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GROWING VALUE • GROWING RESULTS

Chairman's Message

It has been a whirlwind year of exciting changes in the industry and a tremendous year of growth for the Alberta Barley Commission (ABC). Over the past fiscal year—from Aug. 1, 2011, to July 31, 2012—your Board has continued to represent the interests of barley growers, while exploring new opportunities to expand markets and promote barley at the provincial, national and international levels.

Our organization is healthy and we are in a good financial position. After the forensic audit of the Commission's finances was conducted last year, we have continued to address the issue of past financial irregularities while implementing recommendations received from the auditors. We continue to work with the accounting firm of MNP to ensure our processes and procedures are up to the industry standard.

This past year, the Board made the decision to join the Barley Council of Canada (BCC) working group. It is our hope that the BCC will be an arena where barley growers from across Canada can work collaboratively with researchers and industry to expand barley's potential. A national barley group represents more than just improved access to national funding—it ensures that farmers have an active voice at the national and international tables and that we are truly champions of barley.

On Aug. 1, the Canadian Wheat Board (CWB) single-desk marketing system came to an end, giving way to an open grain market. With this new marketing reality, the ABC hopes to expand our market reach and to promote barley on the world stage. To that end, Commission General Manager Lisa Skierka took part in two provincial trade missions to Asia this year in order to expand markets and lay the groundwork for profitable relationships in the years to come.

We also continue to participate in the Canadian Agri-Food Trade Alliance and the Grain Growers of Canada, as both lobby groups are committed to growing international trade and ensuring Canadian farmers have a voice on the international stage.

With the announcement of grain market-



The 2012 Alberta Barley Commission Board of Directors: (back row, left to right) Region Five Director-at-Large Richard Mueller; Region Four Director Bernie Klammer; Vice-Chairman and Region Three Director Trevor Petersen; Region Five Director Albert Wagner; Region Three Director-at-Large Mike Ammeter; (front row, left to right) Region One Director-at-Large Glenn Logan; Region Six Director Ron Heck; Chairman and Region Two Director Matt Sawyer; and Region One Director Greg Stamp.

ing changes, the Western Grains Research Foundation, the Canadian International Grains Institute and the Canadian Malt-ing Barley Technical Centre were all faced with serious concerns surrounding the continued funding of their work in the wake of the changes to the CWB. In January, the Commission met with Gerry Ritz, federal minister of Agriculture and Agri-Food Canada, to discuss the need to ensure that these groups had stable, ongoing funding in the coming years. As a result, the Commission stepped forward to administer a temporary deduction in order to fund these recipient organizations. This program, called the "Western Canadian Deduction for Wheat and Barley," allows the recipient groups to continue the valuable work they provide for the industry.

Another exciting development was the long-awaited approval of a barley fibre health claim by Health Canada. The claim states that eating three grams of barley beta-glucan daily (a type of insoluble fibre) can reduce cholesterol, which is a factor in heart disease. We believe this health claim

will open the door for the development of a stronger food-grade barley market.

A new barley classification—which came into effect on Aug. 1—is also contributing to the excitement surrounding food-grade barley. Under the former classifications, there were malting, hullless and general purpose categories. Unfortunately, these categories lacked clarity for end-users. For example, under the old system, even if a hullless variety worked for malt, it would still be classified as hullless and lead end-users to overlook its potential for malt. The lack of a clear category for food barley also limited its potential.

Under the new system, the classifications are food, malting and general purpose barley, which better reflect its variety of end uses. We hope that the new food classification will open exciting niche markets for food-grade barley with the potential for significant growth in the future.

In the upcoming year, our priority is to continue to expand the work that we do in the important areas of research, market development (including events and promotions), and policy. We will also continue to invest in communications as the cornerstone for ensuring that work in these program areas is disseminated in a useful, effective and proactive manner.

Our healthy financial picture means we can move forward on our work in all departments with an expanded focus. We will actively pursue new marketing opportunities in food-grade barley and we will ensure that the BCC successfully incorpo-

rates. We will also continue contributing to important research projects that farmers believe in—like the Lacombe Field Crop Development Centre, which we increased funding for next year's budget.

We would not have been able to accomplish all that we have in this past year without the hard work and dedication of our directors, delegates and staff. Everyone involved with the Commission is committed to working toward the same goal of promoting barley on all levels—whether it's pursuing new barley markets, increasing profitability through research or communicating with growers to help them make good production decisions.

For me, however, one of the best stories from this past year is that seeded barley acres were up. According to the 2012 Statistics Canada's principal field crop areas report, 3.8 million acres of barley were planted in Alberta, which is an increase of 8.6 per cent over 2011. Stats Canada's barley production numbers have also increased. While we'll have to wait and see what the final numbers are, it's great to know that more farmers are choosing barley. Think of how much we can grow these numbers if we keep working together.

Matt Sawyer
ABC Chairman

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General Manager's Message

Over the past year, your staff at the Alberta Barley Commission (ABC) have been meeting the challenges of an evolving industry head-on. We took on the goals and opportunities outlined by the Board of Directors at their strategy session and worked to make them into meaningful, useful programs that have real value to farmers.

Communications is one area of investment that we concentrated on last year and that we will continue to strengthen as we work to reach out to our members. The goal of a strong communications team at a research and market development-focused organization like the Commission is to provide excellent extension and drive member relations.

Transitioning *Barley Country* into a more-*newsy* publication was a top priority this past year, as we truly believe it can be the barley information source. Our hope is that our members will begin to rely on this publication and, as it grows, also look for its sister website www.barleycountry.com, which is set to launch in early 2013.

Of course, good communications would be meaningless if we didn't have the good work of our other departments to talk

about. Over the past year, the Commission's primary programming continued to be in the areas of research and market development. After all, we can have the best research in the world—but we truly need to be using that information to benefit farmers and grow the industry in a profitable manner.

As our research and market development programs continue to advance, one key element is a focus on building relationships.

Throughout the past year, as we moved to an internally based staffing model, we worked diligently to involve our members as much as possible. Building strong committees for each department is one area in which this change is evident. Our belief is that these committees will help make the work of the Commission real to farmers, ensuring that our day-to-day activities have value at the farm level.

Our accounting department has also evolved in the past year to develop an even stronger set of services to farmers. When farmer check-off dollars come into the Commission, we truly understand how that money comes from the work of real people—and that their contributions are what makes our work possible.

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Every day, I am thankful for working with a talented staff, a committed Board of Directors, dedicated farmers, and strong government and industry partners

Two other areas we began growing this past year are policy and marketing and events. Our policy work remains limited, but we have begun the process of identifying policy priorities—from research funding to international trade to creating market development opportunities—that make sense for Alberta's barley growers.

We have also started changing how we do marketing and events. In addition to key farm shows throughout the year, we will continue to develop consumer relationships—not just for the food barley health claim, but also for malt and feed. After all, Alberta barley really does make better beef. And better beer. And better pork.

Every day, I am thankful for working with a talented staff, a committed Board of Directors, dedicated farmers, and strong government and industry partners. These are exciting times in the barley industry and I am proud to be part of an energetic and tenacious group that has the best interests of growers at heart.

Lisa Skierka
ABC General Manager

Communications

Overview of FYE 2012

Within the FYE 2012 budget process, the Board of Directors identified communications as a priority for the Alberta Barley Commission (ABC). At that time, they determined the need for strong extension and outreach efforts in order to more actively inform farmers and stakeholders about the work being done in the Commission's priority areas of research, market development and policy.

As such, a decision was made that all communications efforts would be managed and produced by an internally run communications team. Prior to this past fiscal year, communications materials for the Commission—from *Barley Country* to press releases to trade show booth materials—were outsourced to contractors.

One of the largest priorities for the newly formed communications department in FYE 2012 was to make a communications plan for the organization. Following the plan also involved building processes to ensure all communications materials were not only managed and co-ordinated efficiently, but that they accurately reflected the Board's strategic priorities and enhanced the reputation of the Commission. The following represents some of the highlights of the last fiscal year.

Procedures, goals and the communications committee

The communications department developed new procedures to ensure that the chairman, vice-chairman or another board member designate would be the primary spokesperson for the Commission. Adopting this new strategy of “farmers speak on farmer issues” went hand-in-hand with our goal of bringing communications back to the farm level.

Part of this goal includes recognizing the importance of developing communications materials to improve accountability to farmers while also talking about the work being done with farmer check-off dollars.

In late FYE 2012, as part of the Board's spring strategic planning session, sub-committees were formed for various departments within the Commission, including communications. The Communications Committee Chair is Region One Director Greg Stamp, with Communications Manager Anne-Marie Bruzga Luchak as the staff lead.

Made up of barley farmers and staff, the communications committee keeps the Board abreast of communications plans and materials, and acts as a resource to communications staff.



Alberta Barley Commission Chairman Matt Sawyer makes the food barley health claim announcement in the Calgary Co-op Kitchen Theatre at the Calgary Stampede on July 12, 2012. This announcement was a major success of 2012.

PHOTO: Lori Loree



In February 2012, *Barley Country* was redesigned and revamped to better serve barley farmers. It remains the Commission's No. 1 communication and research extension tool.

Plans for FYE 2013 include recruiting more farmers to the committee and ensuring these representatives have input into website development, media strategies and production of communications materials.

Barley Country

The November 2011 issue of *Barley Country* was entirely produced "in-house." Story assignment, layout and design were overseen and performed by communications staff. This was the first major change made by the new communications team, resulting in a more in-depth, focused and responsive publication. The February 2012 issue marked a new design for the paper, which was also well-received by readers.

Bringing *Barley Country* in-house was a large undertaking—from developing editing processes, hiring new writers and generating a story list that would appeal to readers. The team also developed a newspaper production process that would allow the paper to be put together in the most efficient way possible. A lot of work and energy has gone into making the publication an information source that provides real value for farmers' check-off dollars.

As well, the newspaper has proven to have a large additional benefit to the Commission: it serves as a great relationship-building tool. Scientists, politicians and agriculture professionals interviewed in the paper become excellent contacts and resources. The profile pieces that ran this past year about the provincial agriculture ministers, as well as Gerry Ritz, federal minister of Agriculture and Agri-Food Canada, are

great examples of this theory in action. They proved an excellent way to develop a rapport and establish working relationships with key government contacts. By having in-house staff write these pieces, the Commission ensures they are asking questions that reflect the interests and priorities of the Board of Directors.

Next steps for the paper include performing a spring 2013 readership survey and developing stronger relationships with advertisers.

Press releases and heightened media awareness

Over 2012, as more relationships were built with media, press coverage increased, as illustrated by greater pick-up on press releases and more media calls and requests for interviews. While numerous releases and media announcements were issued by the Commission this past year, one of the most successful was for the barley fibre health claim in July.

The launch of the barley health claim took place on July 12, at the Calgary Stampede with Chairman Matt Sawyer making the official announcement. This resulted in great radio pick-up in Alberta, including frequent radio spots on 660 News, as well as articles in several newspapers, including the Manitoba Co-operator.

Besides being distributed to the ABC's media contact list, the press release was also sent out over a media distribution wire service. This resulted in the release being picked up by many online publications and



The communications department now serves as a resource for all other departments and areas at the Commission



Dr. Pat Juskiw, a barley breeder, addresses a crowd at the 2012 Lacombe Field Day. Research extension and event promotion remain a priority for the communications department.

websites—there were more than 16 hits in the United States and the story ran as far abroad as Germany and Russia. Not only did this greatly expand the reach of the release, in many cases the press release was run verbatim by websites that are looking for new, readily accessible content.

After the launch, Market Development Manager Linda Whitworth also helped generate interest in food barley by appearing in cooking segments on breakfast shows around the province, including City TV in Edmonton and Calgary, as well as CTV and Global in Calgary.

Plans in 2013 include exploring the use of a regular wire service distribution for all ABC press releases, as there is an increased demand for many websites, online newspapers and blogs to constantly run new content. The communications team will also work with Whitworth on a food-grade barley media campaign in early 2013 to coincide with February's heart month.

New communications materials

The communications department now serves as a resource for all other departments and areas at the Commission, taking a hand in all materials that are prepared and distributed to the public or key stakeholders. Some examples include letters written to grain companies, policy documents for politicians, trade show booth materials, handouts, PowerPoint presentations, fact sheets and research dissemination. With these new and updated materials, the communications team can effectively deliver messaging on behalf of the Commission and ensure that it remains consistent and of high quality.

By working closely with other Commission staff, as well the general manager and chairman, the communications team ensures that all materials produced for the ABC reflect the Board's priorities and positions. More than that, they ensure that the positive story of barley is told in everything the Commission does.



PHOTO: Darcy Kirtzinger

Roger Andreiuk, a soil and crop consultant with AAA KEYCROP, addresses a crowd during a Controlled Traffic Farming field day, July 4, near Morrin on the Currie family farm. The project is co-funded by the Alberta Barley Commission, Alberta Canola Producers Commission, Alberta Pulse Growers, Alberta Winter Wheat Producers Commission and the Applied Research Extension Council of Alberta.

Research

Overview of FYE 2012

One of the hallmarks of the Commission is investing in research. Each research investment has a set of objectives to be met and results that add value for farmers, increasing barley's competitiveness. The following are some of the highlights in research from this past year.

Research committee

The research committee was expanded in FYE 2012 to include more farmers: Research Committee Chair Richard Mueller (Region Five); Ken Coles (Region One); Jason Lenz (Region Three); Terry Young (Region Three); and Shawn Gorr (Region Two). Policy and Research Co-ordinator Darcy Kirtzinger serves as staff lead with support from Market Development Co-ordinator Taryn Dickson.

Four industry experts were also recruited as associate members: Alan Hall, new initiatives and project hunter for Alberta Crop Industry Development Fund; Dr. Rich Joy, vice president of operations and technical director for Rahr Malting Company; Bill Chapman, crop business development specialist for Alberta Agriculture and Rural Development (AARD); and Karin Schmid, beef production specialist for Alberta Beef Producers.

The committee encourages farmers to take an active role by determining research priorities and making recommendations to the Board of Directors. With their combined expertise, committee members aim to identify research targets and priorities and take that consensus straight to scientists in order to directly address the research areas in which farmers want work to be done.

Lacombe core funding

Funding for the Barley Development Agreement in Lacombe—a tripartite agreement with the Commission, AARD and Agriculture and Agri-Food Canada (AAFC)—remains the Commission's single largest research investment. The Commission's contribution was \$250,000 per year over the past six years. This money was split between the provincial and federal groups, with AARD's Field Crop Development Centre (FCDC) receiving \$195,000 and AAFC's Lacombe Research Centre (LRC) receiving \$55,000 in FYE 2012. This investment was increased to \$325,000 per year in the FYE 2013 budget, with FCDC receiving \$250,000 and LRC receiving \$75,000 annually.

The focus of the FCDC and LRC breeding programs is the development of barley varieties through breeding, genetic, molecular, physiological and agronomic research, with an emphasis on high-quality feed, fodder and food crops for Alberta.

In 2012, the FCDC recommended one variety for registration, which was tested as BT589. It is a six-row, smooth-awned, general purpose variety with an excellent disease package and early maturity.

Cereal Protein and Cellulose Program

The Commission continues to support the groundbreaking work of Dr. Lingyun Chen, cereal scientist chair at the University of Alberta. Her cereal protein and cellulose program aims to expand the value-added barley market by developing new products and technologies from cereal proteins and cellulose.

The first phase of the project ended on March 31, 2011, and the extension contract for the second phase was signed this July. The Commission provided \$300,000 over five years between 2006–2011 to fund phase one of the project and will contribute another \$300,000 over the next five years to fund phase two.

This past February, the Western Economic Diversification Fund contributed \$4.4 million towards building a plant near Edmonton to scale up Chen's research, bridging the gap between the lab and large-scale applications. The pilot facility will hopefully help create a new value-added barley market here in Alberta.

Agriculture Funding Consortium

The Agriculture Funding Consortium is a one-stop shop for researchers to submit proposals and receive funding for projects to benefit Alberta agriculture. Along with the 14 other member organizations representing nearly every sector of Alberta agriculture, the Commission contributes money that is set aside and then applied to approved research projects. The Commission's total contribution in FYE 2012 was \$20,268, helping the Consortium to jointly fund four barley-related projects with a total value of \$901,800:

- Understanding Soil Variability for Effective Zone Management in Precision Agriculture (an evaluation of sensor-based soil mapping tools);
- The potential of emerging third generation silage inoculants to improve forage preservation and feeding value for the cattle industry;
- Night Spraying: Pesticide Efficacy with Night Time Applications; and,
- Identify and develop novel antimicrobial and cholesterol-lowering functionalities from barley proteins for food and personal care applications.

In order to grow our research investment portfolio through the Funding Consortium, the Board has authorized further funding in FYE 2013.

Canadian Barley Symposium

The Commission sponsored and attended the 7th Canadian Barley Symposium, which took place from July 8–10, in conjunction with the national meeting of the Canadian Seed Growers Association in Calgary.

More than 70 participants attended the Symposium. Presentations included the latest barley research topics, including

breeding, genomics, agronomy, disease resistance, malting, brewing, feed and food quality, research funding and marketing. The Symposium is a unique collaborative opportunity for researchers, industry partners, academics and students involved in barley research.

Developing Innovative Agri-Products

Developing Innovative Agri-Products (DIAP) is a three-year barley breeding, agronomy and value-added research program ending March 31, 2013. The Commission funds the program alongside industry partners the Western Grains Research Foundation, the Brewing and Malting Barley Research Institute, the Canadian Wheat Board and Rahr Malting Co. The program aims to develop barley cultivars with better disease resistance and quality traits suitable for Western Canada, as well as to develop integrated disease, pest and production strategies to improve crop health, profitability and quality.

In Alberta, DIAP research takes place at LRC, where Dr. Kelly Turkington focuses on pathology and Dr. John O'Donovan focuses on agronomy.

ARECA strategic partnership

The Commission continues to work closely with the Agricultural Research and Extension Council of Alberta (ARECA). ARECA is the umbrella organization for regional Agricultural Research Associations (ARAs) across the province. A number of ARAs grow Commission-sponsored side-by-side barley variety trials to give area farmers an unbiased comparison of barley varieties in local conditions.

Visit your local ARA to learn about barley variety trials and field days in your area.

Barley Shochu Selection Project

The search continues to find a made-in-Canada barley variety that is suitable for manufacturing shochu—a distilled barley beverage in Japan with higher annual sales volume than sake. This \$1.2 million collaborative project includes researchers from AARD, the University of Alberta and a Japanese shochu company.

By testing material from Western Canada's three barley breeding programs, participants are closing in on an elusive variety that has a favourable pearling profile, demonstrates a high alcohol content and delivers returns to growers. Project funding is secure through March 2014.



shochu—
*a distilled barley beverage in
 Japan with higher annual sales
 volume than sake*

Policy

Overview of FYE 2012

The goal this past year was to raise the Commission's public profile and highlight the work being done in the areas of research, market development, marketing and communications. By increasing awareness of the Commission and the work it does, it is possible to ensure that farmers, industry and government continue to invest in programs that will have a positive impact on agriculture in the future. One aspect of this was ensuring that farmer-elected Board members were very clearly the spokespeople for the organization and for the work completed or funded by the Commission.

Over the coming years, the Commission will continue to ensure that barley has a strong profile, and that it is creating value for farmers. Work will also be done to diversify the Commission's activities by investing more in market development projects that will potentially bring more money to farmers directly through investment opportunities and market growth. It is not enough to grow the demand of barley—we must grow its profitability.

In order to grow profitability, a major policy initiative in the coming months will be to examine intellectual property rights, as well as potential royalties, for research projects in which the Commission heavily invests. Similarly, the Commission will

be working more closely with funding agencies and the government to ensure the crops industry gains access to the promotional, marketing and communications funds that are already available to other sectors of the industry, such as livestock.

Policy committee

The policy committee is made up of Commission Chairman Matt Sawyer (Region Two), Vice-Chairman Trevor Petersen (Region Three) and General Manager Lisa Skierka. The policy committee works with the Board of Directors to identify policy issues on which the Commission can have a positive impact.

Barley Council of Canada

This past year, the Commission's Board of Directors decided to join the Barley Council of Canada (BCC) working group. This initiative unites barley farmers, researchers and industry stakeholders from across Canada to promote the growth and profitability of the barley industry. It is integral to ensure barley research and investment grows through access to national funding.

The working group receives administrative support from the Commission and is making significant progress towards having by-laws and a business plan in place in order to incorporate by the end of 2012. Trevor Petersen is the Commission's representative on the BCC working group.



The BCC's goal is to bring together barley growers from across Canada to work with researchers and industry to dramatically increase barley's potential

The BCC's goal is to bring together barley growers from across Canada to work with researchers and industry to dramatically increase barley's potential. The Commission's goal in working with the BCC working group is to ensure farmers have an active voice in the decision-making process and that they are truly champions of barley.

Western Canadian Deduction for Wheat and Barley

Commission representatives met with Gerry Ritz, federal minister of Agriculture and Agri-Food Canada this January to discuss the importance of ensuring that the Canadian International Grains Institute, Western Grains Research Foundation and Canadian Malting Barley Technical Centre had ongoing, stable funding moving forward.

The Commission believes that farmers across Western Canada should be in charge of the check-off dollars generated

within their respective provinces. However, because the Commission was the only existing wheat or barley commission in Canada at that time, the Board offered to handle the proposed temporary federal deduction to fund the three recipient groups.

This check-off, called the "Western Canadian Deduction for Wheat and Barley," came into effect on Aug. 1. The deduction, which was formerly administered by the Canadian Wheat Board, is now handled by the Commission in a purely administrative capacity.

The Commission does not receive any profits from the new arrangement. Funds are collected from grain companies and then distributed to the recipient groups as authorized by the federal government. The Commission will also manage the yearly remittance process through which farmers can request the return of their check-off dollars.

With the formation of the Alberta Wheat Commission on Aug. 1, and as wheat and barley-focused commissions are formed in Saskatchewan and Manitoba, the ABC's hope is that these groups will take over the management of their own provincial check-off dollars upon approval from Minister Ritz.

CAFTA & GGC

The Commission continues to work with the Grain Growers of Canada (GGC) and the Canadian Agri-Food Trade Alliance (CAFTA) to ensure Alberta's barley farmers have a voice at both the national and international levels. The GGC continues to raise the profile of the grain industry in Canada while pinpointing issues that could affect farmers in the future, both here and abroad.

CAFTA works diligently to ensure the agricultural perspective is part of the discussion during the various trade negotiations pursued by the federal government. Recent priorities include the Trans-Pacific Partnership and the Canada-European Comprehensive Economic Trade Agreement. Work is also being done on trade agreements with Japan, China and South Korea. CAFTA Executive Director Kathleen Sullivan was on-hand at the December 2011 annual general meeting to discuss trade priorities, as well as the important role farmers can play in trade missions and negotiations.



Gerry Ritz, federal minister of Agriculture and Agri-Food Canada (*centre-left*) and Crowfoot MP Kevin Sorenson (*centre-right*) at the Sawyer farm, Oct. 17, 2011. Representing the Commission: (*left to right*) Vice-Chairman and Region Three Director Trevor Petersen, Region One Director Greg Stamp, Region One Director-at-Large Glenn Logan, and Chairman and Region Two Director Matt Sawyer.

Market Development

Overview of FYE 2012

The Commission's Board of Directors, delegates, staff and representatives were all over the province in FYE 2012. Representatives promoted Alberta agriculture and spread the word about the benefits of barley. The Commission attended, participated in and sponsored a variety of educational services, industry tradeshows, consumer events and barley-development initiatives. The following are some of the highlights.

Market development committee

This past year, the Commission formed a market development committee, chaired by Region One Director-at-Large Glenn Logan. In addition to growing the barley industry, exploring value-added opportunities and building relationships with industry, the market development team is focused on reaching out to national and international stakeholders to promote Canadian barley. Market Development Manager Linda Whitworth is the committee's staff lead.

Branding committee

Related to, but separate from the market development committee, is the branding committee. Its first priority is to look at strategies for branding barley, in conjunction with the Communications department.

In July 2012, the Board and staff officially began working with AdFarm out of Calgary to develop a branding strategy for barley that will incorporate information and ideas from across the value chain. Logan is the committee chair, with Whitworth as the staff lead, supported by Communications Manager Anne-Marie Bruzga Luchak.

Feed Grains Coalition

After the Commission's AGM in December 2011, a separate feed meeting was held to bring together stakeholders from across the feed industry to examine priorities and direction for the industry. One of the results was that the Commission took on administrative duties of a feed committee to continue the work done at the December meeting.

The feed committee is now chaired by Region Five Director Albert Wagner and has changed its name to the Feed Grains Coalition. Through its participation, the Commission is continuing to provide support for livestock and crop groups to actively work together in growing the industry. Market Development Co-ordinator Taryn Dickson is the committee's staff lead.

Education services

The Commission actively supported several important educational initiatives, including Aggie Days in Calgary, City Slickers in Stony Plain and the provincewide Classroom Agriculture Program (CAP).



PHOTO: Lori Loree

Alberta Barley Commission Market Development Manager Linda Whitworth shows two Stampede visitors how to pearl barley. For the first time in several years, the Commission had its own consumer booth at the Calgary Stampede. This coincided nicely with the food barley health claim announcement on July 12, which was a hot topic for visitors at the booth for the remainder of the Stampede.



The Commission maintains a strong presence at a variety of industry trade shows and exhibitions

Aggie Days is an annual exhibition that presents agriculture to urban Albertans across southern Alberta to give them a better understanding of where their food comes from and the importance of agriculture in Alberta's economy. It was held from April 18–22, on the Calgary Stampede grounds. Attendance was estimated at 40,000 over the five days, 10,000 of whom were school-aged children attending with their classes.

City Slickers is an educational program for grades 4 and 5 students in the Edmonton area that teaches the benefits of eating locally grown food, while highlighting the partnership between producers and consumers. It was held on Sept. 22, 2011. Similar to Aggie Days, City Slickers is one of the few events that provides the opportunity to talk to elementary students about agriculture. Attendance was estimated at 560.

CAP brings volunteers into Grade 4 classrooms to talk about agriculture, with the endorsement of Alberta's minister of education. The Commission sits on the program's steering committee and initiated the production of a new short film that will be used in classrooms beginning in 2013.

In FYE 2012, CAP volunteers made presentations to 15,000 Grade 4 students from across Alberta. Our goal is to continue growing this program to ensure Alberta youth have access to information about agriculture—in relation to food, but also as a future career choice.



PHOTO: Deb Marchand

The Feed Summit held in December 2011 led to the creation of the Feed Grains Coalition, which is chaired by Region Five Director Albert Wagner.

Industry tradeshows

The Commission maintains a strong presence at a variety of industry tradeshows and exhibitions throughout the province. The Commission sponsors the FarmTech Conference every January in Edmonton—the premier crop production and farm management conference in Western Canada—and is represented on the conference's planning committee.

Each year, there is a speaker who exclusively covers barley, and at FarmTech 2012 that speaker was Dr. Max Moehs, who gave a talk entitled, "GMO Barley: Where is it at and where is it going."

The Commission was also represented at the Agri-Trade agriculture exposition, held in Red Deer from Nov. 9–11, 2011, and was a gold sponsor of the Western Barley Growers Association Annual Convention, held this Feb. 15–17, in Calgary. The Commission worked together with the Brewing and Malting Barley Research Institute to make an Elite Barley presentation at the convention.

Consumer events

As it is every year, the Calgary Stampede was the largest consumer agriculture event of the year. For the first time in several years, the Commission had its own booth on the Stampede grounds for the entire 10 days.

At the booth, which was located in the Agrium Ag in the City pavilion, Stampede patrons could learn more about barley, bring home barley recipe cards and watch barley being pearled right before their eyes.

Increased participation at the Stampede also provided the Board of Directors and staff with opportunities to meet industry and government representatives, further raising our public profile.

In addition to the Stampede, Commission representatives set up booths at agriculture events in Lacombe, Valleyview, Hylo, Millarville and Wetaskiwin. They distributed information on cooking with food-grade barley, the newly approved barley health claim and barley recipes, as well as information on check-off collection and barley varieties.

Food barley development

The Commission's application for a food barley health claim, which was submitted in February 2009, was finally approved this July after receiving extensive review by Health Canada. The health claim states that eating three grams of barley beta-glucan daily—a form of soluble fibre—can reduce cholesterol, which is a factor in heart disease. Additionally, any product containing one gram of barley beta-glucan per serving can include the health claim on its product labelling.

The health claim announcement was made at the Calgary Stampede on July 12, prior to Brian Hinton's barley cooking demonstration at the Calgary Co-op Kitchen Theatre. As a result of the health claim media launch, Whitworth made several appearances on TV, conducted radio interviews and appeared in print publications regarding the health claim and the corresponding benefits of cooking with food-grade barley.



PHOTO: Bryce Meyer

The Commission has developed a host of new barley recipes and will be launching a new consumer outreach website in 2013. With a recent health claim from Health Canada, the Commission is hoping to raise the profile of food-grade barley, which is in this beef barley soup.

In preparation for the health claim, the Commission initiated a hulless barley project in the spring in order to ensure more food barley would be available for market development as barley's health profile was raised. With the assistance of Bill Chapman, crop business development specialist for Alberta Agriculture and Rural Development, and Region Five Director Albert Wagner, the Commission recruited three farmers to plant approximately 30 acres of hulless food-grade barley so that we could

jumpstart market development around this category of barley.

The next stage involves working with the Food Processing Development Centre in Leduc, as well as the Canadian International Grains Institute and the Richardson Centre for Functional Foods and Nutraceuticals in Winnipeg, to identify companies and products that will use this barley to develop new food products for the consumer market.

Finance and Check-Off Management

Overview of FYE 2012

Finance and check-off management is a priority for the Commission because it provides the foundation for our work in the priority areas of communications, research, market development and policy. The following are some of the highlights in finance and check-off management from FYE 2012.

Finance committee

In a continued effort to improve financial accountability, the finance committee was struck with the purpose of having four financially knowledgeable people act as an additional oversight on matters involving reviewing the audited financial statements and the budget in order to make recommendations to the Board, as well as reviewing the overall financial practices of the Commission. The finance committee evolved from the previous audit committee.

The members of the finance committee are: Chair and Region Four Director Bernie Klammer; Region One Director Greg Stamp; Region Two Delegates Shawn

Gorr and Doug Miller; and Accounting Manager Syeda Khurram as the staff lead.

Levy Central

The Commission joined the Agriculture Council of Saskatchewan's (ACS) Levy Central program in spring 2012 to make collection of check-off dollars more efficient and streamlined. ACS operates levy collection services for nine Saskatchewan, Manitoba and Alberta commodity organizations through Levy Central. It is a unique, member-based industry organization that represents Saskatchewan's agriculture and agri-food sector, from primary production and value-added processing to research and market development.

The main reason for the switch to Levy Central was its levy tracking system, which is designed specifically to track producer and buyer levy data. Levy Central also provides a common contact for registered buyers as well as common data processing programs. It also simplifies remittances, all of which can now be submitted to one address.



As a not-for-profit organization, the Commission needs to maintain financial transparency

Change in accounting standards

The Commission's accounting department will be switching from Canadian General Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS) by FYE 2013. IFRS are issued by the International Accounting Standards Board and represent high-quality, global accounting standards that require transparent and comparable information in financial statements and other reporting.

IFRS provide more opportunities in Canada by eliminating the need for multiple GAAP reconciliations, increasing access to international capital markets and poten-

tially reducing the cost of capital.

The Accounting Standards Board, which sets accounting standards for the Canadian private sector, recognizes the diversity of Canadian not-for-profit organizations and the diversity in the needs of the users of their financial statements. This diversity was the reason for providing not-for-profit organizations in the private sector with options for financial reporting.

As a not-for-profit organization, the Commission needs to maintain financial transparency, and the move to IFRS will facilitate that transparency.

Alberta Barley Commission

Financial Statements July 31, 2012

Independent Auditors' Report

To the Members of Alberta Barley Commission:

We have audited the accompanying financial statements of Alberta Barley Commission, which comprise the statement of financial position as at July 31, 2012, and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many similar organizations, the Commission derives revenue through "check off" fees received from barley producers, the completeness of which could not be satisfactorily verified during our audit. Accordingly, our verification of these revenues and related accounts receivables and deferred revenue was limited to the amounts recorded in the Commission's records and we were unable to determine whether any adjustments might be necessary to check off revenues, excess of revenues over expenses, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Alberta Barley Commission as at July 31, 2012 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

MNP LLP

Chartered Accountants

Calgary, Alberta
October 14, 2012

Management's Responsibility

To the Members of Alberta Barley Commission:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed entirely of Directors who are neither management nor employees of the Commission. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management. The Board is also responsible for recommending the appointment of the Commission's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

October 14, 2012

Matt Sawyer
Chairman

Trevor Petersen
Vice-Chairman

Statement of Financial Position

As at July 31, 2012

	2012	2011 Restated (Note 17)
Assets		
Current		
Cash	942,740	673,672
Restricted cash (Note 3)	172,762	103,380
Short-term investments (Note 4)	522,966	413,364
Accounts receivable (Note 5)	263,307	110,453
Prepaid expenses (Note 6)	7,652	41,012
	1,909,427	1,341,881
Capital assets (Note 7)	178,132	102,902
Long-term investments (Note 4)	1,490,377	1,530,816
	3,577,936	2,975,599
Liabilities		
Current		
Accounts payable and accrued liabilities	73,653	122,787
Grant commitments (Note 8)	279,238	569,847
Deferred revenue (Note 9)	1,131,907	1,041,251
Deferred revenue - Shochu project (Note 3)	172,762	103,380
Deferred capital contributions (Note 3)	91,841	34,000
	1,749,401	1,871,265
Net Assets		
Internally restricted (Note 10)	500,000	-
Unrestricted	1,328,535	1,104,334
	3,577,936	2,975,599

Approved on behalf of the Board

Matt Sawyer
Chairman

Trevor Petersen
Vice-Chairman

Statement of Operations

For the year ended July 31, 2012

	2012	2011 <i>Restated</i> <i>(Note 17)</i>
Revenue		
Check-off fee revenue <i>(Note 9)</i>	2,892,002	2,395,480
Check-off refunds	(182,909)	(186,863)
Shochu project revenue <i>(Note 3)</i>	217,216	240,772
Newsletter advertising	7,894	9,643
Sponsorships	26,650	12,500
	2,960,853	2,471,532
Operating Expenses		
Salaries, benefits and contractors	609,857	651,293
General and administrative expense	456,041	198,890
Producer liaison expenses/research	294,378	660,146
Communication/Government relations	227,901	164,543
Marketing and events	186,533	63,860
Market development expenses	128,997	123,621
Policy development expenses	102,836	28,759
Directors fees and expenses	68,536	88,872
Staffing and recruiting	7,116	-
Shochu project expenses <i>(Note 3)</i>	224,095	254,563
	2,306,290	2,234,547
Excess of revenues over expenses before other items	654,563	236,985
Other items		
Interest income	65,200	61,362
Gain on disposal of investments	4,438	6,066
Travel expenses <i>(Note 16)</i>	-	(158,494)
Excess of revenues over expenses	724,201	145,919

Statement of Changes in Net Assets

For the year ended July 31, 2012

	<i>Internally Restricted</i>	<i>Unrestricted</i>	2012	2011
Net assets, beginning of year (as previously stated)	-	1,104,334	1,104,334	927,823
Restatement <i>(Note 17)</i>		-	-	30,592
Excess of revenue over expenses	-	724,201	724,201	145,919
Transfer to restricted assets	500,000	(500,000)	-	-
Net assets, end of year	500,000	1,328,535	1,828,535	1,104,334

Statement of Cash Flows

For the year ended July 31, 2012

	2012	2011 <i>Restated</i> <i>(Note 17)</i>
Cash provided by (used for) the following activities		
Operating		
Cash received from check off fees and other sources	3,025,879	2,788,539
Program expenses paid	(2,594,755)	(2,193,612)
Interest received	65,200	61,362
	496,324	656,289
Investing		
Purchase of capital assets	(93,150)	(88,856)
Purchase of investments	(447,979)	(842,440)
Proceeds on maturity of investments	383,255	631,144
	(157,874)	(300,152)
Increase in cash resources	338,450	356,137
Cash resources, beginning of year	777,052	420,915
Cash resources, end of year	1,115,502	777,052
Cash resources are composed of:		
Cash	942,740	673,672
Restricted cash	172,762	103,380
	1,115,502	777,052

1. Nature of the Commission

The Alberta Barley Commission ("the Commission") is a non-profit, producer funded commission formed on August 1, 1991 under the Province of Alberta's Marketing for Agricultural Products Act.

The Commission's mandate is to give Alberta barley producers an organization for developing new markets and products for barley and for influencing the direction of research dedicated to barley production.

The Commission is a non-profit organization and is exempt from tax under the *Income Tax Act*.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Revenue recognition

The Commission follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned. Externally restricted capital contributions are recognized as revenue as the related asset is amortized. Donations and contributions in kind are recorded at fair value when such value can reasonably be determined.

Financial instruments

Held for trading:

The Commission has classified cash and restricted cash as held for trading.

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 Financial Instruments – Recognition and Measurement, even if that instrument would not otherwise satisfy the definition of held for trading.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in the statement of revenues and expenses.

Available-for-sale:

The Commission has classified short-term and long-term investments as available-for-sale. These assets are initially recognized at their fair value. Any gain or loss arising as a result of the difference between the carrying amount and fair value is recognized in net assets. Fair value is determined by published price quotations in an active market. Transactions to purchase or sell these items are recorded on the trade date.

Available-for-sale financial assets are subsequently measured at their fair value without any deduction for transactions costs incurred on sale or other disposal. Gains and losses arising from changes in fair value are recognized in net assets, until the financial asset is sold or otherwise derecognized. Upon derecognition, the cumulative gain or loss previously recognized in net assets is transferred to excess of revenues over expenses.

Loans and receivables:

The Commission has classified accounts receivable as loans and receivables. This asset was initially recognized at its fair value.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability.

Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Other financial liabilities:

The Commission has classified accounts payable and accrued liabilities as other financial liabilities. These liabilities are initially recognized at their fair value.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in excess of revenues over expenses upon derecognition or impairment.

Capital assets

Capital assets are recorded at cost. The cost for contributed capital assets is considered to be fair value at the date of contribution.

Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	<i>Rate</i>
Computer equipment	20%
Equipment for Shochu project	10 years
Furniture and fixtures	20%
Promotional equipment	33%

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the Commission's capital assets related to the Shochu project. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

Recent Accounting Pronouncements

Canadian accounting standards for not-for-profit organizations

In October 2010, the Accounting Standards Board ("AcSB") approved the accounting standards for private sector not-for-profit organizations ("NFPOs") to be included in Part III of the CICA Handbook Accounting ("Handbook"). Part III will comprise:

- The existing "4400 series" of standards dealing with the unique circumstances of NFPOs, currently in Part V of the Handbook; and
- The new accounting standards for private enterprises in Part II of the Handbook, to the extent that they would apply to NFPOs.

Effective for fiscal years beginning on or after January 1, 2012, private sector NFPOs will have the option to adopt either Part III of the Handbook or International Financial Reporting Standards ("IFRS"). The Commission has not yet determined which set of standards it will apply with respect to its July 31, 2013 financial statements. Earlier adoption is permitted. The Commission does not expect the implementation of these standards to have a material effect on its financial statements.

3. Shochu project

The Shochu Barley Commercialization project ("Shochu project") is funded by the Alberta Barley Commission, Agriculture & Food Council of Alberta, Agriculture Council of Saskatchewan and others. The purpose of this project is to develop a value chain with key farmers to supply this premium barley market with "Grown in Alberta" Shochu barley which consistently meets Shochu specifications for the end-user.

As the funds received by the Commission were solely for this project, any funds not spent are segregated and reported as deferred revenue. When the appropriate expenditure is made, the corresponding amount is recognized as revenue in the same period in which the expense is made. Funding received for capital asset purchases is recorded as deferred capital contributions and amortized on the same basis as the related cost.

The remaining funds for this project are held in a separate bank account and the use of this cash is considered to be restricted in that it can only be used for this project.

4. Investments

Investments include corporate bonds with yields to maturity between 3.74% and 6.28% (2011 - 3.74% and 6.70%) and maturity dates between August 18, 2012 and September 26, 2017 (2011 - December 2, 2011 through December 31, 2015). Investments are stated at their market value. It is the intention of the Board to hold all investments until maturity. Investments maturing within the next fiscal year have been reclassified as short-term investments.

5. Accounts receivable

	<i>2012</i>	<i>2011</i>
Check-off fees receivable	190,877	86,111
GST receivable	72,430	24,342
	263,307	110,453

6. Prepaid expenses

	<i>2012</i>	<i>2011</i>
Memberships and deposits	1,078	36,138
Rent	3,210	3,210
Insurance	3,364	1,664
	7,652	41,012

7. Capital assets

	<i>Cost</i>	<i>Accumulated amortization</i>	<i>2012 Net book value</i>	<i>2011 Net book value</i>
Computer equipment	93,790	47,663	46,127	36,322
Equipment for Shochu project	98,791	6,950	91,841	34,000
Furniture and fixtures	60,059	30,008	30,051	31,522
Promotional equipment	20,229	10,116	10,113	1,058
	272,869	94,737	178,132	102,902

Amortization expenses of \$17,488 (2011 - \$4,786) is included in general and administrative expenses. Included in revenue is \$6,950 (2011 - \$6,950) of amortization of deferred capital contributions

8. Grant commitments

When funding for a research grant is approved by the Commission, the full amount is recorded as an expense in operating expenses and accrued as a liability. Expenditures related to grants are then charged as a reduction to the grant liability. The amount shown as grants payable is the amount of funding allotted to various programs that is yet to be spent. The funds to cover these liabilities are in the Commission's cash, short-term investments and long-term investments accounts.

9. Deferred revenue

The Commission receives revenues in the form of check-off per tonne when barley is delivered. The buyer of the barley then remits this check-off fee to the Commission. As the Commission relies only on the buyers' remittances, the Commission cannot accurately determine its revenue until collected.

To estimate check-off fees receivable, the Commission examines the remittances received early in the next year and determines which remittances are for barley purchased in the current year. This amount is then recorded as check-off fees receivable.

As there is no reliable cost effective method of reasonably determining the amounts of additional remittances receivable, they are not recorded in these statements.

Check-off fees received are recorded as deferred revenue until the charge is no longer eligible to be refunded to the producer after the six month period of eligibility. Accordingly, these statements recognize as income only those fees received not eligible for refund. Fees that are still eligible for refund are recorded as deferred revenue.

10. Restricted net assets

During the year, the Commission entered into two agreements to fund two future projects. The projects will research new products for proteins from cereals and research the characterization of feed barley to determine the competitive value in swine and cattle. The Commission will fund a total of \$500,000 from fiscal 2013 to 2016. These amounts are recorded as internally restricted net assets at July 31, 2012.

11. Lease commitments

The Commission has entered into various lease agreements with estimated minimum annual payments until maturity as follows:

2013	40,769
2014	23,666
	<u>64,435</u>

12. Contingencies

The Company is involved in legal claims associated with the normal course of operations. The lawsuit remains at an early stage, and as litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of the lawsuit or to estimate the gain, if any, which may result.

13. Financial instruments

The Commission as part of its operations carries a number of financial instruments. It is management's opinion that the Commission is not exposed to significant interest rate, currency or credit risks arising from these financial instruments except as otherwise disclosed.

14. Capital management

The Commission defines capital as net assets. The Commission receives the majority of its operating funds from buyers of barley in Alberta.

The Commission manages its capital structure and makes adjustments to it, based on the funds available to the Commission, in order to support its ongoing programs and operations. The Commission is not subject to debt covenants or any other capital requirements with respect to operating revenues. The Commission is not subject to any externally imposed capital requirements, except for the requirement to restricted cash related to the Shochu Barley Commercialization project as disclosed in Note 3.

15. Income taxes

The Commission is exempt from income taxes under the section 149(1)(l) of the Income Tax Act (the "Act"). In order to maintain its status the Commission must meet certain

requirements within the Act. In the opinion of management, these requirements have been met.

16. Travel expenses

Travel expenses of \$nil (2011 - \$158,494) have been classified as other items on the statement of operations and changes in net assets due to lack of sufficient supporting documentation as to its nature and business rationale.

17. Change in Accounting Policy

The Commission's statements of financial position and operations and net assets have been restated for the year ended July 31, 2011.

The Commission had been understating revenues and expenses with respect to the Shochu project due to its previous accounting policy choice:

a) Statement of financial position

	<i>Previously reported</i>	<i>Increase (decrease)</i>	<i>Restated</i>
Cash	689,305	(15,633)	673,672
Restricted cash	87,747	15,633	103,380
Capital assets	68,902	34,000	102,902
Grant commitments	(690,028)	120,181	(569,847)
Deferred revenue - Shochu	-	(103,380)	(103,380)
Deferred capital contributions	-	(34,000)	(34,000)
Net assets	(927,823)	(30,592)	(958,415)

b) Statement of operations and changes in net assets

Revenue	-	(240,772)	(240,772)
Operating expenses	-	254,563	254,563

As a result of the above adjustments, there was no effect on the statement of cash flows.

18. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.



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