

# Appendix 1

## Pharmaceutical Survey Findings on R&D Spending and Investments by Rx&D Members - 2010

Question	Description	\$ Canadian
<b>Section 1 R&amp;D expenditures and investments that qualify for SR&amp;ED tax credits</b>		
1.1	Costs eligible for SR&ED tax credit based on the 1987 definition <i>PMPRB Block 5 items (current R&amp;D pertaining to Medicines)</i> <i>PMPRB Block 6 (capital R&amp;D pertaining to Buildings and Equipment)</i>	\$ 1,084,737,876 1,019,468,319 65,269,557
1.2	Additional costs eligible for SR&ED tax credits based on the 2010 definition <i>Salaries of Canadian personnel directly engaged in SR&amp;ED eligible work performed outside Canada</i> <i>Cost of new capital equipment utilized between 50% and 90% for SR&amp;ED purposes</i> <i>Cost of leased capital equipment utilized between 50% and 90% for SR&amp;ED purposes</i>	\$ 2,747,099 - 2,747,099 -
1.3	Other costs eligible for SR&ED tax credits not reported (i.e. non-PMPRB filers and other unreported amounts)	\$ 44,848,895
<b>Section 1 Total</b>		<b>\$ 1,132,333,870</b>
<b>Section 2 R&amp;D expenditures and investments that do not qualify for SR&amp;ED tax credits</b>		
2.1	Similar items as in 1.2 above but for: <i>Additional salaries of Canadian personnel directly engaged in SR&amp;ED eligible work performed outside Canada above and beyond the 10% noted in 1.2 above</i> <i>Cost of new capital equipment utilized less than 50% for R&amp;D purposes</i> <i>Cost of leased capital equipment utilized less than 50% for R&amp;D purposes</i>	\$ 961,171 961,171 - -
2.2	Additional cost of individuals charged to a Canadian payroll above and beyond that which is already reported in Section 1, but which have a direct impact on the R&D function in Canada <i>Additional levels of activities for administration &amp; supervision of employees directly engaged in SR&amp;ED</i> <i>Operational personnel</i>	\$ 50,381,040 36,168,993 14,212,047
2.3	Investments in used equipment utilized in R&D activities in Canada	\$ -
2.4	Amounts paid to Canadian pharmaceutical service providers related to the portion of milestone payments, management fees, etc. which have been excluded from SR&ED reporting	\$ 1,361,223
2.5	Foreign entity payments made for R&D to be conducted in Canada by other companies or organizations	\$ 12,142,161
2.6	Lease/rental costs related to research facilities infrastructure which are not already reported in Question 1.2 & 2.1	\$ 3,125,805
2.7	Other R&D related activities for direct costs of employee labour and contract payments (not otherwise reported) <i>Pre-competitive research (i.e. due diligence phase of work)</i> <i>Economic and/or cost analysis component of pharmaco-economic studies</i> <i>Pharmacovigilance research studies</i> <i>Collection of epidemiology information and/or screening established databases</i> <i>Research in bioethics or other social sciences or humanities</i> <i>Comparative effectiveness studies/trials</i> <i>Regulatory affairs/administration expenses in clinical trials application</i> <i>Post launch or post-regulatory approval surveillance of new drugs as part of NOC/c commitment</i> <i>Unallocated</i>	\$ 51,952,233 1,307,810 8,287,281 2,850,334 8,011,437 2,896,069 1,200,686 5,400,253 6,882,876 15,115,488
2.8	Investments in Canadian venture capital entities (i.e. only non-PMPRB filers and non-Rx&D members)	\$ 1,000,000
2.9	Payments for University Chair Endowments (i.e. Canadian research supporting graduate & post-graduate levels)	\$ 5,465,897
2.10	Charitable Donations directed toward R&D in Canada	\$ 10,018,198
2.11	Donations, grants and non-commercial sponsorships to entities that promote the health and well-being of Canadians, which is for clear support of documented research activities (otherwise, see item 3.1)	\$ 15,006,990
2.12	Other items not otherwise reported in Section 1 or 2, which are R&D expenditures in Canada	\$ -
<b>Section 2 Total</b>		<b>\$ 151,414,719</b>
<b>Section 3 Non-R&amp;D expenditures which are part of the industry's investment in Canada</b>		
3.1	Donations, grants and non-commercial sponsorships to entities that promote the health and well-being of Canadians for non-research funding/activities	\$ 102,906,081
3.2	Product Donations: medicine provided through compassionate use and special access programs	\$ 90,217,745
3.3	Community programs: contributions that address human welfare and social needs such as United Way/Centraide	\$ 7,657,915
3.4	Education: contributions supporting education/training at the primary, secondary and post-secondary levels	\$ 8,406,977
3.5	Environment: contributions that promote environmental responsibility, recycling, conservation, reclamation and land and wildlife preservation in Canada	\$ 877,179
3.6	Arts and Culture: contributions that support the arts and other cultural activities in Canada.	\$ 52,600
<b>Section 3 Total</b>		<b>\$ 210,118,497</b>
<b>Total Sections 1, 2 and 3</b>		<b>\$ 1,493,867,087</b>

June 14, 2011

SUPPLIED IN CONFIDENCE – CONTAINS CONFIDENTIAL AND PROPRIETARY INFORMATION OF KPMG AND Rx&D AND IT'S MEMBERS