

03/04

Saskatchewan
flax
Development Commission

Annual Report

Directors 2003/04

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

Advisors

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

Executive Director

Linda Braun, Saskatoon

Fiber Specialist

Alvin Ulrich, Saskatoon

Chemopreventative and
Antioxidant Effects of Flaxseed
Lignans, Krol, U of S

Application of Saskatchewan Flax
Straw in Plastics Processing
Industries, Tabil, U of S

Phosphorus Management as
Affected by Tillage, Preceding
Crop and Residual P Fertility,
Grant, AAFC

Effects of Nitrogen Fertilizer
Management on Crop Production
Flax, Canola and Wheat and
Emissions of the Greenhouse
Gas, Nitrous Oxide, Lemke,
AAFC

- Assess the Feasibility of
Processing Plant Method for
Retting Straw in Saskatchewan,
Lischynski, PAMI
Feeding Flax to Livestock,
McKinnon, U of S
- Development of Oilseed Flax
Varieties with Enhanced Straw
Fiber Concentration, Rowland,
U of S
- Isolation, Characterization and
Clinical Applications of Flax
Mucilage – Cunnac, Insfa France
and Dahl, U of S



SaskFlax

Communication

Registered flax producers are the primary stakeholders for the Commission. Information on production, research, products; industry and markets were conveyed to Saskatchewan producers via the Commission's newsletter (published three times per year); the web site; the annual report, at the annual business meeting and industry update; our first winter field day and through personal communication.

Other important stakeholders include allied industry organizations like the Flax Council of Canada and AmeriFlax, agricultural related partners (i.e. Canada Grains Council and PRRCG) and all levels of government. Collaborative and cooperative initiatives with these stakeholders helped to direct industry enhancement and growth, maximized/utilized limited financial resources while ensuring the best interests of our flax growers. As well as representing flax producers on priority issues for the industry, working within this environment provided opportunities for information transfer, networking and recognition of flax's contribution to the sector and indications for future direction.

Market Facilitation

Our market facilitation program works to support domestic and international opportunities for flax – food, feed and fiber.

From a food perspective, SaskFlax provided third party product information related to nutrition, storage and cookery (recipes) to consumers at home and abroad. Cooperative programs with AmeriFlax introduced World Food Professionals and North American Food Technologists Institute members flax's role in food and nutrition. The Mexican Bakery Marketplace was introduced to flax and flax products produced in Saskatchewan as was Chile's aquaculture industry.

Within the Saskatchewan marketplace, SaskFlax worked with CARDS, other commodity groups and food processors on a long term initiative to celebrate Saskatchewan agriculture and food. The Growing Saskatchewan Committee worked on three communication projects- a magazine, web site and culinary concert (October 2004 launch).

From a feed perspective, we continued our support with the Flax Council of Canada on beef feed demonstration projects at Kansas State University and the University of Saskatchewan.

Regarding the fiber sector, SaskFlax continued to advance the development of the fiber industry (straw utilization). A. Ulrich, under contract, championed activities related to research (agronomic/breeding/harvest) product characterization; processing (fiber separation) and market opportunities. This work was supported by SFDC with financial assistance from CAFI, CARDS and ADF.

Saskatchewan Flax Development Commission

BALANCE SHEET As at July 31, 2004

ASSETS

| | Operating Fund | Restricted Fund | Total 2004 | Total 2003 |
|--------------------------------|----------------|-----------------|----------------|----------------|
| CURRENT | | | | |
| Cash | 104,453 | 451,907 | 556,360 | 757,798 |
| Accounts receivable | 134,034 | 0 | 134,034 | 86,819 |
| Interfund (payable) receivable | (148,093) | 148,093 | 0 | 0 |
| | 90,394 | 600,000 | 690,394 | 844,617 |
| CAPITAL (Note 2) | 57,14 | 0 | 57,14 | |
| | 147,535 | 600,000 | 747,535 | 844,617 |

LIABILITIES

CURRENT

| | | | | |
|-------------------------|---------|---|---------|---------|
| Accounts payable | 73,468 | 0 | 73,468 | 65,343 |
| Research grants payable | 64,000 | 0 | 64,000 | 109,600 |
| | 137,468 | 0 | 137,468 | 174,943 |

SURPLUS

| | | | | |
|-----------------------|---------|---------|---------|---------|
| Appropriated (Note 3) | 0 | 600,000 | 600,000 | 600,000 |
| Cumulative surplus | 10,067 | 0 | 10,067 | 69,674 |
| | 10,067 | 600,000 | 610,067 | 669,674 |
| | 147,535 | 600,000 | 747,535 | 844,617 |

Approved on behalf of the Board

Director 

Director 

Saskatchewan Flax Development Commission STATEMENT OF CASH FLOWS For the year ended July 31, 2004

| | 2004 | 2003 |
|--|------------------|-----------------|
| CASH PROVIDED BY (USED BY) THE FOLLOWING ACTIVITIES | | |
| OPERATIONS | | |
| Surplus (deficit) for the year | (59,607) | 126,088 |
| Items charged to earnings which do not affect cash | | |
| Amortization | 3,451 | 869 |
| Net change in non-cash working capital balances | | |
| Accounts receivable | (47,215) | 4,081 |
| Accounts payable | 8,125 | 1,962 |
| Research grants payable | (45,600) | 29,762 |
| | (140,846) | (89,414) |
| INVESTMENT | | |
| Grants received for acquisition of capital assets | 141,382 | 0 |
| Acquisition of capital assets | (201,974) | 0 |
| | (60,592) | |
| Increase (decrease) in cash during the year | (201,438) | (89,414) |
| CASH BEGINNING OF THE YEAR | 757,798 | 847,212 |
| CASH END OF THE YEAR | 757,798 | 757,798 |

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, 2004 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, 2004 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.

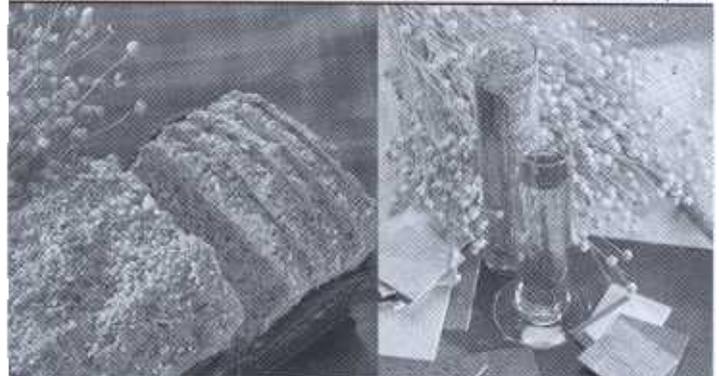
Merv Culham



Chartered Accountant
Regina, Saskatchewan
October 21, 2004

Saskatchewan Flax Development Commission EXPENDITURE BY OBJECT For the year ended July 31, 2004

| | 2004 | 2003 |
|---|---------|---------|
| Personal | | |
| Chris Hale | 3,085 | 5,608 |
| Lyle Simonson | 4,445 | 0 |
| Allen Kuhlmann | 6,318 | 5,851 |
| Edmond Aime | 5,937 | 1,716 |
| Terry Boehm | 0 | 463 |
| Barry Karol | 2,500 | 7,000 |
| Bob Linnell | 1,353 | 6,561 |
| Gord Cresswell | 14,356 | 13,934 |
| Dave Sefton | 13,855 | 8,814 |
| Payees under \$2,500 | 0 | 0 |
| | 51,849 | 49,947 |
| Suppliers | | |
| Food Focus Saskatoon Inc. | 172,682 | 109,658 |
| Biolin Research | 159,168 | 103,211 |
| Canada Post | 27,377 | 29,078 |
| Colorscape Communications | 43,537 | 82,158 |
| Flax Council of Canada | 61,655 | 0 |
| Saskatchewan Canola Development Commission (Levy Central) | 16,157 | 17,281 |
| University of Saskatchewan - scholarship | 0 | 15,000 |
| Payees under \$20,000 | 89,179 | 16,302 |
| | 569,755 | 372,688 |
| Research | | |
| Biolin Research | 6,500 | 16,500 |
| PAMI | 4,000 | 10,000 |
| Receiver General of Canada (AAFC) | 5,500 | 6,000 |
| University of Saskatchewan | 82,500 | 145,498 |
| Payees under \$20,000 | 2,225 | 5,621 |
| | 100,725 | 183,619 |
| | 722,329 | 606,254 |



Saskatchewan Flax Development Commission
STATEMENT OF REVENUE AND CUMULATIVE SURPLUS
 For the year ended July 31, 2004

| | Budget 2004 | Actual 2004 | Actual 2003 |
|---|------------------|----------------|----------------|
| REVENUE | | | |
| Crop levy | 502,000 | 540,661 | 448,962 |
| Levy refunds issued | (26,000) | (29,833) | (20,465) |
| Net crop levy | 476,000 | 510,828 | 428,497 |
| Grant revenues | 0 | 128,040 | 14,186 |
| Interest income | 50,000 | 23,854 | 37,483 |
| | <u>526,000</u> | <u>662,722</u> | <u>480,166</u> |
| EXPENDITURE | | | |
| Administration | | | |
| Executive director | 64,400 | 58,606 | 50,521 |
| Travel | 1,500 | 1,448 | 1,391 |
| Administration | 9,000 | 7,548 | 6,751 |
| Rent | 6,420 | 6,420 | 5,457 |
| Levy collection | 15,000 | 16,349 | 17,383 |
| Meetings | 8,300 | 10,117 | 6,485 |
| Director per diems | 11,625 | 8,484 | 7,357 |
| Director honoraria | 11,480 | 10,915 | 10,085 |
| Professional fees | 3,000 | 3,607 | 5,318 |
| Bank charges | 500 | 307 | 290 |
| Insurance | 1,500 | 2,350 | 1,260 |
| Electronic equipment/programs | 3,000 | 0 | 0 |
| Amortization | 0 | 3,451 | 869 |
| Communication (Schedule 1) | 170,560 | 143,387 | 142,170 |
| Research (Schedule 2) | 101,000 | 100,725 | 183,619 |
| Market facilitation (Schedule 3) | 239,180 | 348,615 | 167,298 |
| | <u>646,465</u> | <u>722,329</u> | <u>606,254</u> |
| SURPLUS (DEFICIT) FOR THE YEAR | <u>(120,465)</u> | (59,607) | (126,088) |
| CUMULATIVE SURPLUS BEGINNING OF YEAR | | 69,674 | 195,762 |
| Transfer to appropriated surplus | | 0 | 0 |
| CUMULATIVE SURPLUS END OF YEAR | | <u>10,067</u> | <u>69,674</u> |

AUDITOR'S REPORT
To the Members of Saskatchewan Flax Development Commission

I have audited the balance sheet of Saskatchewan Flax Development Commission as at July 31, 2004 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, 2004 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 21, 2004



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

**Saskatchewan Flax Development Commission
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended July 31, 2004**

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, 2004:

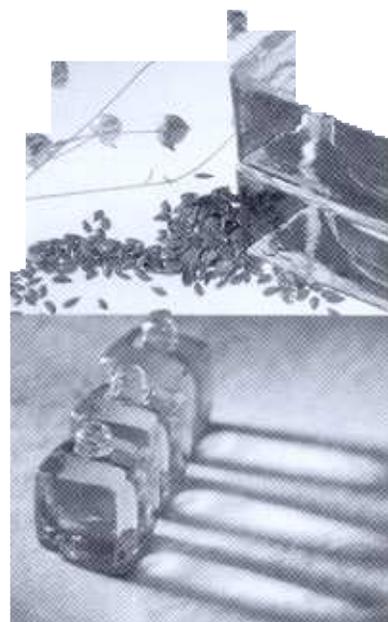
The Agri-Food Act
The Saskatchewan Flax
Development Plan Regulator

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, 2004.

Mer Çulha

Chartered Accountant
Regina, Saskatchewan
October 21, 2004



| | Budget 2004 | Actual 2004 | Actual 2003 |
|------------------------------------|----------------|----------------|----------------|
| Communications | | | |
| Annual general meeting | 12,000 | 14,067 | 10,473 |
| Newsletter | 55,000 | 53,381 | 52,200 |
| Field day | 5,500 | 6,401 | 5,559 |
| Scholarship | 15,000 | 10 | 15,021 |
| Memberships and subscriptions | 3,000 | 2,566 | 1,839 |
| Joint program/partnerships | 5,500 | 3,342 | 5,025 |
| Industry liaison | 35,000 | 33,386 | 27,296 |
| Promotional and resource materials | 5,000 | 3,841 | 0 |
| Committee coordination | 3,060 | 1,480 | 0 |
| Election | 25,000 | 18,713 | 20,254 |
| Electronic communication | 6,500 | 6,200 | 4,503 |
| | <u>70,560</u> | <u>143,387</u> | <u>142,170</u> |

| | | | Schedule 2 |
|--|----------------|----------------|----------------|
| Research | | | |
| New research | 0 | | |
| Dr. Dahl - flax mucilage | 0 | 3,500 | |
| Sub-total new research | 0 | | 0 |
| Research coordination | 6,000 | | 5,621 |
| PAMI - retting straw plant | 4,000 | | 10,000 |
| Dr. Rowland - NSERC | 48,000 | | 47,000 |
| Dr. Pasad - high blood pressure and flax | 0 | | 12,398 |
| Dr. Rowland - eastern flax varieties | 0 | | 15,000 |
| Dr. Grant - phosphorus | 3,000 | | 0 |
| Dr. McKinnon - feed | 0 | | 11,000 |
| Dr. Driederichsen - molecular evaluation | 0 | | 1,000 |
| Biolin - fiber | 0 | | 10,000 |
| Drs. Lemke and Lafond - nitrogen mgt. greenhouse | 2,500 | | 0 |
| Dr. Diederichsen - world mucilage PGRC | 0 | | 5,000 |
| Dr. Drew - fish meal/oil using WCFI | 6,000 | 6,000 | 12,000 |
| Dr. Krol - chemo/antioxidation of flax lignans | 20,000 | 20,000 | 23,100 |
| Mr. Ulrich - variety enhanced bast phase II | 6,500 | 6,500 | 6,500 |
| Dr. Tabil - flax straw fiber in plastic process | 5,000 | 5,000 | 25,000 |
| | <u>101,000</u> | <u>100,725</u> | <u>183,619</u> |

| | Budget 2004 | Actual 2004 | Actual 2003 |
|----------------------------|----------------|----------------|----------------|
| Market facilitation | | | |
| Allied industry programs | 0 | 0 | 25,308 |
| Food market | 100,000 | 84,748 | 55,206 |
| Nutraceutical market | 0 | 0 | 17,176 |
| Feed market | 30,000 | 34,670 | 4,874 |
| Fiber market | 100,000 | 229,051 | 64,734 |
| Committee coordination | 9,180 | 146 | 0 |
| | <u>239,180</u> | <u>348,615</u> | <u>167,298</u> |

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.

2/ Capital assets

| | 2004 | | 2003 | | Rate |
|--------------------|-----------------|---------------|------------|------------|------|
| | Grants received | Accum. amort. | Book Value | Book Value | |
| Computer equipment | 8,425 | 0 | 8,425 | 0 | 20% |
| Research equipment | 201,974 | 141,382 | 3,451 | 57,141 | 10% |
| | 210,399 | 141,382 | 11,876 | 57,141 | 0 |

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, 2005 | 58,600 |
| Year ended July 31, 2006 | 48,000 |
| Year ended July 31, 2007 | 50,500 |
| | 157,100 |

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.

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