

08/09

Saskatchewan flax Development Commission

Annual Report

Directors 2008/2009

Allen Kuhlmann, Rouleau
(Chair)
Lyle Simonson, Swift Current
(Vice Chair)
Gregor Beck, Rouleau
Chris Hale, Rouleau
David Sefton, Broadview
Erwin Hanley, Regina

Advisor 2008/2009

Dr. Gordon Rowland,
Saskatoon (CDC)
Glenn Payne, Regina
(Ministry of Agriculture)
Venkata Vakulabharanam,
Regina
(Ministry of Agriculture)

Executive Director

Linda Braun, Saskatoon

Fiber Specialist

Alvin Ulrich, Saskatoon

Head Office

Saskatchewan Flax
Development Commission
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SaskFlax

Operations

In its 13th year of operation, strong leadership continued to guide the organization. Directors included Allen Kuhlmann (Chair), Lyle Simonson (Vice-Chair); Gregor Beck and Chris Hale. David Sefton's term was renewed and the Commission welcomed Erwin Hanley who replaced retiring Director Bill Rusk.

The Commission broadened its advisory capacity by welcoming Venkata Vakulabharanam (Oilseeds Specialist) and Glenn Payne (BioProducts Specialist). They joined Dr. Rowland in keeping the Board apprised of industry and government happenings.

Day to day management services were contracted with the firm of Food Focus Saskatoon, Inc., Linda Braun (Executive Director) and Janice Henriksen (Administration). Penny Eaton, Eaton & Associates Consultants assisted with much of the communication programs. Alvin Ulrich and his firm, Biolin Research provided expertise and executed activities under the fiber pillar.

Levy Central supplied check-off collection services. Clients of Levy Central worked together to create a new agency as the Saskatchewan Canola Development Commission notified all clients that they would no longer provide this service after January 2010. The coalition consisted of canola, flax, mustard, canaryseed, winter cereals and oats commodity groups. Western Grains Research Foundation participated as a potential future client.

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

Regulations, board orders and policies were reviewed in accordance with the Agri-Food Council requirements. Our auditor was advised of new financial reporting rules initiated this year by the Council.

Research

Within the research pillar, Dr. Rowland's winter nursery project and Biolin's equipment modification for straw management continued. Projects approved included the CDC RILS effort in conjunction with Saskatchewan ADF program. On the national level, SaskFlax partnered with the Flax Council of Canada, Genome Prairie and others on the TUFGEN (Total Utilization of Flax Genomics). TUFGEN aims at providing genetic knowledge for improvement of seed and fiber traits of oilseed flax to enhance its usefulness, benefits and versatility by developing a strong genomics base for breeding and improvement.

SaskFlax also lent its vocal support to the Flax Council of Canada's efforts to investigate solutions for non transgenic herbicide tolerance flax.

Viterra, the Alberta Research Council and SaskFlax agreed to collaborate on a breeding project to adapt flax varieties for the northern grain belt. Project objectives include development of northern flax varieties that feature early maturing and day length sensitivity, tolerance to seeding into cold soils, determinate maturity and the ability to dry down rapidly.

As the entire Canadian flax industry will benefit from varieties developed, SaskFlax worked with its partners to procure required funding from both industry and governments (provincial and national). Funding applications were submitted to CAAP (Canadian Agricultural Adaptation Program), ADF (Ag Development Fund – Saskatchewan); and WGRF (Western Grains Research Foundation). The coalition continues to move the initiative forward.

We were very pleased to be invited to the Crop Development Centre's flax breeder selection process where we learned about candidates experience and their goals for flax. We look forward to working with the successful candidate, Dr. Helen Booker in the coming years.



Under the auspices of the Ag BioProduct Innovation Program (ABIP), SaskFlax continued to support the Natural Fibers Network from Pillar 1 with Breeding and Agronomy; Platform 2 Field Treatment (retting) and Harvest Technologies (stripper header/straight combining) and Primary Processing (extraction of fiber/shive) to Platform 7 Sustainability.

The Sustainability exercise led by Maria Wellisch and SaskFlax Directors proved to be a very positive pilot project for not only the flax industry, but for the broader topic area of sustainability. SaskFlax has been a leader for Platform 7 and has been widely recognized for its commitment, cooperation and positive attitudes towards a sustainable industry. The project provided for the development of a vision statement and the template for the implementation of an action plan for value adding from both a seed and a straw perspective as well as initiating dialogue between/among primary producers, processors, and key value-added stakeholders along the chain.

Communications

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

Memberships and/or representation with allied industry organizations and events like Flax Canada 2015, AgWest, STEP, WGRF, National Forum on Seed, etc. kept producers abreast of industry happenings. As firm believers in tomorrow, SaskFlax continued

to support organizations and programs like Saskatchewan 4-H and Outstanding Young Farmers to further ensure industry sustainability.

Your check-off dollars were leveraged with Advancing Canadian Agriculture and Agri-Food (ACAAF) dollars to executive "Just the Flax". This pilot program authored by Larry Weber, provided reports on markets, production, supply and demand, growing conditions, etc. to help producers make informed and timely decisions for cropping and marketing.

Market Facilitation

Food/fiber arenas continued to be profiled by SaskFlax. Within the food arenas, SaskFlax via Whitecap Books released "Everything Flax" one of the first ever Canadian flax cookbooks.

At home, the Commission showcased flax and its role in a healthy lifestyle at Saskatchewan indemand trade show and through resource material dissemination.

SaskFlax consultants attended such events as Supply Side West to gain insight and understanding of flax's opportunity in North American's functional foods and supplements market. Information gleaned was shared with our producers and value-added companies.

Within the fiber arena, Crop Fibers Canada, the pilot plant and resource centre for flax fiber continued to modify its equipment line, participate in national efforts and work with ASTM (American Society for Testing Materials) on Standards Development. These activities were geared to grow the fiber industry. Dialogue continued with producers, processors, individuals and companies interested in specific technologies and opportunities to invest/grow the industry.

Saskatchewan Flax Development Commission Board of Directors



Allen Kuhlmann
(Chair)



Lyle Simonson
(Vice Chair)



Gregor Beck



Chris Hale



David Sefton



Erwin Hanley

AUDITOR'S REPORT

To the Members of Saskatchewan Flax Development Commission

I have audited Saskatchewan Flax Development Commission's control as of July 31, 2009 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, 2009 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 29, 2009

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, 2009:

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, 2009.

Merv Culham



Chartered Accountant
Regina, Saskatchewan
October 29, 2009

To the Members of Saskatchewan Flax Development Commission

I have audited the balance sheet of Saskatchewan Flax Development Commission as at July 31, 2009 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, 2009 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



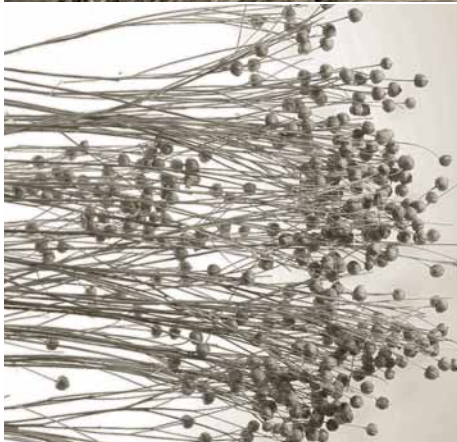
Chartered Accountant
Regina, Saskatchewan
October 29, 2009



*“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, 2009



ASSETS

| | Operating Fund | Restricted Fund | Total 2009 | Total 2008 |
|--------------------------------|-------------------|--------------------|---------------|---------------|
| CURRENT | | | | |
| Cash | 197,823 | 450,854 | 648,677 | 817,135 |
| Accounts receivable | 179,812 | 0 | 179,812 | 150,895 |
| Prepaid items | 0 | 0 | 0 | 0 |
| Interfund (payable) receivable | (149,146) | 149,146 | 0 | 0 |
| | 228,489 | 600,000 | 828,489 | 968,030 |
| CAPITAL (Note 2) | | | | |
| | 185,112 | 0 | 185,112 | 215,072 |
| | 413,601 | 600,000 | 1,013,601 | 1,183,102 |

LIABILITIES

| | | | | |
|-------------------------|--------|---|--------|---------|
| CURRENT | | | | |
| Accounts payable | 39,873 | 0 | 39,873 | 155,902 |
| Research grants payable | 5,000 | 0 | 5,000 | 50,500 |
| | 44,873 | 0 | 44,873 | 206,402 |

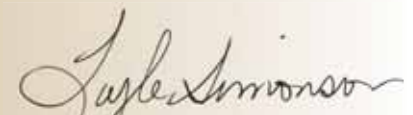
SURPLUS

| | | | | |
|------------------------------|---------|---------|-----------|-----------|
| SURPLUS | | | | |
| Appropriated (Note 3) | 0 | 600,000 | 600,000 | 600,000 |
| Cumulative surplus (deficit) | 368,728 | 0 | 368,728 | 376,700 |
| | 368,728 | 600,000 | 968,728 | 976,700 |
| | 413,601 | 600,000 | 1,013,601 | 1,183,102 |

See accompanying notes to the financial statements.

Approved on behalf of the Board


 Director


 Director

Saskatchewan Flax Development Commission
STATEMENT OF REVENUE AND CUMULATIVE SURPLUS
For the year ended July 31, 2009

| | Budget 2009 | Actual 2009 | Actual 2007 |
|---|----------------|----------------|----------------|
| REVENUE | | | |
| Crop levy | 550,000 | 505,103 | 557,827 |
| Levy refunds issued | (28,000) | (20,158) | (31,540) |
| Net crop levy | 522,000 | 484,945 | 526,287 |
| Grant revenues | 50,000 | 40,456 | 243,214 |
| Conference fees | 0 | (750) | 110,764 |
| Interest income | 26,000 | 17,322 | 22,323 |
| | <u>598,000</u> | <u>541,973</u> | <u>902,588</u> |
| EXPENDITURE | | | |
| Administration | | | |
| Executive director | 60,700 | 78,410 | 56,923 |
| Travel | 2,000 | 1,493 | 1,777 |
| Administration | 6,000 | 6,915 | 5,536 |
| Rent | 10,200 | 9,450 | 8,428 |
| Levy collection | 15,000 | 14,408 | 12,384 |
| Meetings | 10,000 | 5,845 | 9,661 |
| Director per diems | 9,000 | 4,518 | 7,412 |
| Director honoraria | 12,000 | 7,215 | 10,317 |
| Professional fees | 6,000 | 3,224 | 8,836 |
| Bank charges | 600 | 417 | 434 |
| Insurance | 3,000 | 3,114 | 2,550 |
| Electronic equipment/programs | 2,500 | 214 | 0 |
| Amortization | 0 | 29,959 | 29,959 |
| Communication (Schedule 1) | 177,000 | 134,848 | 85,265 |
| Research (Schedule 2) | 54,000 | 54,673 | 25,389 |
| Market facilitation (Schedule 3) | 190,000 | 195,242 | 491,603 |
| | <u>558,000</u> | <u>549,945</u> | <u>756,474</u> |
| SURPLUS FOR THE YEAR | <u>40,000</u> | (7,972) | 146,114 |
| CUMULATIVE SURPLUS BEGINNING OF YEAR | | 376,700 | 230,586 |
| Transfer to appropriated surplus | | 0 | 0 |
| CUMULATIVE SURPLUS END OF YEAR | | <u>368,728</u> | <u>376,700</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, 2009



Saskatchewan Flax Development Commission
NOTES
For the year ended July 31, 2009

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.

| | 2009 | 2008 |
|--|-----------|----------|
| CASH PROVIDED BY (USED BY) THE FOLLOWING ACTIVITIES | | |
| OPERATIONS | | |
| Surplus (deficit) for the year | (7,972) | 146,114 |
| Items charged to earnings which do not affect cash | | |
| Amortization | 29,959 | 29,959 |
| | 21,987 | 176,073 |
| Net change in non-cash working capital balances | | |
| Accounts receivable | (28,917) | 85,065 |
| Prepaid items | 1 | 4,691 |
| Accounts payable | (116,029) | 24,906 |
| Research grants payable | (45,500) | (48,000) |
| Increase (decrease) in cash during the year | (168,458) | 242,735 |
| CASH BEGINNING OF THE YEAR | 817,135 | 574,400 |
| CASH END OF THE YEAR | 648,677 | 817,135 |

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

| | | |
|-------------------|-----|-----|
| Bank charges paid | 417 | 434 |
| Income taxes paid | 0 | 0 |

See accompanying notes to the financial statements.

2. Capital assets

| | 2009 | | | 2008 | | |
|--------------------|---------|-----------------|---------------|------------|------------|------|
| | Cost | Grants received | Accum. amort. | Book Value | Book Value | Rate |
| Research Equipment | 502,959 | 203,366 | 114,481 | 185,112 | 215,072 | 10% |

Saskatchewan Flax Development Commission
SCHEDULES TO THE FINANCIAL STATEMENTS
For the year ended July 31, 2009

| | Budget 2009 | Actual 2009 | Actual 2008 |
|---|----------------|----------------|-------------------|
| Communications | | | Schedule 1 |
| Annual general meeting | 14,200 | 18,649 | 13,905 |
| Newsletter | 30,000 | 16,300 | 15,703 |
| Scholarship | 5,000 | 0 | 0 |
| Memberships and subscriptions | 2,000 | 2,309 | 832 |
| Joint program/partnerships | 10,000 | 2,674 | 1,521 |
| Industry liaison | 50,000 | 33,990 | 48,179 |
| Flax market support - Weber | 42,800 | 49,617 | 0 |
| Election | 13,000 | 3,604 | 354 |
| Electronic communication | 10,000 | 7,705 | 4,771 |
| | 177,000 | 134,848 | 85,265 |
| Research | | | Schedule 2 |
| New research | 0 | 0 | 0 |
| Research coordination | 2,600 | 5,363 | 1,919 |
| Support ADF flax projects | 5,000 | 0 | 0 |
| CDC quality lab support | 5,000 | 5,000 | 0 |
| FC2015 breeding strategy | 5,000 | 0 | 0 |
| Dribnenki - short season flax | 0 | 9,308 | 0 |
| Western Applied Research Corp- sulfentrazone and weeds | 0 | 0 | 5,550 |
| Ulrich - enhance field retting of flax straw | 11,400 | 9,750 | 12,920 |
| Rowland - RILS phenotyping | 20,000 | 20,252 | 0 |
| Rowland - winter nursery | 5,000 | 5,000 | 5,000 |
| | 54,000 | 54,673 | 25,389 |
| Market facilitation | | | Schedule 3 |
| Flax 2015 national initiative | 2,000 | 7,483 | 113,435 |
| Food market | 38,000 | 40,569 | 21,184 |
| Flax National Biofiber Initiative | 0 | 0 | 1,482 |
| Fibre market | 150,000 | 147,190 | 355,226 |
| Ag clearing | 0 | 0 | 276 |
| | 190,000 | 195,242 | 491,603 |

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, 2010 | 90,000 |
| Year ended July 31, 2011 | 90,000 |
| Year ended July 31, 2012 | 80,000 |
| Year ended July 31, 2013 | 75,000 |
| Year ended July 31, 2014 | 50,000 |
| | 385,000 |

The amount includes the Northern Adapted Flax Variety Development Program at \$250,000 which is subject to approval of a sharing agreement

5. Incorporation statute

Saskatchewan Flax Development Commission is a non-profit organization incorporated under the Agri-Food 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, 2009

Saskatchewan Flax Development Commission
BOARD OF DIRECTORS
For the year ended July 31, 2009

| | 2009 | 2008 |
|---|---------|---------|
| Personal | | |
| Allen Kuhlmann | 14,580 | 11,358 |
| Chris Hale | 2,851 | 5,236 |
| David Sefton | 7,835 | 11,544 |
| Erwin Hanley | 2,111 | 0 |
| Gordon Cresswell | 0 | 2,577 |
| Gregor Beck | 4,882 | 3,003 |
| Lyle Simonson | 5,219 | 9,781 |
| William Rusk | 2,003 | 1,842 |
| Payees under \$2,500 | 0 | 0 |
| | 39,481 | 45,341 |
| Suppliers | | |
| Food Focus Saskatoon Inc. | 164,553 | 166,236 |
| Biolin Research | 76,955 | 226,994 |
| Canada Post | 10,821 | 9,616 |
| Colorscape Communications | 29,329 | 20,806 |
| Flax Council of Canada | 0 | 212 |
| Saskatchewan Canola Development Commission (Levy Central) | 14,131 | 12,448 |
| Eaton & Associates | 22,710 | 24,552 |
| Hilton Garden Inn | 0 | 31,553 |
| Weber Communications | 22,272 | 0 |
| Payees under \$20,000 | 114,930 | 193,329 |
| | 455,701 | 685,746 |
| Research | | |
| Biolin Research | 9,750 | 12,920 |
| Crop Development Centre | 5,000 | 0 |
| University of Saskatchewan | 25,000 | 5,000 |
| Western Applied Research Corporation | 0 | 5,550 |
| Payees under \$20,000 | 15,013 | 1,917 |
| | 54,763 | 25,387 |
| | 549,945 | 756,474 |

See accompanying notes to the financial statements.

| Board of Directors 2008/09 | Advisors 2008/09 |
|--|--|
| <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>Glenn Payne Provincial Specialist, Crop BioProducts Ministry of Agriculture 125 - 3085 Albert Street Regina, Saskatchewan S4S 0B1 306.798.0944 306.787.0428 Fax</p> |
| <p>Gregor Beck Box 196 Rouleau, Saskatchewan S0G 4H0 306.776.2432 306.776.2432 Fax gpbeck@accesscomm.ca</p> | <p>Venkata Vakulabharanam Provincial Specialist, Oilseeds Ministry of Agriculture 125 - 3085 Albert Street Regina, Saskatchewan S4S 0B1 306.787.4668 306.787.0428 Fax</p> |
| <p>Chris Hale Box 189 Rouleau, Saskatchewan S0G 4H0 306.776.2439 306.776.2573 Fax cns.farm.hale@sasktel.net</p> | <p>Fiber Specialist</p> |
| <p>David Sefton Box 262 Broadview, Saskatchewan S0G 0K0 306.696.2975 306.696.2276 Fax sefton.farm@sasktel.net</p> | <p>Alvin Ulrich 161 Jessop Avenue Saskatoon, Saskatchewan S7N 1Y3 306.668.0130 306.668.0131 Fax aulrich@biolin.sk.ca</p> |
| <p>Erwin Hanley Box 37180 Regina, Saskatchewan S4S 7K3 306.586.4509 306.586.4509 Fax ehanley@sasktel.net</p> | <p>Executive Director</p> <p>Linda Braun B.S.H.Ec.</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> |

