

06/07

Saskatchewan flax Development Commission

Annual Report

Directors 2006/2007

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

Advisor 2006/2007

Dr. Gordon Rowland,
Saskatoon (CDC)

Executive Director

Linda Braun, Saskatoon

Fiber Specialist

Alvin Ulrich, Saskatoon

Head Office

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SaskFlax

Operations

The Commission, led by six registered flax producers elected by the membership, continued to develop, coordinate and execute activities to meet its mission and mandate.

Directors for the fiscal year 2006/07 included Allen Kuhlmann (Chair), Lyle Simonson (Vice-Chair), Gregor Beck, Gordon Cresswell, Chris Hale and David Sefton.

Day-to-day management of the Commission was provided by the team of Executive Director, Linda Braun and administrative support, Janice Henriksen.

Auxiliary Services were provided by Levy Central (check-off collection). Fiber industry development was handled cooperatively with Crop Fibers Canada, Alvin Ulrich and Biolin Research Incorporated. Other additional expertise was contracted as required.

As per our regulatory requirements, regulations, board orders and policies were reviewed and amended by the Commission. They were acknowledged by the Agri-Food Council. These amendments more accurately reflect the governance structure needs of the Commission and the roles and responsibilities of its directors.

The management team continued to maintain and update the membership database. Levy rebates were prepared and payments issued to those producers requesting rebates for Periods 1 and 2.

Research

Within the research pillar, the Commission continued to directly support two projects – that of Dr. Rowland's breeding project of fiber enhanced oilseed flax and Eric Johnson's weed control in flax.

From the national perspective, as an integral partner in Flax Canada 2015 with funding from the APF (Ag Policy Framework), we continued to support research projects in human and animal health and nutrition; and fiber related work.

Within the province, we shared information with Saskatchewan's agriculture department as well as Western Grains Research Foundation related to flax industry development to assist with their research direction for flax.

The Commission was actively engaged in a natural fibers network (with 22 plus organizations) where the network prepared and submitted a \$20 M research proposal under the Agricultural Bioproducts Innovation Program (ABIP). Funding announcement anticipated in late 2007 early 2008.

Communications

Saskatchewan's registered flax producers were kept apprised of the Commission's priorities, initiatives and industry concerns via the annual general meeting, newsletters (2 editions) and personal contact via Directors and Executive Director. The Commission's web site (www.saskflax.com) underwent a complete make over – new look, new information, and more user-friendly operation. Web site reconstruction was completed with financial assistance from Advancing Canadian Agriculture and Agri-Food Saskatchewan (ACAAPS) Program.

To keep abreast of, and help direct the flax industry for producer benefit, the Commission participated in various industry associations and organizations such as Saskatchewan Council for Community Development, Canada Grains Council, Western Grains Research Foundation, Ag-West Bio, and Saskatchewan Trade and Export Partnership. Forums/workshops that Directors and/or Executive Director attended included the Canadian Nutrition Congress; AAFC sponsored Fiber Foresighting Sessions; WTO (Saskatchewan Updates), Animal Health Workshop, and Plant Bio-Industrial Oils Workshop.

Market Facilitation

Food/fiber market areas continued to be priority areas for the Commission. From a food perspective, international activities included



collaborative efforts with AmeriFlax at International Association of Culinary Professionals and Institute of Food Technologists (trade show, information dissemination, flax food sampling program, DipStix Promotion). With Flax Canada 2015 we provided recipes and food photography for the U.S. flax promotions and healthy flax website. In addition, Saskatchewan Flax Development Commission partnered with Flax Canada 2015 to have a flax symposium at World Nutra.

Supply Side West Showcase provided insight into trends/production and companies involved in the natural products marketplace.

Domestically, the Commission networked at Cuisine Canada's conference and continued to disseminate nutritional and food product information to food and health professionals and Canadian consumers.

Within the fiber arena, the Commission completed Opportunities Envelope/Flax Straw Utilization Pilot Plant Project which involved building and testing a decortication equipment line to process straw and fiber; producing fiber for potential replacement of fiberglass; and initiating the development of a characterization and grading system to enable effective valuation and blending of commercial size lots for the marketplace.

In conjunction with the Agriculture Environmental Group Plan, the Commission continued its work with producers and industry regarding the development of an agricultural group plan for effective straw management.

This involved demonstration work with clusters of flax producers and information dissemination. An effective straw management workshop is planned for February 2008 to complete this segment of the project.

As natural fibers gained importance across the nation, SaskFlax was represented on the National Biofibres Advisory Board and Flax Canada 2015. As well, SaskFlax led several fiber projects with Crop Fibers Canada and Sanelink via Flax Canada 2015 funding, determining potential for oilseed flax fiber.

As part of the Natural Fibers for the Green Economy Network (a national network of 22 plus organizations) SaskFlax worked on the submission of a funding proposal to the Agricultural Bioproducts Innovation Program. Successful program submissions to be announced in the next fiscal year.

Crop Fibers Canada, the pilot plant and resource center for flax fiber, moved forward with construction and modification of the decortication line and research efforts related to product characterization and grading with producers, researchers and the industry with the assistance of Alvin Ulrich and Biolin Research Incorporated.

SaskFlax and Crop Fibers Canada represented the interests of Saskatchewan at various North American events gathering market intelligence and potential customers in the fields of filtration, nonwovens and geotextiles.

**Saskatchewan Flax Development Commission
Board of Directors**



**Allen Kuhlmann
(Chair)**



**Lyle Simonson
(Vice Chair)**



Gregor Beck



Gordon Cresswell



Chris Hale



David Sefton

AUDITOR'S REPORT

To the Members of Saskatchewan Flax Development Commission

I have audited Saskatchewan Flax Development Commission's control as of July 31, 2007 to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard Commission 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 for the purposes of achieving its financial 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 Commission 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 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.

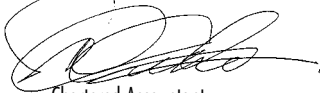
Saskatchewan Flax Development Commission's management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

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 material respects, related to the objectives stated above as of July 31, 2007 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 25, 2007

To the Members of Saskatchewan Flax Development Commission

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, 2007:

The Agri-Food Act, 2004
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, 2007.

Merv Culham



Chartered Accountant
Regina, Saskatchewan
October 25, 2007

To the Members of Saskatchewan Flax Development Commission

I have audited the balance sheet of Saskatchewan Flax Development Commission as at July 31, 2007 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, 2007 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 25, 2007



*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, 2007



ASSETS

| | Operating Fund | Restricted Fund | Total 2007 | Total 2006 |
|--------------------------------|-------------------|--------------------|---------------|---------------|
| CURRENT | | | | |
| Cash | 158,685 | 415,715 | 574,400 | 461,646 |
| Accounts receivable | 235,960 | 0 | 235,960 | 220,223 |
| Prepaid items | 4,691 | | 4,691 | 0 |
| Interfund (payable) receivable | (184,285) | 184,285 | 0 | 0 |
| | 215,051 | 600,000 | 815,051 | 681,869 |
| CAPITAL (Note 2) | 245,031 | 0 | 245,031 | 123,793 |
| | 460,082 | 600,000 | 1,060,082 | 805,662 |

LIABILITIES

| | | | | |
|-------------------------|---------|---|---------|---------|
| CURRENT | | | | |
| Accounts payable | 130,996 | 0 | 130,996 | 85,943 |
| Research grants payable | 98,500 | 0 | 98,500 | 48,000 |
| | 229,496 | 0 | 229,496 | 133,943 |

SURPLUS

| | | | | |
|------------------------------|---------|---------|-----------|---------|
| SURPLUS | | | | |
| Appropriated (Note 3) | 0 | 600,000 | 600,000 | 600,000 |
| Cumulative surplus (deficit) | 230,586 | 0 | 230,586 | 71,719 |
| | 230,586 | 600,000 | 830,586 | 671,719 |
| | 460,082 | 600,000 | 1,060,082 | 805,662 |

See accompanying notes to the financial statements.

Approved on behalf of the Board

Allen Kuhlman
 Director

Lyle Simonson
 Director

Saskatchewan Flax Development Commission
STATEMENT OF REVENUE AND CUMULATIVE SURPLUS
For the year ended July 31, 2007

| | Budget 2007 | Actual 2007 | Actual 2006 |
|---|----------------|----------------|----------------|
| REVENUE | | | |
| Crop levy | 535,000 | 725,407 | 633,235 |
| Levy refunds issued | (30,000) | (30,080) | (27,512) |
| Net crop levy | 505,000 | 695,327 | 605,723 |
| Grant revenues | 242,190 | 114,222 | 333,312 |
| Interest income | 14,000 | 21,440 | 14,033 |
| | <u>761,190</u> | <u>830,989</u> | <u>953,068</u> |
| EXPENDITURE | | | |
| Administration | | | |
| Executive director | 60,000 | 48,919 | 46,025 |
| Travel | 2,500 | 1,193 | 2,247 |
| Administration | 6,000 | 6,070 | 4,848 |
| Rent | 6,500 | 6,360 | 6,410 |
| Levy collection | 16,000 | 13,127 | 13,759 |
| Meetings | 9,000 | 6,471 | 8,521 |
| Director per diems | 8,000 | 7,343 | 6,534 |
| Director honoraria | 10,000 | 8,642 | 8,581 |
| Professional fees | 10,000 | 7,476 | 9,671 |
| Bank charges | 500 | 451 | 488 |
| Insurance | 5,000 | 1,410 | 2,000 |
| Electronic equipment/programs | 2,500 | 0 | 0 |
| Amortization | 0 | 29,959 | 5,348 |
| Communication (Schedule 1) | 118,000 | 109,001 | 91,487 |
| Research (Schedule 2) | 75,250 | 91,677 | 37,774 |
| Market facilitation (Schedule 3) | 407,000 | 334,023 | 523,236 |
| | <u>736,250</u> | <u>672,122</u> | <u>766,929</u> |
| SURPLUS FOR THE YEAR | <u>24,940</u> | 158,867 | 186,139 |
| CUMULATIVE SURPLUS BEGINNING OF YEAR | | 71,719 | (114,420) |
| Transfer to appropriated surplus | | 0 | 0 |
| CUMULATIVE SURPLUS END OF YEAR | | <u>230,586</u> | <u>71,719</u> |

See accompanying notes to the financial statements.



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, 2007



Saskatchewan Flax Development Commission
NOTES
For the year ended July 31, 2007

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 commission 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.

| | 2007 | 2006 |
|--|----------------|----------------|
| CASH PROVIDED BY (USED BY) THE FOLLOWING ACTIVITIES | | |
| OPERATIONS | | |
| Surplus (deficit) for the year | 158,867 | 186,139 |
| Items charged to earnings which do not affect cash | | |
| Amortization | 29,959 | 5,348 |
| | 188,826 | 191,487 |
| Net change in non-cash working capital balances | | |
| Accounts receivable | (15,737) | (185,602) |
| Prepaid items | (4,691) | 5,000 |
| Accounts payable | 45,053 | 17,718 |
| Research grants payable | 50,500 | (9,600) |
| | 263,951 | 19,003 |
| INVESTMENT | | |
| Grants received for acquisition of capital assets | 31,200 | 0 |
| Acquisition of capital assets | (182,397) | (66,185) |
| | (151,197) | (66,185) |
| Increase (decrease) in cash during the year | 112,754 | (47,182) |
| CASH BEGINNING OF THE YEAR | 461,646 | 508,828 |
| CASH END OF THE YEAR | 574,400 | 461,646 |

During the year, the organization had cash flows arising from interest and income taxes paid as follows:

| | | |
|-------------------|-----|-----|
| Bank charges paid | 451 | 488 |
| Income taxes paid | 0 | 0 |

See accompanying notes to the financial statements.

2. Capital assets

| | 2007 | | | 2006 | | |
|--------------------|---------|-----------------|---------------|------------|------------|------|
| | Cost | Grants received | Accum. amort. | Book Value | Book Value | Rate |
| Research Equipment | 502,959 | 203,366 | 54,562 | 245,031 | 123,793 | 10% |

Saskatchewan Flax Development Commission
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended July 31, 2007

| | Budget 2007 | Actual 2007 | Actual 2006 |
|---|----------------|----------------|-------------------|
| Communications | | | Schedule 1 |
| Annual general meeting | 13,000 | 18,469 | 15,373 |
| Newsletter | 35,000 | 31,246 | 32,265 |
| Scholarship | 0 | 2,500 | 0 |
| Memberships and subscriptions | 3,000 | 3,880 | 3,378 |
| Joint program/partnerships | 5,000 | 1,890 | 2,068 |
| Industry liaison | 40,000 | 31,760 | 34,011 |
| Promotional and resource materials | 12,000 | 0 | 33 |
| Election | 0 | 0 | 117 |
| Electronic communication | 10,000 | 19,256 | 4,242 |
| | 118,000 | 109,001 | 91,487 |
| Research | | | Schedule 2 |
| New research | 0 | 0 | 0 |
| Research coordination | 2,000 | 1,177 | 2,761 |
| Dr Rowland - NSERC | 50,500 | 50,500 | 48,000 |
| Western Applied research Corporation - sulfentrazone and weeds | 22,750 | 40,000 | 0 |
| Mr Ulrich - variety enhanced bast phase II | 0 | 0 | (12,987) |
| | 75,250 | 91,677 | 37,774 |
| Market facilitation | | | Schedule 3 |
| Flax 2015 national initiative | 50,000 | 67,383 | 52,211 |
| Food market | 51,000 | 43,284 | 98,406 |
| Flax National Biofiber Initiative | 0 | 7,800 | 0 |
| Fiber market | 306,000 | 215,493 | 372,619 |
| Ag clearing | 0 | 63 | 0 |
| | 407,000 | 334,023 | 523,236 |

See accompanying notes to the financial statements.



Notes Continued...

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, 2008 | 5,550 |

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, 2007

Saskatchewan Flax Development Commission
BOARD OF DIRECTORS
For the year ended July 31, 2007

| | 2007 | 2006 |
|----------------------|--------|--------|
| Personnel | | |
| Allen Kuhlmann | 7,811 | 11,906 |
| Chris Hale | 4,303 | 3,849 |
| David Sefton | 6,753 | 7,791 |
| Edmond Aime | 0 | 2,433 |
| Gordon Cresswell | 4,840 | 8,406 |
| Gregor Beck | 5,359 | 2,071 |
| Lyle Simonson | 9,546 | 6,728 |
| Payees under \$2,500 | 0 | 0 |
| | 38,612 | 43,184 |

| | | |
|---|----------|---------|
| Suppliers | | |
| Food Focus Saskatoon Inc. | 143,621 | 143,739 |
| Biolin Research | 396,496 | 352,934 |
| Canada Post | 4,829 | 10,419 |
| Colorscape Communications | 33,548 | 71,310 |
| Flax Council of Canada | 212 | 12,714 |
| Saskatchewan Canola Development Commission (Levy Central) | 13,127 | 13,271 |
| Robert Turpin | 0 | 25,000 |
| Payees under \$20,000 | (50,000) | 56,584 |
| | 541,833 | 685,971 |

| | | |
|--------------------------------------|---------|----------|
| Research | | |
| Biolin Research | 0 | (12,987) |
| University of Saskatchewan | 50,550 | 48,000 |
| Western Applied Research Corporation | 40,000 | 0 |
| Payees under \$20,000 | 1,127 | 2,761 |
| | 91,677 | 37,774 |
| | 672,122 | 766,929 |

See accompanying notes to the financial statements.

**Board of Directors
2006/07**

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(Chair)**
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(Vice Chair)**
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Executive Director

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SaskFlax