



Saskatchewan flax Development Commission

Annual Report

Directors 2004/2005

Gordon Cresswell,
Tisdale (Chair)
Allen Kuhlmann,
Rouleau (Vice-Chair)
Edmond Aime, Redvers
Chris Hale, Rouleau
David Sefton, Broadview
Lyle Simonson,
Swift Current

Advisors 2004/2005

Dr. Gordon Rowland,
Saskatoon (CDC)
William Greuel,
Regina (SAF)

Executive Director

Linda Braun, Saskatoon

Fiber Specialist

Alvin Ulrich, Saskatoon

Head Office

Saskatchewan Flax
Development Commission
A5A - 116 - 103rd Street E.
Saskatoon, Saskatchewan
S7N 1Y7
306.664.1901
306.664.4404 Fax
saskflax@saskflax.com
www.saskflax.com



SaskFlax

Operations

The Commission consists of six directors elected from the province's registered flax producers. Director terms are three years in length with two director positions open annually. For the 2004/05 fiscal year directors Cresswell and Sefton each returned for a second term. Directors elected Cresswell (Chair) and Kuhlmann (Vice-Chair) to the executive of SaskFlax. Committees were struck for the pillars of Communication, Market Facilitation (food, feed, fiber), Finance and Research. As well, directors represented SaskFlax interests on the Flax Council of Canada, Canada Grains Council, Western Grains Research Foundation and Prairie Registration Recommending Committee for Grain. Linda Braun represented the Commission on the Flax Canada 2015 initiative as well as providing day-to-day management of the organization. Levy Central continued to provide levy check-off collection services. Straw management and fiber industry development efforts were contracted to Alvin Ulrich and Biolin Research. Other services were contracted as necessary.

The Commission was fortunate to have as advisory members, Dr. Gordon Rowland, CDC (flax breeder) and Bill Greuel, the provincial Oilseeds and Transgenic Crops Specialist.

Board operations and governance were examined with a thorough review of our regulations; board orders and policies in relation to Saskatchewan's Agri-Food Act which also underwent a complete review.

Research

Research continued to be an important pillar for SaskFlax. Projects supported:

- Development of a Replacement for Fish Meal/Oil using Dehulled Flax and Protein from Western Canadian Feed Ingredients, Drew, U of S.
- Chemopreventative and Antioxidant Effects of Flaxseed Lignans, Krol, U of S.
- Application of Saskatchewan Flax Straw in Plastics Processing Industries,

Tabil/Panigrahi, U of S.

- Feeding Flax to Livestock, McKinnon, U of S.
- Development of Oilseed Flax Varieties with Enhanced Straw Fiber Concentration, Rowland, U of S.

In addition, we provided input and/or support to:

- Flax Utilization (SAF)
- NRC CBIN Fiber/Enzyme work
- Flax Canada 2015 research efforts:
 - Health Economist Study, Dr. Peter Coyte
 - Clinical studies including Firefighters' Study; n:6 to n:3 Feeding Study; Bioavailability of ALA in various forms of flax; Role of ALA in prostate cancer and Effects on markers of cardiovascular disease
 - Response of growing pigs to graded levels of flaxseed in their diet
 - Strategies for utilization of flaxseed oil in aquaculture feeds
 - Effect of long term feeding of flax on liver histology of poultry
 - Effect of enzymes on feeding value of flax
 - Recommendations for constraint removal and value-added proposition from constraint removal for establishing the flax fiber industry in Canada
 - Crop Fibers Canada – the further development of pilot plant equipment for processing various types of flax straw
 - Straw manipulation and collection on a commercial scale
 - Flax Canada 2015 Industrial uses of Canadian flaxseed
 - Assessment of oleochemical industry
 - Flax oilseed & fiber agronomic literature review

Flax producers' investment in research via the levy was eligible for a tax credit (Research and Experimental Development) SR & ED. Value to be reported in Flax Grower Newsletter and on web when available. For more information see www.ccra.gc.ca/sred



Communication

Saskatchewan's registered flax producers were kept apprised of Commission priorities, initiatives and industry concerns via the annual business meeting; newsletter (two); web site and personal requests.

To keep abreast of and help direct the industry for the benefit of registered producers, the Commission actively participated in industry organizations and events; like the Flax Council of Canada, Canada Grains Council, PRRCG and the National Seed Forum as well as continuing dialogue with the provincial government.

The Commission developed and adopted a policy regarding transgenic flax.

Market Facilitation

The Market Facilitation program works to support domestic and international opportunities for flax—food, feed and fiber. SaskFlax continued to provide product information and recipes to consumers at home and abroad via the web and dissemination of printed literatures. "The Essential Flax," a compendium of flax facts, folk lore, recipes and research was developed (printed/launched September 2005) thanks in part to Canadian Adaptation and Rural Development Saskatchewan (CARDS) funding at 50% levels. Other resource materials disseminated included Q/A Fact Sheet, World's of Healthy Flavours and Taste Flax sample packs. These were disseminated via trade shows, workshops and upon request.

Within Saskatchewan, Saskatchewan Flax Development Commission was a key player in CARDS Growing Saskatchewan initiative "Encore" — A Culinary Concert and the magazine providing leadership, articles, editorial services and advertising.

SaskFlax collaborated with AmeriFlax to exhibit at the Research Chef's Association introducing flax to chefs from across North America. Support funding for this event was secured via the CAFI program. We also worked together to address industry concerns related to Agragen's proposal for "transgenic flax."

From a functional food/nutraceutical perspective, The Commission's Executive Director participated in World Nutra and Canadian Section of American Oil Chemists Society (CAOS) collecting and compiling information on flax and its component parts.

Regarding feed, SFDC completed its support of the Kansas feed project in collaboration with the Flax Council of Canada. Dr. Drouillard presented his findings at a May feed workshop in Winnipeg.

The fiber pillar continued to be very active on several levels — research, extension and pilot plant development, in cooperation with Alvin Ulrich contracted as the Fiber Champion Specialist.

2004/05 saw the completion of CARDS Fiber Industry Project (establishment of Crop Fibers Canada); coordination of grant applications (CARDS, Opportunities Window); collaborative efforts with NRC/CBIN (research direction) and industry partners (i.e. Schweitzer-Mauduit, Braymo Industries, etc.) to further understand the needs and product destinations for straw, fiber and shive.

Extension efforts continued with Consultant and Executive Director meeting with prospective clients; producers; government representatives (industry, environment, agriculture) and academia to share research results and identify areas of cooperation and action to move the industry forward.

Flax Canada 2015

Providing the opportunity to develop flax into a 5 to 6 M acre crop delivering \$1.5 B of farmgate/bioproduct value and \$15 B societal (in terms of health and environmental savings) value by 2015, this initiative falls under the Federal Agricultural Policy Framework (APF). Program partners and funders include the federal government, government of Alberta, Manitoba and Saskatchewan; and the flax industry (Flax Council of Canada and SFDC). Phase I (\$1 M) to develop strategic plan began October 2004 and encompasses the pillars of human health, animal health and productivity; industrial feedstocks; fiber; breeding and agronomy. SFDC Executive Director is a Steering Committee member and Chair of the Fiber Workshop Group. Phase I to be completed by January 2006. Phase II funding (initial application forwarded July 2005) is dependent upon Phase I results.

AUDITOR'S REPORT

To the Board of Directors of Saskatchewan Flax Development Commission

I have audited Saskatchewan Flax Development Commission's control as of July 31, 2005 to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan to achieve its goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial reports.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing.

I used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make my judgements about the effectiveness of Saskatchewan Flax Development Commission's control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization's objectives that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives reliably.

Saskatchewan Flax Development Commission's management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by the CICA. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of Saskatchewan Flax Development Commission's control related to the objectives above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

In my opinion, Saskatchewan Flax Development Commission's control was effective, in all significant respects, related to the objectives stated above as of July 31, 2005 based on the CICA criteria of control framework.

Control can provide only reasonable not absolute assurance of achieving objectives reliably for two reasons. First, there are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Second, cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or the degree of compliance with control activities may deteriorate.

Merv Culham



Chartered Accountant
Regina, Saskatchewan
October 27, 2005

To the Members of Saskatchewan Flax Development Commission and the Agri-Food Council

I have made an examination to determine whether Saskatchewan Flax Development Commission complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended July 31, 2005:

The Agri-Food Act
The Saskatchewan Flax Development Plan Regulations

My examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, Saskatchewan Flax Development Commission has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended July 31, 2005.

Merv Culham



Chartered Accountant
Regina, Saskatchewan
October 27, 2005

To the Members of Saskatchewan Flax Development Commission

I have audited the balance sheet of Saskatchewan Flax Development Commission as at July 31, 2005 and the statements of revenue, cumulative surplus and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian 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 financial statements present fairly, in all material respects, the financial position of the organization as at July 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Merv Culham



Chartered Accountant
Regina, Saskatchewan
October 27, 2005



*See now, then," said the
flax; "I have become
something of importance.
This was my destiny; it is
quite a blessing. Now I
shall be of some use to the
world, as everyone ought
to be; it is the only way
to be happy."*

Hans Christian Anderson, The Flax

Saskatchewan Flax Development Commission
BALANCE SHEET
As at July 31, 2005



ASSETS

	Operating Fund	Restricted Fund	Total 2005	Total 2004
CURRENT				
Cash	120,872	387,956	508,828	556,360
Accounts receivable	34,621	0	34,621	134,034
Prepaid items	5,000		5,000	0
Interfund (payable) receivable	(212,044)	212,044	0	0
	(51,551)	600,000	548,449	690,394
CAPITAL (Note 2)	62,956	0	62,956	57,141
	11,405	600,000	611,405	747,535

LIABILITIES

CURRENT				
Accounts payable	68,225	0	68,225	73,468
Research grants payable	57,600	0	57,600	64,000
	125,825	0	125,825	137,468

SURPLUS

SURPLUS				
Appropriated (Note 3)	0	600,000	600,000	600,000
Cumulative surplus (deficit)	(114,420)	0	(114,420)	10,067
	(114,420)	600,000	485,580	610,067
	11,405	600,000	611,405	747,535

Approved on behalf of the Board

Gordon B. Cuswell

Director

Allen Kuhlman

Director

Saskatchewan Flax Development Commission
STATEMENT OF REVENUE AND CUMULATIVE SURPLUS
For the year ended July 31, 2005

	Budget 2005	Actual 2005	Actual 2004
REVENUE			
Crop levy	270,000	376,137	540,661
Levy refunds issued	(15,000)	(23,839)	(29,833)
Net crop levy	255,000	352,298	510,828
Grant revenues	0	81,922	128,040
Interest income	10,000	19,256	23,854
	<u>265,000</u>	<u>453,476</u>	<u>662,722</u>

EXPENDITURE

Administration			
Executive director	69,000	59,814	58,606
Travel	1,200	1,377	1,448
Administration	8,000	5,786	7,548
Rent	6,000	6,104	6,420
Levy collection	10,000	19,709	16,349
Meetings	6,000	4,881	10,117
Director per diems	6,240	7,471	8,484
Director honoraria	7,290	8,370	10,915
Professional fees	3,500	5,087	3,607
Bank charges	250	409	307
Insurance	2,500	3,762	2,350
Electronic equipment/programs	200	0	0
Amortization	0	7,379	3,451
Communication (Schedule 1)	90,000	99,736	143,387
Research (Schedule 2)	64,600	58,907	100,725
Market facilitation (Schedule 3)	158,875	289,171	348,615
	<u>433,655</u>	<u>577,963</u>	<u>722,329</u>
SURPLUS (DEFICIT) FOR THE YEAR	<u>(168,655)</u>	(124,487)	(59,607)
CUMULATIVE SURPLUS BEGINNING OF YEAR		10,067	69,674
Transfer to appropriated surplus		0	0
CUMULATIVE SURPLUS (DEFICIT) END OF YEAR		<u>(114,420)</u>	<u>10,067</u>



Our Vision

“Saskatchewan Flax Development Commission, as a respected organization, leads the promotion of flax and flax products to the world.”

Our Mission

“To lead, promote and enhance the production, value-added processing and utilization of Saskatchewan Flax.”

Saskatchewan Flax Development Commission
STATEMENT OF CASH FLOWS
For the year ended July 31, 2005



Saskatchewan Flax Development Commission
NOTES
For the year ended July 31, 2005

1. Accounting policies

Saskatchewan Flax Development Commission operates to promote and enhance flax production in Saskatchewan for maximum return to producers through market development, research, leadership and communication in the industry.

The carrying amount of cash, accounts receivable, accounts payable and research grants payable approximates their fair market value due to the short-term maturities of these items.

Revenues are recognized when received or receivable if the amount to be received can be reasonably estimated.

Amortization of capital assets is provided using the straight-line method over the estimated useful lives of the capital assets.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

The budgeted figures are presented for comparison purposes as prepared and approved by the Board, reclassified to conform to the current financial statement presentation. They have not been audited or reviewed.

	2005	2004
CASH PROVIDED BY (USED BY) THE FOLLOWING ACTIVITIES		
OPERATIONS		
Surplus (deficit) for the year	(124,487)	(59,607)
Items charged to earnings which do not affect cash		
Amortization	7,379	3,451
	(117,108)	(56,156)
Net change in non-cash working capital balances		
Accounts receivable	99,413	(47,215)
Prepaid items	(5,000)	0
Accounts payable	(5,243)	8,125
Research grants payable	(6,400)	(45,600)
	(34,338)	(140,846)
INVESTMENT		
Grants received for acquisition of capital assets	30,784	141,382
Acquisition of capital assets	(43,978)	(201,974)
	(13,194)	(60,592)
Increase (decrease) in cash during the year	(47,532)	(201,438)
CASH BEGINNING OF THE YEAR	556,360	757,798
CASH END OF THE YEAR	508,828	556,360

2. Capital assets

	2005			2004		
	Cost	Grants received	Accum. amort.	Book Value	Book Value	Rate
Computer equipment	8,425	0	8,425	0	0	20%
Research equipment	245,952	172,166	10,830	62,956	57,141	10%
	254,377	172,166	19,255	62,956	57,141	

Saskatchewan Flax Development Commission
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended July 31, 2005

	Budget 2005	Actual 2005	Actual 2004
Communications Schedule 1			
Annual general meeting	11,000	26,221	14,067
Newsletter	34,000	31,536	53,381
Field day	0	0	6,401
Scholarship	0	0	10
Memberships and subscriptions	2,000	1,168	2,566
Joint program/partnerships	0	500	3,342
Industry liaison	35,000	37,261	33,386
Promotional and resource materials	0	0	3,841
Committee coordination	3,000	0	1,480
Election	0	0	18,713
Electronic communication	5,000	3,050	6,200
	90,000	99,736	143,387

Research Schedule 2

New research	0		
Dr Dahl - flax mucilage	5,000	0	3,500
Sub-total new research	5,000	0	3,500
Research coordination	1,000	307	2,225
PAMI - retting straw plant	0	0	4,000
Dr Rowland - NSERC	48,000	48,000	48,000
Dr Grant - phosphorus	0	0	3,000
Drs Lemke and Lafond	0	0	2,500
- nitrogen management greenhouse			
Dr Drew - fish meal/oil using WCFI	6,000	6,000	6,000
Dr Krol - chemo/antioxidation of flax lignans	3,100	3,100	20,000
Mr Ulrich - variety enhanced bast phase II	1,500	1,500	6,500
Dr Tabil - flax straw fiber in plastic process	0	0	5,000
	64,600	58,907	100,725

Market Facilitation Schedule 3

Flax 2015 national initiative	31,000	90,242	0
Food market	45,000	39,967	84,748
Feed market	5,000	28,161	34,670
Fibre market	77,375	130,483	229,051
Committee coordination	500	318	146
	158,875	289,171	348,615



3. Appropriated surplus

Surplus has been appropriated as a reserve to fund future expenditures. Further appropriations will be determined by the Board of Directors.

4. Contingent liability

The Board approved future funding of projects with costs approved as follows:

	Total Cost
Year ended July 31, 2006	48,000
Year ended July 31, 2007	50,500
	98,500

5. Incorporation statute

Saskatchewan Flax Development Commission is a non-profit organization incorporated under the Agri-Foods Act of Saskatchewan. Under present legislation, no income taxes are paid on the reported income of such operations.

Saskatchewan Flax Development Commission
EXPENDITURE BY OBJECT
For the year ended July 31, 2005

	2005	2004
Personnel		
Chris Hale	5,384	3,085
Lyle Simonson	6,609	4,445
Allen Kuhlmann	4,692	6,318
Edmond Aime	5,498	5,937
Barry Karol	0	2,500
Bob Linnell	0	1,353
Gord Cresswell	9,724	14,356
Dave Sefton	6,966	13,855
Payees under \$2,500	0	0
	38,873	51,849
Suppliers		
Food Focus Saskatoon Inc.	168,356	172,682
Biolin Research	182,132	159,168
Canada Post	11,052	27,377
Colorshape Communications	41,941	43,537
Flax Council of Canada	431	61,655
Saskatchewan Canola Development Commission (Levy Central)	19,568	16,157
Payees under \$20,000	56,703	89,179
	480,183	569,755
Research		
Biolin Research	1,500	6,500
PAMI	0	4,000
Receiver General of Canada (AAFC)	0	5,500
University of Saskatchewan	57,100	82,500
Payees under \$20,000	307	2,225
	58,907	100,725
	577,963	722,329

Saskatchewan Flax Development Commission
BOARD OF DIRECTORS
For the year ended July 31, 2005

Board of Directors 2004/05	Advisors
<p>Gordon Cresswell (Chair) Box 2260 Tisdale, Saskatchewan S0E 1T0 306.873.5360 306.873.7447 Cell 306.873.5830 Fax gl.cresswell@sasktel.net</p>	<p>William Greuel Oilseeds & Transgenic Crops SAF 3085 Albert Street Regina, Saskatchewan S4S 0B1 306.787.2756 306.787.0428 Fax wgreuel@agr.gov.sk.ca</p>
<p>Allen Kuhlmann (Vice Chair) P.O. Box 126 Rouleau, Saskatchewan S0G 4H0 306.776.2295 306.776.2368 Fax skuhlmann@sasktel.net</p>	<p>Gordon Rowland Crop Development Centre University of Saskatchewan Room 4D36 51 Campus Dr. Saskatoon, Saskatchewan S7N 5A8 306.966.4977 306.966.5015 Fax rowland@skyway.usask.ca</p>
<p>Edmond Aime P.O. Box 221 Redvers, Saskatchewan S0C 2H0 306.452.6410 306.452.7824 Cell 306.452.6410 Fax aime.farms@sasktel.net</p>	<p>Fiber Specialist Alvin Ulrich 161 Jessop Avenue Saskatoon, Saskatchewan S7N 1Y3 306.668.0130 306.668.0131 Fax aulrich@biolin.sk.ca</p>
<p>David Sefton Box 262 Broadview, Saskatchewan S0G 0K0 306.696.2975 306.696.2276 Fax sefton.farm@sasktel.net</p>	<p>Head Office ASA - 116 - 103rd Street E. Saskatoon, Saskatchewan S7N 1Y7 306.664.1901 306.664.4404 Fax saskflax@saskflax.com www.saskflax.com</p>
<p>Chris Hale Box 189 Rouleau, Saskatchewan S0G 4H0 306.776.2439 306.776.2573 Fax cns.farm.hale@sasktel.net</p>	
<p>Lyle Simonson Site 4 Box 10 R.R. #1 Swift Current, Saskatchewan S9H 3X7 306.553.2307 306.553.2367 Fax simonsons@sasktel.net</p>	

