

Financial Statements

**The University of Toronto
Innovations Foundation**

April 30, 2005

AUDITORS' REPORT

To the Directors of
The University of Toronto Innovations Foundation

We have audited the balance sheet of **The University of Toronto Innovations Foundation** as at April 30, 2005 and the statements of operations, changes in net deficit and cash flows for the year then ended. These financial statements are the responsibility of the Foundation'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 Foundation as at April 30, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
June 28, 2005.

Chartered Accountants

The University of Toronto Innovations Foundation

BALANCE SHEET

[See note 2 – Basis of Presentation]

As at April 30

	2005 \$	2004 \$
ASSETS		
Current		
Cash [note 8]	287,815	169,566
Accounts receivable	234,550	548,190
Prepaid expenses	42,747	11,255
Total current assets	565,112	729,011
Investments [note 4[a]]	534,651	686,898
Capital assets, net [note 5]	243,267	646,904
	1,343,030	2,062,813
LIABILITIES AND NET DEFICIT		
Current		
Accounts payable and accrued liabilities	571,281	644,218
Contract advances	—	303,698
Prepaid and pre-billed revenue	107,584	394,706
Current portion of due to the University of Toronto [note 6]	77,496	61,227
Current portion of obligations under capital leases [note 7]	55,884	115,086
Trust account - onSETT [note 8]	19,773	28,000
Total current liabilities	832,018	1,546,935
Due to the University of Toronto [note 6]	8,399,912	5,750,000
Obligations under capital leases [note 7]	64,929	140,954
Deferred capital contributions [note 9]	15,507	199,277
Total liabilities	9,312,366	7,637,166
Commitments and contingencies [note 14]		
Net deficit		
Invested in capital assets [note 5[c]]	106,947	191,587
Deficit	(8,076,283)	(5,765,940)
Total net deficit	(7,969,336)	(5,574,353)
	1,343,030	2,062,813

See accompanying notes

On behalf of the Board:

Director

Director

The University of Toronto Innovations Foundation

STATEMENT OF OPERATIONS

Year ended April 30

	2005	2004
	\$	\$
REVENUE		
Royalties and licence fees	964,604	562,207
Cost recovery - UTECH Services and other <i>[note 1]</i>	356,351	220,796
Reimbursement of patent costs incurred on behalf of licencees <i>[note 10]</i>	78,484	114,369
Project and service fees <i>[note 11]</i>	206,004	230,755
Capital gain on sale of investment <i>[note 4[f]]</i>	9,664	—
Other	22,000	73,678
	1,637,107	1,201,805
EXPENSES		
Operating <i>[schedule]</i>	2,838,905	2,243,218
Patent costs incurred on behalf of UTIF <i>[note 10]</i>	360,211	314,359
Patent costs incurred on behalf of licencees <i>[note 10]</i>	78,484	114,369
	3,277,600	2,671,946
Loss from continuing operations before the following	(1,640,493)	(1,470,141)
Equity pick-up (loss) on investments <i>[notes 4[d] and 4[e]]</i>	42,607	(83,016)
Loss from continuing operations before distributions	(1,597,886)	(1,553,157)
DISTRIBUTIONS		
Distribution to inventors	156,057	119,504
Distribution to the University of Toronto	72,486	93,182
Distribution to institutions/others	160,601	25,324
	389,144	238,010
Deficiency of revenue over expenses for the year from continuing operations	(1,987,030)	(1,791,167)
Deficiency of revenue over expenses for the year from discontinued operations <i>[note 12]</i>	(407,953)	(638,382)
Deficiency of revenue over expenses for the year	(2,394,983)	(2,429,549)

See accompanying notes

The University of Toronto Innovations Foundation

STATEMENT OF CHANGES IN NET DEFICIT

Year ended April 30

	2005		
	Invested in capital assets	Deficit	Total
	\$	\$	\$
Net deficit, beginning of year	191,587	(5,765,940)	(5,574,353)
Deficiency of revenue over expenses for the year	—	(2,394,983)	(2,394,983)
Change in invested in capital assets <i>[note 5[d]]</i>	(84,640)	84,640	—
Net deficit, end of year	106,947	(8,076,283)	(7,969,336)

	2004		
	Invested in capital assets	Deficit	Total
	\$	\$	\$
Net deficit, beginning of year	373,319	(3,518,123)	(3,144,804)
Deficiency of revenue over expenses for the year	—	(2,429,549)	(2,429,549)
Change in invested in capital assets <i>[note 5[d]]</i>	(181,732)	181,732	—
Net deficit, end of year	191,587	(5,765,940)	(5,574,353)

See accompanying notes

The University of Toronto Innovations Foundation

STATEMENT OF CASH FLOWS

Year ended April 30

	2005 \$	2004 \$
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	(2,394,983)	(2,429,549)
Add (deduct) items not affecting cash		
Depreciation and amortization of capital assets	307,500	325,456
Amortization of deferred capital contributions	(100,272)	(100,271)
Write-down of deferred capital contributions	(83,498)	—
Capital gain on sale of investment	(9,664)	—
Royalties received in shares	(115,500)	—
Write-down of capital assets	70,649	—
Loss on sale of capital assets	35,304	—
Equity (pick-up) loss on investments	(42,607)	83,016
	(2,333,071)	(2,121,348)
Changes in non-cash working capital balances related to operations		
Accounts receivable	313,640	21,627
Note receivable - Biox Corporation	—	625,000
Prepaid expenses	(31,492)	18,090
Accounts payable and accrued liabilities	(72,937)	(427,314)
Contract advances	(303,698)	(39,029)
Prepaid and pre-billed revenue	(287,122)	37,901
Cash used in operating activities	(2,714,680)	(1,885,073)
INVESTING ACTIVITIES		
Purchase of capital assets	(29,670)	(40,962)
Proceeds on sale of capital assets	19,854	—
Proceeds on sale of investment	22,359	—
Net decrease in investments	297,659	78,148
Change in trust account - onSETT	(8,227)	28,000
Cash provided by investing activities	301,975	65,186
FINANCING ACTIVITIES		
Increase in due to the University of Toronto	2,666,181	1,693,024
Decrease in obligations under capital leases	(135,227)	(2,491)
Cash provided by financing activities	2,530,954	1,690,533
Net increase (decrease) in cash during the year	118,249	(129,354)
Cash, beginning of year	169,566	298,920
Cash, end of year	287,815	169,566

See accompanying notes

SCHEDULE OF OPERATING EXPENSES

Year ended April 30

	2005	2004
	\$	\$
Salaries and employee benefits <i>[note 13]</i>	1,891,785	1,056,678
Consulting fees	377,257	612,544
Interest charges	216,035	156,042
Office and general	78,820	79,387
Rent	70,477	47,998
Depreciation and amortization	63,555	59,632
Travel and promotion	29,290	57,266
Audit and accounting fees	21,500	23,596
Equipment lease	19,479	16,087
Telephone	19,261	12,909
Legal fees	16,264	66,078
Professional activities	15,462	23,060
Maintenance	11,688	14,000
Insurance	4,476	3,730
Bad debts	3,049	14,211
Sundry	507	—
	2,838,905	2,243,218

See accompanying notes

The University of Toronto Innovations Foundation

NOTES TO FINANCIAL STATEMENTS

April 30, 2005

1. NATURE OF OPERATIONS AND RELATIONSHIP WITH THE UNIVERSITY OF TORONTO

The University of Toronto Innovations Foundation ["UTIF"] was incorporated, without share capital, in 1980 by the Governing Council of the University of Toronto [the "Governing Council"] under the Corporations Act (Ontario). UTIF has been granted tax-exempt status under the Income Tax Act (Canada). Each director of UTIF is "approved and nominated" for election to the Board by the Governing Council on the recommendation of the President of the University of Toronto [the "University"].

The principal objective of UTIF is to assist the University, its researchers and affiliated institutions to commercialize innovations and inventions made by these University-based researchers.

During 2002, UTIF created the Exceler@tor, a centre of innovation based on the business incubator model. The goal of this program was to provide support services to information technology-based startup companies beyond the range of those provided by traditional business incubators. The Exceler@tor has been sponsored by a number of outside organizations that have provided, at no cost, products and/or services. The Exceler@tor ceased operations on October 31, 2004, as described in note 12.

UTECH Services is a business development function provided by UTIF to the University's academic community. The service is designed to help academics maximize industry support and participation in their research through grants and matching funds. All significant costs incurred by UTIF in providing these services are reimbursed by the University.

2. BASIS OF PRESENTATION

These financial statements have been prepared on a going concern basis, which presumes that UTIF will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

UTIF has incurred significant cumulative deficiencies of revenue over expenses since inception and has negative working capital of \$266,906 [2004 - \$817,924] and an accumulated deficit as at April 30, 2005 of \$7,969,336 [2004 - \$5,574,353]. As a result, the ability of UTIF to continue as a going concern is uncertain and is dependent upon its ability to generate sufficient future cash flow and/or obtain sufficient financing to meet obligations as they become payable. In response to the current situation, an external operational review was conducted and the Board of Directors, in consultation with the University, is evaluating the structure of UTIF and ongoing financing options. One option being considered is to merge UTIF's operations with that of the University, and as such, it cannot be determined at this time whether UTIF will continue as a going concern.

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These financial statements do not give effect to any adjustments to the amounts or classification of assets or liabilities which could be necessary should UTIF be unable to continue as a going concern.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied within the framework of the significant accounting policies summarized below:

Revenue recognition

UTIF follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions externally restricted are deferred and recognized as revenue in the year in which the related expenses are recognized. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital asset.

Investments

Where there is control or significant influence, investments are accounted for by the equity method; otherwise, investments are recorded at cost or, where there is deemed to be an impairment in value that is other than temporary, at cost less amounts written off.

The investments in 1523808 Ontario Inc., a wholly-owned for-profit entity, and CELLutions Biosystems Inc. are accounted for by the equity method.

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NOTES TO FINANCIAL STATEMENTS

April 30, 2005

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Depreciation and amortization are recorded on a straight-line basis as follows:

Computer equipment	25%
Furnishings and other equipment	10%
Software	50%

Leasehold improvements are amortized on a straight-line basis over the term of the lease.

Capital leases

Leases, which transfer substantially all the benefits and risks incidental to ownership of property, are recorded as an acquisition of an asset and the incurrence of an obligation. The asset is amortized over its useful life and the obligation, including interest thereon, is liquidated over the term of the lease.

Patent costs

All patent costs are expensed as incurred.

Revenue earned as a result of agreements that provide for the reimbursement of costs incurred in the current or prior years is included in royalties and licence fees when receivable.

Royalties and licence fees

Royalties and licence fees are distributed based on individual agreements for each technology. Recipients of royalties include the University, inventors at the University, hospitals, inventors from outside the University and other institutions and Centres of Excellence.

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Employee benefits

UTIF participates in the University's pension and other post-employment benefit plans. Contributions into the plans are accounted for the same as the multi-employer plan and are expensed as due.

Contributed materials and services

Contributed materials and services are not recognized in the financial statements because of the difficulty in determining their fair value.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at year end. Operating revenue and expenses are translated at exchange rates prevailing on the transaction dates. Gains or losses arising from these translations are included in operations.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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NOTES TO FINANCIAL STATEMENTS

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4. INVESTMENTS

[a] Investments consist of shares received primarily in connection with licencing agreements. At April 30, UTIF's investment portfolio consists of the following:

	2005			2004		
	Units held #	Book value \$	Market value \$	Units held #	Book value \$	Market value \$
Biox Corporation	389,638	190,477	1,558,552	389,638	190,477	3,288,544
Biotech Breakthrough Fund (I) Inc.	10	10	—	10	10	—
Brighter Futures CSBIF (I) Fund Inc.	33	33	—	33	33	—
Brighter Futures CSBIF (II) Fund Inc.	33	33	—	33	33	—
Cytophotonics	33,333	—	—	33,333	—	—
The Discovery District Biotechnology Fund Inc.	100	—	—	100	—	—
Diversified Balanced CSBIF (I) Fund Inc.	10	10	—	10	10	—
Diversified Balanced CSBIF (II) Fund Inc.	10	10	—	10	10	—
Evistech Inc.	320,000	3	—	—	—	—
General Communion Inc.	1,800	86	—	1,800	86	—
Interface Biologics	284,203	—	—	284,203	—	—
IF Internet Fund (I) Inc.	100	100	—	100	100	—
Innova Technologies Corp. [note 4[f]]	—	—	—	23,170	12,695	22,012
Kane Biotech Inc.	165,000	115,500	85,800	—	—	—
Neteka Inc.	247,500	248	—	247,500	248	—
Polyphalt Inc.	22,751	—	—	22,751	—	—
Procyon Biopharma Inc.	372,592	156,487	154,626	372,592	156,487	227,841
Select Therapeutics (Canada) Inc.	98,891	—	—	98,891	—	—
Sketch2 (6335047 Ontario Inc.)	100	1	—	—	—	—
		462,998	1,798,978		360,189	3,538,397
CELLutions Biosystems Inc. [note 4[e]]	50	71,653	71,653	50	25,046	25,046
1523808 Ontario Inc. [note 4[d]]	100	—	—	100	301,663	301,663
		534,651	1,870,631		686,898	3,865,106

The market values represent estimates of the consideration that would be agreed upon between knowledgeable, willing parties who are under no compulsion to act. Market value is quoted market price, if one exists, and where not readily determinable for various reasons, including the shares are not traded or, if traded, management does not consider the market

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price to be an appropriate value, primarily because of a lack of liquidity and/or restrictions on resale, then cost is used.

- [b] UTIF holds certain investments on behalf of the University and other parties related to licencing agreements, primarily because of restrictions on the ability of the University to transfer these shares *[note 6[a]]*.
- [c] UTIF, through Exceler@tor Service Agreements, earns entitlements to warrants of a number of Exceler@tor companies. These warrants, which may be exercised within five years of issue, are held by UTIF at no cost and no valuation until such time as they may be exercised to purchase common shares of the respective companies.
- [d] During 2003, UTIF purchased from an inventor the shares of 1523808 Ontario Inc. [the "Corporation"], a for-profit taxable entity under the Income Tax Act (Canada) and subsequently sold the technology held by the Corporation to Biox Corporation.

For 2005, the Corporation incurred a loss of \$4,000 [2004 - \$108,061] which has been included in the statement of operations. In addition, the Corporation declared a dividend to UTIF of \$297,663 [2004 - \$260,276]. As at April 30, 2005, the Corporation has no net assets.

- [e] UTIF owns 50 common shares of CELLutions Biosystems Inc. [the "company"] giving UTIF a 50% interest in the company.

As at April 30, 2005, the company had income of \$93,213 [2004 - \$50,090] for which UTIF's equity portion is \$46,607 [2004 - \$25,045].

- [f] During the year, UTIF sold its investment in Innova Technologies Corp. resulting in a gain on sale of investment of \$9,664.

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NOTES TO FINANCIAL STATEMENTS

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5. CAPITAL ASSETS

[a] Capital assets consist of the following:

	2005		2004	
	Cost	Accumulated depreciation/ amortization	Cost	Accumulated depreciation/ amortization
	\$	\$	\$	\$
Computer equipment	173,286	128,282	604,678	311,276
Furnishings and other equipment	247,056	89,319	255,196	68,493
Software	—	—	344,135	341,809
Leasehold improvements	579,134	538,608	551,259	386,786
	999,476	756,209	1,755,268	1,108,364
Less accumulated depreciation and amortization	756,209		1,108,364	
Net book value	243,267		646,904	

Included in capital assets is computer equipment with a net book value of \$20,340 [2004 - \$72,038] and furnishings and other equipment with a net book value of \$119,599 [2004 - \$132,793] that are under capital leases [note 7].

[b] The change in net book value of capital assets consists of the following:

	2005	2004
	\$	\$
Balance, beginning of year	646,904	931,398
Purchase of capital assets		
Internally funded	27,875	14,832
New capital leases	1,795	26,130
Depreciation and amortization of capital assets	(307,500)	(325,456)
Net book value of capital assets sold [note 12]	(55,158)	—
Net book value of capital assets written off [note 12]	(70,649)	—
Balance, end of year	243,267	646,904

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NOTES TO FINANCIAL STATEMENTS

April 30, 2005

[c] Invested in capital assets consists of the following:

	2005	2004
	\$	\$
Capital assets, net	243,267	646,904
Less amounts financed by		
Capital leases <i>[note 7]</i>	120,813	256,040
Deferred capital contributions <i>[note 9]</i>	15,507	199,277
	106,947	191,587

[d] The change in net assets invested in capital assets consists of the following:

	2005	2004
	\$	\$
Purchase of capital assets	29,670	14,832
Net book value of capital assets sold	(55,158)	—
Net book value of capital assets written off <i>[note 12]</i>	(70,649)	—
Repayment of capital leases	135,227	28,621
Increase in net assets invested in capital assets	39,090	43,453
Depreciation and amortization of capital assets	(307,500)	(325,456)
Amortization of deferred capital contributions	100,272	100,271
Write-down of deferred capital contributions <i>[note 12]</i>	83,498	—
Decrease in net assets invested in capital assets	(123,730)	(225,185)
Change in net assets invested in capital assets	(84,640)	(181,732)

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6. DUE TO THE UNIVERSITY OF TORONTO

Due to the University of Toronto consists of the following:

	2005	2004
	\$	\$
Accounts payable to the University of Toronto <i>[note 6[a]]</i>	77,496	61,227
Line of credit <i>[note 6[b]]</i>	8,399,912	5,750,000
	8,477,408	5,811,227
Less current portion	77,496	61,227
Balance, end of year	8,399,912	5,750,000

[a] Accounts payable to the University of Toronto

Salaries, benefits and other expenses are paid by the University and reimbursed by UTIF. Accounts payable represent the unpaid balances at year-end. In addition, UTIF collects royalties and licence fees, a portion of which is payable to the University.

Also included is the book value of \$39,813 [2004 - \$39,813] for 94,791 [2004 - 94,791] Procyon Biopharma Inc. common shares that have been delivered to UTIF for the University with a market value of \$39,338 [2004 - \$86,260].

[b] Line of credit

The line of credit is due to the University and bears interest at the monthly Bank of Canada's prime rate. This credit facility will be available for use until April 30, 2006. Principal repayments are to commence May 2006 at which time principal repayments are to commence with the final payments to be made by April 30, 2010. The maximum credit limit available at April 30, 2005 was \$8,400,000 [2004 - \$6,300,000] and escalates up to a maximum of \$11,000,000 by April 30, 2006.

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NOTES TO FINANCIAL STATEMENTS

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7. OBLIGATIONS UNDER CAPITAL LEASES

Obligations under capital leases are as follows:

	\$
2006	62,350
2007	54,534
2008	9,463
2009	5,105
Total minimum lease payments	131,452
Less amounts representing interest at 5.69%	10,639
	120,813
Less current portion	55,884
	64,929

8. TRUST ACCOUNT - onSETT

OnSETT is a third party organization set up to be a voice for technology transfer from research institutions in Ontario. UTIF is currently performing all accounting functions on behalf of this organization and as such is collecting fees and holding cash, in trust, for onSETT. At April 30, 2005, UTIF has recorded a liability of \$19,773 [2004 - \$28,000] for fees held on behalf of onSETT, which is included in cash on the balance sheet.

9. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of donations of capital assets. The amortization of deferred capital contributions is recorded in the deficiency of revenue over expenses from discontinued operations on the statement of operations. The deferred capital contributions at year-end relate to capital assets which have been transferred from the Exceler@tor to UTIF at year-end. The changes in the deferred capital contributions balance are as follows:

	2005	2004
	\$	\$
Balance, beginning of year	199,277	299,548
Less amortization of deferred capital contributions	(100,272)	(100,271)
Less write-down of deferred capital contributions [note 12]	(83,498)	—
Balance, end of year	15,507	199,277

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10. PATENT COSTS

Patent costs consist of the following:

- incurred on behalf of existing licencees for which UTIF is fully reimbursed. The revenue of \$78,484 [2004 - \$114,369] related to the reimbursement of these costs is recorded in the same year as the patent costs are recorded; and
- incurred by UTIF on unlicensed projects with no source of reimbursement at the time of the expenditure. UTIF incurred \$360,211 [2004 - \$314,359] of such patent costs during the year and these costs may be recovered in future years.

11. PROJECT AND SERVICE FEES

Project and service fees consist of the following:

	2005	2004
	\$	\$
NSERC	91,669	115,000
Consulting	114,335	115,755
	206,004	230,755

The amount from NSERC represents a grant received by the University, the University of Windsor, Ryerson University, McMaster University, York University and Brock University to obtain technology transfer services from UTIF.

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12. DISCONTINUED OPERATIONS

On September 15, 2004, the Board of Directors decided to suspend activities of the Exceler@tor effective October 31, 2004. The assets of the Exceler@tor were disposed of or transferred to UTIF during fiscal 2005.

In accordance with CICA Handbook Section 3475, "Disposal of Long-Lived Assets and Discontinued Operations", the financial results of the Exceler@tor have been disclosed as discontinued operations.

The revenue and expenses related to the discontinued operations are as follows:

	2005	2004
	\$	\$
Revenue	523,109	792,270
Expenses	931,062	1,430,652
Deficiency of revenue over expenses for the year from discontinued operations	(407,953)	(638,382)

Depreciation and amortization expense of \$243,945 [2004 - \$265,824] has been included in deficiency of revenue over expenses from discontinued operations, rather than in depreciation and amortization expense in the schedule of operating expenses.

During the year, assets with a cost of \$649,232 and accumulated amortization of \$578,583 were written-down since the assets are no longer in use. The loss of \$70,649 is included in deficiency of revenue over expenses from discontinued operations.

During the year, assets with a cost of \$136,230 and accumulated amortization of \$81,072 were sold for cash of \$19,854. A loss on sale of \$35,304 is included in deficiency of revenue over expenses from discontinued operations.

Unamortized deferred capital contributions of \$83,498 related to the capital assets for which a write down was recorded are recognized as revenue in deficiency of revenue over expenses from discontinued operations.

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13. EMPLOYEE BENEFITS

Included in salaries and employee benefits are contributions made by UTIF to the University's pension plan in the amount of \$97,899 [2004 - \$47,461] and to the University's other benefit plans for medical and dental of \$166,331 [2004 - \$97,328].

14. COMMITMENTS AND CONTINGENCIES

[a] Commitments have been made by UTIF to pay certain specified percentages of royalties and licence fees to the University and the owners of inventions and innovations.

[b] UTIF has three operating lease agreements for office space expiring on May 31, 2005, August 31, 2005, and October 12, 2015. Future minimum annual lease payments are as follows:

	\$
2006	115,636
2007	156,620
2008	156,620
2009	158,587
2010	160,251
Thereafter	905,227
	<u>1,652,941</u>

[c] UTIF is subject to legal claims arising in the normal course of its operations. The ultimate outcome of these claims cannot be determined at this time. However, UTIF's management believes the ultimate resolution of these matters will not have a material adverse effect on its financial statements.

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15. FINANCIAL INSTRUMENTS

[a] Fair values

The fair values of UTIF's accounts receivable, prepaid expenses, accounts payable and accrued liabilities, prepaid and pre-billed revenue, and trust account – onSETT approximate their carrying values due to their short-term maturity. The fair values of due to the University of Toronto and capital leases approximate their carrying values based on financial instruments with similar risks, terms and maturities. The fair value of investments is described in note 4.

[b] Credit risk

Financial assets held by UTIF expose it to credit risk. UTIF provides for an allowance for doubtful accounts to absorb credit losses. As at April 30, 2005, 10% [2004 – nil] of accounts receivable was due from one customer.

16. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2005 financial statements.