

05/06

Saskatchewan flax Development Commission

Annual Report

Directors 2005/2006

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

Advisor 2005/2006

Dr. Gordon Rowland,
Saskatoon (CDC)

Executive Director

Linda Braun, Saskatoon

Fiber Specialist

Alvin Ulrich, Saskatoon

Head Office

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SaskFlax

Operations

Saskatchewan Flax Development Commission celebrated its 10th year of operation (inaugural meeting April 22, 1996). Of its original directors, Allen Kuhlmann (Chair) and Chris Hale once again represented the interest of flax producers, along with Gordon Cresswell (Vice-Chair), David Sefton and Lyle Simonson. Edmond Aime retired after serving a three year term and the Commission welcomed Gregor Beck. Dr. Gordon Rowland continued in an advisory capacity.

The firm of Food Focus Saskatoon, Inc. (Linda Braun/Janice Henriksen) continued to manage day-to-day Commission operations. Auxiliary services were provided by Levy Central (check-off collection) and Biolin Research (fiber industry development).

Research

From a research perspective, the Commission continued to support Dr. Rowland's program to develop oilseed flax with enhanced straw fiber concentration.

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.ccr.gc.ca/sred

Communications

Saskatchewan's registered flax producers were kept apprised of Commission priorities, initiatives and industry concerns via the annual general meeting, newsletter (two editions) web site and personal contact with Directors and the Executive Director.

To keep abreast of and help direct the industry for the benefit of registered producers, Directors actively participated in industry organizations and events like the Flax Council of Canada; Canada Grains Council; PRRCG; National Seed Forum; Western Grains Research Foundation; AgWest Bio and Saskatchewan Trade and Export Partnership. SaskFlax also participated in WTO workshops (with Minister Wartman); was a member of the Biodiesel Task Force; represented flax industry on the FLAG (Farm Leaders Advisory Group) and several forums/workshops hosted by Genome Prairie

Market Facilitation

The Market Facilitation program worked to support domestic and international opportunities for flax with food and fiber as priority targets for 2005/06.

From a food perspective, SaskFlax continued to disseminate nutritional/product information and recipes to consumers. Domestic activities including Growing Saskatchewan participation (magazine) and resource material dissemination. North American



promotions included Worlds of Healthy Flavors and Institute of Food Technology Conference/trade show. These successful programs, collaborative efforts with AmeriFlax (our sister agency in the U.S. and Flax Canada 2015) featured media interviews, flax exhibits, resource dissemination and a flax sampling program.

From a functional food/nutritional perspective, SaskFlax participated in World Nutra. As well, we helped support the Flax Bioactives Session and hosted a Flax Reception for speakers and session delegates, in collaboration with Flax Canada 2015. The session proved popular with more than 65 people present, even after the excitement of a bomb threat and subsequent lengthy delay while the hotel was searched.

The fiber pillar continued to be very active on several levels – research, extension and pilot plant development. The Commission was successful in securing grant dollars from two funds, Opportunities Window for pilot plant development and AEGP (Agricultural Environmental Group Plan) to further

develop alternatives to burning straw. The decortication line continued to be improved and a shive separation unit was added. Two labs were constructed to house equipment essential to grading and quality control. As part of the demonstration project, the Commission purchased a stripper header to continue the work of Stumborg and Ulrich regarding effective methods of harvesting seed and straw for fiber extraction. Progress continued in the development of standards for straw, fiber and shive.

Flax Canada 2015

Phase I strategic planning process was completed and Phase II application was submitted for review and decision in March 2006. As of July 31, 2006, the decision was still pending. Flax Canada 2015 initially a committee representing the funders, became a legal entity representing the industry, and continued to work on the pillars of human health, animal health and productivity, industrial feedstocks, fiber, breeding and agronomy.

Saskatchewan Flax Development Commission Board of Directors



**Allen Kuhlmann
(Chair)**



**Gordon Cresswell
(Vice Chair)**



Gregor Beck



Chris Hale



David Sefton



Lyle Simonson

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, 2006 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, 2006 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, 2006

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, 2006:

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, 2006.

Merv Culham



Chartered Accountant
Regina, Saskatchewan
October 27, 2006

To the Members of Saskatchewan Flax Development Commission

I have audited the balance sheet of Saskatchewan Flax Development Commission as at July 31, 2006 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, 2006 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, 2006



*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, 2006



ASSETS

	Operating Fund	Restricted Fund	Total 2006	Total 2005
CURRENT				
Cash	61,557	400,089	461,646	508,828
Accounts receivable	220,223	0	220,223	34,621
Prepaid items	0		0	5,000
Interfund (payable) receivable	(199,911)	199,911	0	0
	81,869	600,000	681,869	548,449
CAPITAL (Note 2)	123,793	0	123,793	62,956
	205,662	600,000	805,662	611,405

LIABILITIES

CURRENT

Accounts payable	85,943	0	85,943	68,225
Research grants payable	48,000	0	48,000	57,600
	133,943	0	133,943	125,825

SURPLUS

SURPLUS

Appropriated (Note 3)	0	600,000	600,000	600,000
Cumulative surplus (deficit)	71,719	0	71,719	(114,420)
	71,719	600,000	671,719	485,580
	205,662	600,000	805,662	611,405

Approved on behalf of the Board

Oliver Kuhlmann
 Director

Lyle Simonson
 Director

Saskatchewan Flax Development Commission
STATEMENT OF REVENUE AND CUMULATIVE SURPLUS
For the year ended July 31, 2006

	Budget 2006	Actual 2006	Actual 2005
REVENUE			
Crop levy	535,000	633,235	376,137
Levy refunds issued	(25,000)	(27,512)	(23,839)
Net crop levy	510,000	605,723	352,298
Grant revenues	172,500	333,312	81,922
Interest income	24,000	14,033	19,256
	<u>706,500</u>	<u>953,068</u>	<u>453,476</u>
EXPENDITURE			
Administration			
Executive director	70,000	46,025	59,814
Travel	1,500	2,247	1,377
Administration	7,500	4,848	5,786
Rent	6,000	6,410	6,104
Levy collection	21,000	13,759	19,709
Meetings	5,000	8,521	4,881
Director per diems	8,000	6,534	7,471
Director honoraria	10,000	8,581	8,370
Professional fees	3,500	9,671	5,087
Bank charges	500	488	409
Insurance	5,000	2,000	3,762
Electronic equipment/programs	1,000	0	0
Amortization	0	5,348	7,379
Communication (Schedule 1)	102,500	91,487	99,736
Research (Schedule 2)	50,000	37,774	58,907
Market facilitation (Schedule 3)	400,000	523,236	289,171
	<u>691,500</u>	<u>766,929</u>	<u>577,963</u>
SURPLUS (DEFICIT) FOR THE YEAR	<u>15,000</u>	186,139	(124,487)
CUMULATIVE SURPLUS BEGINNING OF YEAR		(114,420)	10,067
Transfer to appropriated surplus		0	0
CUMULATIVE SURPLUS (DEFICIT) END OF YEAR		<u>71,719</u>	<u>(114,420)</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, 2006



Saskatchewan Flax Development Commission
NOTES
For the year ended July 31, 2006

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.

The company does not have a significant credit exposure to any individual customer or counterpart.

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.

	2006	2005
CASH PROVIDED BY (USED BY) THE FOLLOWING ACTIVITIES		
OPERATIONS		
Surplus (deficit) for the year	186,139	(124,487)
Items charged to earnings which do not affect cash		
Amortization	5,348	7,379
	191,487	(117,108)
Net change in non-cash working capital balances		
Accounts receivable	(185,602)	99,413
Prepaid items	5,000	(5,000)
Accounts payable	17,718	(5,243)
Research grants payable	(9,600)	(6,400)
	19,003	(34,338)
INVESTMENT		
Grants received for acquisition of capital assets	0	30,784
Acquisition of capital assets	(66,185)	(43,978)
	(66,185)	(13,194)
Increase (decrease) in cash during the year	(47,182)	(47,532)
CASH BEGINNING OF THE YEAR	508,828	556,360
CASH END OF THE YEAR	461,646	508,828
During the year, the company had cash flows arising from interest and income taxes paid as follows:		
Interest paid	488	409
Income taxes paid	0	0

2. Capital assets

	2006			2005		
	Cost	Grants received	Accum. amort.	Book Value	Book Value	Rate
Research Equipment	320,563	172,166	24,604	123,793	57,141	10%

Saskatchewan Flax Development Commission
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended July 31, 2006

	Budget 2006	Actual 2006	Actual 2005
Communications			Schedule 1
Annual general meeting	12,500	15,373	26,221
Newsletter	40,000	32,265	31,536
Memberships and subscriptions	2,500	3,378	1,168
Joint program/partnerships	5,000	2,068	500
Industry liaison	35,000	34,011	37,261
Promotional and resource materials	2,500	33	0
Election	0	117	0
Electronic communication	5,000	4,242	3,050
	102,500	91,487	99,736

Research			Schedule 2
New research	0	0	0
Research coordination	2,000	2,761	307
Dr Rowland - NSERC	48,000	48,000	48,000
Dr Drew - fish meal/oil using WCFI	0	0	6,000
Dr Krol - chemo/antioxidation of flax lignans	0	0	3,100
Mr Ulrich - variety enhanced bast phase II	0	(12,987)	1,500
	50,000	37,774	58,907

Market facilitation			Schedule 3
Flax 2015 national initiative	47,000	52,211	90,242
Food market	41,000	98,406	39,967
Feed market	0	0	28,161
Fibre market	312,000	372,619	130,483
Committee coordination	0	0	318
	400,000	523,236	289,171



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. Commitments

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

	Total Cost
Year ended July 31, 2007	50,500

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, 2006

Saskatchewan Flax Development Commission
BOARD OF DIRECTORS
 For the year ended July 31, 2006

	2006	2005
Personnel		
Allen Kuhlmann	11,906	4,692
Chris Hale	3,849	5,384
David Sefton	7,791	6,966
Edmond Aime	2,433	5,498
Gordon Cresswell	8,406	9,724
Gregor Beck	2,071	0
Lyle Simonson	6,728	6,609
Payees under \$2,500	0	0
	43,184	38,873

Suppliers		
Food Focus Saskatoon Inc.	143,739	168,356
Biolin Research	352,934	182,132
Canada Post	10,419	11,052
Colorscape Communications	71,310	41,941
Flax Council of Canada	12,714	431
Saskatchewan Canola Development Commission (Levy Central)	13,271	19,568
Robert Turpin	25,000	0
Payees under \$20,000	56,584	56,703
	685,971	480,183

Research		
Biolin Research	(12,987)	1,500
University of Saskatchewan	48,000	57,100
Payees under \$20,000	2,761	307
	37,774	58,907
	766,929	577,963

**Board of Directors
2005/06**

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