



**Genome Québec**  
The Future has Begun



RESEARCH AT THE ORIGIN OF THE FUTURE





**Genome Québec**  
The Future has Begun

2007 / 2008 financial statements

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Year ended March 31, 2008

During fiscal 2007-2008, G nome Qu bec invested \$43 million. Our partners invested a further \$8.4 million, for a total investment of \$51.4 million. G nome Qu bec receives funding primarily from Genome Canada and the minist re du D veloppement  conomique, de l'Innovation et de l'Exportation du Qu bec.

At March 31, 2008, our portfolio contained 15 genomics and proteomics projects, representing a total budget of \$119 million. Among them, we would like to point out that the P<sup>3</sup>G/CARTaGENE project has moved beyond its start-up phase and shows a 400% increase in activities over last year. In addition, two PRIVAC projects, as well as two technological development programs, have been launched. The funding from Competitions I and II and from the Human Health Competition for several research projects was completed during fiscal 2007-2008.

For the year ended at March 31, 2008, our three technological centres present a revenue surplus of \$36,000 over expenditures. Income from the technological platforms has increased by 15.5%. This increase comes mainly from our academic clients, which grew 59%. In addition, the building



Paul L'Archev que  
President and Chief Executive Officer  
G nome Qu bec

of the G nome Qu bec and Centre hospitalier affili  universitaire r gional de Chicoutimi Biobank began during the year.

General and administrative expenses, adjusted for certain platform expenditures and non-recurring expenditures, total \$3.4 million, or 6.6% of total investments, compared to \$3 million, or 5.6% in 2007. This increase comes from a decrease in the amounts invested by other partners, from an investment in the management of scientific projects in order to support the growing complexity of our projects, and from additional expenses in company governance.

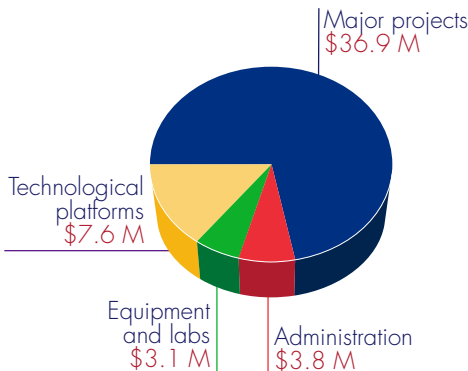
At March 31, 2008, and for the first time, we recorded net assets allocated for tangible assets (equipment purchased by the technological centres, financed from the unrestricted net assets of G nome Qu bec). In addition, for the same fiscal period, investment income is presented as distinct, rather than as deferred contributions.

In accordance with the contractual agreements made by G nome Qu bec and its main financial partners, the contractual obligations and milestones were achieved.

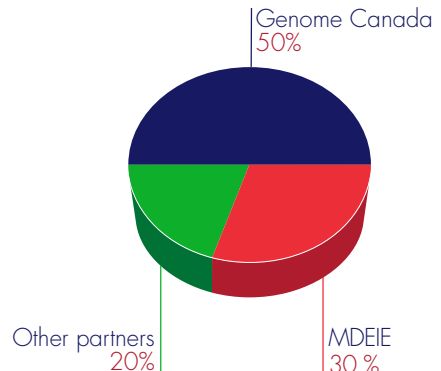


Raymond Castonguay  
Vice President, Finance and Investments  
G nome Qu bec

G NOME QU BEC AND ACTIVITIES  
TOTAL INVESTMENT OF \$51.4 M



G NOME QU BEC  
AND PARTNERS 2007 - 2008





We have audited the statement of financial position of Génome Québec as at March 31, 2008 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, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG P.C.L./S.E.N.C.R.L.


Chartered Accountants


Montréal, Canada  
May 29, 2008

	2008	2007
<b>Statement of Financial Position</b>		
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 4,296,990	\$ 7,785,768
Short-term investments	18,372,786	6,923,130
Accounts receivable and work in progress	2,214,624	1,907,704
Advances to genomics research projects	1,139,745	-
Inventories	723,499	384,822
Prepaid expenses	424,409	354,565
	<u>27,172,053</u>	<u>17,355,989</u>
Capital assets (note 4)	4,990,947	3,653,214
	<u>\$ 32,163,000</u>	<u>\$ 21,009,203</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,635,867	\$ 3,449,540
Deferred revenues	1,661,097	73,577
Due to genomics research project	-	120,496
Contributions to reimburse (note 5 (i))	2,406,246	1,558,296
	<u>7,703,210</u>	<u>5,201,909</u>
Deferred contributions:		
Future expenses (note 5)	19,021,085	11,772,395
Capital assets (note 6)	4,600,912	3,653,214
	<u>23,621,997</u>	<u>15,425,609</u>
Net assets:		
Unrestricted	275,086	228,161
Invested in capital assets (note 4)	390,035	-
Restricted	172,672	153,524
	<u>837,793</u>	<u>381,685</u>
Commitments (note 9)		
	<u>\$ 32,163,000</u>	<u>\$ 21,009,203</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

	2008	2007
<b>Statement of Operations</b>		
Revenues:		
Amortization of deferred contributions related to expenses (note 5)	\$ 34,708,438	\$ 34,858,073
Amortization of deferred contributions related to capital assets (note 6)	1,692,870	1,359,703
Investment income	1,049,899	–
Revenues from technology platforms	10,950,907	9,477,007
Revenues from intellectual property	15,000	30,000
	48,717,114	45,724,783
Expenses:		
Genomics research projects	28,453,865	27,818,409
Technology platforms operational cost	13,911,145	13,300,319
General and administrative	3,834,296	2,864,667
Depreciation of capital assets	1,692,870	1,359,703
Depreciation of self-financed capital assets	68,830	–
	47,961,006	45,343,098
<b>Excess of revenues over expenses</b>	<b>\$ 456,108</b>	<b>\$ 381,685</b>

See accompanying notes to financial statements.

### Statement of Changes in Net Assets

	Invested in capital asset	Restricted and royalties	Unrestricted	Total
Net assets, beginning of year	\$ –	\$ 153,524	\$ 228,161	\$ 381,685
Excess of (expenses over revenues) revenues over expenses	(68,830)	19,148	505,790	456,108
Invested in capital assets	458,865	–	(458,865)	–
<b>Nets assets, end of year</b>	<b>\$ 390,035</b>	<b>\$ 172,672</b>	<b>\$ 275,086</b>	<b>\$ 837,793</b>

See accompanying notes to financial statements.

	2008	2007
<b>Statement of cash flow</b>		
Cash flows from operating activities:		
Excess of revenues over expenses	\$ 456,108	\$ 381,685
Adjustments for:		
Depreciation of capital assets	1,761,700	1,359,703
Amortization of deferred contributions related to expenses (note 5)	(34,708,438)	(34,858,073)
Amortization of deferred contributions related to capital assets (note 6)	(1,692,870)	(1,359,703)
Operating losses of a company subject to significant influence	-	1,305,431
	<u>(34,183,500)</u>	<u>(33,170,957)</u>
Contributions received and investment income	46,149,209	38,111,564
Changes in assets and liabilities:		
Accounts receivable and work in progress	(311,825)	(138,228)
Advances to genomics research projects	(1,260,241)	253,851
Inventories	(338,677)	1,096,344
Prepaid expenses	(69,844)	(185,563)
Accounts payable and accrued liabilities	186,327	(797,426)
Deferred revenues	1,587,520	(18,640)
Contributions to be reimbursed	(698,658)	-
	<u>(905,398)</u>	<u>210,338</u>
	<b>11,060,311</b>	<b>5,150,945</b>
Cash flows from investing activities:		
Change in short-term investments	(11,449,656)	(665,305)
Purchase of capital assets	(3,099,433)	(3,509,000)
Acquisition of investment in a private company	-	(1,305,431)
Net disposal of long-term investments	-	545,490
	<u>(14,549,089)</u>	<u>(4,934,246)</u>
Net (decrease) increase in cash and cash equivalents	<b>(3,488,778)</b>	<b>216,699</b>
Cash and cash equivalents, beginning of year	7,785,768	7,569,069
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,296,990</b>	<b>\$ 7,785,768</b>

Additional information (note 7)

See accompanying notes to financial statements.

## Notes to Financial Statements

Génome Québec (the "Corporation") 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 Québec a coordinated approach and an integrated strategy in the fields of genomics 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 Québec 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 market value.

- (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 genomics 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, functional genomics and proteomics services. Revenues are recognized on the basis of the services rendered.

Since April 1, 2007, the investment income is not considered anymore as deferred contributions; it is from now on recognized on the statement of operations on an accrual basis.



## Notes to Financial Statements (continued)

## 1. Significant accounting policies (continued)

## (g) 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	Straightline	Remaining lease term
Furniture and fixtures	Declining balance	20%
Equipment	Declining balance and straightline	30% and term of project
Computers and software	Declining balance	30%

## (h) 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. Changes in accounting policies:

Effective April 1, 2007, the Corporation has adopted the new Canadian Institute of Chartered Accountants ("CICA") accounting standards related to Section 3855, *Financial Instruments - Recognition and Measurement*, and Section 3861, *Financial Instruments - Disclosure and Presentation*. These new handbook sections provide comprehensive requirements for the recognition and measurement of financial instruments.

Under the handbook Section 3855, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value with the exception of loans and receivables, investments held-for-maturity and other financial liabilities, which will be measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held-for-trading financial investments are measured at fair value and all the gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

As a result of the adoption of these standards, the Corporation has classified its short-term investments as "held-for-trading" and they are accounted for at fair value. Previously, these investments were recorded at the lower of cost and market value. As at April 1, 2007, these changes are applied prospectively.

The adoption of these standards had no impact on the financial statements for the year ended March 31, 2008.

## Notes to Financial Statements (continued)

## 3. Restricted net assets:

Under agreements, the excess of revenues over expenses generated by some technological platforms includes a restriction for its reinvestment:

For the pharmacogenomics technological platform, for the first three years ending March 31, 2009, the first \$1,000,000 of excess must be reinvested in this technological platform to ensure its development. As at March 31, 2008, the excess is \$172,672.

For the RNomics technological platform, the first \$200,000 of excess which represents the start-up costs must reimburse the government of Québec's contribution. As at March 31, 2008, the start-up costs represent \$174,000.

## 4. Capital assets:

	2008		2007	
	Cost	Accumulated depreciation	Net book value	Net book value
Leasehold improvements	\$ 25,971	\$ 25,971	\$ –	\$ 1,526
Furniture and fixtures	251,125	146,426	104,699	111,828
Equipment - technology platforms	5,396,048	3,495,931	1,900,117	1,870,465
Equipment - technology platforms - self-invested	458,865	68,830	390,035	–
Equipment - research projects	10,152,940	7,959,597	2,193,343	1,332,715
Computer and software	575,404	172,651	402,753	59,721
Computer and software - project in progress	–	–	–	276,959
	<b>\$ 16,860,353</b>	<b>\$ 11,869,406</b>	<b>\$ 4,990,947</b>	<b>\$ 3,653,214</b>

## 5. 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.

## Notes to Financial Statements (continued)

## 5. Deferred contributions related to future expenses (continued):

The deferred contributions are:

	Balance March 31, 2006	2007 Transactions	Balance March 31, 2007	2008 Transactions	Balance March 31, 2008
Cumulative contributions:					
Genome Canada	\$ 99,924,342	\$ 15,906,702	\$ 115,831,044	\$ 22,929,257	\$ 138,760,301
Government of Québec	79,688,800	19,893,817	99,582,617	22,900,000	122,482,617
Canada Economic Development	-	-	-	431,829	431,829
VRQ	3,592,190	168,370	3,760,560	-	3,760,560
Cancer Care Ontario	2,872,283	241,532	3,113,815	-	3,113,815
Genome Prairie	1,929,638	17,455	1,947,093	-	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	71,851	1,954	73,805	(1,954)	71,851
Natural resources	-	100,000	100,000	-	100,000
HUPO	-	11,509	11,509	(11,509)	-
	189,118,104	36,341,339	225,459,443	46,247,623	271,707,066
Cumulative investment income:					
Interest received	2,105,016	761,349	2,866,365	4,905	2,871,270
Interest receivable	14,531	(9,626)	4,905	(4,905)	-
	2,119,547	751,723	2,871,270	-	2,871,270
Reclassification of completed projects <sup>i)</sup>	-	(1,558,296)	(1,558,296)	(1,546,608)	(3,104,904)
Recovery of taxes on goods and services <sup>ii)</sup>	-	1,008,876	1,008,876	(103,319)	905,557
Amount amortized to revenues	(165,212,123)	(34,858,073)	(200,070,196)	(34,708,438)	(234,778,634)
Amount invested in capital assets	(12,429,702)	(3,509,000)	(15,938,702)	(2,640,568)	(18,579,270)
	\$ 13,595,826	\$ (1,823,431)	\$ 11,772,395	\$ 7,248,690	\$ 19,021,085

- i) The financial support of many research projects and current and capital expenses related to Competitions I, II and the Applied Genomics and Proteomics Research in Human Health ended on March 31, 2008. Contributions received in excess of the related accumulated expenses are reclassified as contributions to reimburse.
- ii) 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.

## Notes to Financial Statements (continued)

## 6. 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:

	2008	2007
Opening balance	\$ 3,653,214	\$ 1,503,917
Add allocation of funding for capital asset purchases	2,640,568	3,509,000
Less amount amortized to revenues	(1,692,870)	(1,359,703)
Ending balance	\$ 4,600,912	\$ 3,653,214

## 7. Supplemental cash flow information:

	2008	2007
Non-cash transactions excluded from the change in deferred contributions:		
Interest receivable	\$ (4,905)	\$ (9,626)
Amount transferred to deferred contributions related to capital assets	(2,640,568)	(3,509,000)
Amount reclassified as contributions to reimburse	(1,546,608)	(1,558,296)
	\$ (4,192,081)	\$ (5,076,922)

## 8. Financial instruments:

## (a) Fair value:

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 nature of these instruments.

## (b) Credit risk:

The credit risk arises from the possibility of financial loss caused by the inability of a party to fulfill its contractual obligation. The Corporation performs ongoing monitoring of its risk exposure and takes appropriate actions to reduce the probability that such risk leads to losses.

Financial instruments that could expose the Corporation to important credit risk mainly consist of short-term bonds. The Corporation's investment policy has been established to secure and protect capital so that current and future cash flow requirements can be met.

## (c) Interest rate:

Short-term bond investments consist primarily of fixed income securities issued by governmental and municipal organizations granted high credit rating. The weighted average interest rate of these bonds is approximately 3.85%.

## Notes to Financial Statements (continued)

### 9. Commitments:

In accordance with agreements entered into Genome Canada with regard to a financial support commitment of \$80,835,513 related to the Applied Genomics and Proteomics Research in Human Health, to Competition III, to the International Consortium Initiatives ("ICI") and to New Technology Development ("Tecdev"), the Corporation has agreed, among other things, to obtain equivalent financing commitments from other parties. In this matter, financial commitments from the government of Québec amounted to \$57,062,340 and an amount of \$25,485,751 is committed from other parties, of which \$5,901,313 remains to be finalized.

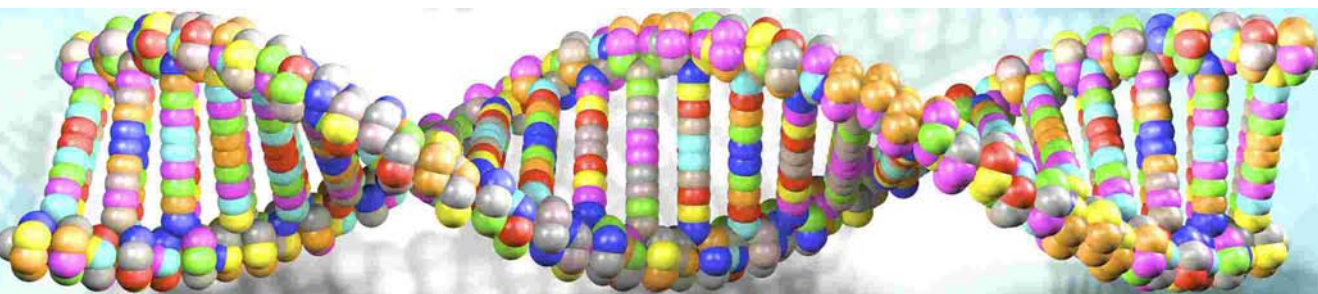
In accordance with an agreement entered into by the government of Québec with regard to a financial support of \$10,000,000 related to the PRIVAC competition, the Corporation has agreed, among other things, to obtain financing commitments from other parties in the amount of \$20,435,768, of which \$425,292 remains to be finalized.

The Corporation is committed to finance research projects in the amount of \$119,437,076. As at March 31, 2008, the residual commitment for these projects amounts to \$70,385,055.

The Corporation entered into various agreements for services and rents. These agreements expire at various dates until 2011. The payments under these agreements for the next years are: \$478,665 in 2009, \$233,161 in 2010 and \$233,161 in 2011.

### 10. Comparative figures:

Certain comparative figures for 2007 have been reclassified in order to conform with the financial statement presentation adopted in 2008.





**Genome Québec**  
The Future has Begun



RESEARCH AT THE ORIGIN OF THE FUTURE



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