TODAY'S GENOMICS

IS TOMORROW'S BIOTECHNOLOGY

ANNUAL REPORT 2006-2007

GenomeQuébec
The Future has Begun

VISION

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

MISSION

Génome Québec financially supports major genomics and proteomics research initiatives, as well as their applications, in partnership with the academic milieu and the private sector while adhering to the rules of ethics.

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

GÉNOME QUÉBEC'S 5 STRATEGIC PRIORITIES

- To continue playing a structuring and mobilizing role in genomics and proteomics research
- To maximize and diversify sources of funding
- To enhance technological platform operations and the outcomes of major projects
- To improve the management of our business processes
- To position genomics and Génome Québec within Quebec society

COMPANY INFORMATION
For more information, please contact Michel Leblanc, Vice-President,
Public Affairs and Communications 514 398-0668 • mleblanc@genomequebec.com

Head Office
Génome Québec
630 René-Lévesque Blvd. West, Suite 2660
Montréal, Québec H3B 1S6
Phone: 514 398-0668
Fax: 514 398-0883
E-mail: info@genomequebec.com
www.genomequebec.com

Auditors
KPMG LLP
600 de Maisonneuve Blvd. West, Suite 1500
Montréal, Québec H3A 0A3
www.kpmg.ca

Legal Adviser
Jean Brunet
Desjardins Ducharme LLP
1150 De la Clairefontaine Street, Suite 300
Québec, Québec G1R 5G4

Genome Canada
150 Metcalfe Street, Suite 2100
Ottawa, Ontario K2P 1P1
www.genomecanada.ca

Ministère du Développement économique, de l'Innovation et de l'Exportation du Québec
710 D'Youville Place, 3rd Floor
Québec, Québec G1R 4Y4
www.mdeie.gouv.qc.ca

McGill University and
Génome Québec Innovation Centre
740 Docteur-Penfield Avenue
Montréal, Québec H3A 1A4
Phone: 514 398-3311
Fax: 514 398-1795
www.genomequebec.mcgill.ca

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MESSAGE FROM THE CHAIRMAN OF THE BOARD

The year 2006-2007 was one of many significant achievements for Génome Québec:

- launch in October 2006 of the PRIVAC program that facilitates the coming together of industry and university research
- approval of P3G/CARTaGENE, a major project on population genomics
- piloting by Quebec scientists of numerous white papers on strategic genomics themes
- start-up of a new RNomics technology platform at Université de Sherbrooke
- study on the strategic development of genomics in Quebec
- holding of Génome Québec's first symposium
- positioning of genomics as a strategic sector in the Government of Quebec's new research and innovation policy

Jean-Marc Proulx

Together, these achievements speak to a new momentum in our development and validate the strategy that we developed with the support of our funders and implemented with the help of all our partners. On the one hand, there are the major projects that are being led by experienced scientists and worked on by 165 of Quebec's 600 genomics scientists. On the other, there are the innovative technology platforms that support these projects and offer state-of-the art services to the scientific community.

The Board of Directors gives particular credit to the scientists, the craftsmen who are in essence responsible for winning every major project and making them successful. The Board also wishes to acknowledge the exceptional work done by the Génome Québec team in contributing its leadership and day-to-day support to these projects. I would like to thank Mr. Paul L'Archevêque, President and CEO, the management team and all the employees.

The results of the study on the development of genomics in Quebec indicate that Génome Québec's investments have provided added value comparable to that generated by a major pharmaceutical company. These results are good, but they also show that our partners from other provinces are progressing as well as us or, in many cases, more than us.

We are therefore looking to increase the competitiveness of Quebec's genomics research infrastructure.

In the seven years since the corporation was founded, there has been an unprecedented mobilization of resources and partners to structure a new landscape in genomics research that allows Quebec to be included in major international trends. But we want to go further. One example is by attracting other renowned scientists and offering world-class support within the framework of our model, thereby helping to strengthen not only genomics research but also the industrial fabric of the biotechnology sector.

In keeping with the path we have taken, other challenges await us, such as defining a new business plan for 2008-2011.

Jean-Marc Proulx
Chairman of the Board

MESSAGE FROM THE PRESIDENT

Paul L'Archevêque

A year of **challenges** and **growth**, 2006-2007 was much like the five previous years in that it was a period full of structuring activities for genomics in Quebec.

First and foremost, there is research. We cannot say it often enough: Génome Québec's primary objective is to strengthen genomics research capabilities in Quebec. Day after day, we strive to support Quebec's scientists. We assist them in developing winning proposals, obtaining the funding they need and succeeding in their projects. We recognize their tremendous achievements and work to increase the spin-offs, whether they benefit the population or the scientific community.

At times, we may be insistent and even badger these scientists to get them to mobilize, meet the administrative requirements of control processes, or have them help us highlight the significant socio-economic spin-offs their research will generate. The objective of all our efforts remains the same: to strengthen genomics in Quebec.

Consequently, supporting research is always on our mind–but our actions go much further.

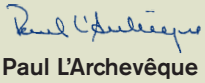
In line with the objectives of Quebec's strategy for research and innovation, we have sought to increase the potential of research spin-offs in 2006-2007. As a follow-up to the partnership agreement between Génome Québec and Merck Frosst Canada that was unveiled in April 2006 at BIO, we developed and launched the PRIVAC competition at Bio Contact to help fund promising research projects involving academic and private sector scientists. This is a first in Canada.

We also continued to implement our business model that focuses on grouping state-of-the-art equipment funded by major genomics projects and broadening access to this equipment for academic and private sector scientists. We therefore inaugurated two new centres of world-class calibre during the year, the Génome Québec and Montreal Heart Institute Pharmacogenomics Centre and the Génome Québec and Université de Sherbrooke RNomics platform.

These achievements, like all the others presented in this report, reflect the tireless work of a dedicated team. I want to emphasize the commitment, year after year, of Génome Québec employees at all levels, despite their heavy workload. My thanks also go to the management team for taking on the many strategic and organizational challenges that arose during the year. As such, the arrival of Michel Leblanc as Vice-President, Public Affairs and Communications, and the appointment of Carole Jabet to the position of Vice-President, Scientific Affairs, in recognition of her significant contribution to the organization's results, are a guarantee of success in the coming years.

Our 2006-2007 results are exciting, but they should not hide the harsh reality that we face fierce competition. Quebec is not the only economy to have chosen knowledge as the basis of its future and genomics as sector of excellence. Tom Hudson's departure for Ontario, the enormous amounts invested elsewhere to establish genomics research centres, and the gradual awakening of China and India to the importance of genomics are all warning signs as well.

In the coming year, we will be called upon to propose a new business plan to guide our actions up to 2011. To do this, we will rely on the conclusions of the strategic development study on genomics in Quebec that we carried out in 2006 with the support of the MDEIE. We are already anticipating the need to propose strategic choices …



Paul L'Archevêque
President and CEO

GENERAL REPORT ON ACTIVITIES

The year 2006-2007 was a very busy one for Génome Québec and, overall, the organization met all of its objectives.

Our efforts to play a structuring and mobilizing role in genomics and proteomics research have delivered impressive results, as shown in the report on scientific activities presented hereafter. Suffice it to say that P3G/CARTaGENE, a population genomics project of international scope that was approved in March 2006, is the largest investment that Génome Québec has made to date. Also worth mentioning is the launch of PRIVAC, a new program focusing on private-academic research, a first in Canada that recalls the pioneering role played by Génome Québec.

Michel Leblanc, Vice-President, Public Affairs and Communications

Given the co-funding raised by Génome Québec and other partners, these new investments, combined with the new support program for the development of strategic sectors involving recruitment, significantly leverage the public funds that Génome Québec has received from the Government of Québec.

At the start of the year, we established the objective of enhancing technological platform operations and the outcomes of major projects. Once again, we can say "mission accomplished," since the number of clients grew by 10% over the previous year and platform profits from private sector contracts more than quadrupled to reach $352,000. This amount will be reinvested in Génome Québec projects and services for Quebec's scientific community.

Caroline Plourde and Paul l'Archevêque

A major effort was also made to improve the organization's processes. We submitted and began implementing a master plan to integrate information technologies. We developed a new format for presenting financial and strategic information. We improved the employee performance evaluation program. We also developed and applied a staffing policy, a new employee compensation policy, as well as a compensation policy for directors and a corporate management guide.

Lise Aubin, Vice-President, Finance, Pierre Francoeur, Director, Human Resources, their teams and all our employees deserve a very special mention for the significant investment that all these new organizational tools represent and for the considerable effort required of them in adapting to these new tools.

Furthermore, we pursued our efforts to strengthen the position of genomics and Génome Québec in Quebec society. We surveyed genomics scientists to better understand their perceptions and expectations of Génome Québec. We organized the first Génome Québec Symposium, where more than 200 decision makers and scientists in the field of genomics exchanged views on the stakes involved in integrating the clinical applications of genomics discoveries into the health care system. Finally, we worked with our partner of choice, the Government of Québec, to properly position the strategic issues surrounding genomics development within Quebec's research and innovation strategy.

Anne-Marie Côté and Pierre Francoeur, Human Resources Director

In conclusion, we are pleased to see that genomics is in the news on almost a daily basis. This recognition attests not only to the quality of the work done in Quebec, but also to the ability of Quebec media to understand the importance of discoveries in genomics and their significance for the future of our society. As such, in the year ahead, we intend to pursue our efforts to explain genomics and the important socioeconomic, ethical and health issues associated with it.

Lise Aubin
Vice-President,
Finance and Investments

Pierre Francoeur
Human Resources
Director

Carole Jabet
Vice-President,
Scientific Affairs

Paul L'Archevêque
President and CEO

Michel Leblanc
Vice-President,
Public Affairs
and Communications

Daniel Tessier
Senior Director,
Operations and
Business Development

REPORT ON SCIENTIFIC ACTIVITIES

Génome Québec exists, first and foremost, because of the high-calibre scientists in Quebec. This year, as in the past, this statement says it all, and we would like to extend our thanks to the scientific community, which mobilized and undertook to prepare Position Papers. These documents will be useful in helping both Genome Canada and Génome Québec establish priorities for future investments in genomics.

This major effort translated into a leading contribution by Quebec scientists in 38% of the Position Papers developed in Canada and coverage of all strategic sectors identified by Quebec. The credit for this success definitely goes to the scientists.

In 2006-2007, Génome Québec continued to support major projects. In doing so, we contributed to funding a proteomics standardization project, an indispensable and long-awaited tool for the entire scientific community. Our portfolio also includes the *C. difficile* genome project, which should generate tremendous spin-offs in terms of diagnostics and therapeutic intervention.

Carole Jabet, Vice-President, Scientific Affairs

In October 2006, at BIOContact, we unveiled a program designed to increase the number of projects carried out in partnership by scientists from the private and academic sectors. This program, known as PRIVAC, took the form of a competition with a call for proposals, and the projects submitted are still being evaluated.

We are also very proud to be able to provide funding for P3G/CARTaGENE, a major project with international reach. Benefiting from continued support and guidance, Génome Québec played its structuring role to the fullest to give scientists access to all the necessary resources for studies on population genomics.

Furthermore, to achieve the highest degree of success possible in Genome Canada's Technology Development Competition, we sought to encourage Quebec scientists to submit proposals. Our efforts contributed to 18 projects being submitted, and all of them were selected for submission as full proposals, with Quebec projects representing 29% of the projects for all of Canada.

The year 2006-2007 was also characterized by the implementation of the strategic plan for genomic development adopted in 2005-2006. The Strategic and Scientific Advisory Board and the GE3LS Advisory Board met on two occasions and their recommendations were integrated into Génome Québec's scientific action plan. Moreover, Génome Québec strengthened ties with its strategic partners by actively participating in CFI's process to evaluate genomic projects and in setting up a CFI Genomics follow-up committee.

It was also within the framework of this plan that Génome Québec launched a program entitled Development of Strategic Sectors Involving Recruitment with a view to supporting the recruitment of two international-calibre genomics/proteomics scientists for Quebec. We are confident that this program will allow us to recruit at least one outstanding scientist in 2007-2008 and thereby create a ripple effect for the entire community.

Finally, it would be impossible to conclude without highlighting the tireless and rigorous work of the entire "Scientific Affairs" team. Their perseverance and significant investment were particularly important in mobilizing Quebec scientists for the Position Papers and the finalizing of a study on the strategic development of genomics in Quebec–a study co-funded by the MDEIE that will serve as the basis for Génome Québec's 2008-2011 business plan.

Maxime Dumais

Anne-Marie Alarco

Many thanks go to Anne-Marie Alarco, Director, Research Development, and to Maxime Dumais, Program Manager. We are confident that we have an outstanding team capable of meeting Génome Québec's objectives for 2007-2008 and one that will always strive to better support Quebec scientists.

Carole Jabet

Carole Jabet
Vice-President, Scientific Affairs

ONGOING PROJECTS...

Arborea II: Genomics for Molecular Breeding in Softwood Trees. Discovery of Gene Markers to Enhance the Productivity and Value of Spruce through Integrated Functional Genomics and Association Mapping

Université Laval — John MacKay, Jean Bousquet

Spruce trees are the most widely used species in Canada's forest plantations. Breeding new generations of spruce trees can be a slow process, however. That's why Canadian forest genomics researchers are studying tree growth and yield as well as wood properties, at the molecular level. Genomics can be used to improve the productivity and competitiveness of Canada's forest products industry, which accounts for $81.8 billion of activity annually and provides more than 375,000 direct jobs.

John MacKay, professor of forest biology, and Jean Bousquet, professor of forest genetics and Canada Research Chair in Forest and Environment at Université Laval, are project leaders of *Arborea II: Genomics for Molecular Breeding in Softwood Trees*.

Arborea II has initiated the creation of an inventory of the natural variability and expression of thousands of spruce genes. By identifying specific genes associated with growth and wood quality, the project will develop tools and protocols making it possible to select well adapted high-performance spruce trees with better-quality woods. This in turn will promote the competitiveness of the Canadian forestry industry.

Highlight: **The presentation of the project to key players in the forestry industry.**

Pharmacogenomics of Drug Efficacy and Toxicity in the Treatment of Cardiovascular Disease

Montreal Heart Institute, Université de Montréal — Jean-Claude Tardif
Génome Québec / Université de Montréal — Michael S. Phillips

No drug works well for all patients. Genetic differences among patients are believed to account for variations in drug responses. While Genomics is opening the way to personalized, predicative and preventive medicine, pharmacogenomics in particular uses a patient's genetic information to predict individual responses to medication. This is important, since adverse drug reactions are a leading cause of hospitalization and mortality in Canada, the United States and Europe.

Dr. Jean-Claude Tardif, director of the Montreal Heart Institute (MHI) Research Centre, professor of medicine, Pfizer Chair and of the CIHR in atherosclerosis of the MHI, affiliated with the Université de Montréal, and Michael S. Phillips, director of pharmacogenomics at Génome Québec and associate professor at the Université de Montréal, are project leaders of *Pharmacogenomics of Drug Efficacy and Toxicity in Cardiovascular Disease*.

The team is investigating the toxicity of lipid lowering drugs, especially statins, which are used to treat atherosclerosis, the concentration of lipids or fats, which narrow or block the arteries. The team is also studying the efficacy of new anti-atherosclerotic agents.

Highlight: **The development of ADME panels and "toxicity linked to statins."**

ONGOING PROJECTS... (CONT'D)

► Genomics and Public Health (GPH): Building Public "Goods"?

Université de Montréal — Bartha Maria Knoppers

Genomics is a powerful tool, which can provide information on the susceptibility of individuals and families to infectious and communicable diseases. Public health researchers are becoming keenly aware of the value of creating, accessing and planning genomic databases in their quest to understand and control infectious diseases, such as SARS (Severe Acute Respiratory Syndrome) and tuberculosis. But such databases raise many ethical, legal and societal questions in the areas of informed consent, confidentiality, and the boundaries between private and public goods.

Professor Bartha Maria Knoppers, Canada Research Chair in Law and Medicine, and Professor of Law at the Université de Montréal, is leading *Genomics and Public Health (GPH): Building Public "Goods"*?

GPH will examine ethical, legal and societal issues related to the use of existing databases or the creation of new ones. For example, have individuals, families, communities or populations involved in research consented to unforeseen changes in the use of their genetic information, if databases are merged or put to new uses?

Highlight: **The completion of interviews to analyze the perceptions of key players.**

► Identification and Characterization of Genes Involved in Common Developmental Brain Diseases

CHU Sainte-Justine Research Centre — Guy A. Rouleau
Université de Montréal — Pierre Drapeau

Schizophrenia and autism are severe brain diseases that result in enormous human suffering and high healthcare costs. Despite decades of research, the causes of these diseases are still largely unknown. However, both diseases are believed to be associated with genetic (inherited) factors, and can therefore be investigated using genomics.

Dr. Guy A. Rouleau, Director of the CHU Sainte-Justine Research Centre, and Dr. Pierre Drapeau, director of the *Département de pathologie et biologie cellulaire* at the Université de Montréal, are project leaders of *Identification and Characterization of Genes Involved in Common Developmental Brain Diseases*.

Drawing on a collection of 5,000 blood samples collected from individuals affected by schizophrenia and autism (and their family members), the research team is analyzing 1,000 synaptic genes in 276 patients. This analysis will make it possible to perform the first direct examination of synapse genes, and subsequently to validate the biological effects of disease-related mutations of these synapse genes in different animal model systems.

Highlight: **The identification of two new variants linked to autism.**

ONGOING PROJECTS... (CONT'D)

▶ The GRID Project: Gene Regulators in Disease

McGill University and Génome Québec Innovation Centre Tomi Pastinen

Gene regulation is the process by which DNA and protein interactions in a gene determine where and how the gene will be activated. Small differences in gene regulation among individuals can lead to disease susceptibility or resistance. However, these differences are not well understood yet.

The *GRID* project team is focusing on regulatory mechanisms in common human diseases, such as abnormal gene production, assembly and turnover. The project will characterize more than 250 disease genes believed to be associated with diabetes, asthma, inflammatory diseases and some forms of cancer. The team expects to identify a cascade of biological steps initiated by regulatory mechanisms in 25 genes that modify disease risk.

Highlight: **Almost half of the genes for allelic imbalance analyzed.**

▶ An Integrated Physical Genome Map for the Old World Monkey, *Cercopithecus aethiops*

Université McGill Ken Dewar

Many species of old and new world monkeys serve as model organisms in biomedical research. Since nonhuman primate models are genetically close to humans, they can help elucidate complex human behaviours and diseases in ways not possible using mouse and rat models.

The vervet monkey (*Cercopithecus aethiops*, also known as the African green monkey) is a non-endangered species native to southern Africa, and is a good model for studying neurological processes.

Dr. Ken Dewar, a principal investigator at the McGill University and Génome Québec Innovation Centre, and an assistant professor in the Department of Human Genetics at McGill University, is leading *An Integrated Physical Genome Map for the Old World Monkey, Cercopithecus aethiops*. By comparing the vervet genome map to the human, chimpanzee and rhesus monkey genome maps, the project will also identify areas displaying genome rearrangements, to aid in our understanding of the mechanisms contributing to genome evolution.

Highlight: **Over 40% of sequencing carried out.**

▶ Functional Annotation of Essential Alternatively Spliced Isoforms

Université de Sherbrooke Sherif Abou Elela

Now that the human genome has been sequenced, the race is on to discover the functions of potential genes. Mr. Sherif Abou Elela, a molecular biologist at the Université de Sherbrooke's Faculty of Medicine, is project leader of *Functional Annotation of Essential Alternatively Spliced Isoforms*. With a team of highly qualified scientists in the Sherbrooke area, Mr. Abou Elela will lead work on experimental annotation of AS isoforms in some 600 cancer-related genes that control cell proliferation and viability.

According to Mr. Abou Elela, the Sherbrooke team is the only group in the world tackling on such a broad scale the functional annotations of cancer-related splice isoforms and the regulatory circuits that control them.

Highlight: **Nearly 50 markers in cancerous ovarian tissues identified.**

New project: Development of Genetic Resources for *Clostridium difficile*

Université McGill — Ken Dewar

Clostridium difficile associated disease (CDAD) is a major problem in the health sector and an ongoing and serious concern throughout most countries in the Western world.

This 18-month research project will accomplish the complete sequencing of eight isolates of *C. difficile*. It will:

- measure genetic diversity within and between strains
- construct catalogues for genes and proteins
- search for other genes that might contribute to increased virulence and/or antimicrobial resistance
- begin to determine how different toxins and genes correlate with disease-causing ability

The sequencing of the *C. difficile* strains will be carried out using the ultra high throughput 454 sequencing technology from Roche GS-FLX. This technology allows for intensive DNA sequencing in parallel with whole genome shotgun sequencing or by genome assembly. Together with large-scale clinical studies, this project will be able to compare genomic information from the strains in the context of a very structured evaluation of data from patients and the treatment received. New molecular diagnostics will therefore result. In addition, it will be possible to associate a strain's genotype with the clinical result and thereby work toward discovering factors that may influence virulence and determinants of resistance to antibiotics. This work will also open the way to identifying pathogenesis-related genes, helping to identify new strategies for CDAD control and treatment.

New project: P³G, Public Population Project in Genomics and CARTaGENE

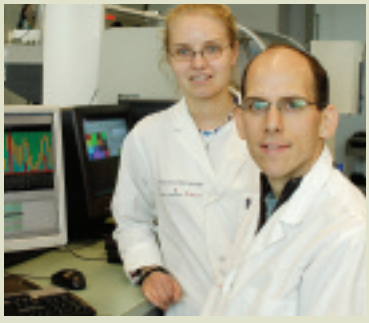
Université de Montréal — Bartha Maria Knoppers

Initiated and overseen by Professor Bartha Maria Knoppers, Research Chair in Law and Medicine, Université de Montréal, P³G (Public Population Project in Genomics) is a non-profit international consortium, with its head office at the Université de Montréal. Founded in 2003 to meet needs in population genomics expressed by the world's scientific community, this consortium acts as an interface to harmonize research tools developed by its members. Dr. Thomas J. Hudson, internationally renowned for his scientific contribution to genomics, is the scientific director of P³G.

Studies in population genomics seek to understand the complex mechanisms that cause disease. In order for studies to reach their objectives, their results must be validated with those of other similar studies. P³G will help pool and harmonize methods, tools and structures to encourage comparison and information sharing among the different population genomics studies. P³G's main tool for disseminating information is its Observatory, which brings together information and tools from different studies in population genomics on its Web site, making them accessible to all (http://www.P3Gconsortium.org).

The P³G project is closely tied to the CARTaGENE project, which will be the first resource to benefit from the harmonization. CARTaGENE is a public infrastructure that will include a database and a biobank. CARTaGENE will also include environmental, demographic and health data. The biobank will contain DNA and blood and urine samples. Headed by Professor Bartha Maria Knoppers, under the scientific direction of Dr. Claude Laberge, in cooperation with Dr. Paul Burton and Dr. Isabel Fortier, CARTaGENE will facilitate research in population genomics. Access to this database and biological material will be given to scientists wishing to better understand how genes interact between them, with the environment and according to lifestyle, thereby contributing to the development of improved diagnosis, treatment and disease prevention programs.

REPORT ON TECHNOLOGY PLATFORM ACTIVITIES



Valérie Catudal and Alexandre Bélisle

Génome Québec plays a structuring role in the area of genomics/proteomics research in Quebec by allowing scientists to access some of the most advanced technologies in the world. To do this, Génome Québec has adopted a strategy that consists of grouping its equipment in highly specialized technological centres and offering a variety of services to academic and industrial scientists in the genomics sector.

Using this model, we strengthened our technology platforms considerably in 2006-2007 with the inauguration and commissioning of two new centres. Based on the same business model put forward by Génome Québec for the management of the McGill University and Génome Québec Innovation Centre, the surplus capacity of these technology platforms is accessible to the academic and industrial scientific community. A growing number of private companies are expressing interest in these sophisticated technologies.

Due to the professionalism of our technology centres, the quality of services offered and the expertise of our personnel, we have built a strong base of more than 400 clients and our activities have grown by 10% annually since 2003. We are greatly encouraged by the platforms' increased profits from contracts with the private sector that have more than quadrupled to reach $352,000. This amount will be reinvested in Génome Québec projects and services to benefit the Quebec scientific community. We are working very hard to maintain our level of competitiveness by providing our academic and industrial partners with state-of-the art tools. Daniel Tessier, Andréa Smith and Roscoe Klinck, who are the three directors responsible for the centres, and their respective teams, deserve our congratulations on these results.

MCGILL UNIVERSITY AND GÉNOME QUÉBEC INNOVATION CENTRE

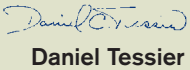
The McGill University and Génome Québec Innovation Centre offers high-performance genomics and proteomics services to the entire scientific community at competitive rates with the most advanced technical support. The Centre is the largest supplier of integrated services in sequencing, genotyping, microarrays, proteomics and bioinformatics in Canada.

The Centre has completed the implementation of new technologies as well as the deployment of more robust and faster IT infrastructures for analyzing of ever-growing volumes of increasingly complex data. Thanks to the Centre's highly qualified scientific and technical personnel, we remain a leader in the field of genomics.

Daniel C. Tessier,
Senior Director, Operations
and Business Development

2006-2007 highlights:

- **The Centre's service revenues were $7.9 million and the number of clients grew 10% over 2005-2006.**
- **We implemented Sequenom technology for genotyping.**
- **We automated the high throughput sequencing platform and acquired 454 ultra high throughput sequencing technology (Roche GS-FLX).**



Daniel Tessier
Senior Director, Operations and Business Development

GÉNOME QUÉBEC AND MONTREAL HEART INSTITUTE PHARMACOGENOMICS CENTRE

Pharmacogenomics, or the study of the interaction between the unique genetic profile of an individual and its reaction following the taking of prescribed medication is the basis of personalized medicine. The Pharmacogenomics Centre offers a range of specialised pharmacogenomics services to the academic, industrial and pharmaceutical research communities.

The Pharmacogenomics Centre has laboratories operating according to good laboratory practices (GLP) requirements. The Centre encourages knowledge transfer to the health system by integrating genomics technologies into the development of medication cycle, clinical trials and clinical practices.

2006-2007 highlights :

- **The governance structure of the Centre was established and implemented.**
- **The Centre succeeded in attaining GLP-compliance in the DNA extraction laboratory with 7000 samples processed.**
- **Obtaining a certificate of conformity at the GLP for the extraction of DNA laboratory with 7000 treated samples.**
- **We have developed customised clinical genotyping panels for industrial clients and focused cardiovascular and ADME panels for two large-scale projects.**
- **Finally, the Centre has developed its industrial client base which generated revenues of $1.0 million.**

Andréa Smith
Director, Business Development

GÉNOME QUÉBEC AND UNIVERSITÉ DE SHERBROOKE RNOMICS PLATFORM

The Génome Québec and Université de Sherbrooke RNomics Platform was inaugurated on November 3, 2006 in the presence of Quebec Premier Jean Charest. With $2.2 million in financing from Génome Québec and Université de Sherbrooke, this new platform was created thanks to the work of professors Sherif Abou Elela, Benoit Chabot and their collaborators, who are internationally renowned experts in the field of RNA biology.

The RNomics Platform offers services for the analysis and validation of the transcribed genome. The platform has developed an automated computational and experimental system for the detailed analysis and quantification of RNA expression and splicing. These tools are used for the characterization of many complex diseases, such as cancer.

2006-2007 highlights:

- **This platform has a positive complementarity with the Innovation Centre for quantitative PCR services.**
- **The platform can perform 3000 PCR reactions per day, which for example is sufficient for the comprehensive analysis of 60 genes in 10 normal and/or cancerous tissues in one day.**
- **Currently the platform has a number of academic clients from the universities of Sherbrooke, McGill, Ottawa, Toronto and the Institut Armand Frappier. Several pharmaceutical companies have also expressed an interest in the platform's technology and services.**

Roscoe Klinck
Directeur

BOARD OF DIRECTORS

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Luc Tanguay, Senior Executive Vice-President and CFO, Theratechnologies Inc.

Geneviève Tanguay (Observer), Assistant Deputy Minister, Direction générale de la recherche et de l'innovation, Ministère du Développement économique, de l'Innovation et de l'Exportation

Gérald A. Lacoste, Q.C., Corporate Director

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Carole Jabet
Michel Leblanc
Daniel Tessier

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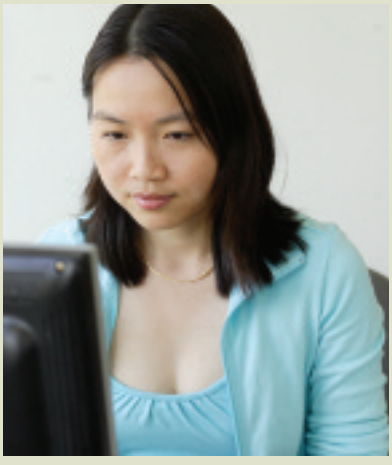
Yannick Richard
Frédérick Robidoux
Sharen Sophie Roland
Line Roy
Johan Rung



Tu Linh Van

Laura Sbarra
Donna Sinnett
Andrea Smith
Marie-Catherine Tessier
Frédéric Tessier
Lina Thérien
Philippe Thibault
Diane Valois
Tu Linh Van
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Daniel Vincent
Hao Fan Yam
Corine Zotti
Harry Zuzan

COLLABORATEURS :

Francis Beaulieu
Marie-Kim Brisson
Andrée Gravel
Huguette Marcotte
Évelyn Dubois
Haig Djambazian
Eef Harmsen

FINANCIAL ACTIVITY REPORT AT MARCH 31, 2007

As of March 31, 2007, there were 29 large projects in genomics and proteomics and three technology centres for a total value of $349 million. During 2006-2007, Génome Québec invested $50.6 million.

The Corporation receives contributions primarily from Genome Canada and the Ministère du Développement économique, de l'Innovation et de l'Exportation. During 2006-2007, other partners invested $12.2 million in large-scale projects.

Finance and Investments Team : from left to right: Anne-Marie Desfossés, Darie Lessard, Lise Aubin, Line Benguerel, Christian Perras, Jacqueline Dionne, Nathalie Boucratie, Claude Lamarre.

Lise Aubin, Vice-President, Finance and Investments

For the very first time, we recorded restricted and unrestricted net assets of $382,000 as of March 31, 2007 resulting from the exceptional profitability of our three technology centres, two of which began operations during the year: the Génome Québec and Montreal Heart Institute Pharmacogenomics Centre and the Génome Québec and Université de Sherbrooke RNomics Platform.

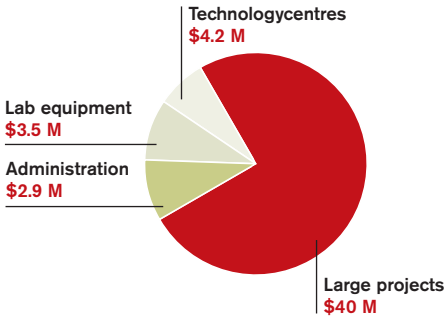
Génome Québec's administrative expenses as at March 31, 2007 totalled $2.9 million, representing 5.7% of total investments, compared with $2.4 million in 2006. This increase is the result of an investment in public affairs and communications as well as in human resources to support the broader needs of a rapidly growing Corporation.

In accordance with the contractual agreements made by Génome Québec and its main financial partners, the Corporation met its contractual obligations and milestones.

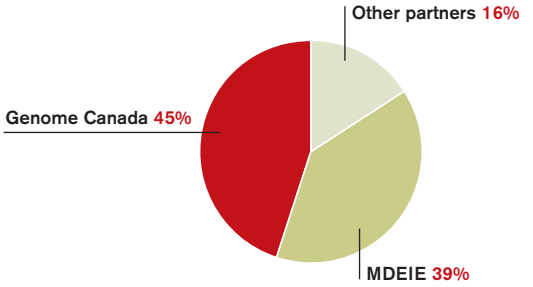
Paul L'Archevêque
President and CEO
Génome Québec

Lise Aubin
Vice-President, Finance and Investments
Génome Québec

Génome Québec and its activities
Total investment of $50.6 million



Génome Québec and its partners



AUDITORS' REPORT TO THE DIRECTORS

We have audited the statement of financial position of Génome Québec as at March 31, 2007 and the statements of operations, 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, 2007 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 8, 2007

GÉNOME QUÉBEC
Financial Statements

Year ended March 31, 2007

Financial Statements

GÉNOME QUÉBEC

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents (note 3)	$ 7,785,768	$ 7,569,069
Short-term investments (note 4)	6,923,130	6,257,825
Accounts receivable and work in progress (note 5)	1,907,704	1,779,102
Advances to genomic research projects	–	133,355
Inventories	384,822	1,481,166
Prepaid expenses	354,565	169,002
	17,355,989	17,389,519
Long-term investments (note 6)	–	545,490
Capital assets (note 8)	3,653,214	1,503,917
	$ 21,009,203	$ 19,438,926
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 9)	$ 3,523,117	$ 4,339,183
Due to genomic research project	120,496	–
Contributions to reimburse (note 10 (i))	1,558,296	–
	5,201,909	4,339,183
Deferred contributions:		
Future expenses (note 10)	11,772,395	13,595,826
Capital assets (note 11)	3,653,214	1,503,917
	15,425,609	15,099,743
Net assets:		
Unrestricted	228,161	–
Restricted	153,524	–
	381,685	–
Commitments (note 14)		
	$ 21,009,203	$ 19,438,926

See accompanying notes to financial statements.

On behalf of the Board:

_____ , Director

_____ , Director

GÉNOME QUÉBEC

Statement of Operations

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenues:		
Amortization of deferred contributions related to expenses (note 10)	$ 34,858,073	$ 47,314,903
Amortization of deferred contributions related to capital assets (note 11)	1,359,703	3,443,099
Revenues from technology platforms	9,477,007	9,919,509
Revenues from intellectual property	30,000	–
	45,724,783	60,677,511
Expenses:		
Genomic research projects	27,818,409	41,584,948
Technology platforms operational cost	10,750,779	10,864,659
Innovation Center operational cost	2,549,540	2,408,308
General and administrative	2,864,667	2,376,497
Depreciation of capital assets	1,359,703	3,443,099
	45,343,098	60,677,511
Excess of revenues over expenses	$ 381,685	$ –

See accompanying notes to financial statements.

GÉNOME QUÉBEC

Statement of Changes in Net Assets

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Unrestricted net assets:		
Unrestricted net assets, beginning of year	$ –	$ –
Excess of revenues over expenses from:		
Technology platform	198,161	–
Intellectual property	30,000	–
Unrestricted net assets, end of the year	$ 228,161	$ –
Restricted net assets:		
Restricted net assets, beginning of year	$ –	$ –
Excess of revenues over expenses from:		
Technology platform (note 2)	153,524	–
Restricted net assets, end of year	$ 153,524	$ –

See accompanying notes to financial statements.

GÉNOME QUÉBEC

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash flows from operating activities:		
Excess of revenues over expenses	$ 381,685	$ –
Adjustments for:		
Depreciation of capital assets	1,359,703	3,443,099
Amortization of deferred contributions related to expenses (note 10)	(34,858,073)	(47,314,903)
Amortization of deferred contributions related to capital assets (note 11)	(1,359,703)	(3,443,099)
Operating losses of a company subject to significant influence	1,305,431	1,589,348
	(33,170,957)	(45,725,555)
Contributions received and investment income	38,111,564	36,096,745
Changes in assets and liabilities:		
Accounts receivable and work in progress	(138,228)	(350,387)
Advances to genomic research projects	253,851	8,701,449
Inventories	1,096,344	790,293
Prepaid expenses	(185,563)	18,930
Accounts payable and accrued liabilities	(816,066)	1,088,343
	210,338	10,248,628
	5,150,945	619,818
Cash flows from investing activities:		
Change in short-term investments	(665,305)	(4,515,300)
Purchase of capital assets	(3,509,000)	(1,422,464)
Acquisition of investment in a private company	(1,305,431)	(772,973)
Net disposal of long-term investments	545,490	2,005,475
	(4,934,246)	(4,705,262)
Net increase (decrease) in cash and cash equivalents	216,699	(4,085,444)
Cash and cash equivalents, beginning of year	7,569,069	11,654,513
Cash and cash equivalents, end of year	$ 7,785,768	$ 7,569,069

Additional information (note 12)

See accompanying notes to financial statements.

Genome Quebec (the "Corporation") was incorporated on June 29, 2000 under Section II of the Canada Corporations Act. Genome Quebec 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 centers 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 genomic 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. 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 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, biochip, proteomics and pharmacogenomics services. Revenues are recognized on the basis of the services rendered.

1. Significant accounting policies (continued):

g) Investment in a private company:
The investment is 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 fixtures	Declining balance	20%
Equipment	Declining balance and straight-line	30% and term of project
Computers and software	Declining balance	30%

i) 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. Restricted net assets:

Under an agreement, the excess of revenues over expenses generated by the pharmacogenomics technological platform includes a restriction by which the first million dollars ($1,000,000) of excess must be reinvested in this technological platform to ensure its development.

3. Cash and cash equivalents:

	2007	2006
Cash	$ 2,939,476	$ 7,569,069
Banker's acceptance, bearing interest at a rate varying between 4.38% and 4.75%	4,846,292	–
	$ 7,785,768	$ 7,569,069

4. Short-term investments:

	2007		2006	
	Cost	Fair value	Cost	Fair value
Banker's acceptance, bearing interest at a rate varying between 4.35% and 4.50%, maturing between April and September 2007	$ 6,376,650	$ 6,376,650	$ –	$ –
Debentures of corporations bearing interest at a rate of 3.5% maturing in December 2007	546,480	546,480	1,246,725	1,247,563
Bonds, federal agency, bearing interest at a rate of 3.56%, maturing in January 2007	–	–	249,850	248,601
Bonds, provincial governments, bearing interest at a rate varying between 3.15% and 3.28%, maturing in September 2006	–	–	4,761,250	4,750,225
	$ 6,923,130	$ 6,923,130	$ 6,257,825	$ 6,246,389

Certain debentures and bonds from provincial governments are based on CDOR, a floating interest rate which represents an average rate of eight Canadian banks' acceptance rates.

5. Accounts receivable and work in progress:

	2007	2006
Clients	$ 1,410,016	$ 1,271,415
Purchase returns	7,831	459,616
Work in progress	43,571	33,540
Accrued interest receivable	4,905	14,531
Taxes on goods and services	441,381	–
	$ 1,907,704	$ 1,779,102

6. Long-term investments:

	2007		2006	
	Cost	Fair value	Fair Cost	value
Debentures of corporations	$ –	$ –	$ 545,490	$ 542,135

7. Investment in a private company:

	2007	2006
Investment in a significantly influenced company	$ 7,306,950	$ 6,001,519
Less operating losses	(7,306,950)	(6,001,519)
	$ –	$ –

In connection with the research projects conducted by the significantly influenced company, the Corporation is committed to invest $7.8 million as part of a total of $14.6 million. The financial commitments related to these projects are disclosed in the commitments mentioned in note 14.

8. Capital assets:

	2007			2006
	Cost	Accumulated depreciation	Net book value	Net book value
Leasehold improvements	$ 25,971	$ 24,445	$ 1,526	$ 5,649
Furniture and fixtures	232,770	120,942	111,828	111,215
Equipment - technology platforms	4,700,999	2,830,534	1,870,465	512,960
Equipment - research projects	8,373,029	7,040,314	1,332,715	830,600
Computer and software	165,093	105,372	59,721	43,493
Computer and software - project in progress	276,959	–	276,959	–
	$13,774,821	$10,121,607	$ 3,653,214	$ 1,503,917

9. Accounts payable and accrued liabilities:

	2007	2006
Accounts payable	$ 1,352,478	$ 2,058,049
Accrued liabilities	1,142,815	855,701
Salaries and fringe benefits	894,247	1,017,826
Deferred revenues	73,577	92,217
Accrued royalties	60,000	–
Taxes on goods and services	–	315,390
	$ 3,523,117	$ 4,339,183

10. Deferred contributions related to future expenses:

The Corporation receives contributions from Genome Canada and the Ministère du Développement Économique, de l'Innovation et de l'Exportation. These contributions 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.

10. Deferred contributions related to future expenses (continued):

The deferred contributions are:

	Balance March 31, 2005	2006 Transactions	March 31, 2006	2007 Transactions	Balance March 31, 2007
Contributions:					
Genome Canada	$ 82,532,695	$ 17,391,647	$ 99,924,342	$ 15,906,702	$115,831,044
Government of Quebec	65,631,000	14,057,800	79,688,800	19,893,817	99,582,617
VRQ	2,115,851	1,476,339	3,592,190	168,370	3,760,560
Cancer Care Ontario	704,310	2,167,973	2,872,283	241,532	3,113,815
Genome Prairies	1,398,878	530,760	1,929,638	17,455	1,947,093
FQRNT	500,000	–	500,000	–	500,000
FRSQ	439,000	–	439,000	–	439,000
MSSS	100,000	–	100,000	–	100,000
Other	45,000	26,851	71,851	1,954	73,805
Natural resources	–	–	–	100,000	100,000
HUPO	–	–	–	11,509	11,509
	153,466,734	35,651,370	189,118,104	36,341,339	225,459,443
Investment income:					
Interest received	1,659,641	445,375	2,105,016	761,349	2,866,365
Interest receivable	12,503	2,028	14,531	(9,626)	4,905
	1,672,144	447,403	2,119,547	751,723	2,871,270
Reclassification of completed projects [i]	–	–	–	(1,558,296)	(1,558,296)
Recovery of taxes on goods and services [ii]	–	–	–	1,008,876	1,008,876
Amount amortized to revenues	(117,897,220)	(47,314,903)	(165,212,123)	(34,858,073)	(200,070,196)
Amount invested in capital assets	(11,007,238)	(1,422,464)	(12,429,702)	(3,509,000)	(15,938,702)
	$ 26,234,420	$(12,638,594)	$ 13,595,826	$ (1,823,431)	$ 11,772,395

[i] The financial support of many research projects and current and capital expenses related to competitions I and II ended on March 31, 2007. Contributions received in excess of the related accumulated expenses are reclassified as contributions to reimburse.

[ii] During the year, the Corporation received an opinion from the tax authorities allowing the recovery of the full amount of the goods and services input tax credit. Previously, the reimbursement was limited to a reduced rate. The recovered taxes are presented as deferred contributions until their allocation by management.

11. 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:

	2007	2006
Opening balance	$ 1,503,917	$ 3,524,552
Add allocation of funding for capital asset purchases	3,509,000	1,422,464
Less amount amortized to revenues	(1,359,703)	(3,443,099)
Ending balance	$ 3,653,214	$ 1,503,917

12. Supplemental cash flow information:

	2007	2006
Non-cash transactions excluded from the change in deferred contributions:		
Interest receivable	$ (9,626)	$ 2,028
Amount transferred to deferred contributions related to capital assets	(3,509,000)	(1,422,464)
Amount reclassified as contributions to reimburse	(1,558,296)	–
	$ (5,076,922)	$ (1,420,436)

13. 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 investment in a private company cannot be determined because the investment is in share capital of a private company and, accordingly, such shares are not negotiated on an organized capital market.

The fair value of long-term investment is shown in note 6.

14. Commitments:

In accordance with an agreement entered into with Genome Canada with regard to a financial support commitment of $76,939,966 related to the Applied Genomics and Proteomics Research in Human Health Care and to Competition III, 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 $58,516,039 and an amount of $40,830,148 is committed from other parties, of which $2,526,647 remains to be finalized.

The Corporation is committed to finance research projects in the amount of $128,069,364. As at March 31, 2007, the residual commitment for these projects amounts to $87,605,696.

The Corporation entered into various agreements for services, equipment lease and rents including the Innovation Center's premises. These agreements expire at various dates until 2009. The payments under these agreements for the next years are: $1,689,853 in 2008 and $30,004 in 2009.

15. Comparative figures:

Certain comparative figures for 2006 have been reclassified in order to conform with the financial statement presentation adopted in 2007.