

07/08

Saskatchewan
flax
Development Commission

Annual Report

Directors 2007/2008

Allen Kuhlmann, Rouleau
(Chair)
Lyle Simonson, Swift Current
(Vice-Chair)
Chris Hale, Rouleau
Bill Rusk, Nipawin
David Sefton, Broadview
Gregor Beck, Rouleau

Advisor 2007/2008

Dr. Gordon Rowland,
Saskatoon (CDC)

Executive Director

Linda Braun, Saskatoon

Fiber Specialist

Alvin Ulrich, Saskatoon

Head Office

Saskatchewan Flax
Development Commission
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SaskFlax

Operations

SaskFlax, directed by the Board of Directors (registered flax producers of Saskatchewan) continued to develop, coordinate and execute activities geared to meeting the Commission's mission and mandate.

Directors for the fiscal year 2007/08 included Allen Kuhlmann (Chair), Lyle Simonson (Vice Chair), Chris Hale and Gregor Beck. Bill Rusk was appointed for a one year term to replace retiring Director Gordon Cresswell. David Sefton continued his role as director as per the Commission's regulations.

Day-to-day management of the Commission was provided by Food Focus Saskatoon, Inc. with Linda Braun as Executive Director and Janice Henriksen providing administrative support.

Levy Central supplied check-off collection services while fiber industry development services were handled cooperatively with Crop Fibers Canada, Alvin Ulrich and Biolin Research Incorporated. Eaton & Associates handled our international conference coordination, web site maintenance and other additional expertise as required.

To meet the annual requirements of the Saskatchewan Flax Development Commission Regulations, the Commission reviewed its regulations, board orders and policies. They amended terms of office (3 – 3 year terms from 3 – 2 year terms) and reviewed staggered director terms (return to two director positions open annually) to more accurately reflect the governance structure needs of the Commission and the roles and responsibilities of directors. These amendments were subsequently reviewed and approved by the Agri-Food Council.

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

An intensive strategic planning session began with individual director examination of key questions followed by a facilitated workshop

experience which provided confirmation and affirmation of Commission goals and objectives. The document provides a blueprint for continued action in our priority areas.

Research

Within the research pillar, SaskFlax saw the completion of Dr. Rowland's flax/fiber breeding and Eric Johnson's flax/weed control projects. The Commission approved two projects: Winter Nursery with Dr. Rowland (CDC) to assist in shortened breeding time frames and Low Cost Equipment Modification for Straw Management to enhance straw values and fiber extraction.

From the national perspective, our support for research in human nutrition, animal health and industrial uses including fiber continued with our partner Flax Canada 2015 within the Ag Policy Framework funding. The Breeding Strategy drafted by Flax Canada 2015 was reviewed by Saskatchewan Flax Development Commission with specific activities selected for fiscal year 2008/09. Under the auspices of the AgBioproducts Innovation Program (ABIP), SaskFlax continued to support the natural fibers network and worked diligently to have the contribution agreement signed.

Within Saskatchewan, the Commission continued to collaborate with the Ag Development Program of the Ministry of Agriculture and Western Grains Research Foundation providing direction and encouragement related to research projects undertaken and/or supported by these respective agencies.

Communications

Saskatchewan's registered flax producers were kept apprised of the Commission priorities, activities and industry concerns via the annual general meeting, the recently revamped web site, newsletters, interviews/articles with popular press and personal contact with directors and management.

To keep abreast of and help direct the flax industry for producer benefit, directors

participated in various industry associations, organizations and committees such as the Flax Council of Canada, Agricultural Council



of Saskatchewan, AgWest Bio, Saskatchewan Trade and Export Partnership, Western Grains Research Foundation and the National Forum on Seed.

As firm believers of agriculture and its importance to Saskatchewan, the Commission supported such programs as the Saskatchewan Outstanding Young Farmers, Saskatchewan 4-H Foundation, Agriculture in the Classroom and the flax class at Agribition's grain show. On the national level, SaskFlax directors and/or

executive director represented the interests of its members at various fiber planning sessions, climate change meetings and within the Genome Prairie organization (Steering and Communication Committees). We continued our liaison with our U.S. counterpart, AmeriFlax and attended the Flax Institute research update.

Market Facilitation

Food/fiber arenas continued to be profiled by the Commission. Within the food arena, SaskFlax entered an agreement to publish a flax cookbook with Canadian publisher Whitecap Books. The Executive Director worked closely with Whitecap to develop the manuscript, format recipes and provide photography. The book has an anticipated release of March 2009.

Joint promotions planned with the Flax Council of Canada/AmeriFlax for IFT were cancelled. AmeriFlax Productions Manager Kaye Effertz left her position and the organization contracted Sherri Coleman to handle flax promotions.

Consumer provided information and recipes continued to be disseminated upon request.

Within the fiber arena, the Commission completed its agricultural group plan for effective straw management by hosting an Effective Straw Management Workshop for Saskatchewan farmers and allied industries. With participation from researchers, processors, farmers and government crop, bioproduct and industry specialists, we wrote and disseminated 12,000 plus resource booklets related to Beneficial Management Practices for effective straw management.

“Fiber Foundations – Transportation, Clothing and Shelter in the Bioeconomy” International Conference on Flax and Other Bast Plants (July 21 to 23, Saskatoon) attracted 133 delegates from 18 countries. This FAO/ ESCORNEA conference, a partnership with the Institute of Natural Fibres Poland held in North America for the first time proved to be a successful venture in terms of networking, sharing of information and recognition of Saskatchewan’s expertise and potential for fiber industry development. It also strengthened the Canadian ag-bio fibers community from both research and commercialization perspectives.

Crop Fibers Canada, the pilot plant and resource centre for flax fiber continued to modify its equipment line, participate in national research efforts, work with farmers to effectively manage the straw and work on the development of standards for the industry.

The NAFGEN (Natural Ag Fibers for the Green Economy Network) project under the Agricultural Bioproducts Innovation Program made very little progress towards agreement signing with the federal government. This program has seven platforms that are to complete research priorities from breeding, post harvest and primary processing to commercialization and product development to the study of sustainability.

SaskFlax and Crop Fibers Canada continued to represent the interests of Saskatchewan flax producers at various workshops, conferences and meetings related to fiber and fiber products. We continued to liaise with interested individuals and organizations and respond to their queries.

Saskatchewan Flax Development Commission Board of Directors



Allen Kuhlmann
(Chair)



Lyle Simonson
(Vice Chair)



Gregor Beck



Chris Hale



Bill Rusk



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, 2008 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.

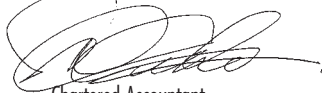
Saskatchewan Flax Development Commission's management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

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, 2008 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 30, 2008

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, 2008:

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, 2008.

Merv Culham



Chartered Accountant
Regina, Saskatchewan
October 30, 2008

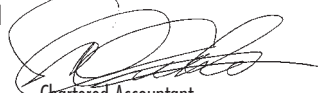
To the Members of Saskatchewan Flax Development Commission

I have audited the balance sheet of Saskatchewan Flax Development Commission as at July 31, 2008 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, 2008 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



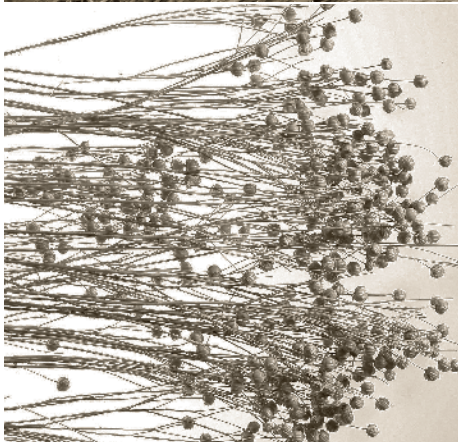
Chartered Accountant
Regina, Saskatchewan
October 30, 2008



*"I'm sowing flax
seeds so a shirt
will grow for
you and your
sister."*

Konstantin Ushinsky, (1824 - 1870)
Russian children's author

Saskatchewan Flax Development Commission
BALANCE SHEET
As at July 31, 2008



ASSETS

| | Operating Fund | Restricted Fund | Total 2008 | Total 2007 |
|--------------------------------|-------------------|--------------------|---------------|---------------|
| CURRENT | | | | |
| Cash | 382,414 | 434,721 | 817,135 | 574,400 |
| Accounts receivable | 150,895 | 0 | 150,895 | 235,960 |
| Prepaid items | 0 | 0 | 0 | 4,691 |
| Interfund (payable) receivable | (165,279) | 165,279 | 0 | 0 |
| | 368,030 | 600,000 | 968,030 | 815,051 |
| CAPITAL (Note 2) | 215,072 | 0 | 215,072 | 245,031 |
| | 583,102 | 600,000 | 1,183,102 | 1,060,082 |

LIABILITIES

| | | | | |
|-------------------------|---------|---|---------|---------|
| CURRENT | | | | |
| Accounts payable | 155,902 | 0 | 155,902 | 130,996 |
| Research grants payable | 50,500 | 0 | 50,500 | 98,500 |
| | 206,402 | 0 | 206,402 | 229,496 |

SURPLUS

| | | | | |
|------------------------------|---------|---------|-----------|-----------|
| SURPLUS | | | | |
| Appropriated (Note 3) | 0 | 600,000 | 600,000 | 600,000 |
| Cumulative surplus (deficit) | 376,700 | 0 | 376,700 | 230,586 |
| | 376,700 | 600,000 | 976,700 | 830,586 |
| | 583,102 | 600,000 | 1,183,102 | 1,060,082 |

See accompanying notes to the financial statements.

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, 2008

| | Budget 2008 | Actual 2008 | Actual 2007 |
|---|----------------|----------------|----------------|
| REVENUE | | | |
| Crop levy | 535,000 | 557,827 | 725,407 |
| Levy refunds issued | (25,000) | (31,540) | (30,080) |
| Net crop levy | 510,000 | 526,287 | 695,327 |
| Grant revenues | 204,000 | 243,214 | 114,222 |
| Conference fees | 0 | 110,764 | 0 |
| Interest income | 16,000 | 22,323 | 21,440 |
| | <u>730,000</u> | <u>902,588</u> | <u>830,989</u> |
| EXPENDITURE | | | |
| Administration | | | |
| Executive director | 60,000 | 56,923 | 48,919 |
| Travel | 2,000 | 1,777 | 1,193 |
| Administration | 6,500 | 5,536 | 6,070 |
| Rent | 7,500 | 8,428 | 6,360 |
| Levy collection | 16,000 | 12,384 | 13,127 |
| Meetings | 8,000 | 9,661 | 6,471 |
| Director per diems | 8,000 | 7,412 | 7,343 |
| Director honoraria | 10,000 | 10,317 | 8,642 |
| Professional fees | 5,000 | 8,836 | 7,476 |
| Bank charges | 500 | 434 | 451 |
| Insurance | 3,000 | 2,550 | 1,410 |
| Electronic equipment/programs | 2,500 | 0 | 0 |
| Amortization | 0 | 29,959 | 29,959 |
| Communication (Schedule 1) | 125,000 | 85,265 | 109,001 |
| Research (Schedule 2) | 85,920 | 25,389 | 91,677 |
| Market facilitation (Schedule 3) | 393,000 | 491,603 | 334,023 |
| | <u>732,920</u> | <u>756,474</u> | <u>672,122</u> |
| SURPLUS FOR THE YEAR | <u>(2,920)</u> | 146,114 | 158,867 |
| CUMULATIVE SURPLUS BEGINNING OF YEAR | | 230,586 | 71,719 |
| Transfer to appropriated surplus | | 0 | 0 |
| CUMULATIVE SURPLUS END OF YEAR | | <u>376,700</u> | <u>230,586</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, 2008



Saskatchewan Flax Development Commission
NOTES
For the year ended July 31, 2008

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.

| | 2008 | 2007 |
|--|----------------|----------------|
| CASH PROVIDED BY (USED BY) THE FOLLOWING ACTIVITIES | | |
| OPERATIONS | | |
| Surplus (deficit) for the year | 146,114 | 158,867 |
| Items charged to earnings which do not affect cash | | |
| Amortization | 29,959 | 29,959 |
| | 176,073 | 188,826 |
| Net change in non-cash working capital balances | | |
| Accounts receivable | 85,065 | (15,737) |
| Prepaid items | 4,691 | (4,691) |
| Accounts payable | 24,906 | 45,053 |
| Research grants payable | (48,000) | 50,500 |
| | 242,735 | 263,951 |
| INVESTMENT | | |
| Grants received for acquisition of capital assets | 0 | 31,200 |
| Acquisition of capital assets | 0 | (182,397) |
| | 0 | (151,197) |
| Increase (decrease) in cash during the year | 242,735 | 112,754 |
| CASH BEGINNING OF THE YEAR | 574,400 | 461,646 |
| CASH END OF THE YEAR | 817,135 | 574,400 |

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

| | | |
|-------------------|-----|-----|
| Bank charges paid | 434 | 451 |
| Income taxes paid | 0 | 0 |

See accompanying notes to the financial statements.

2. Capital assets

| | | | 2008 | | 2007 | |
|--------------------|---------|-----------------|---------------|------------|------------|------|
| | Cost | Grants received | Accum. amort. | Book Value | Book Value | Rate |
| Research Equipment | 502,959 | 203,366 | 84,521 | 215,072 | 245,031 | 10% |

Saskatchewan Flax Development Commission
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended July 31, 2008

| | Budget 2008 | Actual 2008 | Actual 2007 |
|---|----------------|----------------|-------------------|
| Communications | | | Schedule 1 |
| Annual general meeting | 15,000 | 13,905 | 18,469 |
| Newsletter | 35,000 | 15,703 | 31,246 |
| Scholarship | 5,000 | 0 | 2,500 |
| Memberships and subscriptions | 4,000 | 832 | 3,880 |
| Joint program/partnerships | 3,000 | 1,521 | 1,890 |
| Industry liaison | 40,000 | 48,179 | 31,760 |
| Promotional and resource materials | 2,000 | 0 | 0 |
| Election | 11,000 | 354 | 0 |
| Electronic communication | 10,000 | 4,771 | 19,256 |
| | 125,000 | 85,265 | 109,001 |
| Research | | | Schedule 2 |
| New research | 10,000 | 0 | 0 |
| Research coordination | 2,000 | 1,919 | 1,177 |
| Dr Rowland - NSERC | 50,500 | 0 | 50,500 |
| Western Applied Research Corporation - sulfentrazone and weeds | 5,500 | 5,550 | 40,000 |
| Ulrich - enhance field retting of flax straw | 5,000 | 12,920 | 0 |
| Rowland - winter nursery | 12,920 | 5,000 | 0 |
| | 85,920 | 25,389 | 91,677 |
| Market facilitation | | | Schedule 3 |
| Flax 2015 national initiative | 90,000 | 113,435 | 67,383 |
| Food market | 20,000 | 21,184 | 43,284 |
| Flax National Biofiber Initiative | 5,000 | 1,482 | 7,800 |
| Fiber market | 278,000 | 355,226 | 215,493 |
| Ag Clearing | 0 | 276 | 63 |
| | 393,000 | 491,603 | 334,023 |

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, 2009 | 16,380 |
| Year ended July 31, 2010 | 5,000 |
| Year ended July 31, 2011 | 5,000 |
| Year ended July 31, 2012 | 5,000 |

31,380

5. Incorporation statute

Saskatchewan Flax Development Commission is a non-profit organization incorporated under the Agri-Foods Act, 2004 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, 2008

Saskatchewan Flax Development Commission
BOARD OF DIRECTORS
For the year ended July 31, 2008

| | 2008 | 2007 |
|----------------------|--------|--------|
| Personnel | | |
| Allen Kuhlmann | 11,358 | 7,811 |
| Chris Hale | 5,236 | 4,303 |
| David Sefton | 11,544 | 6,753 |
| Gordon Cresswell | 2,577 | 4,840 |
| Gregor Beck | 3,003 | 5,359 |
| Lyle Simonson | 9,781 | 9,546 |
| William Rusk | 1,842 | 0 |
| Payees under \$2,500 | 0 | 0 |
| | 45,341 | 38,612 |

| | | |
|---|---------|----------|
| Suppliers | | |
| Food Focus Saskatoon Inc. | 166,236 | 143,621 |
| Biolin Research | 226,994 | 396,496 |
| Canada Post | 9,616 | 4,829 |
| Colorshape Communications | 20,806 | 33,548 |
| Flax Council of Canada | 212 | 212 |
| Saskatchewan Canola Development Commission (Levy Central) | 12,448 | 13,127 |
| Eaton & Associates | 24,552 | 0 |
| Hilton Garden Inn | 31,553 | 0 |
| Payees under \$20,000 | 193,329 | (50,050) |
| | 685,746 | 541,783 |

| | | |
|--------------------------------------|---------|---------|
| Research | | |
| Biolin Research | 12,920 | 0 |
| University of Saskatchewan | 5,000 | 50,550 |
| Western Applied Research Corporation | 5,550 | 40,000 |
| Payees under \$20,000 | 1,917 | 1,177 |
| | 25,387 | 91,727 |
| | 756,474 | 672,122 |

See accompanying notes to the financial statements.

| Board of Directors 2007/08 | Advisor |
|--|---|
| <p>Allen Kuhlmann (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>Lyle Simonson (Vice Chair) Site 4 Box 10 R.R. #1 Swift Current, Saskatchewan S9H 3X7 306.553.2307 306.553.2367 Fax simonsons@sasktel.net</p> | <p>Fiber Specialist</p> <p>Alvin Ulrich 161 Jessop Avenue Saskatoon, Saskatchewan S7N 1Y3 306.668.0130 306.668.0131 Fax aulrich@biolin.sk.ca</p> |
| <p>Gregor Beck Box 196 Rouleau, Saskatchewan S0G 4H0 306.776.2432 306.776.2432 Fax gpbeck@accesscomm.ca</p> | <p>Executive Director</p> <p>Linda Braun B.S.H.Ed.</p> |
| <p>Bill Rusk Box 3198 Nipawin, Saskatchewan S0E 1E0 306.276.2507 306.276.2030 Fax billandmary@sasktel.net</p> | <p>Head Office A5A - 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>David Sefton Box 262 Broadview, Saskatchewan S0G 0K0 306.696.2975 306.696.2276 Fax sefton.farm@sasktel.net</p> | |

