

Saskatchewan Canola Development Commission

VISION:

Shaping canola's future for producer profitability

MISSION:

To enhance canola producers competitiveness and profitability through a producer led and controlled fund which supports research, market development, and extension activities

STATE OF THE INDUSTRY

Saskatchewan growers planted 6.6 million acres and harvested 6.49 million acres of canola in 2005, with an average yield of 31.5 bushels per acre, producing 4.6334 million tonnes. Quality, for a change, was fair to good. This was a huge crop that generated a greater share of farm cash receipts than ever before. This trend can grow further if we can keep the profitability of canola competitive relative to other cash crop options.

We are an organization of growers who have made the decision to tax ourselves. With the funds, we can constantly have influence on the evolution of our crop. The Commission invests in Market Development, Research and Communications programs. Research, by tradition focused on production, will move closer to topics of new uses, value added and pursuit of vehicles to take back influence and control of new technologies. Market development efforts have shifted to a more nationally based delivery system with better national and international promotions for oil, meal and seed.

Our federal and provincial governments are getting to know us better. A regular presence in the office of related ministers is key to their education about canola. It has become clear that industries without a voice become the sacrificial lamb at the policy table.

The canola industry faces issues of international trade disparities and barriers. These are great barriers to canola demand. The opportunity to create new demand domestically is here for us. A biofuels mandate with a distinct biodiesel Renewable Fuel Standard will have a significant impact on domestic demand. Hopefully by the time you are reading this, that mandate will be in place.

Environmental and food safety issues raise concerns over pesticide use. These concerns are real. We must remain responsible users of pesticides and technologies. Failure on these issues and we participate in our own demise.

If we are absent or silent, we cannot complain about our position. Board members speak for you about everything that happens around canola. Change is constant and does not happen in a void. If canola isn't at the table of change, others will decide on your behalf. The voices of producers are so important when decisions influencing our future are made.

Thank you for attending the Annual General Meeting. Your opinion is important to your directors and the canola industry. ☺

DIRECTORS

Wayne Bacon
Kinistino SK

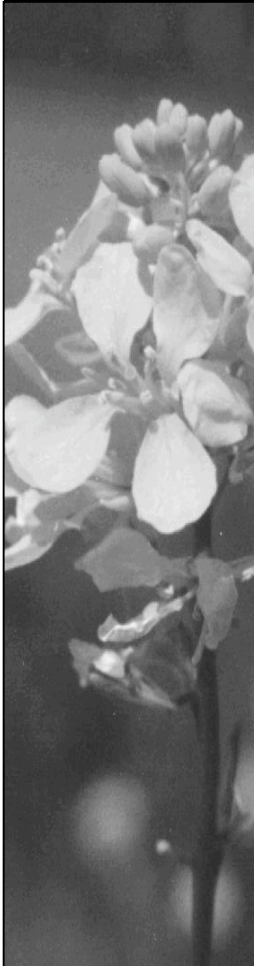
Jim Caughlin
Tisdale SK

Kelvin Meadows
Moose Jaw SK

Fred Meister
Radisson SK

John Serhienko
Blaine Lake SK

Tim Wiens
Herschel SK



RESEARCH

SCDC invested \$637,313 in research projects for the 2005-2006 fiscal year and funded a number of new projects:

- ⊗ Pre-harvest crop management: straight cutting, desiccation, pushing, swathing
- ⊗ Optimizing harvestability
- ⊗ Integrating drift reduction technologies with agronomic practices
- ⊗ Fertilizer N efficiency and utilization on weeds and crops in a canola-barley rotation study
- ⊗ Development of semiochemical monitoring and detection system for diamondback moth
- ⊗ Determination of pathogenic variability of blackleg and resistance in western Canadian cultivars
- ⊗ Impact of timing, rate and application technology on biological control of sclerotinia
- ⊗ Cultural control of seedling blight in hybrid and speciality canola
- ⊗ Evaluation of sclerotinia resistance in Canadian cultivars and identification of resistant germplasm at Plant Gene Resources
- ⊗ Determining the economic optimum plant density
- ⊗ Lubricant base oils from oilseed
- ⊗ Defining digestible and net energy values of canola meal and full-fat canola seed in swine
- ⊗ Production of propylene glycol from crude glycerol
- ⊗ Trimethylamine (egg taint) research with laying hens
- ⊗ BioBus III: Biodiesel-hybrid bus evaluations
- ⊗ To study the creation of a producer-based commercialization vehicle.

Research projects were conducted by Agriculture and Agri-Food Canada (AAFC), University of Saskatchewan, University of Alberta, Alberta Research Council, Prairie Swine Centre and the Agri-ARM sites in Saskatchewan.

SCDC appreciates the matching, investment-initiative funding provided by AAFC. AAFC matched the SCDC's commitments and

provided research scientists and facilities to conduct research projects. Natural Resources Canada, Canadian International Grains Institute and Canola Council of Canada also provided funding for a number of canola research projects.

The SCDC Board of Directors met with AAFC researchers to review research priorities and prioritize new projects for funding. The Canola Council of Canada, Alberta Canola Producers Commission, and Manitoba Canola Growers also met with the SCDC to identify production research priorities and to coordinate research funding in Western Canada.

A list of SCDC-funded research projects is available from the SCDC office. Most project summaries and reports are posted on the SCDC website at www.saskcanola.com. ⊗

COMMUNICATIONS

The 2006 SCDC Annual Meeting, featuring renowned canola markets expert Thomas Mielke of Oilworld, in addition to Steve Biggar, Mosaic Canada and Stewart Brandt, Agriculture and Agri-Food Canada, remains one of the communication highlights for the year. During Crop Production Week, SCDC exhibited jointly with the Saskatchewan Canola Growers Association (SCGA) at the Crop Production Show in Saskatoon which provided an opportunity to discuss SCDC programs with producers. The SCDC also displayed at the Saskatchewan Soil Conservation Association convention in Regina. This continues to be a very well attended event and is deemed to be worthwhile to participate in.

The SCDC also sponsored grower extension meetings and field days in co-operation with the SCGA, the Canola Council of Canada's Canola Advantage Program, Saskatchewan Agriculture and Food, and Agriculture and Agri-Food Canada. Directors and staff of the SCDC spoke at more than 20 meetings in

rural Saskatchewan about canola production.

The Canola Digest magazine, a co-operative effort between the canola organizations in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and the Canola Council of Canada, continues to be the primary vehicle for communication with producers. It is published four times per year and sent to all canola producers in the above-listed provinces. Contact with Saskatchewan growers was also made by airing radio tapes on many Saskatchewan radio stations during seeding and harvest. The tapes were interview-style format with Kevin Hursh as the interviewer, and touched on topics such as the Canola Watch program, in crop fertility, canola storage, early season weed control, hybrid fertilizer requirements, Canola Export Ready program, seeding rates, pest monitoring, biodiesel policy and demand, canola markets, US canola oil promotion program, and new products research, to name a few. Other means of communications included monthly columns and full page advertorials in the *Western Producer*, as well as weekly radio spots on CJWW's agriculture program.

The SCDC, along with the other provincial canola organizations, funds and manages the Canola Learning Centre at the Royal Agricultural Winter Fair in Toronto. This takes the form of a 50-foot display that is part of a multi-commodity based Education Center at the Fair. Attendance at the 2005 Fair was approximately 30,000 school children and 300,000 adults.

The SCDC sponsored the Agriculture in the Classroom program – formerly known as the Teachers Writing Workshop – now called the Agriculture Roadshow. At the Roadshow, teachers toured the areas of the province featuring the sustainability of Saskatchewan agriculture and learned about specific agricultural related topics. Curriculum related materials were then created.

The SCDC continued to support the school program, including Canola Corner at the Canola Learning Centre, which is part of the Conservation Learning Centre in Prince Albert. The objective is to bring awareness of canola to school children from a nutritional, agronomic, economic, and biotechnology perspective.

The SCDC continued to make improvements to its website, which is found at www.saskcanola.com.

MARKET DEVELOPMENT

The SCDC partners with the Canola Council of Canada and Canadian and US grower groups to implement market development initiatives under the name CanolaInfo.

CanolaInfo targets health professionals, foodservice personnel, and food media. Each target has a separate strategy.

In 2005 the canola industry applied to the Food and Drug Administration in the U.S. for a qualified health claim for canola oil. Technically, if the claim is approved, canola oil bottlers and makers of eligible products may state on label:

Limited and not conclusive scientific evidence suggests that eating about 1_ tablespoons (19 grams) of canola oil daily may reduce the risk of coronary heart disease due to the unsaturated fat content in canola oil. To achieve this possible benefit,

canola oil is to replace a similar amount of saturated fat and not increase the total number of calories you eat in a day. One serving of this product contains [x] grams of canola oil.

This could be an exciting marketing tool for CanolaInfo. New branding materials will be developed and will be unveiled in early 2007.

The CanolaInfo continues to build on programs like Canola Camp and exhibiting at top level nutrition and food conferences. SCDC has been very active in the Canola Camp program and have now hosted over 90 food professionals from across Canada, the US, Mexico and Japan. The CanolaInfo team continues to communicate with past campers and has partnered with several of them to develop recipes, do radio media tours and writing.

The CanolaInfo website, www.canolainfo.org, continues to be an important tool. The internet is a cost-effective way to provide instant access to all our information. The website will be refreshed in early 2007 to reflect new branding materials and build on the Qualified Health Claim. By far, the two areas that receive the most hits are the recipe and nutrition pages.

SCDC supported various canola oil promotion activities in the province including significant sponsorship of the Growing Saskatchewan magazine. The Commission was also a sponsor of the second edition of the Breast of Friends cookbook.

Ads were placed in the Saskatoon Star Phoenix and the Regina Leader Post for Nutrition Month which highlighted the healthy attributes of canola oil.

MANAGEMENT REPORT

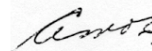
The Commission's management is responsible for establishing and maintaining a system of internal control, complying with authorities, maintaining financial records, and preparing financial statements. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The Commission's Board oversees management in the performance of its financial reporting duties.

PricewaterhouseCoopers examined the Commission's system of internal control, compliance with authorities and financial statements. A copy of their opinions on the internal control, compliance with authorities, and the financial statements are enclosed.



Laurie Hayes, Executive Director



Arlaine Moe, Financial Administrator

Saskatoon, Saskatchewan
October 16, 2006

Auditors' Report

To the Board of Directors of Saskatchewan Canola Development Commission

We have audited the statement of financial position of **Saskatchewan Canola Development Commission** as at July 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following two paragraphs, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

The North American Canola Oil Promotion Program activities are being managed by another party to this co-sponsored program. It was not practical for us to examine the records of the North American Canola Oil Promotion Program, and as such, we were unable to determine whether any adjustments might be necessary to the assets, liabilities, revenues, expenses, net assets and cash flows of the commission, or to the specific disclosures described in note 12(b) to the financial statements related to the commission's interest in the program.

The commission collects a check-off fee from Saskatchewan producers through buyers of canola. It was not practical for us to verify whether all buyers of canola produced in Saskatchewan have collected and remitted the required check-off fee to the commission. Accordingly, our verification of check-off fee revenue was limited to the amounts recorded in the accounts of the commission. As such, we were unable to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets, liabilities, net assets and cash flows of the commission.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to the commission's interest in the North American Oil Promotion Program activities, and the completeness of check-off fee revenue as described in the preceding two paragraphs, these financial statements present fairly, in all material respects, the financial position of the commission as at July 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The prior year's comparative financial statements were audited by the Provincial Auditor of Saskatchewan.

October 16, 2006
Saskatoon, Saskatchewan

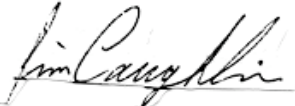

PricewaterhouseCoopers LLP

Chartered Accountants

SASKATCHEWAN CANOLA DEVELOPMENT COMMISSION
Statement of Financial Position
As at July 31, 2006

	2006	2005
	\$	\$
Assets		
Current assets		
Cash	182,822	75,629
Accounts receivable (note 11)	494,446	358,723
Advances	-	27,382
Accrued interest receivable (note 4)	8,842	2,855
Prepaid expenses	11,122	15,196
	697,232	479,785
Investments (note 4)	2,686,821	1,692,270
Capital assets (note 5)	19,361	29,276
	3,403,414	2,201,331
Liabilities		
Current liabilities		
Accounts payable (note 11)	443,462	71,912
	443,462	71,912
Net Assets		
Invested in capital assets	19,361	29,276
Internally restricted (note 6)	1,400,000	1,400,000
Unrestricted	1,540,591	700,143
	2,959,952	2,129,419
	3,403,414	2,201,331
Commitments (note 7)		

Approved by the Board of Directors:


 _____, Director
 
 _____, Director

(see accompanying notes to the financial statements)

SASKATCHEWAN CANOLA DEVELOPMENT COMMISSION
Statement of Changes in Net Assets
For the Year Ended July 31, 2006

	Invested in capital assets	Internally restricted	Unrestricted	T	T
Balance – Beginning of year	29,276	1,400,000	700,143	2,129,419	2,015,819
Excess of revenue over expenses for the year	7,297	-	823,236	830,533	113,600
Proceeds from disposal of capital assets	(17,212)	-	17,212	-	-
Balance – End of year	19,361	1,400,000	1,540,591	2,959,952	2,129,419

SASKATCHEWAN CANOLA DEVELOPMENT COMMISSION
Statement of Operations
For the Year Ended July 31, 2006

	<i>Budget</i> 2006 \$ (note 8)	Actual 2006 \$	Actual 2005 \$
Revenue			
Producer check-off fees (note 9)			
Fees	2,350,000	3,050,920	1,716,254
Refunds	(120,000)	(199,873)	(106,054)
Net	2,230,000	2,851,047	1,610,200
Interest and other income	70,000	90,986	77,175
Levy Central income	60,000	73,495	99,984
Western Economic Diversification transfer	90,000	73,816	76,763
Gain on disposal of assets	-	17,212	5,650
	2,450,000	3,106,556	1,869,772
Expenses			
Research and development projects (notes 10 and 11)	670,000	637,313	440,356
Market development	750,000	567,897	505,054
Salaries and benefits	291,500	313,906	251,736
Communications	316,500	261,444	222,372
Canola Advantage grant	130,000	130,000	130,000
Board of directors	80,000	113,259	70,670
General and administration (note 11)	76,500	90,265	59,103
Rent	42,500	40,506	26,671
Election	50,000	39,728	700
Scholarships and educational support (note 11)	40,000	39,200	23,600
Management travel	20,000	22,002	16,598
Amortization	12,000	9,915	7,259
Annual meeting	10,000	8,141	2,053
Loss on disposal of investments	-	2,447	-
	2,489,000	2,276,023	1,756,172

SASKATCHEWAN CANOLA DEVELOPMENT COMMISSION
Statement of Cash Flows
For the Year Ended July 31, 2006

	2006	2005
	\$	\$
Cash provided by (used in)		
Operating activities		
Receipts from producers	2,865,258	1,595,509
Receipts from Levy Central	72,458	91,649
Receipts from Western Economic Diversification	108,216	69,891
Receipts of interest and other revenue	102,885	48,681
Payments of research and development projects, grants and scholarships	(824,014)	(621,886)
Payments to board members	(106,174)	(70,670)
Payments to producers	(149,213)	(94,714)
Payments to suppliers and employees	(981,128)	(1,117,210)
	1,088,288	(98,750)
Investing activities		
Purchase of capital assets	-	(29,118)
Proceeds from disposal of capital assets	17,212	6,736
Purchase of investments	(1,407,569)	(750,622)
Proceeds from disposal of investments	409,262	615,028
	(981,095)	(157,976)
Increase (decrease) in cash	107,193	(256,726)
Cash – Beginning of year	75,629	332,355
Cash – End of year	182,822	75,629

SASKATCHEWAN CANOLA DEVELOPMENT COMMISSION
Notes to the Financial Statements
July 31, 2006

1 Authority

The Saskatchewan Canola Development Commission (“SCDC”) was established on February 6, 1991, pursuant to The Saskatchewan Canola Development Plan Regulations (“Regulations”), under the authority of The Agri-Food Act, 2004. The purpose of SCDC is to enhance canola producers’ competitiveness and profitability through canola research, market development and communication activities. The activities of SCDC are funded primarily by a check-off fee charged on canola sales from canola production in Saskatchewan.

2 Significant accounting policies

The following accounting policies are considered significant.

a) Revenue

Check-off fees and refunds

Restricted contributions

The deferred method of accounting is used for any restricted contributions.

Levy central income

Levy central income is the fee charged by SCDC to the Saskatchewan Mustard Development Commission, the Saskatchewan Flax Development Commission, the Canary Seed Development Commission of Saskatchewan, Saskatchewan Oat Development Commission and the Saskatchewan Pulse Crop Development Board (related parties) for administering their check-off fee programs. Income is recognized as work is performed.

Transfers

Western Economic Diversification transfers are reimbursements of eligible costs incurred by SCDC for a research project. Transfers are recognized as revenue when the transfer is authorized and any eligibility criteria are met.

b) Basis of accounting for co-sponsored program interests

SCDC uses the equity method of accounting for its interest in co-sponsored programs.

c) Capital assets

Capital assets are carried at cost less accumulated amortization. Amortization of capital assets is calculated on the straight-line basis in amounts sufficient to amortize the cost of capital assets over their estimated useful lives as follows:

Farm equipment	10 years
Equipment and furniture	3 – 5 years

d) Grants, and research and development projects

Expenses are recognized when grants and/or projects are approved and the recipient has met eligibility criteria. Funds advanced to recipients prior to eligibility criteria being met are recorded as advances.

3 Financial instruments

SCDC's financial instruments include cash, accounts receivable, accrued interest receivable, investments and accounts payable. The accounts receivables, accrued interest receivable and accounts payable have a fair value that approximates their carrying value due to the immediate or short-term maturity of these financial instruments. Estimated fair market value of investments is disclosed in note 4 below.

SCDC is exposed to credit risk from potential non-payment of accounts receivable. Most of the accounts receivable were received shortly after year-end.

4 Investments

		2006			20		
	Years to maturity	¢	Market value	Yield to maturity	¢	Market value	Yield to maturity
Federal	1 – 5	471,856	473,661	5.03	170,580	177,953	5.03
Provincial	1 – 5	1,436,339	1,423,495	3.30 – 5.00	757,588	770,834	3.30 – 5.00
Corporate	1 – 5	778,626	765,385	2.57 – 4.00	764,102	761,756	2.57 – 4.00
		<u>2,686,821</u>	<u>2,662,541</u>		<u>1,692,270</u>	<u>1,710,543</u>	

The market value of the bonds and strip bond instruments is determined by reference to closing year-end sale prices from recognized security dealers.

The comparative figures for 2005 have been restated to include the realized interest on strip bond instruments earned in past years. The reclassification resulted in a reduction of the 2005 accrued interest receivable and an increase to the 2005 investments in the amount of \$89,055.

5 Capital assets

			2006	2005
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Farm equipment	6,290	6,290	-	534
Equipment and furniture	89,724	70,363	19,361	28,742
	<u>96,014</u>	<u>76,653</u>	<u>19,361</u>	<u>29,276</u>

6 Internally restricted net assets

SCDC has internally restricted net assets for completion of certain projects and for check-off fee refunds to producers in the event of disestablishment of SCDC. Approval by the Board of Directors is required before any funds can be accessed.

	2006	2005
	\$	\$
Completion of projects		
Balance – Beginning of year	700,000	600,000
Transfer from unrestricted to restricted during the year	-	100,000
	<u>700,000</u>	<u>700,000</u>
Refunds of check-off fees		
Balance – Beginning of year	700,000	600,000
Transfer from unrestricted to restricted during the year	-	100,000
	<u>700,000</u>	<u>700,000</u>
Internally restricted net assets	<u>1,400,000</u>	<u>1,400,000</u>

7 Commitments

SCDC is committed to funding research and development projects over several years to benefit the canola industry. At July 31, 2006, these commitments totalled \$1,166,680 extending over the next four years (2005 – \$993,177).

SCDC is committed to funding an additional \$177,500 to the North American Canola Oil Promotion Program as per the agreement for the period April 1, 2006 to December 31, 2006.

8 Budget

The Board approved the budget for the year on August 4, 2005. The SCDC's members approved the budget at the annual meeting on January 10, 2006.

9 Producer check-off fees

tonne. Producers can request a refund for check-off fees paid from August 1 to January 31 or from February 1 to July 31 by submitting a refund application by February 28 or August 31, respectively.

10 Research and development projects

	2006	2005
	<i>Budget</i>	<i>Actual</i>
	\$	\$
Agronomic research	350,000	378,098
Germplasm development	170,000	87,850
Usage research	150,000	171,365
	<u>670,000</u>	<u>637,313</u>
		440,356

11 Related parties

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to SCDC by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Also, SCDC is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	2006	2005
	\$	\$
Accounts receivable – re: Levy Central income	25,041	24,004
Accounts payable – U of S scholarship	15,600	15,600
Capital asset purchases	-	4,264
Revenues – Levy Central income	73,495	99,984
Expenses		
Research and development projects	86,735	69,255
General and administration	54,687	40,816
Scholarships and educational support	23,600	23,600

12 Co-sponsored programs

a) Canola Digest

SCDC has equal representation with Alberta Canola Producers Commission, Manitoba Canola Growers Association and the Canola Council of Canada to publish the Canola Digest Newsletter ("newsletter"). Revenues and expenses are distributed based on each organization's proportionate qualified grower circulation. SCDC's qualified grower circulation is on average for the year 56.1% (2005 – 55.9%).

Upon establishment of the newsletter program, the co-sponsors did not contribute any money or other assets to the program. Direct Publications Ltd. is used to produce, print and distribute the newsletter. The current newsletter agreement between the co-sponsors expires July 31, 2006 but can extend to December 31, 2006.

SCDC's interest in the program assets, liabilities, net assets (deficit), revenues, expenses, net loss and cash flows are shown below. The net loss is recorded as part of communications expense.

The 2005 prior year's comparative figures have been adjusted to show SCDC's interest in the program assets, liabilities, net assets (deficit) and cash flows based on the program's accounting records for the 2005 fiscal year. This disclosure adjustment has no effect on the financial position, excess revenue over expenses, or cash flows of SCDC.

	2006	2005
	\$	\$
Current assets	-	1,030
Current liabilities	23,396	-
Net assets (deficit)	(23,396)	1,030
Revenues	182,015	184,378
Expenses	205,411	203,347
Net loss	(23,396)	(18,969)
Cash provided by operating activities	1,030	-
Cash provided by financing activities	-	-

b) North American Canola Oil Promotion Program (“NACOPP”)

Effective April 1, 2005, SCDC entered into a US Canola Promotion Program (“USCPP”) agreement with Alberta Canola Producers Commission, Manitoba Canola Growers Association, Northern Canola Grower Association, Canola Council of Canada and Dow Agrosiences Inc. to promote canola oil and its uses in the United States.

The USCPP agreement was superseded by the NACOPP with the undertaking of a new agreement established April 1, 2006 and expiring December 31, 2006. The NACOPP agreement incorporated the budget, revenue, expenses and cash flows of the former USCPP and the Canadian Canola Oil Promotion Program. The program expenditures are funded by cash contributions from the parties to the agreement and by grants received from Canadian Agri-Food Initiatives as provided in the agreement. Any unspent funds at the end of the program are to be returned to the parties to the agreement based on each their funding contribution percentages. If total expenditures exceed total revenues at the end of the program, the parties to the agreement will be billed based on their funding contribution percentages. SCDC’s funding contribution percentage under the NACOPP agreement is 50.2% (2005 – 35.7% under the former USCPP agreement).

SCDC’s interest, based on SCDC’s funding contribution percentage to the NACOPP program (2005 – based on SCDC’s funding contribution percentage of the former USCPP program), in the program assets, liabilities, net assets, net loss and cash flows is shown below. The net loss is recorded as part of market development expense.

The 2005 prior year’s comparative figures have been adjusted to show SCDC’s interest in the USCPP (in effect for the 2005 fiscal year) program assets, liabilities, and cash flows based on the program accounting records for the 2005 fiscal year. This disclosure adjustment has no effect on the financial position, excess revenue over expenses, or cash flows of SCDC.

	2006	2005
	\$	\$
Current assets	-	-
Current liabilities	231,197	4,610
Net assets	(231,197)	(4,610)
Revenues	282,739	112,144
Expenses	584,326	230,555
Net loss	(301,587)	(118,411)
Cash used in operating activities	(75,000)	(150,000)
Cash provided by financing activities	75,000	150,000

13 Comparative figures

The prior year’s comparative financial statements were audited by the Provincial Auditor of Saskatchewan.

Auditors' Report

To the Board of Directors of Saskatchewan Canola Development Commission

We have audited the **Saskatchewan Canola Development Commission's ("SCDC")** control as of July 31, 2006 to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard agency 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 statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding agency resources, revenue raising, spending, borrowing and investing.

We used the control framework developed by The Canadian Institute of Chartered Accountants ("CICA") to make our judgements about the effectiveness of the SCDC's control. We did not audit certain aspects of control concerning the effectiveness, economy and efficiency of certain management decision-making processes.

The CICA defines controls 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.

The SCDC's management is responsible for effective control related to the objectives described above. Our responsibility is to express an opinion on the effectiveness of control based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with standards for assurance engagements established by the CICA. Those standards require that we plan and perform an audit to obtain reasonable assurance as to effectiveness of the SCDC's control related to the objectives stated 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.

The North American Canola Oil Promotion Program ("NACOPP") and the Canola Digest program ("CD") are being managed by another party to these co-sponsored programs. As such, it was not practical for us to audit the effectiveness of controls, if any, surrounding the books and records of these programs.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control, including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In our opinion, based on the limitations noted above, and except for any control deficiencies we may have found, had we been able to audit the controls, if any, surrounding the books and records of the NACOPP and CD programs, SCDC's control was effective, in all material respects to meet the objectives stated above as of July 31, 2006 based on the CICA criteria of control framework.

October 16, 2006
Saskatoon, Saskatchewan

PricewaterhouseCoopers LLP

Chartered Accountants

Auditors' Report

To the Board of Directors of Saskatchewan Canola Development Corporation

We have made an examination to determine whether the **Saskatchewan Canola Development Corporation** complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding agency resources, spending, revenue raising, borrowing and investing activities during the year ended July 31, 2006:

- The Agri-Food Act, 2004
- The Saskatchewan Canola Development Plan Regulations
- Commission Orders #8/02 to #12/02, #15/04 and #16/04

Our examination was made in accordance with the Canadian generally accepted auditing standards and, accordingly, included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the Saskatchewan Canola Development Corporation has complied, in all material respects, with the provisions of the aforementioned legislative and related authorities during the year ended July 31, 2006.

October 16, 2006
Saskatoon, Saskatchewan

PricewaterhouseCoopers LLP
Chartered Accountants

MAJOR VARIANCES BETWEEN PLANNED FINANCIAL RESULTS AND ACTUAL

Higher than anticipated yields increased producer check-off fees and a proportionate increase in refunds was also realized. An expanded client base increased Levy Central income.

The Market Development budget was underspent as consultant time was less than anticipated and the budgeted amounts for biodiesel, new initiatives and Sask Promo were fully not utilized.

The Communications expenditures were less than budgeted as the intent was increased involvement but there were fewer than expected relevant opportunities. Adequate advertising revenues for the Canola Digest negated the need for the amount budgeted. Consultant fees and expenses were less than anticipated.

Increased director per diems and expenses reflected increased director activity on more and unexpected issues.