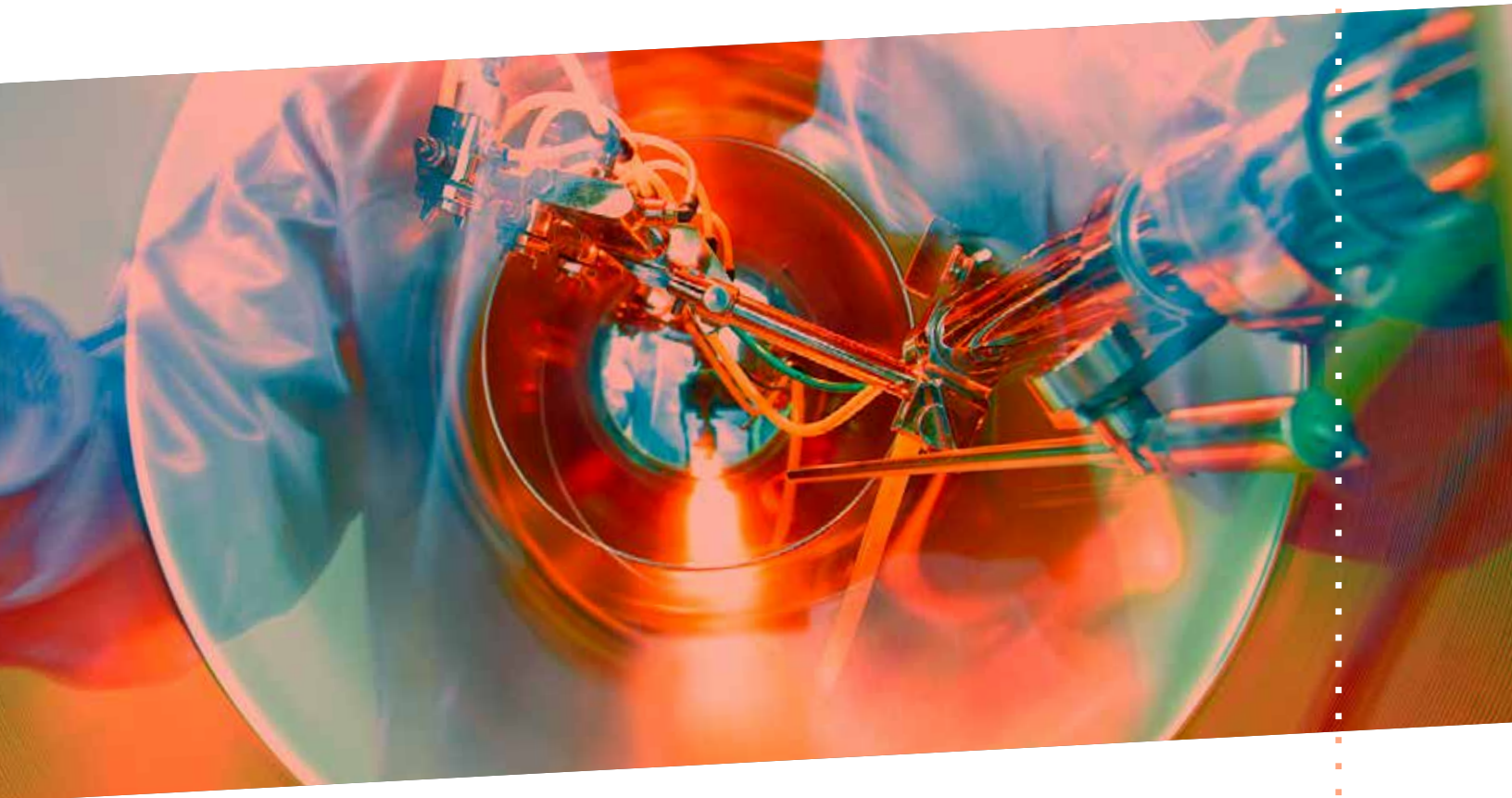


SUPERCLUSTER MEMBERSHIP

Advanced Manufacturing Supercluster membership is open to any organization or individual making a contribution to Canada's advanced manufacturing ecosystem. There is no cost to register as a Supercluster member. However, members are expected to provide data describing their capabilities and the contribution they make to Canada's advanced manufacturing ecosystem. Members register online on NGen's website.

Membership of the Advanced Manufacturing Supercluster originally consisted of 100 manufacturing, technology, and business services companies and 40 other supporting organizations, including colleges and universities, business networks, economic development agencies, local governments, and other public sector agencies.

By March 31st, 2019, Supercluster membership had expanded to include 337 organizations and 126 individual experts and researchers.



PROJECTS

NGen's Board of Directors defined four strategic criteria for project selection. Accordingly, the Board agreed that Supercluster projects must be:

Transformative – leading to distinct competitive advantages for Canadian manufacturing;

Collaborative – engaging at least three private sector partners, including at least one small company, with a preference to projects engaging colleges, universities, and other supporting organizations;

Close to commercialization – offering clear potential for business growth; and,

Enduring – leaving a legacy in terms of IP, tools, testbeds, or skills that would benefit other members of Canada's advanced manufacturing ecosystem

The Board also agreed to establish an independent project assessment and selection process. A pool of independent business and technology experts was established to evaluate project applications. Procedures for project evaluation, contracting, monitoring, and reporting were developed, approved by the Board, and documented in NGen's Supercluster Project Selection Guide.

Ten collaborative projects were identified as lighthouse projects, examples of initiatives that NGen would fund in its Supercluster application. Following the announcement of the Advanced Manufacturing Supercluster, NGen worked with each of the lighthouse projects to develop more detailed proposals. Eight proposals were submitted for initial assessment in March 2019.

NGen also announced its open call for project proposals in March 2019.

As NGen's Conditions Precedent had not received Ministerial consent by March 31st, 2019, no Supercluster projects were approved or funded during the financial year.



CAPACITY BUILDING

NGen launched its capabilities database in March 2018 as the first step in developing an online collaboration tool for Supercluster members.

NGen also allocated \$12 million over four years in its Capacity Building Fund to support small and medium-sized companies undertake feasibility studies and capability assessments, initiate cluster start-ups, and access technology and training infrastructure. Terms for funding these collaborative capacity building initiatives were finalized and documented in NGen's Supercluster Project Selection Guide.

COMMUNICATIONS

Updates on the Supercluster and rules for engagement in projects were posted on NGen's website. NGen also launched an active social media campaign to highlight announcements and NGen events, Supercluster objectives and opportunities, and update Supercluster members on the rules around Supercluster funding and our open call for project proposals.

NGen's leadership team participated in 46 media interviews throughout the year and 35 industry events, including roundtables and collaboration events hosted by Chambers of Commerce, industry associations, and innovation centres.

The Advanced Manufacturing Supercluster was also highlighted at several international events, including the World Manufacturing Forum (September 2018), the TCI Global Cluster Network (October 2018), the European Union's Research and Technology Organization Summit (November 2018), the Factory of the Future Awards ceremony hosted by Agoria and Sirris, Belgium's advanced manufacturing cluster and national research centre (February 2019), and the European-Canada Cluster Collaboration Forum (March/April 2019).

PROTECTION OF NETWORK AND DATA SECURITY

NGen has developed a set of policies and protocols to ensure data protection and privacy. They are available [here](#).

NGen has a data use policy for members. It is available [here](#).



CORPORATE OBJECTIVES FOR 2019/20

NGen has set the following objectives for 2019/20:

1. Leadership

Over the course of 2019/20, NGen will convene a series of discussions among industry and other ecosystem leaders aimed at:

- Identifying world-class capabilities in advanced manufacturing;
- Mapping out the assets and resources available to support advanced manufacturing companies across Canada;
- Identifying gaps in Canada's advanced manufacturing ecosystem, especially with respect to skills development and technology adoption/demonstration infrastructure; and,
- Encouraging greater connectivity and collaboration among industry and innovation networks.

2. Connections & Collaboration

NGen plans to capitalize on the interest that is building around the Advanced Manufacturing Supercluster to engage more companies, supporting organizations, and individual experts from across Canada as Supercluster members. By the close of the 2019 calendar year, NGen aims to increase its membership numbers by more than 6X to achieve a critical mass of 2,000 Supercluster members.

NGen is creating an advanced search tool that will allow its members to search organizations and individuals by capability and interest in finding innovation partners. The database will continually expand to provide the most comprehensive and inclusive view possible of organizations and individuals engaged in advanced manufacturing. The power of the database resides in the quality and quantity of data that it captures. NGen's goals for the upcoming year are to:

- Build into the database an IP Register for intellectual property arising from NGen funded projects;
- Scale up the number of organizations and individuals whose information is contained in the database. NGen will ensure that events are used to capture new members;
- Register at least 2,000 members in the database;
- Encourage members to use the database to identify potential partners and opportunities for collaboration;



- Develop a better understanding of advanced manufacturing assets and capabilities across Canada. NGen will use the data it collects to identify strengths, weaknesses, clusters of innovation activity, and gaps in Canada's advanced manufacturing ecosystem; and,
- Develop analytics and begin to monetize services based on collected data.

NGen will organize a series of workshops and project "Pitch Days" across Canada. These events are aimed at soliciting potential Supercluster project ideas and encourage the creation of consortia and other partnerships around projects. NGen's first Pitch Day in 2019 was held on April 16th in Kitchener, Ontario.

NGen will also participate in workshops, conferences, and seminars organized to drive greater collaboration in advanced manufacturing, with a particular focus on engaging SMEs.

3. Supercluster Projects

NGen will invest \$192 million in Supercluster projects, reimbursing eligible project expenses incurred by industry at a maximum rate of 44.4%.

NGen aims to run 25 to 30 project applications through its independent assessment and selection process and approve funding of up to \$100 million over the course of the 2019/20 fiscal year. Upon final approval, NGen's project managers will monitor project performance on a regular basis.

4. Capacity Building Programs

In addition to ecosystem development projects led by industry, NGen will invest \$12 million of Supercluster funding over the next four years in the form of small amounts of matching financial support for smaller companies to undertake technology assessments, pilot projects, and capability audits, develop new advanced manufacturing clusters, and access technology demonstration, testing, and training centres.





INDEPENDENT AUDITORS' REPORT

To the Directors of Next Generation Manufacturing Canada

OPINION

We have audited the financial statements of Next Generation Manufacturing Canada (the Entity), which comprise:

- the statements of financial position as at March 31, 2019 and 2018
- the statements of operations and changes in net assets for the period ended March 31, 2019 and the period from incorporation on November 23, 2017 to March 31, 2018
- the statements of cash flows for the periods then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019 and 2018 and its results of operations and its cash flows for the period ended March 31, 2019 and the period from incorporation on November 23, 2017 to March 31, 2018 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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

AUDITORS' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.

- 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.

KPMG LLP

Chartered Professional Accountants,
Licensed Public Accountants

Hamilton, Canada
July 30, 2019



STATEMENTS OF FINANCIAL POSITION

March 31, 2019 and 2018

	2019 \$	2018 \$
ASSETS		
Current assets:		
Cash (note 4)	-	1,439
HST receivable	76,922	-
Prepaid expenses	58,872	4,850
	135,794	6,289
Capital assets (note 2)	44,004	-
Intangible assets (note 3)	300,552	-
	480,350	6,289
LIABILITIES AND NET ASSETS (DEFICIENCY)		
Current liabilities:		
Bank overdraft (note 4)	322,585	-
Accounts payable and accrued liabilities (note 5)	272,698	117,154
Deferred contributions (note 6)	684,557	-
	1,279,840	117,154
Deferred capital contributions (note 7)	225,414	-
	1,505,254	117,154
Net assets (deficiency)	(1,024,904)	(110,865)
Commitments (note 9)		
	480,350	6,289

See accompanying notes to financial statements.

On behalf of the Board:



STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

Years ended March 31, 2019, with comparative information for the period from incorporation on November 23, 2017 to March 31, 2018

	2019 \$	2018 \$
Revenues:		
Federal contributions	844,151	-
Other government contributions	200,000	-
Industry sponsorships	25,000	10,000
Industry in-kind contributions	6,842	-
Interest income	4,862	13
	1,080,855	10,013
Expenses:		
Salaries and wages	1,297,161	87,144
Outsourced services (note 8)	335,742	3,069
Administration and governance	296,441	30,665
Communication and events	58,054	-
Amortization of capital assets	7,496	-
	1,994,894	120,878
Excess of expenses over revenues	(914,039)	(110,865)
Net assets (deficiency), beginning of period	(110,865)	
Net assets (deficiency), end of period	(1,024,904)	(110,865)

See accompanying notes to financial statements.



STATEMENT OF CASH FLOWS

Years ended March 31, 2019, with comparative information for the period from incorporation on November 23, 2017 to March 31, 2018

	2019 \$	2018 \$
Cash provided by (used in):		
Operations:		
Excess of expenses over revenues	(914,039)	(110,865)
Item not involving cash: Amortization of capital assets	7,496	-
Changes in non-cash operating working capital:		
Increase in HST receivable	(76,922)	-
Increase in prepaid expenses	(54,022)	(4,850)
Increase in accounts payable and accrued liabilities	155,544	117,154
Increase in deferred contributions	684,557	-
	(197,386)	1,439
Financing:		
Bank overdraft	322,585	-
Proceeds from promissory notes	550,000	-
Repayment of promissory notes	(550,000)	-
	322,585	-
Investing:		
Purchase of capital assets	(51,500)	-
Purchase of intangible assets	(300,552)	-
Deferred capital contributions	225,414	-
	(126,638)	-
(Decrease) increase in cash	(1,439)	1,439
Cash, beginning of period	1,439	-
Cash, end of period	-	1,439

See accompanying notes to financial statements.



NOTES TO FINANCIAL STATEMENTS

Years ended March 31, 2019, with comparative information for the period from incorporation on November 23, 2017 to March 31, 2018

Next Generation Manufacturing Canada ("NGen") was incorporated under the laws of Canada as a not-for-profit corporation without share capital on November 23, 2017. NGen is an industry-led, organization dedicated to building next generation manufacturing capabilities nationally. Our mission is help Canadian companies become global leaders in the application of leading technologies to manufacturing products and/or processes.

NGen projects and programs are aimed at driving greater technology development and technology adoption in Canadian manufacturing. To further support cluster growth, we also use data to increase connections and collaboration across the Canadian advanced manufacturing network.

With the signing of the Contribution Agreement between the Federal Government, represented by Minister of Industry and NGen dated November 9, 2018, the Federal Government's Ministry of Innovation, Science and Economic Development ("ISED") committed to fund NGen for eligible project costs over a five year period commencing in Fiscal Year 2018/19. Under the terms of the contribution agreement, ISED will provide a non-repayable contribution to NGen for 75% of eligible operating expenses that do not exceed 15% of the total contribution, and 100% of eligible project costs. The total is not to exceed the lesser of \$229,765,127 or 100% of total Industry Matching Funds obtained by the organization over the five year period. The amount of ISED contributions varies from year to year based on forecasted operating and project spend and amounts may be re-allocated to other fiscal years within the five year period with the written approval from the Minister of ISED.

Payment by the Federal Government of the contribution is conditional on there being a legislated appropriation for the Fiscal Year in which the contribution is due. The Minister shall have the right to terminate or reduce the contribution in the event that the amount of the appropriation is reduced or denied by Parliament.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. NGen's significant accounting policies are as follows:

(a) Revenue recognition:

NGen receives grant revenue from ISED under the Innovation Superclusters Initiative ("ISI") and from industry. In fiscal year 2018/19, NGen received a \$200,000 contribution from the Province of Ontario's Ministry of Economic Development, Job Creation and Trade.

NGen follows the deferral method of accounting for contributions. 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.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Deferred capital contributions related to capital and intangible assets represent amounts received specifically for the purpose of purchasing capital and intangible assets. Externally restricted contributions related to the purchase of capital and intangible assets are deferred and amortized to revenue on the same basis as the related capital or intangible asset.



(b) Cash and cash equivalents:

Cash and cash equivalents consist of amounts held in a bank account which earns interest on a monthly basis.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital assets are amortized on a straight line basis using the following annual rates:

Asset	Rate
Computer equipment	55%
Furniture and fixtures	20%

(d) Intangible assets:

Intangible assets, consisting of a database in development which will capture data in a taxonomy built around capabilities and services in the technology and manufacturing ecosystem in Canada, with advanced search tools that drives match-making between manufacturing companies and technology providers.

Development activities are recognized as an asset provided they meet the capitalization criteria, which include NGen's ability to demonstrate: technical feasibility of completing the intangible asset so that it will be available for use or sale; NGen's intention to complete the asset for use or for sale; NGen's ability to use or sell the asset; the adequacy of NGen's resources to complete the development and to use or sell the asset; NGen's ability to measure reliably the expenditures during the development; and NGen's ability to demonstrate that the asset will generate future economic benefits.

The database is measured at cost less accumulated amortization. Amortization is provided for, upon the commencement of the utilization of the database, on a straight line basis over the estimated useful life of 3 years.

(e) Contributed services:

The value of in-kind services for professional fees, materials and administrative services is recognized in the statement of operations at the fair value of such services at their date of contribution.

(f) Income taxes:

NGen is a not-for-profit organization under the Income Tax Act (Canada) and accordingly is exempt from income taxes.

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. NGen has not elected to carry any such financial instruments at fair value.



Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, NGen determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount NGen expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

(h) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of capital assets. Actual results could differ from those estimates.

2. CAPITAL ASSETS

			2019 \$	2018 \$
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment	27,720	5,935	21,785	-
Furniture and fixtures	23,780	1,561	22,219	-
	51,500	7,496	44,004	-

3. INTANGIBLE ASSETS

The database is currently under development and not available for use or subject to amortization.

			2019 \$	2018 \$
	Cost	Accumulated amortization	Net book value	Net book value
Database	300,552	-	300,552	-



4. BANK OVERDRAFT

NGen has an authorized operating line of credit of \$1,000,000, repayable on demand. The interest rate charged on the operating line is prime plus 1.00%, payable monthly in arrears. At year-end, the balance drawn on the operating line was \$322,585. In addition, NGen has credit facilities in the form of corporate credit cards which total \$100,000 (2018 - \$nil) of which \$2,312 was utilized and is included in accounts payable and accrued liabilities.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Included in accounts payable and accrued liabilities are government remittances payable of \$nil (2018 - \$51,241), which includes amounts payable for payroll taxes, health taxes and workers' safety insurance.

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent externally restricted government funds from the ISED program, for the purpose of providing funding to eligible recipients for future projects and for the payment of NGen's

	2019 \$	2018 \$
Funding received	1,528,978	-
Amount recognized as revenue	(844,421)	-
Balance, end of period	684,557	-

subsequent years' operations. The change in the deferred contributions balance is as follows:

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of restricted government funds from

	2019 \$	2018 \$
Funding received	225,144	-
Balance, end of period	225,144	-

the ISED program received for the purchase of capital and intangible assets. Details of the change in the unamortized deferred capital contribution balance is as follows:

8. OUTSOURCED SERVICES

Outsourced services represent payments for the web application platform software fee for the member database, Independent Expert Assessors for Project Reviews and Marketing, Social Media and Technology consulting costs.



9. COMMITMENTS

The Company is committed to annual minimum lease payments under various operating leases for its premises and office equipment as follows:

2020	\$62,760
2021	\$3,350
	<u>\$66,110</u>

10. FINANCIAL RISKS AND CONCENTRATION OF RISK:

NGen has a risk management framework to monitor, evaluate and manage the principal risks assumed with its financial instruments. The following analysis provides a summary of NGen's exposure to and concentrations of risk at March 31, 2019:

(a) Liquidity risk:

Liquidity risk is the risk that NGen will be unable to fulfill its obligations on a timely basis or at a reasonable cost. NGen manages its liquidity risk by monitoring its operating requirements and prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. As referenced in Note 4, the organization also has access to an operating line of credit. There has been no change to the risk exposures from 2018.

(b) Interest rate risk:

Interest rate risk arises from fluctuations in interest rates depending on prevailing rates. NGen has exposure to interest rate risk through its operating line of credit, however, management assess that the impact on NGen financial position would be insignificant.

