



2008 ANNUAL REPORT

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1. REPORT OF THE DIRECTORS

General

The funds enjoyed another positive year in 2008. Two applied poultry research projects were completed and six new projects were approved along with several requests to sponsor poultry related activities. The operating expenses which the board can control increased marginally from the previous year. A working committee consisting of representatives from the Agri-Food Council, CFS and SCIIF/SCIDF made considerable progress towards a plan for reorganization of the Funds.

As at December 31, 2008, SCIIF had \$6.8 million available to invest in the industry while SCIDF had \$.95 million available for development projects. The primary source of income for the funds in 2008 was interest income. Since the \$.0025 check-off on all kilograms marketed (replacing the \$.03 check-off on B quota) was implemented, less revenue from the check-off is being directed to the funds. The status of accumulated contributions and interest earnings as at December 31, 2008 was as follows:

<u>Contributions prior to 2008</u>	
Auction proceeds:	\$5,273,482
Check-off (2001-2007)	3,122,039
Interest Earnings (2001-2007)	1,122,414
Other Income	<u>9,810</u>
	\$9,527,745
 <u>Contributions during 2008</u>	
Check-off	\$131,150
Interest	<u>207,860</u>
	\$339,010
 Total as at December 31, 2008	 \$9,866,755

Governance

Four regular Board meetings were held during the year. This compares to four regular board meetings and one conference call meeting in 2007.

Administrative expenses for 2008 totaled \$102,005 compared to a budget of \$145,490 and actual expenses of \$98,823 for 2007. These amounts include \$7,689 in 2008 and \$8,480 in 2007 for expenditures incurred by the Trustees. The remaining Trust Fund expenditures are recorded in SCIDF. SCIDF expensed \$1,922 in 2008 and \$2,120 in 2007 for this purpose. The expenses of the Trustees are not under the control of the SCIIF Board.

The term of one director, Gary Nickel, expired during the year. A request for nominations was put forward to producers and Gary was re-appointed to the Board for another term. Wes Vanderveen sold his producer quota and was required to step down

from the producer position he held with the Board. Don Tait resigned from his position as a Saskatchewan Agri-Food Council appointed member in July, 2008. Dr. Robert T. Tyler, the Chairperson of the Agri-Food Council, was appointed as the Agri-Food Council representative on the SCIIF/SCIDF Board in November, 2008. Timothy Keet was appointed as a director of the CFS Board in January, 2009 and as a result had to resign from his position as a SCIIF/SCIDF director.

Cliff Welfing served a fourth year as Chairperson in 2008. Cliff joined the Board in March, 2004 and was appointed to the positions of Vice-Chairperson in January, 2005 and Chairperson in August, 2005.

Saskatchewan Chicken Industry Development Fund (SCIDF)

In total during 2008, SCIDF spent \$215,785 on industry development activities. The strategic plan provides that beginning in 2003, SCIDF may be drawn down in not less than 10 years if sufficient opportunities for funding present themselves. To this end, the Board established an annual funding target for SCIDF of \$175,000. The Board has established a project reporting system and annually reviews its financial status to ensure that the drawdown does not occur before the ten year target. As at the end of 2008, there was \$949,276 available in SCIDF to fund future projects with \$366,745 committed to currently approved projects, leaving approximately \$582,531 available to fund future projects.

The bulk of SCIDF funding is directed to Saskatchewan specific problems and the Board plans to continue with this direction. SCIDF plans to continue to accept applications in the three broad categories of applied poultry research, market development and general promotional activities, and has adopted an informal internal guideline of 85% applied poultry research, 5% market development and 10% general promotional activities; however, these allocations are flexible.

The Board approved the following new poultry research projects during the year:

Development of live vectored vaccines for poultry, Dr. S. Tikoo, University of Saskatchewan, \$30,000 over three years

The researcher proposes to develop a live vectored vaccine for Infectious Bursal Disease (IBD). Vaccines, which are suspensions of infectious agents or parts of infectious agents injected to establish resistance to an infectious disease, are most commonly live attenuated vaccines which contain living attenuated (weakened) infectious organisms, or vaccines that contain infectious agents that have been killed. Live vectored vaccines use a different virus strain that has been genetically altered as the vector (delivery mechanism). Dr. Tikoo believes that the advantages to this approach are low cost and reduced potential for the virus to mutate in the vaccinated bird. Dr. Tikoo's group has used this approach to develop vaccines for pigs and cattle. He proposes to use this technique to initially

develop a vaccine for IBD and to use the methodology to develop other poultry vaccines, in particular a vaccine for avian influenza.

Oral immunization of broiler chickens against necrotic enteritis and other enteric bacteria using attenuated Salmonella vaccine, Dr. J. Prescott, University of Guelph, \$25,000 over one year

In a previous study funded by SCIDF, Dr. Prescott identified two proteins that when expressed in an attenuated Salmonella vaccine vector produced significant protection against necrotic enteritis. However, the protection was not as great as when the same proteins were injected intramuscularly. Dr. Prescott believes that if a different Salmonella vaccine vector were used, the results would be improved. The research literature suggests that attenuated Salmonella vaccines are safe and effective in reducing Salmonella colonization and have some effect on controlling coccidiosis and Campylobacter as well as Salmonella.

The use of infrared thermography to assess the health and viability of broiler embryos and turkey hatchlings, Dr. G. Fasenko, University of Alberta, \$10,000 over two years

The general purpose of the research is to evaluate infrared thermography (IRT) as a tool for early disease detection and diagnosis in production situations in which temperature is critical. The health of hatchlings is currently determined by a subjective visual examination. A more accurate early detection method for Omphalitis and other hatchling health and production issues could result in more effective disease treatment and management. Infrared technology has been used with some success in other species and in an unpublished pilot study Dr. Fasenko has determined that the technology can detect navel temperature differences between chicks with healthy and unhealthy navels.

Investigation of stress biomarkers to evaluate effect of dark exposure on production of broilers marketed at 39 days, Dr. K. Machin, University of Saskatchewan, \$35,000 over two years

Stress in chickens is important from both a production and an animal welfare perspective. There are currently two accepted methods of quantifying stress in chickens, measurement of blood corticosterone concentration (CORT) and the ratio of two types of white blood cells (H/L ratio). Both methods are time consuming since they require blood samples, may be compromised by the time involved in performing the tests and do not produce consistent results. Nuclear Magnetic Resonance spectroscopy (MNR) has been used in cattle and Dr. Machin proposes to evaluate its use in chickens. The technique is less time consuming and expensive and may produce more reliable results because it measures a number of metabolites, some of which are not influenced by handling time.

Enhancement of growth and immunity in chickens using nanotechnology, Dr. P. Aich, University of Saskatchewan, \$60,000 over three years

Previous research has demonstrated that CpG ODN and HDPs (synthetic peptides) can protect chickens against infections by stimulating the immune system. However, high dosages are required to achieve immunity. Preliminary laboratory evidence indicates that small particles of the carbon cell (CNTs) have the ability to make the delivery of CpG ODN and HDPs significantly more efficient as well as improve weight gains. Dr. Aich proposes to prove the concept that CNTs can significantly reduce the dosages of CpG ODN and HDPs required to achieve immunity.

Identification of production losses and implementing control measures of IBD in Saskatchewan, Dr. S. Gomis, University of Saskatchewan, \$72,500 over two years

The researcher proposes to identify production losses associated with IBD and correlate these losses with various management practices such as dirt versus concrete floors. Part of this first phase is to determine the cost effectiveness of current IBD vaccination programs. In the second phase, Dr. Gomis proposes to implement a control program to eliminate or reduce the effects of both the classical and variant strains of the disease.

During the year, the Board reviewed progress reports for the projects 'Engineering, animal welfare and meat quality considerations of broiler transportation in heated and ventilated vehicles' by Dr. T. Crowe of the University of Saskatchewan's College of Engineering, 'Generation of an efficacious H7N3 avian influenza vaccine by reverse genetics' by Dr. Y. Zhou of VIDO, University of Saskatchewan, 'Studies of immune response to avian influenza in chickens' by Dr. S. Sharif of the University of Guelph and 'Study of a mannanoligosaccharide prebiotic as an alternative to antibiotic growth promoters in broiler production' by Dr. X. Zhao of McGill University. The Board was satisfied with the progress on all projects and provided an additional \$10,392 to Dr. Crowe, \$25,000 to Dr. Zhou, \$10,000 to Dr. Sharif and \$11,500 to Dr. Zhao.

The Board remitted the two final payments to the University of Saskatchewan for the projects under the direction of Dr. S. Gomis: 'Identification and control of Infectious Bursal Disease (IBD) in broilers in Saskatchewan' \$17,500 and 'Control of Inclusion Body Hepatitis by Vaccination' \$38,800. The initial payment of \$8,250 for the project 'Wheat Dried Distillers' Grains with Solubles in Broiler Diets' by Dr. H. Classen of the Department of Animal and Poultry Science, University of Saskatchewan was also forwarded during 2008. The project was approved in 2006 but the initial payment was withheld until Dr. Classen had secured the remainder of the funds necessary to complete the project.

Two awards in Agriculture and one in Veterinary Medicine are made annually to students who demonstrate an interest in the poultry industry along with meeting other

selection criteria. The amount of each award granted is \$2000. Recipients of the two awards in Agriculture in 2008 were Lisa Hoppe and Theresa Bergen, while the Award in Veterinary Medicine was presented to Pamela Barmantloo.

The fund also provided \$600 to sponsor the University of Saskatchewan's Department of Animal and Poultry Science Mini Conference, \$500 to support the Meat Processors of Saskatchewan Annual Convention and Tradeshow, and \$4,150 to sponsor a bill board campaign under the direction of the Farm Animal Council of Saskatchewan to promote Saskatchewan producers as responsible caregivers. A grant of \$10,000 was provided to Saskatchewan Poultry Extension staff and graduate students at the College of Agriculture to attend the World Poultry Congress in Australia. A \$38,843 grant to fund a portion of clean up costs relating to the avian influenza outbreak in Saskatchewan was provided to the CFS.

Saskatchewan Chicken Industry Investment Fund (SCIIF)

The fund continued with its passive strategy, and did not pursue applications for funding. No applications for SCIIF funding were reviewed by the Board in 2008.

Plans for 2009

The Board is anxious that the reorganization of the funds be completed in 2009. The delay in the reorganization has prevented SCIDF from embarking on two major initiatives, improving information provided to producers and undertaking initiatives to improve productivity.

The Board has determined that it will operate to the extent that is reasonable on a business as usual basis. To this end, the Board will prepare the 2008 Annual Report, continue to accept applications for funding, review progress reports for on going projects and determine whether or not to advance additional funding for these projects.

2. PROJECTS COMPLETED DURING THE YEAR

At the July 20, 2006 meeting, the SCIDF board approved funding in the amount of \$35,000 over two years for the project 'Identification and Control of Infectious Bursal Disease (IBD) in broilers in Saskatchewan' under the direction of Dr. S. Gomis of the University of Saskatchewan. Since an earlier research project funded by SCIDF and conducted by Dr. Gomis identified variant strains of the IBD virus in Saskatchewan, he proposed to identify and characterize the presence of the disease and determine control practices. The board decided to fund the portion of the project which would identify the extent of the disease in the province. Preliminary results of the study were presented at the 2008 Annual General Meeting.

At the Annual General Meeting held on March 4, 2009, Dr. S. Gomis presented additional findings from the project which were not available for the 2008 Annual General Meeting. A brief summary of the project was provided to attendees. Dr. Gomis reported that there are three groups of strains of Infectious Bursal Disease. The first are standard or classical strains that are mild in form and are found everywhere. The second are variant strains which are moderate and cause more damage. Variant strains were found by Dr. Gomis in 110 of 201 broiler flocks in 28 of 67 premises in Saskatchewan during his study. The third are highly virulent strains which completely destroy the immune system and are not found in Saskatchewan.

The variant strains do not cause obvious clinical signs but severely damage the immune system and make the birds susceptible to other diseases. Current practices being utilized to control IBD include vaccinating breeders to protect their offspring, barn cleaning and disinfection and if necessary, vaccinating broilers. Vaccines in Canada are only available for the control of classical (non variant) stains.

Dr. Gomis' research involved typing of IBD virus in 19 day old birds and relating the presence of the disease to factors such as management practices, barn conditions and number of barns per premises. Dr. Gomis observed a tendency for premises with a higher number of barns to have more bursal damage. Farms with one barn had no bursal damage. Because one farm with five barns showed less bursal damage than others with fewer barns, it appears that the disease can be controlled with good management practices. Dr. Gomis noted that prevention of the disease through cleanliness can avoid the need for vaccination. However, the disease is very resistant and cannot be completely eliminated once an outbreak occurs.

Dr. Gomis thanked SCIDF for sponsoring the research. In June, 2008, the SCIDF Board approved a maximum of \$72,500 for the second phase of the project 'Identification of production losses and implementing control measures of Infectious Bursal Disease (IBD) in broilers in Saskatchewan'. The focus will be on the impact of the variant strains of IBD on broiler production. Dr. Gomis proposes to identify production losses associated with IBD and correlate these losses with various management practices such as dirt versus concrete floors. Part of this first phase is to determine the cost effectiveness of current IBD vaccination programs. Dr. Gomis proposes to implement a control program

to eliminate or reduce the effects of both the classical and variant strains of the disease. Dr. Gomis will be contacting all producers between May and August of 2009 to obtain production data to be used in the study.

A second research project 'Control of Inclusion Body Hepatitis (IBH) by vaccination' also under the direction of Dr. Gomis was completed in 2008. At the August 16, 2005 meeting, the board approved funding in the amount of \$116,400 over four years to fund the development of an IBH vaccine and test its effectiveness on broiler breeders. The research was an extension of an earlier study funded by SCIDF which demonstrated that IBH in Saskatchewan broilers is in large part a primary disease with no association with other immunosuppressive diseases. Dr. Gomis was able to secure equivalent levels of funding for this project from the Alberta Funding Consortium and from NSERC. Dr. Gomis completed the portion of the project funded by SCIDF in 2008. He is planning large scale field tests of the vaccines in 2009 and when these are completed, the findings will be presented to producers.

3. ADMINISTRATIVE BUDGET 2009

The general administrative expenses of the funds as well as 80% of the expenses incurred by the Trustees on behalf of the funds are charged to SCIIF. Expenses for 2008 are under budget, largely due to less than anticipated spending for professional fees, contracted employees and Trust Administration expenses. It is difficult to estimate many of these expenses for 2009 given the pending restructuring of the funds. The budget is based on twelve months of operation during 2009.

<u>Expenses</u>	<u>2008 Budget</u>	<u>2008 Actual</u>	<u>2009 Budget</u>
Bank Charges, Interest	250	470	250
Directors Per Diems	40,500	37,210	35,800
Meals, Travel, Hotel, Air	13,500	10,320	13,500
Directors Tele/Office	475	450	475
Liability Insurance	7,000	5,985	7,000
Office Equip. Insurance	310	350	350
Meeting Costs	2,500	783	2,500
Memberships	500	420	500
Office Expense	8,765	4,939	7,000
Professional Fees	20,000	6,950	20,000
Web Site Maint.	1,390	743	1,390
Contracted Employees	28,500	23,906	28,500
Trustee's Admin.	20,800	7,689	19,600
Employee Benefits	<u>1,000</u>	<u>1790</u>	<u>1,000</u>
Administrative Expenses	145,490	102,005	137,865
Income Taxes		<u>30,928</u>	<u>31,000</u>
TOTAL EXPENSE		<u>132,933</u>	<u>168,865</u>

An explanation of each category of expense is provided below:

1. Bank Charges, Interest

The monthly bank service charges incurred plus any interest expenses from the bank or Revenue Canada are posted to this account.

2. Directors Per Diems

4 Directors X \$300 per month X 12 months =	\$14,400
2 Directors X \$400 per month X 12 months =	9,600
5 Directors X 6 Meeting Dates X \$250 per day =	7,500
1 Director X 6 Meeting Dates X \$350 per day =	2,100
6 Directors X 4 Conference calls X \$50 each =	1,200
Attendance at Non-Board Industry Meetings =	<u>1,000</u>
TOTAL	\$35,800

The 2009 Budget assumes six director positions will be filled in 2009. The budget for 2009 also assumes there will be ten meetings during the year compared to five in 2008 because of the reorganization. If fewer meetings are required, expenses will be reduced accordingly.

3. Meals, Travel, Hotel, Airfare

Directors and employees are reimbursed for expenses incurred while attending board meetings or attending to board business. The majority of board meetings are convened in Saskatoon, which is the closest location for the majority of board members. SCIIF/SCIDF uses rates established for CFS Board members to reimburse directors and employees.

4. Directors Telephone & Office

This expense is for the reimbursement of the Executives' out of pocket office expenditures.

5. Liability Insurance

Directors and employees are provided with liability insurance coverage.

6. Office Equipment Insurance

The premium for an insurance policy covering rented and owned office equipment.

7. Meeting Costs

This expense covers the cost of conference calls plus board room rentals for the Annual General Meeting and Meetings of the Board of Directors.

8. Memberships

The board maintains a membership with Saskatchewan Trade and Export Partnership.

9. Office Expense

The SCIIF/SCIDF office is operated from the home of the executive assistant. This expense covers the cost of a business phone line, long distance, photocopier rental, stationery, postage and related expenses.

10. Professional Fees

This expense includes the auditor's fees and legal fees that are directly related to SCIIF plus fees paid to a returning officer for administering board of directors nominations. Due to the pending restructuring of the funds, the cost of professional fees for 2009 is uncertain and may exceed the estimate.

11. Web Site Maintenance

The cost of updating and maintaining the web site www.sciif.org.

12. Contracted Employees

The board employs a Fund Administrator and Executive Assistant on a contractual basis.

13. Trustee Administration Expenses

The Administration Expenses incurred by the Trustees (professional fees, bank charges and Trustee's fees) are accounted for in the Trust Fund and allocated to SCIIF and SCIDF at year end. The total budget for the Trust Fund for 2009 is \$24,500. Eighty percent of this expense is allocated to SCIIF and the remaining 20% is allocated to SCIDF.

14. Employee Benefits

SCIIF remits Canada Pension Plan contributions calculated on per diems paid to directors

15. Income Taxes

In 2007 SCIIF utilized all of its past non-capital tax losses. Expenses are no longer sufficient to offset interest earnings, and as a result SCIIF has to pay income tax.

101016481 SASKATCHEWAN INC.
Operating as "Saskatchewan Chicken
Industry Development Fund" (SCIDF)
Financial Statements
December 31, 2008

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AUDITORS' REPORT

To the Members
101016481 Saskatchewan Inc.

We have audited the balance sheet of **101016481 SASKATCHEWAN INC. Operating as "Saskatchewan Chicken Industry Development Fund" (SCIDF)** as at December 31, 2008 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


Dudley & Company
Chartered Accountants LLP

Regina, Saskatchewan
February 1, 2009

101016481 SASKATCHEWAN INC.
Operating as "Saskatchewan Chicken Industry Development Fund" (SCIDF)
 Balance Sheet
As at December 31, 2008

ASSETS

CURRENT ASSETS	<u>2008</u>	<u>2007</u>
Cash	\$ 114	\$ 9,814
Short term investments	96,277	73,367
Due from The Saskatchewan Chicken Marketing Plan Trust Fund	855,880	1,020,592
Total Current Assets	<u>\$ 952,271</u>	<u>\$1,103,773</u>

LIABILITIES AND SURPLUS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,995	\$ 3,459
SURPLUS - page 3	<u>949,276</u>	<u>1,100,314</u>
Total Liabilities and Surplus	<u>\$ 952,271</u>	<u>\$1,103,773</u>

Approved on behalf of the Board:

 Director

 Director

The accompanying notes form an integral part of these financial statements.

101016481 SASKATCHEWAN INC.
Operating as "Saskatchewan Chicken Industry Development Fund" (SCIDF)
Statement of Operations and Surplus
For the year ended December 31, 2008

REVENUE	<u>2008</u>	<u>2007</u>
Contributions from check-off	\$ 25,482	\$ 115,778
Interest	44,981	62,010
Total Revenue	<u>70,463</u>	<u>177,788</u>
EXPENSES		
Bank charges and interest	61	69
Costs allocated from The Saskatchewan Chicken Marketing Plan Trust Fund	1,922	2,120
Funding of research and industry development activities - schedule 1	215,785	88,762
Office	0	24
Professional fees - schedule 2	3,733	4,137
Total Expenses	<u>221,501</u>	<u>95,112</u>
EXCESS OF REVENUE OVER (UNDER) EXPENSES	(151,038)	82,676
SURPLUS		
Beginning of year	<u>1,100,314</u>	<u>1,017,638</u>
End of year	<u>\$ 949,276</u>	<u>\$1,100,314</u>

The accompanying notes form an integral part of these financial statements.

101016481 SASKATCHEWAN INC.
Operating as "Saskatchewan Chicken Industry Development Fund" (SCIDF)
Statement of Cash Flows
For the year ended December 31, 2008

CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	<u>2008</u>	<u>2007</u>
Cash received from The Saskatchewan Chicken Marketing Plan Trust Fund	\$ 230,981	\$ 129,842
Cash paid to suppliers and to funding research	(221,180)	(116,719)
Interest received	<u>3,409</u>	<u>2,356</u>
 Net change in cash position	 13,210	 15,479
 CASH POSITION - beginning of year	 <u>83,181</u>	 <u>67,702</u>
- end of year	<u>\$ 96,391</u>	<u>\$ 83,181</u>
 CASH POSITION		
Cash	\$ 114	\$ 9,814
Short term investments	<u>96,277</u>	<u>73,367</u>
	<u>\$ 96,391</u>	<u>\$ 83,181</u>

The accompanying notes form an integral part of these financial statements.

101016481 SASKATCHEWAN INC.
Operating as "Saskatchewan Chicken Industry Development Fund" (SCIDF)
Notes to the Financial Statements
December 31, 2008

GENERAL

101016481 Saskatchewan Inc. (SCIDF) is incorporated under The Non-Profit Corporations Act of Saskatchewan and is exempt from income taxes. The purpose of SCIDF is to develop the chicken industry in Saskatchewan, including undertaking productivity research, investigating new mechanisms for enhancing the performance of the chicken industry and other similar purposes. Projects funded by SCIDF must contribute to the growth and/or survival of the Saskatchewan Broiler Chicken Industry. SCIDF is administered by a board of directors, comprised of six producers, one representative appointed by Agri-Food Council and one member appointed by the board. Funds are administered by and provided to SCIDF by The Saskatchewan Chicken Marketing Plan Trust Fund.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue Recognition

SCIDF receives check-off revenue from Saskatchewan chicken producers and interest income from investments that are held on its behalf by a related party and records such revenue as earned.

b) Use of Estimates

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. These assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

c) Short Term Investments

Investments are valued at the lower of cost and market value.

2. RELATED PARTY TRANSACTIONS

SCIDF is related to Chicken Farmers of Saskatchewan (CFS), 101016477 Saskatchewan Ltd. and The Saskatchewan Chicken Marketing Plan Trust Fund (the "Trust Fund") as a result of industry participants' ownership and influence in these organizations.

The Saskatchewan Chicken Marketing Plan Trust Fund (the "Trust Fund") was established pursuant to the Saskatchewan Chicken Marketing Plan Regulations, 1978 (the "Regulations") by an agreement dated December 24, 2001 between the Chicken Farmers of Saskatchewan (CFS) and the trustees. The purpose of the Trust Fund is to receive funds from the sale of production quota by the CFS and proceeds from check-offs from CFS producers, and to hold and invest such funds for 101016477 Saskatchewan Ltd. (SCIIF) and 101016481 Saskatchewan Inc. (SCIDF). The regulations established the development check-off at 3¢/kilogram of live chicken marketed under quota auctioned after January 1, 2000 to December 9, 2007 and then was replaced by a reduced check-off of \$.0025/kilogram of live chicken marketed thereafter on all quota classifications. The regulations also specify that the check-off is to cease when the earnings of the Trust Fund total \$12 million. The status of accumulated contributions and interest earnings as at December 31, 2007 is as follows:

101016481 SASKATCHEWAN INC.
Operating as "Saskatchewan Chicken Industry Development Fund" (SCIDF)
 Notes to the Financial Statements
December 31, 2008

2. RELATED PARTY TRANSACTIONS (continued)

Contributions prior to 2008:	
Auction proceeds	\$5,273,482
Check-off (2001 - 2007)	3,122,039
Interest (2001 - 2007)	1,122,414
Other income (2005)	<u>9,810</u>
Total Contributions Prior to 2008	<u>9,527,745</u>
Contributions during 2008:	
Check-off	131,150
Interest	<u>207,860</u>
Total Contributions During 2008	<u>399,010</u>
Total Contributions as at December 31, 2008	<u>\$9,866,755</u>

The contributions are allocated in accounts established to the Trust, 80% to SCIIF and 20% to SCIDF.

Allocation of contributions to December 31, 2008:	
SCIIF	\$7,893,404
SCIDF	<u>1,973,351</u>
Total Allocation of Contributions	<u>\$9,866,755</u>

At year end, the Trust Fund received funds held in trust, or had accounts due to it, in the amount of \$855,880 (2007 - \$1,020,592) for the account of SCIDF related to the sale of CFS quota, check-off levy and interest revenue.

All amounts due to and from related parties are non-interest bearing with no fixed terms of repayment.

3. FINANCIAL INSTRUMENTS

SCIDF's financial instruments consist of cash, short term investments, due from The Saskatchewan Chicken Marketing Plan Trust Fund, and accounts payable and accrued liabilities. The carrying values of these instruments approximate their fair value due to their relatively short term maturities.

4. CONTINGENCIES

There is an outstanding legal claim against the corporation. It is not possible to estimate a settlement amount, if any, that may be payable should the claim be successful. Accordingly, no amount has been recorded in the financial statements for this contingency. Any amount payable in the future relating to settlement of this matter will be recorded as an expense at that time.

5. SUBSEQUENT EVENTS

Major changes to the structure of SCIIF and SCIDF are planned for the near future. Although not finalized, the preliminary proposal is that SCIIF and SCIDF will cease to exist as separate corporations and be combined into a single fund.

101016481 SASKATCHEWAN INC.
Operating as "Saskatchewan Chicken Industry Development Fund" (SCIDF)
 Schedule 1 - Schedule of Industry Development Activities
For the year ended December 31, 2008

	<u>2008</u>	<u>2007</u>
Applied Poultry Research:		
Dr. S. Gomis, University of Saskatchewan	\$ 56,300	\$ 19,400
Dr. J. Prescott, University of Guelph	12,500	0
Dr. H. Classen, University of Saskatchewan	8,250	0
Dr. C. Ruiz-Feria, McGill University	0	7,500
Dr. X. Zhao, McGill University	11,500	5,750
Dr. S. Sharif, University of Guelph	10,000	5,000
Dr. T. Crowe, University of Saskatchewan	10,392	10,392
Dr. G. Fasenko, University of Alberta	0	5,000
Dr. Y. Zhou, University of Saskatchewan	25,000	12,500
Dr. S. Tikoo, University of Saskatchewan	5,000	0
Dr. P. Aich, University of Saskatchewan	10,000	0
Dr. K. Machin, University of Saskatchewan	8,750	0
	<u>157,692</u>	<u>65,542</u>
General Promotion:		
Saskatchewan Meat Processors Association	500	720
University of Saskatchewan	14,600	4,700
Farm Animal Council of Saskatchewan	4,150	3,250
Global promotion campaign	0	10,000
Producer seminar	0	1,794
SK Poultry Industry Conference	0	2,756
	<u>19,250</u>	<u>23,220</u>
Other:		
CFS - Avian Influenza Clean-up	38,843	0
Total	<u>\$ 215,785</u>	<u>\$ 88,762</u>

The accompanying notes form an integral part of these financial statements.

101016481 SASKATCHEWAN INC.
Operating as "Saskatchewan Chicken Industry Development Fund" (SCIDF)
 Schedule 2 - Schedule of Professional Fees
For the year ended December 31, 2008

	<u>2008</u>	<u>2007</u>
Accounting and auditing fees	\$ 3,733	\$ 3,402
Legal fees	0	735
Total	<u>\$ 3,733</u>	<u>\$ 4,137</u>

101016481 SASKATCHEWAN INC.
Operating as "Saskatchewan Chicken Industry Development Fund" (SCIDF)
 Schedule 3 - Schedule of Industry Development Activities Committed for Future Years
For the year ended December 31, 2008

Many of the projects funded by SCIDF take more than one year to complete. Funds for the second and subsequent years of a multi-year project are not advanced unless satisfactory progress is demonstrated in the prior year. If there is satisfactory progress in all of the projects currently underway, SCIDF is committed to the following future expenditures:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Applied Poultry Research:			
Dr. H. Classen, University of Saskatchewan	\$ 31,121	\$ 8,250	\$ 0
Dr. T. Crowe, University of Saskatchewan	10,392	10,393	0
Dr. S. Gomis, University of Saskatchewan	0	0	0
Dr. F. Robinson, University of Alberta	15,376	0	0
Dr. Y. Zhou, University of Saskatchewan	12,500	0	0
Dr. S. Sharif, University of Guelph	10,000	5,000	0
Dr. X. Zhao, McGill University	11,500	5,750	0
Dr. G. Fasenko, University of Alberta	13,032	10,381	2,350
Dr. S. Tikoo, University of Saskatchewan	10,000	10,000	5,000
Dr. J. Prescott, University of Guelph	12,500	0	0
Dr. G. Gomis, University of Saskatchewan	17,500	36,250	18,750
Dr. P. Aich, University of Saskatchewan	20,000	20,000	10,000
Dr. K. Machin, University of Saskatchewan	17,500	8,750	0
	<u>181,421</u>	<u>114,774</u>	<u>36,100</u>
General Promotion:			
U of S Awards, other	\$ 7,100	\$ 6,000	\$ 0
CFS	8,600	0	0
FACS	4,250	0	0
Total	<u>\$201,371</u>	<u>\$120,774</u>	<u>\$ 36,100</u>

The accompanying notes form an integral part of these financial statements.

**101016477 SASKATCHEWAN LTD.
Operating as "Saskatchewan Chicken
Industry Investment Fund" (SCIIF)
Financial Statements
December 31, 2008**

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AUDITORS' REPORT

To the Directors
101016477 Saskatchewan Ltd.

We have audited the balance sheet of **101016477 SASKATCHEWAN LTD. Operating as "Saskatchewan Chicken Industry Investment Fund" (SCIIF)** as at December 31, 2008 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.


Dudley & Company
Chartered Accountants LLP

Regina, Saskatchewan
February 2, 2009

101016477 SASKATCHEWAN LTD.
Operating as "Saskatchewan Chicken Industry Investment Fund" (SCIIF)
 Balance Sheet
As at December 31, 2008

ASSETS

CURRENT ASSETS	<u>2008</u>	<u>2007</u>
Cash	\$ 43,580	\$ 26,708
Due from The Saskatchewan Chicken Marketing Plan Trust Fund	6,732,503	6,300,160
Accounts receivable	0	502
Corporation taxes receivable	9,502	0
Total Assets	<u>\$6,785,585</u>	<u>\$6,327,370</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 3,405	\$ 2,511
Corporation taxes payable	0	40,426
Total Liabilities	<u>3,405</u>	<u>42,937</u>
SHAREHOLDERS' EQUITY		
Share capital - note 3	6,707,650	6,244,550
Surplus - page 3	74,530	39,883
Total Shareholders' Equity	<u>6,782,180</u>	<u>6,284,433</u>
Total Liabilities and Shareholders' Equity	<u>\$6,785,585</u>	<u>\$6,327,370</u>

Approved on behalf of the Board:

 Director

 Director

The accompanying notes form an integral part of these financial statements.

101016477 SASKATCHEWAN LTD.
Operating as "Saskatchewan Chicken Industry Investment Fund" (SCIIF)
Statement of Operations and Surplus
For the year ended December 31, 2008

REVENUE	<u>2008</u>	<u>2007</u>
Interest	\$ 167,580	\$ 239,587
 EXPENSES		
Bank charges and interest	470	384
Contract employees	23,906	22,676
Costs allocated from the Saskatchewan Chicken Marketing Plan Trust Fund	7,689	8,480
Directors' liability insurance	5,985	6,000
Directors' per diems - schedule 1	37,210	36,066
Directors' telephone and office expenses	450	450
Directors' travel and meals	10,320	7,497
Dues and memberships	420	424
Employee benefits	1,790	1,400
Insurance	350	300
Meetings	783	1,258
Office	4,939	5,968
Professional fees - schedule 2	6,950	6,948
Website maintenance	743	972
Total Expenses	<u>102,005</u>	<u>98,823</u>
 Income before income taxes	 65,575	 140,764
Current income taxes	<u>30,928</u>	<u>40,426</u>
NET INCOME FOR THE YEAR	34,647	100,338
 SURPLUS		
Beginning of year	<u>39,883</u>	(60,455)
End of year	<u>\$ 74,530</u>	<u>\$ 39,883</u>

The accompanying notes form an integral part of these financial statements.

101016477 SASKATCHEWAN LTD.
Operating as "Saskatchewan Chicken Industry Investment Fund" (SCIIF)
Statement of Cash Flows
December 31, 2008

CASH FLOWS FROM (FOR) OPERATING ACTIVITIES	<u>2008</u>	<u>2007</u>
Cash received from The Saskatchewan Chicken Marketing Plan Trust Fund	\$ 189,356	\$ 84,742
Cash paid to suppliers	(92,920)	(90,769)
Interest and other revenue received	1,292	972
Corporation taxes paid	<u>(80,856)</u>	<u>0</u>
Net change in cash position	16,872	(5,055)
CASH POSITION - beginning of year	<u>26,708</u>	<u>31,763</u>
- end of year	<u>\$ 43,580</u>	<u>\$ 26,708</u>
CASH POSITION DEFINED		
Bank indebtedness	\$ 0	(\$ 3,598)
Short term investments	38,098	30,306
Cash	<u>5,482</u>	<u>0</u>
	<u>\$ 43,580</u>	<u>\$ 26,708</u>

The accompanying notes form an integral part of these financial statements.

101016477 SASKATCHEWAN LTD.
Operating as "Saskatchewan Chicken Industry Investment Fund" (SCIIF)
Notes to the Financial Statements
December 31, 2008

GENERAL

101016477 Saskatchewan Ltd. ("SCIIF") was incorporated under The Business Corporations Act of Saskatchewan for the purpose of making investments in infrastructure in the Saskatchewan chicken industry. SCIIF is administered by a board of directors, comprised of six producers, one representative appointed by Agri-Food Council and one member appointed by the board. Funds are administered by and provided to SCIIF by The Saskatchewan Chicken Marketing Plan Trust Fund. Investments must be approved by the board of directors and by 60% of common shareholders.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue Recognition

SCIIF receives interest income from investments that are held on its behalf by a related party and records such revenue as earned.

b) Use of Estimates

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. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the period in which they become known.

2. RELATED PARTY TRANSACTIONS

101016477 Saskatchewan Ltd. is related to Chicken Farmers of Saskatchewan (CFS), 101016481 Saskatchewan Ltd. (SCIDF) and The Saskatchewan Chicken Marketing Plan Trust Fund (the Trust Fund) as a result of industry participants' ownership and influence in these organizations.

The Saskatchewan Chicken Marketing Plan Trust Fund (the Trust Fund) was established pursuant to the Saskatchewan Chicken Marketing Plan Regulations, 1978 (the Regulations) by an agreement dated December 24, 2001 between the Chicken Farmers of Saskatchewan (CFS) and the trustees. The purpose of the Trust Fund is to receive funds from the sale of production quota by the CFS and proceeds from check-off from CFS producers, and to hold and invest such funds for 101016477 Saskatchewan Ltd. (SCIIF) and 101016481 Saskatchewan Ltd. (SCIDF). The Regulations established the development check-off at 3¢/kilogram of live chicken marketed under quota auctioned after January 1, 2000 to December 9, 2007 and then was replaced by a reduced check-off of \$.0025/kilogram of live chicken marketed thereafter on all quota classifications. The regulations also specify that the check-off is to cease when the earnings of the trust fund total \$12 million. The status of accumulated contributions and interest earnings as at December 31, 2008 is as follows:

101016477 SASKATCHEWAN LTD.
Operating as "Saskatchewan Chicken Industry Investment Fund" (SCIIF)
 Notes to the Financial Statements
December 31, 2008

2. RELATED PARTY TRANSACTIONS (continued)

Contributions prior to 2008:	
Auction proceeds	\$5,273,482
Check-off (2001 - 2007)	3,122,039
Interest (2001 - 2007)	1,122,414
Other income (2005)	9,810
Total Contributions Prior to 2008	<u>9,527,745</u>
Contributions during 2008:	
Check-off	131,150
Interest	207,860
Total Contributions During 2008	<u>339,010</u>
Total Contributions as at December 31, 2008	<u>\$9,866,755</u>

The contributions are allocated in accounts established to the Trust, 80% to SCIIF and 20% to SCIDF.

Allocation of contributions to December 31, 2008:	
SCIIF	\$7,893,404
SCIDF	1,973,351
Total Allocation of Contributions	<u>\$9,866,755</u>

All amounts due to and from related parties are non-interest bearing with no fixed terms of repayment.

3. SHARE CAPITAL

The corporation has three classes of shares: Class A common voting shares, Class B preferred shares and Class C preferred shares all with a par value of \$1 each. The common shares are held only by producers on the basis of one common share per producer. Each licensed producer in Saskatchewan is entitled to one Class A share. Investments in the chicken industry must be approved by 60% of the producers. Class B preferred shares can be held only by holders of Class A shares. Class B shares are issued to holders of B quota on the basis of one Class B share for each dollar of check-off contributed to SCIIF. Class C preferred shares are held by the Trust and represent 80% of auction proceeds.

Authorized:

Common shares
 Unlimited number of Class A common shares

Preferred shares
 Unlimited number of Class B non-cumulative,
 non-voting, redeemable preferred shares

Preferred shares
 Unlimited number of Class C non-cumulative,
 non-voting, redeemable, retractable preferred shares

101016477 SASKATCHEWAN LTD.
Operating as "Saskatchewan Chicken Industry Investment Fund" (SCIIF)
 Notes to the Financial Statements
December 31, 2008

3. SHARE CAPITAL (continued)	<u>2008</u>	<u>2007</u>
Issued:		
Common shares		
- 93 Class A common shares	\$ 93	\$ 93
Preferred shares		
- Class B preferred shares (2007 – 2,025,673)	2,488,773	2,025,673
- 4,218,786 Class C preferred shares	<u>4,218,784</u>	<u>4,218,784</u>
	<u>\$6,707,650</u>	<u>\$6,244,550</u>

4. FUNDS HELD IN TRUST IN THE SASKATCHEWAN CHICKEN MARKETING PLAN TRUST FUND

In addition to the share capital (see Note 3) additional funds are held in trust by The Saskatchewan Marketing Plan Trust Fund which are to be invested in the capital stock of SCIIF, as follows:

	<u>2008</u>	<u>2007</u>
Class B shares (in the name of Saskatchewan chicken producers)	\$ <u>105,668</u>	\$ <u>463,100</u>

5. FINANCIAL INSTRUMENTS

SCIIF's financial instruments consist of cash, due from The Saskatchewan Chicken Plan Trust Fund, GST recoverable, accounts payable and accrued liabilities, due to 101016481 Saskatchewan Ltd. The carrying value of these instruments approximate their fair value due to their short term maturities.

6. SUBSEQUENT EVENTS

Major changes to the structure of SCIIF and SCIDF are planned for the near future. Although not finalized, the preliminary proposal is that SCIIF and SCIDF will cease to exist as separate corporations and be combined into a single fund administered by the Chicken Farmers of Saskatchewan.

7. COMPARATIVE FIGURES

Prior year's comparative figures have been restated to conform to the current year's presentation.

101016477 SASKATCHEWAN LTD.
Operating as "Saskatchewan Chicken Industry Investment Fund" (SCIIF)
Schedule 1 - Schedule of Directors' Fees
For the year ended December 31, 2008

Per diems paid to directors during 2008:

	<u>2008</u>	<u>2007</u>
James Dyck	\$ 4,850	\$ 4,750
Gary Nickel	6,050	6,000
Barry Sandercock	5,210	4,561
Don Tait	2,600	3,750
Cliff Welfing	9,200	7,705
Timothy Keet	5,600	4,750
Wes Vanderveen	3,700	4,550
Total Per Diems	<u>\$ 37,210</u>	<u>\$ 36,066</u>

The accompanying notes form an integral part of these financial statements.

101016477 SASKATCHEWAN LTD.
Operating as "Saskatchewan Chicken Industry Investment Fund" (SCIIF)
Schedule 2 - Schedule of Professional Fees
For the year ended December 31, 2008

	<u>2008</u>	<u>2007</u>
Accounting and auditing fees	\$ 4,108	\$ 3,580
Legal fees	2,792	3,318
Returning officer	50	50
Total	<u>\$ 6,950</u>	<u>\$ 6,948</u>

The accompanying notes form an integral part of these financial statements.