

SCDC 98/99 Annual Report



Saskatchewan Canola Development Commission

Saskatchewan

Canola

Development

Commission

212-111 Research Dr.

Saskatoon

Saskatchewan

Canada S7N 3R2

306.975.0262

306.975.0136 Fax

scdc@scdc.sk.ca



Saskatchewan
Canola
Development
Commission

SCDC / State of the Industry

Currently there is an over supply of oil seed production around the world. Consequently, canola producers are seeing reduced returns for their production.

Negative media coverage and consumer concerns about the use of biotechnology in food production has increased considerably around the world. Some consumers are demanding to know what technologies are used in food production and thus labelling may be required to meet these concerns. In 1999, Canadian canola producers seeded slightly over 50% of the canola acres to genetically modified varieties. Once countries legislate tolerance standards for levels of GMO products in food, it will be clearer what kind of labelling will meet the public demand.

The Canadian Canola Growers Association, the Canola Council of Canada and the US Canola Association are working towards the joint registration of pest control products for use in canola so that the border will remain open with no trade restrictions. This effort will continue until the US government has completed its review of all pesticide products used in the United States.

New international markets for our canola seed and end products have recently been developed. If these new markets are to be maintained, Canadian producers must demand that industry and government become more efficient in delivering products to port and on to new markets.

SCDC / Research

The Saskatchewan Canola Development Commission invested \$458,223.00 in research projects and crop production centres in 1998-99. Approximately 59% was spent on agronomic research projects, 18% on crop production centres, 9% on plant breeding projects, and 14% on canola meal and other uses.

Research projects are conducted by scientists with Agriculture and Agri-Food Canada (AAFC), University of Saskatchewan (U of S), Alberta Research Council (ARC) and other agencies. The Agriculture and Agri-Food Canada Matching Initiatives Fund and the Agriculture Development Fund of Saskatchewan Agriculture co-fund a number of projects with the Commission.

The Canola Council of Canada receives Canola Agronomic Research Proposals from research scientists. Saskatchewan, Alberta, Manitoba, and British Columbia canola grower organizations meet to select agronomic projects to be co-funded by these organizations. Research committees, with representatives from SCDC Board of Directors, research scientists, Saskatchewan Agriculture and Food, and other organizations, meet to evaluate and prioritize research projects for funding.

- Effect of herbicides and disease resistance on survival and innoculum production of blackleg - Rimmer, AAFC.
- Biology and control of the cabbage seedpod weevil, a new pest of canola - Dosdall, Alberta Agriculture.
- Biocontrol of economically important diseases of canola using a bacterium - Kharbanda, AB Research Council
- Pathogenic and genetic variability of blackleg across the Canadian prairies - Kutcher, AAFC.
- Demonstrations on farm fields of fall seeded canola vs spring seeded canola using yield monitors to determine yield - Leach, Northeast Agriculture Research Foundation.
- Seeding management to increase and stabilize canola production in the semi-arid prairie at Swift Current - Cutforth, AAFC.
- Management of canola to obtain maximum economic yield - Brandt, AAFC.
- Effect of fall and early spring seeding on diseases of canola - Kutcher, AAFC.
- Purchase of Ankron fiber analyzer to determine fiber levels in canola meal samples - Newkirk, U of S.
- Evaluation of live performance, carcass composition and meal quality of market hogs fed pea and canola meal - Robertson, AAFC.
- Production of diesel fuel lubricity additives from various vegetable oils - Dalai, U of S.
- Development of vegetable oil based lubricity additives for winter diesel fuel – Reaney, AAFC and Hertz, U of S.
- Study on the survival of botulinum spores during flavored oil processing - Blais, AAFC.

The SCDC Annual Meeting, featuring Oilworld Editor Thomas Mielke, remains one of the extension highlights for the year.

SCDC exhibited at the Crop Production Show in Saskatoon which provided an opportunity to discuss SCDC programs with producers.

SCDC also sponsored grower extension meetings and field days in cooperation with the Saskatchewan Canola Growers Association, the Canola Council of Canada (Canola Production Centres), Saskatchewan Agriculture and Food and Agriculture and Agri-Food Canada.

A new tabletop display was created, focusing on agronomics and research, for use at grower meetings.

Two issues of Canola Matters, the SCDC newsletter, were distributed in the fall and spring.

The SCDC mascot "Buddy" continued to entertain and raise awareness at local fairs and parades around the province.

SCDC sponsored two Agriculture in the Classroom programs - Lunch Kits for growing plants and a Teachers Writing Workshop. At the Teachers Writing Workshop, teachers learned about agriculture and then created curriculum friendly materials.

A new initiative, the Canola Learning Centre was launched with financial assistance from the Canola Council of Canada. It is located at the Conservation Learning Centre in Prince Albert and conducted in cooperation with that program. The objective is to bring awareness to school children about canola - from a nutritional, agronomic, economic and biotechnology perspective.

The SCDC website (canolainfo.org/scdc) was enhanced to include more information on SCDC activities, agronomics and a calendar of events.

The Canola Information Service (CIS) continues as the market development and promotion arm of SCDC. The Food Writers Tour (Canola Camp) continued to be one of our most successful programs. This year Canola Camp hosted twelve food writers from across Canada and the US to tour and taste canola. Participants walked fields, attended seminars on biotechnology and processing, and tasted food prepared with canola oil. This program influences the opinion leaders in the food industry. Participants included food media from Canadian Living, Chatelaine, Bon Appetite, and the Food Network.

Another exciting program initiated by CIS is Saskatchewan Bounty, an organization which promotes joint projects between commodity organizations, thereby stretching producers' levy dollars for promotion.

New resources from CIS included a stir-fry recipe brochure and an annotated bibliography. The bibliography is based on canola nutrition and food science related research published between 1990 and 1998. Updating this information is an ongoing project of CIS.

CIS attended nine food service and nutrition related trade shows in Canada, the US and Korea in cooperation with the Canola Council of Canada and other provincial grower organizations.

The CIS continues to answer questions from consumers, dietitians, foodservice and media. Our website (www.canolainfo.org) receives over 15,000 hits per month from all over the world and e-mail remains the most popular way to contact us with canola questions.

The Provincial Auditor of Saskatchewan annually examines the Commission's systems of internal control, legislative compliance and financial statements. The Commission's Board of Directors and management are responsible for establishing and maintaining a system of internal control, complying with applicable regulations, maintaining financial records and preparing financial statements. A copy of the Auditor's Report and the Financial Statements is enclosed.

There are thirty buyers registered with the Commission who purchase canola and submit levy. The Commission received check-off of \$1,376,008 and refunded \$51,359 or 3.7% of gross check-off. In accordance with the Commission's regulations the check-off is \$.50 per tonne and producers may request a refund of check-off paid.

SCDC maintains two reserve funds. The general reserve is to provide funds to complete projects in the event of a reduction of producer check-off fees and the refund reserve is to provide refunds of check-off fees in the case of the disestablishment of the SCDC. The funds are invested in bonds and debentures with fixed interest rates and mature within the next five years.

The Commission continues to administer the Saskatchewan Pulse Growers and the Saskatchewan Flax Development Board levies in accordance with the respective contracts.

There were seven nominees for three positions for the annual election. The Returning Officer declared Lorne Christopherson and Zenneth Faye elected for three year terms and Michelle Fleury elected to fulfill the one year term remaining due to the resignation of Kendra Mueller.

The Commission employs four full time staff and contracts two consultants.

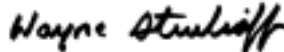
SCDC / Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the consolidated statement of financial position of the Saskatchewan Canola Development Commission as at July 31, 1999 and the consolidated statements of operations and unappropriated equity, and cash flows for the year then ended. The Commission's management is responsible for preparing these financial statements. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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 my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Commission as at July 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
October 1, 1999

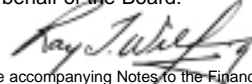

Wayne Strelloff, CA
Provincial Auditor

SCDC / Consolidated Statement of Financial Position

As at July 31
Statement 1

	1999	1998
ASSETS		
Current assets:		
Cash	\$116,429	\$186,415
Accounts receivable (Note 3)	135,449	67,563
Refundable investment tax credit receivable (Notes 3 & 13)	---	86,423
Accrued interest receivable (Note 3)	68,248	50,398
Prepaid expenses	5,339	3,292
	325,465	394,091
Investments (Note 3)	1,133,360	962,486
Capital assets (Note 4)	130,986	156,240
	\$1,589,811	\$1,512,817
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable (Note 3)	\$66,053	\$44,200
Equity:		
Reserve – General (Note 5)	500,000	500,000
Reserve – Refunds (Note 5)	500,000	500,000
Unappropriated equity (Statement 2)	523,758	468,617
	1,523,758	1,468,617
	\$1,589,811	\$1,512,817
Commitments (Note 6)		

On behalf of the Board:

 , Director  ; Director
(See accompanying Notes to the Financial Statements)

SCDC / Consolidated Statement of Operations and Unappropriated Equity
For the Year Ended July 31
Statement 2

	Budget 1999 (Note 7)	Actual 1999	Actual 1998
Revenues:			
Producer check-off fees (Note 8)	\$1,300,000	\$1,324,649	\$1,248,964
Interest and other income	85,000	190,870	122,459
Refundable investment tax credit (Note 13)	55,000	---	34,423
Commercial Sales from Research and Development projects	---	12,500	---
	1,440,000	1,528,019	1,405,846
Expenses:			
Research and development projects (Note 9)	596,970	377,895	243,027
Market Development Extension	458,000	320,644	364,821
	124,000	98,524	60,041
Canola Production Centre grants	80,000	80,328	80,953
Salaries and benefits	154,300	153,704	121,096
Board of Directors	95,000	86,077	88,146
Newsletter and annual meeting	62,000	64,553	32,786
Scholarships and educational support	31,200	41,200	31,200
General and administration	64,200	58,814	63,202
Election	38,000	44,821	539
Amortization	31,000	32,883	31,431
Rent	14,500	14,112	18,447
Refundable Investment Tax Credit Not Considered Recoverable (Note 13)	---	86,423	---
Management travel	15,000	12,900	8,166
	1,764,170	1,472,878	1,143,855
Net Income (Loss)	\$(324,170)	55,141	261,991
Unappropriated equity, beginning of year		468,617	706,626
Transfer to reserve (Note 5)		---	(500,000)
Unappropriated equity, end of year- to Statement 1		\$523,758	\$468,617

(See accompanying Notes to the Financial Statements)

SCDC / Consolidated Statement of Cash Flows
For the Year Ended July 31
Statement 3

	1999	1998
Cash flows from operating activities:		
Net income (loss)	\$55,141	\$261,991
Items not affecting cash:		
Amortization	32,883	31,431
Change in non-cash working capital:		
Accounts receivable	(67,886)	71,222
Refundable investment tax credit receivable	86,423	19,651
Accrued interest receivable	(17,850)	3,403
Prepaid expense	(2,047)	5,409
Accounts payable	21,853	(68,617)
Cash flows from operating activities	108,517	324,490
Cash flows from investing activities:		
Purchase of capital assets	(7,629)	(10,515)
Purchase of investments	(993,731)	(1,064,714)
Disposal of investments	822,857	765,876
Cash flows from investing activities	(178,503)	(309,353)
Net (decrease) increase in cash	(69,986)	15,137
Cash, beginning of year	186,415	171,278
Cash, end of year	\$116,429	\$186,415

(See accompanying Notes to the Financial Statements)

**SCDC / Notes to the Consolidated
Financial Statements**

July 31, 1999

1. Authority

The Saskatchewan Canola Development Commission (SCDC) was established on February 6, 1991, pursuant to The Saskatchewan Canola Development Plan Regulations (Regulations), under the authority of *The Agri-Food Act*. The purpose of SCDC is to develop and implement production and development projects and programs to improve and develop the market opportunities for canola.

2. Significant Accounting Policies

The consolidated financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered to be significant:

a) Basis of Consolidation

The consolidated financial statements include the accounts of SCDC and its wholly-owned subsidiary, Canodev Research Inc.

b) Accrual Basis

The consolidated financial statements are prepared on the accrual basis of accounting.

c) Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization of capital assets is calculated on the straight-line basis in amounts sufficient to amortize the cost of capital assets over their estimated useful lives as follows:

Equipment and furniture	3 - 5 years
Farm equipment	10 years

d) Refundable Investment Tax Credit

Refundable investment tax credit revenue is recognized when Revenue Canada approves the application for qualifying research and development expenditures.

e) Grants and Research and Development Projects

Expenses are recognized when grants and/or projects are approved and the recipient has met eligibility criteria.

f) Cash

Cash consists of balances with banks and balances with investment brokers.

3. Financial Instruments

SCDC's financial instruments include receivables and accounts payable. The receivables and accounts payable have a fair value that approximates their carrying value due to the immediate or short-term nature of these financial instruments.

SCDC's investments consist of bonds and debentures with fixed interest rates that range from 4.93% to 7.86% and mature within the next five years. One of these investments has a fixed annual yield of 7.00% until December 11, 1999; thereafter, the rate is calculated at 10.75% minus the 90-day Bankers Acceptance Note. The fair value of SCDC's investments is \$1,184,673 (1998 - \$1,014,005).

4. Capital Assets

	1999		1998	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Farm equipment	\$180,564	\$71,574	\$108,990	\$127,418
Equipment and furniture	72,784	50,788	21,996	28,822
	\$253,348	\$122,362	\$130,986	\$156,240

5. Reserve

SCDC established two reserves, each approximates six months of levy collection.

The purpose of the general reserve is to provide funds to complete projects in the event of reduction of producer check-off fees. The purpose of the refund reserve is to provide refunds of check-off fees in the case of the disestablishment of SCDC.

Reserve - General

	1999	1998
Balance, beginning of year	\$500,000	\$500,000
Appropriated, during the year	---	---
Balance, end of year	\$500,000	\$500,000

Reserve - Refunds

	1999	1998
Balance, beginning of year	\$500,000	---
Appropriated, during the year	---	500,000
Balance, end of year	\$500,000	\$500,000

6. Commitments

As at July 31, 1999, SCDC is committed to funding research and development projects over several years to benefit the canola industry. These commitments amount to \$682,486 (1998 - \$595,210).

7. Budget

The budget for the year was approved by the SCDC membership on January 13, 1999 at the annual general meeting.

8. Producer Check-off Fees

The regulations state each buyer of canola is required to pay SCDC a check-off fee of \$.50 per tonne from any payments made to producers. Producers have the right to request a refund for check-off fees paid.

9. Research and Development Projects

	Budget 1999 (Note 7)	Actual 1999	Actual 1998
Agronomic research	\$361,450	\$270,823	\$95,883
Germplasm development	51,300	43,500	37,000
Usage research	184,220	63,572	110,144
	\$596,970	\$377,895	\$243,027

10. Potential Future Income Tax Benefits

SCDC, as an agricultural organization, is exempt from federal or provincial income taxes under section 149(1)(e) of *The Income Tax Act*. However, its subsidiary is subject to federal and provincial income taxes.

At July 31, 1999, SCDC has unclaimed income tax timing differences of \$114,600. It also has non-capital losses of \$982,456, which expire in the years 2002 - 2003. These balances are available to reduce taxable income in future years. The potential income tax benefits related to these items have not been recorded in the accounts.

11. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to SCDC by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as 'related parties').

Routine operating transactions with related parties are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	1999	1998
Investments - Government of Saskatchewan	\$383,700	\$365,000
Research and development projects - University of Saskatchewan	20,200	50,884
General and administration	32,233	28,897

Other transactions and amounts due to and from related parties are described separately in the financial statements and the notes thereto.

In addition, SCDC pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

12. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than that date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

13. Change in Accounting Policy

During the year, SCDC changed its accounting policy for recognizing refundable investment tax credit as revenue. Previously, SCDC recognized the revenue when qualifying research and development expenditures had been incurred. During the year, SCDC's application for the refundable investment tax credit was denied by Revenue Canada. Because of this change in circumstance SCDC prospectively changed its accounting policy to recognize the refundable investment tax credit when Revenue Canada approves the application for qualifying research and development expenditures. This has resulted in no refundable investment tax credit being recorded as revenue and no receivable being recorded in the current year.

14. Comparative Figures

Certain 1998 comparative figures have been reclassified to conform to this year's financial statement presentation.

Canodev Research Inc. / Statement of Operations and Accumulated Deficit
For the Year Ended July 31
Statement 2

	Budget 1999	Actual 1999	Actual 1998
	(Note 9)		
Revenues:			
Refundable investment tax credit (Note 14)	\$55,000	\$---	\$34,423
Commercial sales	---	12,500	---
Interest and other income	---	207	6,277
	55,000	12,707	40,700
Expenses:			
Research and development projects (Note 10)	596,970	377,895	243,027
Canola Production Centre grants	80,000	80,328	80,953
Salaries and benefits	---	---	52,386
Scholarships	31,200	41,200	31,200
Board of directors	47,500	29,160	34,492
Amortization	17,000	18,565	17,815
Management travel	7,500	5,985	8,166
Rent	7,100	7,056	8,651
General and administration	16,400	10,395	12,125
Refundable Investment Tax Credit	---	86,423	---
Not Considered Recoverable (Note 14)			
	803,670	657,007	488,815
Net Loss	\$(748,670)	(644,300)	(448,115)
Accumulated deficit, beginning of year		(2,196,422)	(1,748,307)
Accumulated deficit, end of year - to Statement 1	\$(2,840,722)	\$(2,196,422)	

(See accompanying Notes to the Financial Statements)

Canodev Research Inc. / Statement of Cash Flows
For the Year Ended July 31
Statement 3

	1999	1998
Cash flows from operating activities:		
Net loss	\$(644,300)	\$(448,115)
Items not affecting cash:		
Amortization	18,565	17,815
Changes in non-cash working capital:		
Refundable investment tax credit receivable	86,423	19,651
Accounts payable	---	13,792
Cash flows from operating activities	(539,312)	(396,857)
Cash flows from financing activities:		
Increase in Due to Saskatchewan Canola Development Commission	496,834	432,090
Net (decrease) increase in cash	(42,478)	35,233
Cash, beginning of year	91,527	56,294
Cash, end of year	\$49,049	\$91,527

(See accompanying Notes to the Financial Statements)

Canodev Research Inc. / Notes to the Financial Statements
July 31, 1999

1. Establishment of the Corporation

Canodev Research Inc. (Canodev) was incorporated under *The Business Corporations Act* (Saskatchewan) on July 25, 1994 as a wholly-owned subsidiary of the Saskatchewan Canola Development Commission (SCDC). The purpose of the corporation is to administer research and development projects. The financial results of the corporation are included in the consolidated financial statements of SCDC.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following accounting principles are considered to be significant:

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization of capital assets is calculated on the straight-line basis in amounts sufficient to amortize the cost of capital assets over their estimated useful lives as follows:

Furniture	5 years
Farm equipment	10 years

c) Refundable Investment Tax Credit

Refundable investment tax credit revenue is recognized when Revenue Canada approves the application for qualifying research and development expenditures.

d) Grants and Research and Development Projects

Expenses are recognized when grants and/or projects are approved and the recipient has met eligibility criteria.

e) Cash

Cash consists of balances with bank.

3. Financial Dependence

The continued existence of Canodev is dependent on receiving ongoing financial assistance from SCDC.

4. Capital Assets

	1999		1998	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Farm Equipment	\$180,564	\$71,574	\$108,990	\$127,418
Furniture	689	578	111	248
	<u>\$181,253</u>	<u>\$72,152</u>	<u>\$109,101</u>	<u>\$127,666</u>

5. Due to Saskatchewan Canola Development Commission

	1999	1998
Advances	\$74,671	\$57,837
Promissory notes	2,493,000	2,013,000
	<u>\$2,567,671</u>	<u>\$2,070,837</u>

The amount due to SCDC is interest-free with no fixed maturity date. Promissory notes are secured by all of Canodev's present and future property and the proceeds thereon.

6. Share Capital

Canodev has authorized an unlimited number of:

- Class A voting common shares
- Class B non-voting shares
- Class C non-voting common shares
- Class D non-voting non-cumulative redeemable retractable preferred shares
- Class E voting preferred shares

Canodev has 400,001 (1998 - 400,001) issued and outstanding Class A voting common shares.

7. Commitments

As at July 31, 1999, Canodev is committed to funding research and development projects over several years to benefit the canola industry. These commitments amount to \$682,486 (1998 - \$595,210).

8. Financial Instruments

Canodev's financial instruments include the refundable investment tax credit receivable, accounts payable and due to SCDC. The refundable investment tax credit receivable and accounts payable have a fair value that approximates their carrying value due to the immediate or short-term nature of these financial instruments. The due to SCDC is composed of advances and promissory notes between related parties. As a result, it is not practical to determine the fair value of the due to SCDC.

9. Budget

The budget for the year was approved by the SCDC membership on January 13, 1999 at the annual general meeting.

10. Research and Development Projects

	Budget 1999	Actual 1999	Actual 1998
	(Note 9)		
Agronomic research	\$361,450	\$270,823	\$95,883
Germplasm development	51,300	43,500	37,000
Usage research	184,220	63,572	110,144
	<u>\$596,970</u>	<u>\$377,895</u>	<u>\$243,027</u>

11. Potential Future Income Tax Benefits

Canodev has unclaimed income tax timing differences of \$114,600. Canodev also has non-capital losses of \$982,456 which expire in the years 2002 - 2003. These balances are available to reduce taxable income in future years. The potential income tax benefits related to these items have not been recorded in the accounts.

12. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to Canodev by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as 'related parties').

Routine operating transactions with related parties are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	1999	1998
Research and development projects University of Saskatchewan	\$20,200	\$50,884
General and administration	1,872	387

Other transactions and amounts due to and from related parties are described separately in the financial statements and the notes thereto.

In addition, Canodev pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

SCDC provided management services to Canodev without charge.

13. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than that date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

14. Change in Accounting Policy

During the year, Canodev changed its accounting policy for recognizing refundable investment tax credit as revenue. Previously, Canodev recognized the revenue when qualifying research and development expenditures had been incurred. During the year, Canodev's application for the refundable investment tax credit was denied by Revenue Canada. Because of this change in circumstance Canodev prospectively changed its accounting policy to recognize the refundable investment tax credit when Revenue Canada approves the application for qualifying research and development expenditures. This has resulted in no refundable investment tax credit being recorded as revenue and no receivable being recorded in the current year.

15. Subsequent Events

Subsequent to year-end, Canodev issued \$60,000 in promissory notes to SCDC. These notes were issued under the same terms and conditions disclosed in Note 5.

16. Comparative Figures

Certain 1998 comparative figures have been reclassified to conform to this year's financial statement presentation.