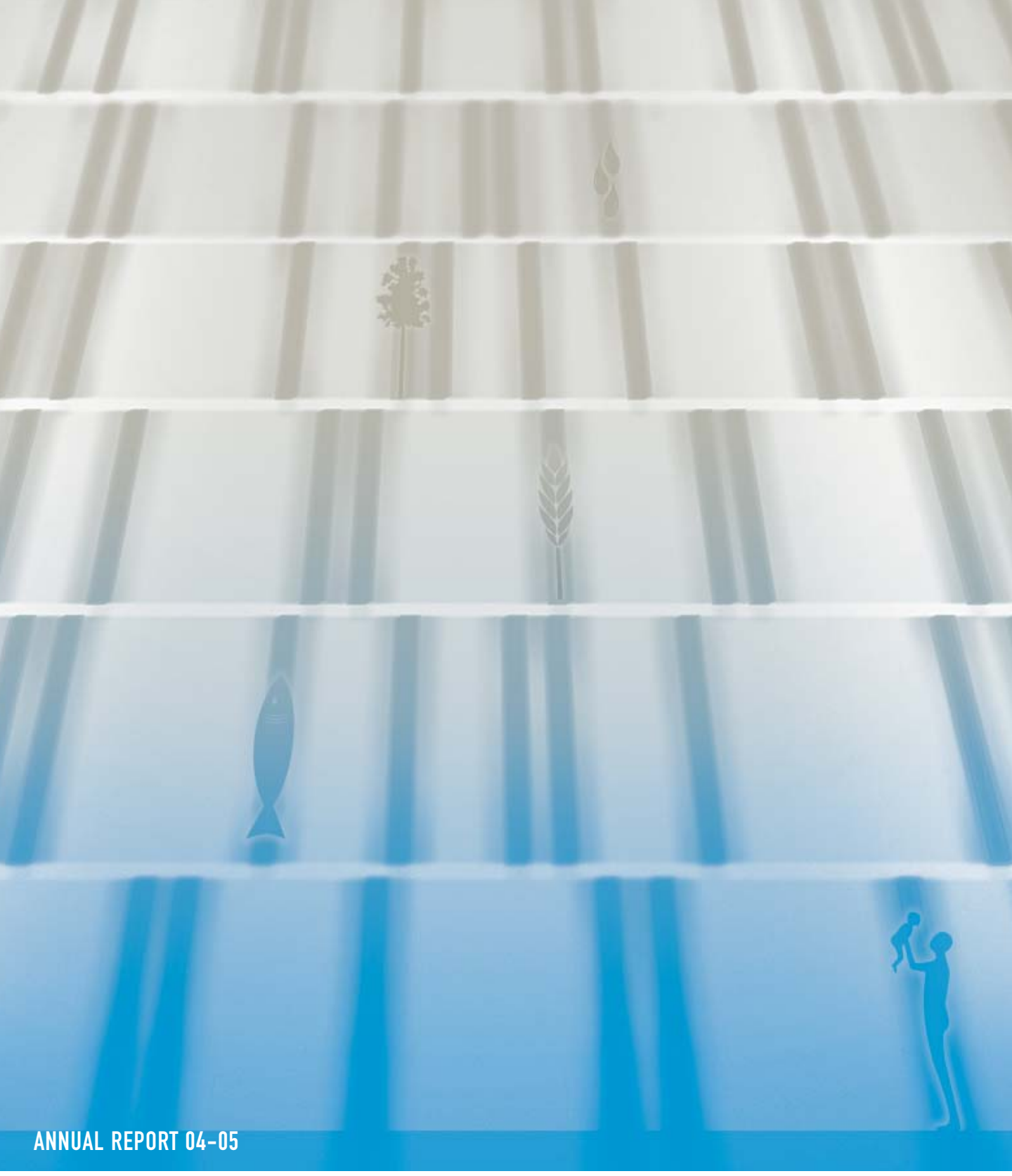


ANNUAL REPORT 04-05

GenomeQuébec
The Future has Begun

HERE is where DREAMS meet life

MISSION Génome Québec financially supports major genomics and proteomics research initiatives, as well as their applications, in association with the academic and industry domains while maintaining and promoting the highest ethical standards.

The mobilizing effect created by these investments will contribute to maximize socio-economic benefits and establish Quebec as a leader in the field of life sciences.

VISION Become the reference for genomics and proteomics and one of the best genomics centres in the world.

A WORD FROM THE CHAIRMAN OF THE BOARD

Génome Québec will soon be five years old.

And already its achievements are impressive. The relevance of its mission and its business model has been affirmed many times by its two main funding partners.

Funding large-scale genomics and proteomics projects in all areas of the life sciences, but mainly in human health, and supporting these projects with cutting-edge technology platforms, with rigorous project management and, finally, by continually promoting ethics has proven to be a particularly apt mission. Its fulfillment allows Génome Québec to play a structuring, mobilizing role.

Génome Québec's investments have multiplied the resources available to Quebec's researchers for interpreting genomes and understanding the molecular mechanisms of illnesses, thus improving their diagnosis and treatment. Consequently, these researchers have the opportunity to strengthen their presence within the most highly productive research networks.

Many experts agree that while the human genome has been almost completely decoded, we have only exploited a tiny portion of the potential to which this new knowledge gives rise. This is to say that genomics and proteomics have a long future ahead of them and that Génome Québec must ensure its own survival to continue fulfilling its role.

For this reason, the board of directors approved an updated business plan centred more on exploiting the value of results through technology transfer, providing information and public education, reinforcing good practices and strengthening the organization. Génome Québec thus hopes to obtain, not financial self-sufficiency, which remains illusory for a research organization that is financed by public funds, but rather the creation of a margin of self-funding that will allow it to continue, with its partners, to guide the progress of genomics and proteomics in Quebec over the long-term.

By further diversifying our funding sources, we also hope to initiate more strategic actions and become involved in areas where the best spinoff prospects lie. One such example is pharmacogenomics.

Again this year, Génome Québec's management team can take credit for an outstanding job. On behalf of the board of directors, I wish to extend my thanks to President and CEO, Paul L'Archevêque, and the entire staff.

Jean-Marc Proulx
Chairman of the Board

A WORD FROM THE PRESIDENT AND CEO

At the dawn of Génome Québec's fifth anniversary, the organization's range of accomplishments is impressive and forms a solid foundation for the future of genomics and proteomics research in Quebec.

First of all, I wish to thank the whole team at Génome Québec, which includes the management committee and the staff of the administrative centre and the McGill University and Génome Québec Innovation Centre. It is thanks to their hard work, their dynamism, and above all their skills why we are able to report an array of achievements of which we can all be proud.

The aim of the fiscal year just ended was to strengthen the foundation of our first business plan by specifically targeting four broad goals: the pursuit of an investment strategy centred on scientific excellence, the applicability of projects and the implementation of a self-financing strategy; the broadening of support for our mission among target audiences; the optimization of business procedures; and the implementation of new initiatives to ensure Génome Québec's development.

I am all the more proud of this year's results because the process, which began in the year 2000, has allowed our researchers to attain world-class excellence in fields that are both indispensable and strategic.

In 2004-2005, we focused our efforts on the inception of large-scale research projects and platforms issuing from Genome Canada's *Applied Genomics and Proteomics Research in Human Health* funding initiative. This resulted in our obtaining 33% of the funding available through this program, and in our submitting 21 projects to Competition III. These projects are worth a total of $271 million and have very promising applications and commercial potential. The management model for Génome Québec's technology platforms, developed within the framework of a self-funding initiative, and deemed excellent by the Ministère du Développement économique, de l'Innovation et de l'Exportation du Québec (MDEIE), allowed us to support the development of two new leading-edge technologies at the McGill University and Génome Québec Innovation Centre.

In addition, the granting of a commercial licence to the French firm Nucléis generated the organization's first revenues. The aim of revising our business procedures in 2004-2005 was to implement a management system favouring the identification and marketing of intellectual property stemming from the large-scale projects we finance. The development of social and economic spinoffs from the results and advancements of the Innovation Centre's technology platforms was also part of this process. In addition, we reviewed 11 new invention disclosures (bringing the total to 27), which led to 10 provisional patent applications and two patent applications.

In the area of new initiatives that will ensure the organization's growth, we focused our efforts on extending existing platforms while creating a new platform for pharmacogenomics, one of the most strategic developing fields in the Life Sciences industry.

During the period covered by the business plan, the organization created close to 700 jobs, trained more than 230 researchers and published close to 200 articles in scientific journals of international stature. Results stemming from the large-scale research projects, being conducted within the academic, as well as the industrial milieu, are already benefiting the entire Life Sciences sector in Quebec.

Mindful of its social and educational mission, as well as the future of research and the next generation of researchers, the organization has been especially proactive in reaching out to its main target audiences. In addition to stepping up contact with Quebec governmental authorities, university administrators and business people to position Génome Québec as a central player in the development of the Life Sciences sector, we have maximized efforts to make our mission and our values better known to the media and the general public and thus gain greater support for our activities and goals.

Based on a consensus among all the parties involved in our organization, we developed a strategic communications plan that first bore fruit in 2004 by generating a series of favourable articles about the organization and its activities. At the beginning of 2005, we followed up on this connection with the public by mounting the exhibition entitled “The Geee! in Génome”, which met with success from its opening day.

Thanks to the continued support of our board of directors, of Genome Canada, of the MDEIE and of our other partners, our staff and researchers were able to give concrete expression to the organization’s goals, to increase knowledge and acceptance of our mission and, above all, to strengthen our position as a world leader in genomics research.

The organization will be five years old in June 2005 and, as a performance evaluation report produced by the MDEIE in March 2005 states, “it seems difficult to call into question the relevance of Génome Québec, and specifically its mission aimed at contributing to the development of genomics research in Quebec”. We plan to maintain our momentum during the coming years, because we believe the future begins now, for the benefit of future generations!

Paul L’Archevêque
President and CEO Génome Québec

MANAGEMENT COMMITTEE REPORT

The staff, researchers and management of Génome Québec have reason to be proud of the 2004-2005 results. By focusing their efforts on specific goals related to project funding, the pursuit of self-funding opportunities, optimal management efficiency, the development of new initiatives, and communication, they have enabled the organization to complete an essential stage in its growth and ensure its future development.

Génome Québec is on the right track and is now considered a leading player in genomics and proteomics research, both in Quebec and in the world. Every branch of the organization's management, without exception, contributed to the success of 2004-2005.

In the context of the Applied Genomics and Proteomics Research in Human Health Competition, Génome Québec received the support of Genome Canada for three new projects directed by Quebec researchers and one project co-directed with Ontario, bringing to three the number of inter-centre projects. The total number of projects rose to 22, and this accounts for close to 30% of the funding available for all of Canada. One of the three projects is being directed by a company and joins four other projects being directed by private enterprises. Apart from securing funding from Genome Canada and the MDEIE (Ministère du Développement économique, de l'Innovation et de l'Exportation du Québec), Génome Québec had the opportunity to demonstrate its ability to provide co-funding for academic projects, platforms, and its administrative centre, thus confirming its central role in structuring genomics activity in Quebec. The complete list of projects in which the organization is involved appears further on in this report.

On the international scene, Génome Québec has maintained its momentum from 2003-2004 and intensified its participation in projects like HapMap (the mapping of haplotypes of the human genome) and the establishment of the international head office of HUPO (Human Proteome Organization) in Montréal. The McGill University and Génome Québec Innovation Centre, under the able direction of Dr. Thomas Hudson, has continued its excellent work in support of large-scale research projects and implemented the development of new genomic technologies, some of which are revolutionary. In addition, the organization continues its efforts to build an international consortium in population genetics, the P3G project, within which Quebec researchers have already assumed a leading role.

Finally, Génome Québec was involved in the granting of a commercial licence to Nucléis, a French biotechnology firm that markets a number of genomic technologies in Europe and America. Although modest at present, the revenues associated with this technology transfer should grow given the firm's interest in obtaining a second licence. This important breakthrough is all the more significant because it helps strengthen Montréal's position in the technology transfer field.

In 2004, the organization established a team to manage projects and their spinoffs whose role consists in closely following and analyzing the progress of projects, identifying potential socio-economic spinoffs and participating in exploiting their value. Given that Génome Québec is becoming increasingly involved in technology transfer and the negotiation of commercial agreements, it is imperative that scientific and technical-economic expertise be brought together under a management team whose vision encompasses all these elements.

In 2004-2005, Génome Québec's management team redoubled its efforts to better position the enterprise within the commerce and industry milieu. Our representatives were actively involved in several influential groups within the knowledge industry, such as BioQuébec's board of directors, the Life Sciences committee of Montréal International and BioQuébec's Biopharmaceutical Innovation Council. Moreover, Génome Québec is directing the effort to develop an action plan for issues relating to technology transfer.

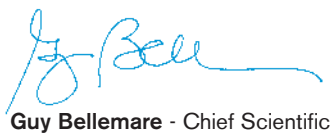
The financial vice-presidency and communications management teams were very active in 2004. Financial vice-presidency was involved in the start-up of spinoff enterprises such as Émerillon Therapeutics Inc. and Alethia Biotherapeutics. They also worked in close collaboration with industry partners such as Merck.

The communications management team succeeded, through frequent proactive involvement, in establishing Génome Québec as the leading source for information on genomics in Quebec. The number of activities arising from this branch of management has increased significantly in the last twelve months, particularly in relation to public communication and media relations. In addition, the enterprise set up a focus group to reflect on issues relating to genomics and, last August, it succeeded in establishing a consensus on the need for transparency in all aspects of genomics development.

Interviews with the media during Expos-sciences events, not to mention business and governmental relations activities, and the mounting of a large-scale exhibition like The Geee! in Génome, which attracted 68,000 visitors–all are actions that bore fruit and contributed to the growth of Génome Québec's status. The desire to communicate was evident last February 5th and 6th, when more than 160 citizens participated in the Quebec citizen's conference on advances in human biology in the genomics era in order to express their fears as well as their hopes.

Next year promises to be just as exciting. Our foundation is solid and, on the dawn of Génome Québec's fifth anniversary, our entire team could not be in higher spirits. Our goal of creating, in Quebec, one of the world's leading centres for genomics and proteomics research is on the way to being achieved. The relevance of our project management model and our business plan, which earned us the support of the MDEIE, allows us to look forward to the future with confidence and determination.

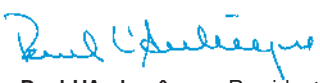
Lise Aubin - Vice President, Finance and Investments



Guy Bellemare - Chief Scientific Officer

Marie-Kym Brisson - Director, Communications and Public Relations

Carole Jabert - Director, New Projects



Paul L'Archevêque - President, Chief Executive Officer

HERE is where OBJECTIVES meet life

REPORT ON SCIENTIFIC ACTIVITIES

One of Génome Québec's challenges is to attain objectives consistent with the socio-economic spinoffs that stimulate investment in genome research. That challenge and the effort it involves stem from a basic premise that is also a primary objective–that income from commercial activities and its benefits for the health system not be absolutely incompatible.

Because scientific excellence is our standard, in 2004 we strengthened our commitment to conducting research of international calibre. Whether this involves developing screening tests, a technology to speed up a variety of diagnoses or solutions to problems concerning forestry or agricultural production or the environment, all of our projects are designed to produce results and tangible benefits.

With this vision as a compass, the science board of Génome Québec submitted more than 20 projects to Genome Canada's Competition III in 2004. The projects are based on three principles that are intrinsic to Génome Québec's approach–applicability, ethical effect and environmental impact. Several projects submitted over the last few years are coming to maturity; it is therefore important to maintain Génome Québec's operations at the highest possible level. We will finish 2005 with a much larger portfolio of projects, including the new projects for Competition III; this will enable us to enlarge our pool of researchers.

In 2004-2005, Génome Québec achieved a master stroke by concentrating significant effort on our pharmacogenomic development work. On the strategic level, the organization is now positioned so as to be a pole of international attraction for this sector in the future, even more so because Montréal is home to many influential players in the field. We are particularly proud of this accomplishment because health care remains central to the concerns of the entire population of Quebec as well as to Quebec's decision-makers. In our opinion, this makes it imperative that genomics, which hold a vast treasure of existing and future technological innovations, be an integral part of the decisions our governments take and of the measures that will consequently be taken to improve patients' quality of life.

The future of the life sciences biotechnology industry does not lie solely in the research work associated with big business, universities and small biotech firms. It depends on the emergence of "personalized medicine" that can no longer disregard the advances in genomics. For example, pharmacogenomics will eventually make possible medication therapies modelled on genetic variations in order to optimize effectiveness and tolerance to treatment.

Projects such as P3G (an international consortium in population genetics) and **Cart@gène**, which will be submitted to Genome Canada within the framework of its International Consortium Initiative, will enable Quebec researchers to take a leading role in major population genetics projects. Furthermore, in taking part in many international activities or missions in 2004-2005, we had the opportunity to see the richness, quality and scope of our researchers' knowledge, particularly in the bioinformatics sector. By encouraging the networking of Quebec resources and training for young bioinformaticians through several projects, we have enabled Quebec to position itself in this strategic sector as rapidly as possible.

What has changed and evolved over the last few years, and particularly in 2004-2005, is the overall view of research in Quebec. And Génome Québec has been a major contributor. Basic research that, not so very long ago, had found its only raison d'être in its very definition–the advancement of knowledge–has evolved rapidly to encompass application. And that is what Génome Québec intends to continue in 2005-2006, without ever losing sight of the absolute necessity of basic research in and of itself.

INNOVATIVE AND FUNDAMENTAL PROJECTS FOR HUMAN HEALTH

One of Génome Québec's challenges lies in attaining the objectives related to the socio-economic spinoffs of investment in genomics. In this context, one of the organization's objectives is to generate value from genomics projects and demonstrate the expected spinoffs concretely and tangibly.

Génome Québec devotes over 90% of its funds to research, in compliance with the rules of ethics. These funds come from Genome Canada, the Ministère du Dévelopement économique, de l'Innovation et de l'Exportation du Québec and private enterprises or other organizations that fund research.

The genomics and proteomics projects encompass a variety of fields in the Life Sciences sector (health, agriculture, the environment, forests and fisheries) and, especially, human health. In this last sector, genomics research will contribute to:

- Improving medical diagnosis
- Improving treatments by adapting them to each individual
- Developing new medications
- Detecting and preventing disease

INVENTORY AND SUMMARY OF THE PROJECTS FINANCED BY GÉNOME QUÉBEC AND ITS PARTNERS IN 2004-2005

COMPETITION I

Proteomics: Dr. John Bergeron, McGill University

The goal of this project is to identify all of the proteins that constitute the various cell compartments. Because each of these compartments has a specific and vital role in the cell, this will make it possible to generate basic information for developing tools for screening, diagnosing and identifying new targets for therapies.

Since January 2002, the project has allowed the development of an internationally acclaimed proteomics platform, installed in the McGill University and Génome Québec Innovation Centre and accessible to all. The information it generates is put to use by other projects–such as the T2DM diabetes project–to develop early diagnostics tools. To date, the project has produced the identification of more than 5,000 proteins, the publication of numerous scientific articles of international scope, the registration of a patent and six declarations of invention. That said, the project contributes to strengthening the image of excellence of genomics in Quebec.

Model organisms: Dr. Howard Bussey, McGill University

This very ambitious project brings together two research groups from McGill University and the Université de Montréal. Using genomic and proteomic data on yeast, the project identifies those genes that, when simultaneously mutated, have pathological effects. In doing so, its aim is to chart the first map of genetic interactions for this model organism.

Since 2002, it has enabled the identification of certain genes implicated in CDG syndrome (Congenital Disorder of Glycosylation), a group of diseases with an estimated frequency of 1/50,000 to 1/100,000. Discussions are under way with the Montreal Neurological Institute to expand this analysis to other complex human diseases. This avant-garde project will, in the longer term, make it possible to develop a technological stage dedicated to the identification of new targets for antifungal treatments.

Regulatory genetics: Dr. Thomas J. Hudson, McGill University and Génome Québec Innovation Centre

Many diseases, such as cancers, are due to an alteration of gene expression. This project makes it possible to identify the polymorphism of the regulatory regions of about 50 genes in order to better understand the molecular bases of these diseases.

An immediate spinoff of the project is the registration of a patent covering a technology that enables the rapid production of transgenic mice. An exclusive licence has been signed with a French biotechnology enterprise to market the technology around the world.

Atlas: Dr. Fernand Labrie, Université Laval (CRCHUL)

This project makes it possible to study the impact of steroid hormones on gene expression in mice in order to produce an atlas of the genes that are sensitive to this type of treatment.

To date, one of the tangible spinoffs is the development of microchips that are able to identify a genetic signature induced by a treatment with the THG (Tetrahydrogestrione) hormone–a hormone used in sports drugging.


HERE is where
POSSIBILITIES meet life

- **GEDS: Dr. Bartha-Maria Knoppers, Faculty of Law, Université de Montréal**

  The objective is to develop the sense of moral, political, social and legal responsibility concerning, first, research on human populations and, second, the creation and use of genetically modified organisms. The project is designed for both the professional sector and the public at large.

  The project has already led to the creation, on the Internet, of three communications platforms that enable citizens, researchers and students to obtain information on ethics in genomics, bioethics and the genetic modification of organisms as well as to take part in online debates. In addition, the team organizes symposia, raises the awareness of the public at large and provokes debate through plays and a citizen forum.

- **PEP Québec: Dr. Franz Lang, Université de Montréal**

  Protista encompass a great variety of single-celled species with separate nuclei, a number of which are responsible for serious diseases (sleeping sickness, malaria…) The goal of this project, carried on in collaboration with Genome Atlantic, is to use a collection of protista of varied origin to identify the coding sequences of their genome. The information produced by this basic research is indispensable for better understanding the diversity, classification, evolution and origin of eukaryote cells.

- **Abiotic stress Québec: Dr. Fathey Sarhan, UQAM**

  This project, carried on in collaboration with Genome Prairies, aims to reveal the molecular mechanisms involved in resistance to cold or the effects of heavy metals or salts in the context of plant development. It is primarily concentrated on wheat, a plant species of economic importance to Canada.

  The project has already made it possible to characterize a large number of coding sequences, which represents an important step toward identifying resistance genes. Ultimately, the products of these genes could be used not only in agriculture but also as a cryoprotective agent (e.g. to improve the quality or lifespan of frozen foods).

COMPETITION II

MoNA: Dr. Sherif Abou, Université de Sherbrooke

This project aims to identify the gene function of different organisms such as the *S cerevisae* yeast, the *Echerichia coli* bacterium, and human cells. The originality of this project is the focus it puts on gene splicing mechanisms. To do this, molecules containing modified nucleic acids (MoNA) are used to specifically block the synthesis of certain proteins such as those involved in the transformation of healthy cells into cancerous cells.

The project enables the creation of new tools designed to produce high-throughput functional genomics. In the short term, these tools could be accessible to all as a service platform. In the long run, the MoNA molecules could be used as therapeutic agents.

Regulatory networks: Dr. Benoît Coulombe, Institut de recherches cliniques de Montréal (IRCM)

Numerous pathologies, such as cancers, are linked to a disturbance of the expression of certain genes. To better understand these diseases, the goal of this project is to decipher the molecular mechanisms that ensure the specific regulation of gene expression. To achieve this, bioinformatics tools are developed to identify the genomic regulatory sequences, and then DNA chips containing the regulatory sequences are produced to identify the proteins capable of linking to these sequences.

One of the spinoffs of the project to date is the production of “regulatory” DNA chips as laboratory reagents. These chips have already sparked the interest of academic laboratories and one company.

HapMap: Dr. Thomas J. Hudson, McGill University and Génome Québec Innovation Centre

Within the framework of a consortium of six countries (Canada, China, Japan, Nigeria, the United Kingdom and the United States), this project aims to set up a catalogue of the representative genetic variations (Haplotype) of the human being. The catalogue will represent 1.5 million haplotypes and will be a public resource to facilitate, for example, the identification of genes associated with diseases or response to medication. The Montréal team is responsible for 10% of the catalogue and has already attained 64% of its objective.

The project has enabled the creation of a high-throughput genotyping platform equipped with cutting-edge technologies and a bioinformatics platform (Nanuq) that allows the storage and analysis of the data generated. A licence for the platform has already been negotiated with a major American university.

S2K: Dr. Rafick-Pierre Sekaly, Université de Montréal-CR-CHUM

This project is studying the molecular mechanisms that regulate the immune response for three types of diseases: chronic viral infection, rheumatoid arthritis and graft rejection. Its purpose is to understand why the immune response varies from one disease to another and why treatment gives different results depending on the patient.

In the short run, the work is generating a global view of the process put in action by the immune system to respond to an attack by a micro-organism, to maintain a tolerance and to generate a memory based on past infections in order to respond to new attacks. Longer term, the project will contribute to the development of diagnostic kits, particularly in the field of grafting, as well as the development of pharmacogenomic tools.

- **Alethia: Dr. Mario Filion, Alethia Biotherapeutics Inc.**

  The purpose of this program is to identify new diagnostic markers and new therapeutic targets for three major pathologies that affect women: breast cancer, ovarian cancer and osteoporosis. The muscle of the approach lies in the pooling of gene expression analysis platforms (including those that are difficult to detect) and bioinformatics. Among the project's spinoffs, we can count the founding of a new biotechnology company, the improvement of two (incidentally) patented genomic technologies and the recent discovery of several ovarian cancer target genes.

- **Émerillon–congenic mice: Dr. Emil Skamene, Émerillon Therapeutics Inc.**

  This project's goal is to discover the genetic bases of complex diseases such as atherosclerosis, pain, osteoporosis, epilepsy, asthma, syndrome X… by looking for correlations between the phenotype and genotype of congenic mice (which model these pathologies). The project is being carried out by a newly founded company, Émerillon Therapeutics, with the goal of developing diagnostic kits and new medications for these diseases. To date, the scientific approach has been validated for atherosclerosis and candidate genes have been identified for pain, confirming the approach's potential. Moreover, the congenic mice are accessible to the entire scientific community.

- **Émerillon–Ionic channel: Dr. Guy Rouleau, Émerillon Therapeutics Inc.**

  Also carried out by Émerillon Therapeutics, the project consists of identifying the genetic factors that cause a predisposition to diseases that affect the central nervous system such as epilepsy, Tourette's syndrome, restless legs syndrome, migraines and bipolar disorder (manic depression). The study focuses on diseases that apparently result from a disturbance of the proteins that make up the ionic canals. To date, among the 50 genes tested out of the 150 anticipated, 54 mutations have been found and will be analyzed later to test the level of their implication in the above pathologies. The end objective ties in with the company's, which is to identify new diagnostic tools and new therapeutic molecules.

  The medium term spinoffs are the development of diagnostic kits and a contractual service for gene screening. In the longer run, the company aims to develop medications in the area of neurological diseases.

- **Fungal enzymes: Dr. Adrian Tsang, Concordia University**

  The goal of the project is to identify enzymes that can be used for "cleaner" industrial processes (environmentally friendly), for example, the bleaching of paper. These enzymes will be identified from among the products of 70,000 genes, themselves isolated from 14 species of fungi selected for their properties of biodegradation of organic materials (such as cellulose fibres in paper production) and bioremediation (clean-up of an environment polluted by biological processes). This applied project has already sparked the attention of industrial partners and a research collaboration agreement has been signed to identify among these enzymes those that might have potential use in food processing.


HERE is where
INNOVATON meets life

- **Forestry: Dr. John MacKay, Université Laval**

  This innovative forestry project is exploring the genetic mechanisms associated with the formation of wood and with response to diseases. Two species are being studied within the framework of the research: poplar, as the model species, and spruce, due to its economic importance to Canada.

  The project is contributing to the implementation of a powerful tool to identify genes of interest in forestry thanks to the collection of transgenic strains of poplar. The production of 10,000 strains will be the largest source of this type of material in the world, positioning Canada as a major player in forestry research, and will provide important spinoffs for forestry crops.

HEALTH COMPETITION PROJECTS

- **Theranostics technology: Dr. Michel Bergeron, Université Laval**

  This project aims to originate diagnostic tests that make it possible to identify the micro-organisms responsible for septicemias and infections of the respiratory tract in less than an hour. The approach consists of identifying them using their genomic sequence on miniaturized, compact disk-type (CD) modular platforms. Compared to the tools currently on the market, this approach will enable clinicians to detect the pathogen much more rapidly and, thereby, also identify a better targeted treatment more quickly. Partnerships with pharmaceutical laboratories or large diagnostics firms are already anticipated to market such a tool.

  Another possible spinoff of the project is the detection of pathogens in the plant world, a multi-billion dollar market in North America.

- **ARCTIC: Drs. Thomas J. Hudson and Brent Zanke, McGill University and Cancer Care Ontario**

  Carried out in collaboration with Genome Ontario, the objective of this project is to develop tools designed to predict and prevent colorectal cancer and to improve treatment for it using genetic markers. This large-scale project is based on a cohort of more than 2,400 patients, a screening of more than 1,500 genes, the data from the HapMap Project (Competition II– Dr. Hudson) and the cutting-edge genotyping technologies of the McGill University and Génome Québec Innovation Centre. Colorectal cancer produces more than 16,000 new cases per year in Canada, causing 6,000 deaths. Within five years, the project may make it possible to market a reliable, simple and inexpensive predictive test that could lead to avoiding thousands of deaths per year through early patient case management.

- **DGDG Diabetes Gene Discovery Group: Drs. Barry Posner and Marc Prentki, McGill University and the Centre Hospitalier Universitaire de Montréal**

  The purpose of the project is to identify the genes that cause a predisposition to Type-2 diabetes, the most common form (90% of cases). Genomic and proteomic techniques applied over a cohort of more than 10,000 patients and a body of about 800 genes should make it possible to develop a predictive genetic test for the disease. The potential economic impact is significant: diabetes affects more than 2.5 million Canadians, gives rise to annual health costs on the order of $10 billion and, on average, shortens patients' life expectancy by 15 years.

BIOINFORMATICS PROJECTS

- **Comparative and Integrative Bioinformatics: Dr. Phillipe, Montréal, Concordia, Laval, McGill and UQAM universities**
- **High-throughput Genetic Expression: Dr. Nadon, McGill University, Concordia University and Université Laval**
- **Identification profiling and functional assignment of the expressed genome: Dr. Abou Elela, Université de Sherbrooke, Concordia University, Université de Montréal and UQAM**
- **Internet Semantics and Intelligent Systems for Genomics: Dr. Haarslev, Université de Montréal, Concordia University and McGill University**
- **Quantification of Proteins: Dr. Kearney, McGill University and Université Laval**
- **Combinatorial Informatics and Genomics: Dr. Nadon, McGill University and UQAM**

One of the well-identified limiting stages of genomics is the analysis of the mass of data generated. Therefore, it was strategic for Génome Québec to develop bioinformatics on the same level as the other disciplines of genomics and proteomics. The bioinformatics initiative, developed in partnership with Valorisation-Recherche Québec (VRQ), Fonds de recherche en santé du Québec (FRSQ), and Fonds québécois de recherche sur la nature et les technologies (FQRNT), is consistent with this outlook and made possible the financing of six projects, all with common goals:

- Education
- Resource networking
- Scientific excellence

Today, more than 60 bioinformaticians have been recruited and trained, networks have been installed among Quebec's universities (McGill, Sherbrooke, Concordia, Montréal, UQAM and Laval) and innovative tools have been developed in several fields such as genomics, microarray-related statistics, chemogenomics, proteomics, semantics, functional genomics and comparative and integrative bioinformatics.

These projects are now sufficiently advanced to anticipate collaboration with researchers in other countries (Mexico, France, the U.S.), thereby allowing the exchange of expertise and international visibility.

BIONEQ PROJECTS

The BIONEQ project was designed for Genome Canada/Génome Québec's Competition I essentially to respond to a need for training biologists in bioinformatics and enabling researchers to access "calculation time." To this day, the BioNeq mission is led by two researchers, Dr. Burger, Université de Montréal, and Dr. Nadon, McGill University. Through this network, researchers have access to training such as "Exploratory Transcriptomics and Introduction to Biostatistics", "Bioethics and Bioinformatics", "Introduction to Phylogenomics", "Introduction to Databases", etc... They also have access to analysis tools such as BLAST (sequence comparison) or statistical analysis programs for Affymetrix-type expression chips, important and powerful tools for genomics research.

PROJECTS OF THE "TECHNOLOGY CONSORTIUM"

The Technology Consortium aims to accelerate the development to maturity of new technologies for genomics and proteomics. Funded by a total budget of $5.6 million, this initiative has enabled the implementation of 10 projects, broken down into two phases (2003-2004 and 2004-2006).

- **High-throughput genotyping: Dr. Hudson, McGill University and Génome Québec Innovation Centre (Phase I)**

  The project's initial purpose was to develop a high-throughput genotyping technology by using DNA chips with the objective of reducing the unit cost of the genotype. Developments to date suggest an even more promising use of these chips in the area of real-time functional genomics.

- **Nanotechnology tools: Dr. Lennox, McGill University (Phase I)**

  This project consists of developing nanocaptors that make it possible to detect ligand-receptor (of the DNA-protein or protein-protein types) interactions, interactions that are the basis of numerous biological mechanisms.

- **Integrated solution for the management and analysis of genotyping data: Dr. Hudson, McGill University and CGI (Phase I)**

  This project has contributed to the development of a robust bioinformatics system to support the rapid growth of the McGill University and Génome Québec Innovation Centre's genotyping platform and the significant projects that use it. Today, the system has been licensed to a major American university.

- **Viral vectors: Dr. Massie, Biotechnology Research Institute (Phase I)**

  This project has enabled the development of functional genomics tools to improve techniques currently used by biologists such as cell transfection or the study of function by interfering RNA. Most notable is the development of viral vectors of the adenovirus or SiRNA cassette types.

- **Reverse-phase protein microarrays: Dr. Basik, Lady Davis Institute for Medical Research (Phase II)**

  In the last few years, much effort has been devoted to the discovery of biomarkers, particularly in the area of cancers, to be able to use them as diagnostic tools to detect or predict the response to a therapy or even establish the prognosis of evolution. The project is intended to develop a microchip technology that will make it possible to rapidly transmit the discovery of such biomarkers to the clinical and medical world. The microchips could be a diagnostic tool for cancers of the breast and ovaries.

- **Marketing of proteomics/bioinformatics tools: Dr. Kearney, McGill University (Phase II)**

  The objective of this project is to develop a bioinformatics tool to manage and analyze the proteomics data generated by the high-throughput mass spectrometer. There exist very few tools on the market that can handle high throughput and a young Quebec company has shown interest in marketing this product.


HERE is where
IDEALS meet life

- **Pharmacogenomics and cardiovascular risk: Dr. Phillips, McGill University and Génome Québec Innovation Centre (Phase II)**

  This project aims to develop genetic tests that make it possible to analyze a broad spectrum of enzymes that intervene in the metabolism of medications and analyze risk factors, particularly in the area of the heart and blood vessels. These pharmacogenomics tests will be usable in many clinical trials.

- **Cellular methodologies: Dr. Sauvageau, IRIC and Université de Montréal (Phase II)**

  Embryonic stem cells can be a powerful tool for studying the function of a gene. This project will enable development of a system designed to modify the content of embryonic stem cells in culture, exclusively for research purposes. The system will contribute to the discovery of new mechanisms that regulate cell function. The potential market for such a system totals about US$3 billion.

- **Functional genomics: Dr. Thomas, McGill University (Phase II)**

  Many pathologies such as cystic fibrosis are due to disruptions in the traffic of proteins that, instead of being sent into the cell compartment where they can function, are held back in the endoplasmic reticulum. The objective of this project is to develop a high-throughput screening platform to find new therapeutic molecules to treat pathologies linked to the traffic of proteins. The platform will provide cell models, imaging tools and bioinformatics.

- **Microarray in the veterinary domain: Dr. Harel, École Vétérinaire, Université de Montréal (Phase II)**

  This project concentrates on the infectious diseases that affect Canadian livestock and aims to develop technologies (microarray) based on the genomics of the related bacterial agents. The chips should make it possible to detect an entire range of pathogenic agents based on a single sample, thereby enabling the rapid and targeted case management of a herd. A young Quebec company is already interested in marketing such a tool.

PARTNERS (by alphabetical order)

Partner Forum

Dr. Alain Beaudet - Fonds de la recherche en santé du Québec > **Dr. Guy Bellemare** - Génome Québec > **Dr. Edwin Bourget** - Université de Sherbrooke > **Mrs. Sylvie Dillard** - Fonds québécois de la recherche sur la nature et les technologies > **Mr. Gilbert Drouin** - Valorisation-Recherche Québec > **Dr. Jacques Hurtubise** - Université McGill > **Dr. Michel Jébrak** - Université du Québec à Montréal > **Mr. Paul L'Archevêque** - Génome Québec > **Dr. Pierre Lavigne** - Valorisation-Recherche Québec > **Dr. Raymond J. Leblanc** - Université Laval > **Dr. Truong Vo-Van** - Université Concordia > **Ministère du Développement économique, de l'Innovation et de l'Exportation du Québec**

SIAC Committee (Science and Industry Advisory Committee)

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Audit Committee

M. Luc Tanguay (President) > **Dr Louis Berlinguet** > **Dr Jean-Claude Cadieux**

Genome Canada > Ministère du Développement économique, de l'Innovation et de l'Exportation du Québec > Albert Einstein College of Medicine > Aléthia Biotherapeutics Inc. > Banting and Best Department of Medical Research > Becton Dickinson & Company > Biosystemix Ltd > Cancer Care Ontario > Centre Hospitalier Universitaire de Laval > Centre Hospitalier Universitaire de Montréal > Conseil de Recherches en Sciences Naturelles et en Génie du Canada > Ellipsis Biotherapeutics Corp. > Émerillon Therapeutic Inc. > Fondation Canadienne pour l'Innovation > Fonds de Recherche sur la Nature et les Technologies > Fonds de Recherche en Santé du Québec > Hôpital Maisonneuve Rosemont > Genome Atlantic > Genome Prairies > Hôpital Royal Victoria > Hôpital Sainte-Justine > INRS - Institut Armand Frappier > Institut de Recherche Clinique de Montréal > Institut de Recherche en Biotechnologie > Institut de Recherche en Santé du Canada > Institut des Matériaux Industriels > Lady Davis Institute for Medical Research > Liam Good's Laboratory Sweden > London Health Science Research Centre > Ministère de la Santé et des Services sociaux > Montreal Neurological Institute > Paprican Inc. > Sandler program for Asthma Research > Service Canadien des Forêts > Steacie Institute of Molecular Sciences > Université Carleton > Université Concordia > Université de Chicoutimi > Université de Montréal > Université de Rimouski > Université de Sherbrooke > Université de Toronto > Université du Québec à Montréal > Université Laval > Université McGill > Université McMaster > University Health Network > University of California Irvine > Valorisation-Recherche Québec > Xenon Genetics Research Inc.

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HIGHLIGHTS OF FISCAL YEAR ENDED MARCH 31, 2005

During the financial year ended March 31, 2005, the value of Génome Québec's project portfolio grew by $45 M, bringing it to a total of $220 M, including technology platform services. This portfolio is comprised of 22 large-scale projects with applications in several areas of genome research, concentrated mainly in human health (16 out of 22 projects). To date, Génome Québec's two main funding partners, Genome Canada (GC) and the Ministère du Développement économique, de l'Innovation et de l'Exportation (MDEIE), have contributed $148.1 M (GC: $82.5 M and MDEIE: $65.6 M) out of a committed total of $191.1 M, composed of $104.1 M (GC) and $87 M (MDEIE).

Since the beginning of operations, Génome Québec has spent a total of $117.9 M on research projects, including $46.1 M in 2005 as compared to $44.8 M in 2004. In addition, Génome Québec purchased a total of $11.0 M in equipment, used mainly for its research projects, compared to $9.8 M in 2004.

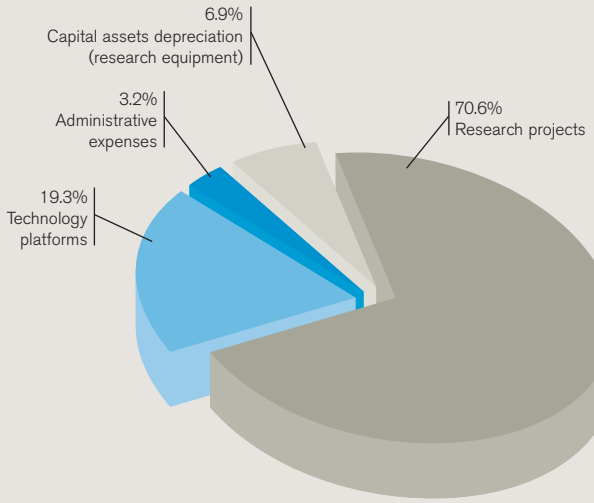
The McGill University and Génome Québec Innovation Centre, where Génome Québec is operating platforms equipped with cutting-edge technology, had generated $9.4 M in revenues for the year ended March 31, 2005, compared to $7.9 M for the previous year.

Génome Québec's administrative expenses total $1.9 M ($1.7 M in 2004) and include salaries of $1.0 M, public relations and business development activities of $0.4 M and office and other expenses of $0.5 M.

In conformance with contractual agreements between Génome Québec and its main funding partners, performance and relevance evaluations were successfully carried out.

STATISTICS

GÉNOME QUÉBEC-DRIVING RESEARCH*



*Total investment in research and platforms: 96.8%

Paul L'Archevêque
President and CEO
Génome Québec

Lise Aubin
Vice-President, Finance and Investments
Génome Québec

AUDITORS' REPORT TO THE DIRECTORS

We have audited the statement of financial position of Génome Québec as at March 31, 2005 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Montréal, Canada

June 3, 2005

GÉNOME QUÉBEC

Financial Statements
Year ended March 31, 2005

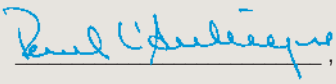
GÉNOME QUÉBEC

Statement of Financial Position
March 31, 2005, with comparative figures for 2004

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents (note 2)	$ 11,654,513	$ 18,425,781
Short-term investments (note 3)	1,742,525	-
Accounts receivable and work in progress (note 4)	967,071	1,380,104
Advances to genomic research projects	8,834,804	3,332,539
Inventories	2,731,075	912,056
Prepaid expenses	187,932	234,453
	26,117,920	24,284,933
Long-term investments (note 5)	2,550,965	-
Long-term investments in private companies (note 6)	816,375	941,892
Capital assets (note 7)	3,524,552	6,414,009
	$ 33,009,812	$ 31,640,834
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	$ 3,250,840	$ 3,388,829
Deferred contributions:		
Future expenses (note 9)	26,234,420	21,837,996
Capital assets (note 10)	3,524,552	6,414,009
	29,758,972	28,252,005
Unrestricted net assets	-	-
Commitments (note 13)		
	$ 33,009,812	$ 31,640,834

See accompanying notes to financial statements.

On behalf of the Board:

 , Paul L'ARCHEVÊQUE, Director

 , Jean-Marc PROULX, Director

GÉNOME QUÉBEC

Statement of Operations and Changes in Net Assets
Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
Revenues:		
Amortization of deferred contributions related to expenses (note 9)	$ 46,127,061	$ 44,756,670
Amortization of deferred contributions related to capital assets (note 10)	4,104,050	1,811,535
Revenues from technology platforms	9,337,930	7,917,627
	59,569,041	54,485,832
Expenses:		
Genomic research projects	42,029,648	41,221,392
Technology platforms operational cost	7,639,306	6,932,641
Innovation Centre operational cost	3,860,232	2,793,749
General and administrative	1,935,805	1,726,515
Depreciation of capital assets	4,104,050	1,811,535
	59,569,041	54,485,832
Excess of revenues over expenses, being net assets, end of year	$ -	$ -

See accompanying notes to financial statements.

GÉNOME QUÉBEC

Statement of Cash Flows
Year ended March 31, 2005, with comparative figures for 2004

	2005	2004
Cash flows from operating activities:		
Excess of revenues over expenses	$ -	$ -
Adjustments for:		
Depreciation of capital assets	4,104,050	1,811,535
Amortization of deferred contributions related to expenses (note 9)	(46,127,061)	(44,756,670)
Amortization of deferred contributions related to capital assets (note 10)	(4,104,050)	(1,811,535)
Operating losses of the subsidiary and the company subject to significant influence	3,455,349	5,059,103
	(42,671,712)	(39,697,567)
Grants received and investment income	51,759,409	59,243,635
Change in assets and liabilities:		
Accounts receivable	391,702	(391,864)
Advances to genomic research projects	(5,303,883)	(1,564,906)
Inventories	(1,819,019)	17,377
Prepaid expenses	46,521	(51,875)
Accounts payable and accrued liabilities	(137,989)	1,013,037
	(6,822,668)	(978,231)
	2,265,029	18,567,837
Cash flows from investing activities:		
Change in short-term investments	(1,742,525)	1,000,000
Purchase of capital assets	(1,412,975)	(3,438,506)
Acquisition of long-term investments in private companies	(3,329,832)	(4,900,865)
Net acquisition of long-term investment	(2,550,965)	-
	(9,036,297)	(7,339,371)
Net (decrease) increase in cash and cash equivalents	(6,771,268)	11,228,466
Cash and cash equivalents, beginning of year	18,425,781	7,197,315
Cash and cash equivalents, end of year	$ 11,654,513	$ 18,425,781

Supplemental cash flow information (note 11)
See accompanying notes to financial statements.

GÉNOME QUÉBEC

Notes to Financial Statements
Year ended March 31, 2005

Génome Québec was incorporated on June 29, 2000 under Section II of the Canada Corporations Act. Génome Québec is a not-for-profit organization and has the following objectives:

a) to develop and maintain in the province of Quebec a coordinated approach and an integrated strategy in the fields of genomic research (including the health, agriculture, environment, forestry and fisheries fields) by bringing together the intervening parties from the industry, governments, universities, research centres and laboratories, as well as any other person or organization interested in advancing the goals of the Corporation;

b) to create, operate and support an infrastructure network in genomics giving Quebec researchers access to a high-technology expertise;

c) to ensure that researchers have access to the necessary equipment and installations to undertake research and development projects in genomics, and to allow for the training of researchers and technologists;

d) to raise the awareness of the population to the necessity of research in genomics, to the usefulness and consequences of the outcome from this research, to ensure an ethical environment for the researchers and to contribute to public awareness regarding the stakes involved in genomics research.

1. SIGNIFICANT ACCOUNTING POLICIES:

a) Cash and cash equivalents:
Cash and cash equivalents consist of cash as well as all highly liquid short-term investments which have a maturity of less than three months from the date of acquisition.

b) Investments:
Short-term investments, redeemable at any time, are recorded at the lower of cost and market value. Long-term investments are recorded at cost less a provision for permanent impairment, if any. Any discount or premium arising on purchase of bonds is amortized using the straight-line method of the remaining term.

c) Work in progress:
Work in progress is recorded at the pro rata billing value of the work completed.

d) Inventories:
Inventories are represented by supplies which will be utilized by the technology platforms. The supplies are recorded at the lower of cost and replacement cost. The cost is determined using the first in, first out method.

e) Advances and charges related to genomic research projects:
The advances represent the excess of the contributions to the research projects, including work performed by the technology platforms, over the claims received, which are recognized in the statement of operations.

f) Revenue recognition:
The Corporation follows the deferral method of accounting for contributions which include mainly funding from Genome Canada and the Ministère du Développement économique, de l'Innovation et de l'Exportation du Québec. 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.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

f) Revenue recognition (continued):
Externally restricted contributions and related investment income are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions related to the purchase of capital assets are deferred and amortized to revenues using the same methods and rates of the related capital assets.

Revenues from technology platforms are represented by sequencing, genotyping and biochip services. Revenues are recognized on the basis of the services rendered.

g) Long-term investments in private companies:
Long-term investments are accounted for by using the equity method.

h) Capital assets:
Capital assets are stated at cost. Depreciation is provided for using the following methods, period and annual rates:

Asset	Method	Period/rate
Leasehold improvements	Straight-line	Remaining lease term
Furniture and fixture	Declining-balance	20%
Equipment	Declining-balance and straight-line	30% and term of project
Computers and software	Declining-balance	30%

During the year, the Corporation revised the depreciation method for the equipment used in the research projects resulting from the acquired experience on the utilization of these equipments. The equipment, that was depreciated using the declining balance method at a rate of 30%, is now depreciated using the straight-line method over the term of the projects. This change had the effect of increasing the current depreciation expense by $2,199,844.

i) Derivative financial instruments:
The Corporation uses forward foreign exchange contracts to manage foreign currency fluctuation risks. Gains and losses on forward exchange contracts that have a settlement date after year-end are accounted for using the fair-value method. The carrying amounts of derivative financial instruments, which comprise accrued gains and losses not yet realized, are included in other receivables, in the case of contracts in a gain position, and in accounts payable and accrued liabilities, in the case of contracts in a loss position.

j) Use of estimates:
The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Significant areas requiring the use of management's estimates relate to the determination of the useful life and the estimated residual value of the capital assets along with the recoverability of long-term investments. Accordingly, actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS:

	2005	2004
Cash	$ 7,680,073	$ 18,425,781
Banker's acceptance, bearing interest at a rate of 2.56%, maturing in May 2005	3,974,440	-
	$ 11,654,513	$ 18,425,781

3. SHORT-TERM INVESTMENTS:

	2005		2004	
	Cost	Fair value	Cost	Fair value
Banker's acceptance, bearing interest at a rate of 2.65%, maturing in April 2005	$ 987,200	$ 998,969	$ -	$ -
Debentures of corporations, bearing interest at a rate of 2.85% and 2.93%, maturing in March 2006	755,325	752,625	-	-
	$ 1,742,525	$ 1,751,594	$ -	$ -

4. ACCOUNTS RECEIVABLE AND WORK IN PROGRESS:

	2005	2004
Clients	$ 869,842	$ 1,248,772
Work in progress	84,726	97,498
Accrued interest receivable	12,503	33,834
	$ 967,071	$ 1,380,104

5. LONG-TERM INVESTMENTS:

	2005		2004	
	Cost	Fair value	Cost	Fair value
Federal agencies bonds	$ 249,850	$ 250,729	$ -	$ -
Debentures of corporations	1,042,740	1,046,450	-	-
Provincial government bonds	1,258,375	1,255,625	-	-
	$ 2,550,965	$ 2,552,804	$ -	$ -

The interest rates at year end vary between 3.19% and 3.96% and the expiration dates vary between September 8, 2006 and August 5, 2008. Investments are made through financial institutions and corporations for which credit ratings are high.

6. LONG-TERM INVESTMENTS IN PRIVATE COMPANIES:

	2005	2004
Investment in a subsidiary (63%)	$ 5,824,613	$ 4,295,000
Investment in a significantly influenced company (40%)	5,513,046	3,712,827
	11,337,659	8,007,827
Less operating losses of these entities	(10,521,284)	(7,065,935)
	$ 816,375	$ 941,892

The activities of the subsidiary are mainly represented by research and development expenses for the project hereunder, which is financed by the Corporation's investment. The Corporation is committed to subscribe to the capital stock of the subsidiary an amount of $6.2 million in connection with the project on the integrative genomics for women's health program as part of a total of $9.2 million over a three-year period.

In connection with the research projects conducted by the significantly influenced company, the Corporation is committed to subscribe to the capital stock of that company $7.3 million as part of a total of $14.6 million over a three-year period.

The financial commitments related to these projects are disclosed in the commitments mentioned in note 13 in connection with Competition II.

7. CAPITAL ASSETS:

			2005	2004
	Cost	Accumulated depreciation	Net book value	Net book value
Leasehold improvements	$ 25,971	$ 15,127	$ 10,844	$ 16,986
Furniture and fixtures	162,009	80,494	81,515	98,737
Equipment technology platforms	2,871,045	1,857,687	1,013,358	1,880,240
Equipment research projects	7,830,976	5,459,239	2,371,737	4,362,659
Computer and software	117,237	70,139	47,098	55,387
	$11,007,238	$ 7,482,686	$ 3,524,552	$ 6,414,009

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

	2005	2004
Accounts payable	$ 597,470	$ 1,033,013
Accrued liabilities	1,392,113	1,743,107
Salaries and fringe benefits	818,899	548,279
Deferred revenues	167,345	44,520
Sales taxes	275,013	19,910
	$ 3,250,840	$ 3,388,829

9. DEFERRED CONTRIBUTIONS RELATED TO FUTURE EXPENSES:

The Corporation receives grants from Genome Canada and the Ministère du Développement économique, de l'Innovation et de l'Exportation du Québec and/or from Valorisation-Recherche Québec. These grants will be administered and distributed in accordance with the terms and conditions of the related agreements.

Deferred contributions related to expenses of future periods represent the unspent externally restricted funding and related investment income for the purposes of providing contributions to eligible recipients and paying operating and capital expenditures in future periods.

9. DEFERRED CONTRIBUTIONS RELATED TO FUTURE EXPENSES (CONTINUED):

The deferred contributions are:

	March 31, 2003	2004 Transactions	March 31, 2004	2005 Transactions	March 31, 2005
Contributions:					
Genome Canada	$ 21,969,724	$ 36,742,432	$ 58,712,156	$ 23,820,539	$ 82,532,695
Government of Quebec	20,040,000	20,891,000	40,931,000	24,700,000	65,631,000
VRQ	-	839,189	839,189	1,276,662	2,115,851
Genome Prairies	416,331	306,764	723,095	675,783	1,398,878
FQRNT	500,000	-	500,000	-	500,000
FRSQ	439,000	-	439,000	-	439,000
MSSS	-	100,000	100,000	-	100,000
Cancer Care Ontario	-	-	-	704,310	704,310
University of Toronto	-	-	-	45,000	45,000
	3,365,055	58,879,385	102,244,440	51,222,294	153,466,734
Investment income:					
Interest received	758,276	364,250	1,122,526	537,115	1,659,641
Interest receivable	21,059	12,775	33,834	(21,331)	12,503
	779,335	377,025	1,156,360	515,784	1,672,144
Amount amortized to revenues	(27,013,489)	(44,756,670)	(71,770,159)	(46,127,061)	(117,897,220)
Amount invested in capital assets	(7,037,244)	(2,755,401)	(9,792,645)	(1,214,593)	(11,007,238)
	$ 10,093,657	$ 11,744,339	$ 21,837,996	$ 4,396,424	$ 26,234,420

10. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS:

Deferred contributions related to capital assets represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of such contributions is recorded as revenue in the statement of operations. The changes in balances of the deferred contributions are as follows:

	2005	2004
Opening balance	$ 6,414,009	$ 5,470,143
Add allocation of funding for capital asset purchases	1,214,593	2,755,401
Less amount amortized to revenues	(4,104,050)	(1,811,535)
Ending balance	$ 3,524,552	$ 6,414,009

11. SUPPLEMENTAL CASH FLOW INFORMATION:

	2005	2004
Non-cash transactions excluded from the change in deferred contributions:		
Interest receivable	$ (21,331)	$ 12,775
Amount transferred to deferred contributions related to capital assets	(1,214,593)	(2,755,401)
	(1,235,924)	(2,742,626)
Increase in advances to genomic research projects compensated by the reduction of fixed assets	198,382	683,105

12. FINANCIAL INSTRUMENTS:

The Corporation determined that the book value of its short-term financial assets and liabilities, including cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities, approximated their fair value due to the short term of these instruments.

The fair value of the long-term investments in private companies cannot be determined because these investments are in share capital of private companies and, accordingly, such shares are not negotiated on an organized capital market.

The fair value of long-term investment is shown in note 5.

13. COMMITMENTS:

In accordance with an agreement entered into with Genome Canada with regard to a financial support commitment of $104,060,000 related to Competition I and II and to the Applied Genomics and Proteomics Research in Human Health Care competition, the Corporation has agreed, among other things, to obtain equivalent financing commitments from other parties. In this matter, financial commitments from the government of Quebec amounted to $87,053,000 and an amount of $17,007,000 is committed from other parties, of which $1,541,000 remain to be finalized.

The Corporation is committed to finance research projects in the amount of $179,735,994. As at March 31, 2005, the residual commitment for these projects amounts to $68,071,873. The Corporation entered into various agreements for services, equipment lease and rents including the Innovation Centre's premises. These agreements expire at various dates until 2009. The payments under these agreements for the next years are: $1,377,576 in 2006, $1,382,952 in 2007, $1,051,249 in 2008 and $18,431 in 2009.

Under the terms of a contract, the Corporation is required to purchase equipment and furniture for a total of $4,055,911, of which the remaining commitment is $1,477,589.

Under the term of a forward exchange contract, the Corporation is committed at the end of the contract, in May 2005, to purchase US$1,500,000. The exchange rate in Canadian dollars is 1.2367 and its fair market value approximates its carrying value.

14. COMPARATIVE FIGURES:

Certain comparative figures for 2004 have been reclassified in order to conform with the financial statement presentation adopted in 2005.

BOARD OF DIRECTORS

Jean-Marc Proulx - Chairman of the Board, President and CEO, and President of the Board of Directors, Gestion Valeo s.e.c.

Alain Beaudet, M.D., Ph. D. - President and CEO, Fonds de la recherche en santé du Québec (FRSQ)

Dr. Louis Berlinguet - Administrator

Dr. Chantal Brunet - Vice-President, Sciences Innovatech Québec and Chaudière-Appalaches

Dr. Jean-Claude Cadieux - Management Consultant, Vice-President of the Board of Directors

Hélène Desmarais - President of the Board of Directors and CEO, Centre d'Entreprises et d'Innovation de Montréal (CEIM)

Sylvie Dillard - President and CEO, Fonds québécois de la recherche sur la nature et les technologies (FQRNT)

Dr. Martin Godbout - President and CEO, Genome Canada

Paul L'Archevêque - President and CEO, Génome Québec

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Nathalie Foisset - Manager Research Projects
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