

Southern Interior

DEVELOPMENT INITIATIVE TRUST

2007 Annual Report

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Chairman's Report Fiscal 2007-2008

In 2007 SIDIT progressed from the setup phase to the operational phase. Tremendous progress has been made and SIDIT is emerging as a truly distinct and unique organization, one in which I believe everyone involved can be proud. We have succeeded in creating a streamlined and efficient organization devoted to seeing the maximum amount of SIDIT funds go to work enhancing economic opportunities.

Perhaps the most significant event to date has been SIDIT's contribution to education and training. Recognizing that a critical issue inhibiting new businesses and expansion of existing businesses is a critical shortage of skilled trades, SIDIT collaborated with The BC Innovation Council and the four universities and colleges operating in the Southern Interior to fund education awards focused on enterprise, trades, technology and academic programs. These initiatives are targeted at funding programs and awards which support and encourage enterprise and economic development by funding students in secondary schools entering trades, as well as, those enrolled in university and college programs.

To date about \$10,000,000 of funding has been committed and there are numerous funding applications making their way through our system.

Consistent with the board of Directors commitment to ensuring that trust funds are spent on innovative and sustainable economic development initiatives and not on administration and overhead SIDIT has attempted to harness the energy and expertise of external resources. I am pleased to advise that SIDIT has been successful in achieving a low overhead. Total operating expenses were \$281,445 which represents about 0.52% of SIDIT's assets. In August we hired an additional staff person, Anita Rhodes, as an assistant to our CEO. Anita has been very helpful in assisting us achieve our goals.

Our focus on maximizing funds for investment and decreasing overhead led to forming strategic alliances and partnerships with outsource providers who have the expertise that SIDIT lacks and that we cannot efficiently duplicate. A proposal call to various lenders to provide loan due diligence, analysis, and administration was made and we ultimately selected Vantage One Financial Services located in Vernon, who in collaboration with BC Central Credit Union and a network of credit unions throughout the Southern Interior put together an attractive proposal to provide a cost efficient model for the delivery of loan and grant administration services.

Continuing with the theme of harnessing existing expertise, we formed a partnership with a private equity fund and created a new fund which will be known as the Southern Interior Innovation Fund. Under this arrangement SIDIT has a maximum 40% share of investment with our partners who provide hands on mentoring and guidance to new start-up firms. This fund is to focus on innovative start-up ventures.

Two other exciting collaborations have also been entered into along similar lines. One is with Community Futures Development Corporations and the other is a pilot project with Community Foundations. Both of these initiatives involve leveraging and building upon existing loan and grant administration infrastructure.

While there were frustrations and challenges to overcome in order to see the above come about much progress has been made and I am pleased to report that we now have our systems and critical strategic alliances in place which form a solid foundation from which to build. As with any new organization we can expect an ongoing effort to refine and improve the way we do business and the organization will continue to evolve as we move forward. We are at a critical juncture in the evolution of the organization as we move our focus from start up to operating but I am confident that our operations phase will produce concrete results for the Southern Interior.

I would like to thank all of our partners including, Vantage One Financial Services, The BC Innovation Council, Thompson Rivers University, College of the Rockies, Selkirk College, Okanagan College, The Okanagan Innovation Fund, The Community Futures Development Corporations, and Community Foundations, for their dedication and cooperative spirit in helping SIDIT achieve its mandate. I would also like to thank our CEO Ron Baker for his commitment to getting the Trust open for business and a special thank you to our Board of Directors and Regional Advisors for their ongoing support.

Respectfully submitted
Jim Thomson, Chairman



About the Southern Interior Development Initiative Trust

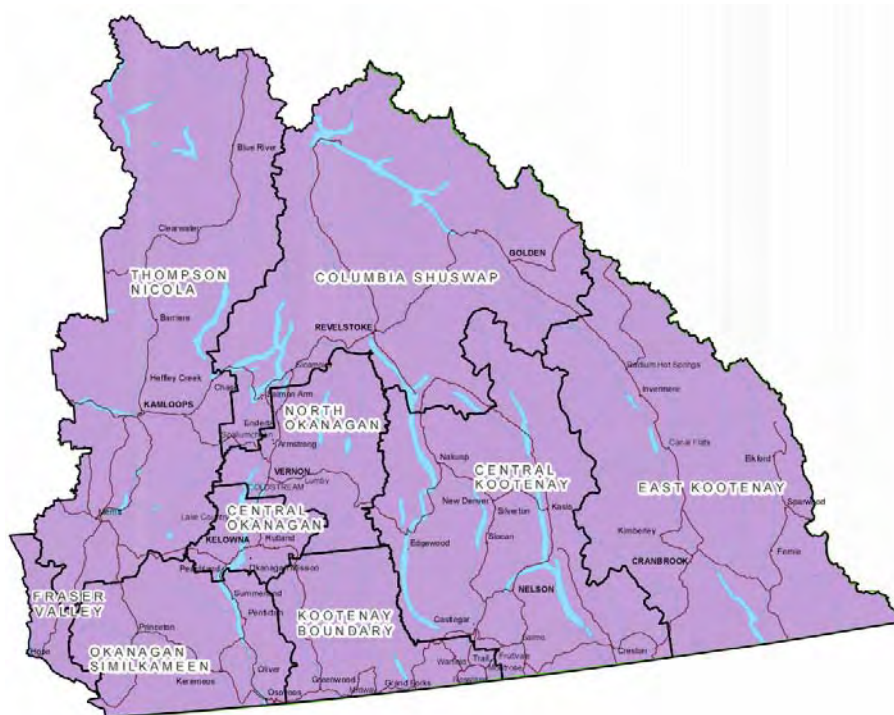
The Southern Interior Development Initiative Trust (SIDIT) was created by an Act of the BC Legislation, Bill 8- 2005, which came into regulation on February 27, 2006 with a one time allocation of \$50 million designated for strategic investments in sustainable economic development initiatives in key sectors throughout the Southern Interior. The service area includes Blue River to the North, Hope to the West and the US and Alberta borders as Southern and Eastern boundaries respectively.

While the Trust is not an agent of the Government, as a Public Trust it must comply with public sector regulations.

The Trust is governed by a Board of Directors consisting of 8 elected local government and 5 Provincial Government appointed members. In addition, two Regional Advisory Committees, one representing the Thompson Okanagan region and one representing the Columbia Kootenay region, may provide recommendations to the Board with respect to project funding.

SIDIT is focused on supporting economic development initiatives that will demonstrate long term measurable economic benefits within the Southern Interior. Funding may include grants, loans and equity participation with a focus on leveraged participation.

Map of the Southern Interior Area



Vision and Mission

In its 2008-2010 Strategic Plan, SIDIT's Board of Directors continues to maintain the following vision and mission:

Vision

The SIDIT Board of Directors and RAC members share a vision of the future for the Southern Interior.

That vision is:

- a future where economic opportunities are enabled, providing long-lasting measurable benefits to communities
- a future where regional investment creates significant positive impacts across the region while smaller communities are given opportunities to remain or become economically sustainable
- a future where there is a strong and diversified economy in the Southern Interior that supports the development of viable, healthy, vital and sustainable communities

Mission

The mission of the Southern Interior Development Initiative Trust is to support regionally strategic investments in economic development projects that will have long-lasting and measurable regional benefits for the Southern Interior.



Board of Directors

Jim Thomson; Board Chair, SIDIT, Kamloops

Marty Bootsma; Mayor, City of Salmon Arm

Greg Deck; Mayor, Village of Radium Hot Springs

John Dooley; Mayor, City of Nelson

Shane Gottfriedson; Chief, Kamloops Indian Band

Jake Kimberley; Mayor, City of Penticton

Wayne Lippert; Mayor, City of Vernon, Vice Chair, SIDIT

Clarence Louie; Chief, Osoyoos Indian Band

Christa-Lee Bond; Summerland

Cindy Popescul; CA, Cranbrook

Ross Priest; Mayor, City of Cranbrook (until January 25, 2008)*

* replaced by David Wilks; Mayor, District of Sparwood

Sharon Shepherd; Mayor, City of Kelowna

Josh Smienk; Area E Director, RDCK

Staff

Ron Baker, Chief Executive Officer email: ceo@sidit-bc.ca

Anita Rhodes, Administrative Assistant email: admin@sidit-bc.ca

Phone: (250) 545-6829 Fax: (250) 545-6896

Mailing Address

Southern Interior Development Initiative Trust

103-2903, 35th Avenue, Vernon, BC, V1T 2S7

Regional Advisory Committees

Thompson-Okanagan Regional Advisory Committee: representing the region from Hope to Kamloops, to Salmon Arm and the Okanagan Valley.

Members:

Terry Lake; Mayor, City of Kamloops (RAC Chair)

Sharon Shepherd; Mayor, City of Kelowna

Jake Kimberley; Mayor, City of Penticton

Marty Bootsma; Mayor, City of Salmon Arm and Chair of Columbia Shuswap R.D.

Wayne Lippert; Mayor, City of Vernon

Jerry Oglow; Mayor, City of Armstrong and Chair of NORD

Sue Phillips; Mayor, City of Enderby

David Laird; Mayor, City of Merritt

Gary Corner; Mayor, District of Coldstream

Wilfried Vicktor; Mayor, District of Hope

James Baker; Mayor, District of Lake Country

Graham Reid; Mayor, District of Peachland

Lorraine March; Mayor, District of Sicamous

David Gregory; Mayor, District of Summerland

Robert Hobson; Chair, Central Okanagan Regional District

Clint Hames; Chair, Fraser Valley R.D.

Dan Ashton; Chair, Okanagan-Similkameen R.D.

Peter Milobar; Chair, Thompson-Nicola R.D.

Ron Hovanes; Mayor, Town of Oliver

John Slater; Mayor, Town of Osoyoos

Randy McLean; Mayor, Town of Princeton

Will Hansma; Mayor, Town of Spallumcheen

Harry Danyluk; Mayor, Village of Chase

Walter Despot; Mayor, Village of Keremeos

Eric Foster; Mayor, Village of Lumby

MLA Hon. Bill Barisoff

MLA Hon. Rick Thorpe

MLA Sindi Hawkins

MLA Al Horning

MLA Hon. Tom Christensen
MLA Hon. George Abbott
MLA Kevin Krueger
MLA Hon. Claude Richmond
MLA Harry Lali

Columbia-Kootenay Regional Advisory Committee: representing the Columbia-Revelstoke, East Kootenay, to the West Kootenay-Boundary area.

Members:

John Dooley; Mayor, City of Nelson (RAC Chair)
Mark McKee; Mayor City of Revelstoke
Ron Oszust; Director, Columbia Shuswap Regional District
Josh Smienk; Director Area E, Regional District of Central Kootenay
Ann Henderson; Director, Regional District of Central Kootenay
Greg Deck; Mayor, Radium Hot Springs and Chair, Regional District East Kootenay
Rob Gay; Director, Cranbrook Regional District East Kootenay
Ross Priest; Mayor, City of Cranbrook - replaced by David Wilks; Mayor, District of Sparwood
Dieter Bogs; Mayor, City of Trail
Marie Christensen; Director, Regional District Kootenay Boundary
Randy Kappes; Councillor, Village of Midway
Corky Evans; MLA Nelson – Creston
Bill Bennett; MLA East Kootenay



Fiscal 2007 – A Year in Review

Fiscal 2007 was a pivotal year in SIDIT's evolution from concept to a fully functioning economic development Trust.

SIDIT's first Strategic Plan focused initially on a number of important fronts including securing external resources such as legal counsel, investment management, audit and web design services through a series of Request for Proposals (RFPs).

Concurrently with the development of our administrative operations, we developed an application process including the guidelines, forms, evaluation matrix and instructions to RAC and Board members which was key to begin accepting and evaluating applications. Through meetings and presentations to other agencies engaged in economic development, numerous opportunities to collaborate were explored and help spread the message that SIDIT was now "open for business".

The operating model envisioned by SIDIT's Board is one in which funds available for qualifying projects are to be maximized by maintaining a small administrative cost footprint.

With a primary objective of supporting economic development opportunities which deliver on job creation, revenue generation and economic diversification while at the same time ensuring sustainability of the Trust, the immediate challenge was to secure outsource service providers and partners to professionally and cost effectively adjudicate and administer loans and equity investments on behalf of SIDIT.

Maintaining a low internal administrative cost structure has largely been accomplished. Staffing increased to two as of mid-July 2007 and the total operating cost for Fiscal 2007 was \$281,445. This represents 0.52% of assets or 12% of the revenue generated on SIDIT's investments.

Credit Union Lending Partnership:

In taking a road untraveled by most Development Trusts, identifying outsource partners to provide loan and equity due diligence and administration services required considerable prospecting followed by lengthy and detailed negotiations.

Unlike conventional business with ready access to established service providers there was no "off the shelf" model for outsourced loan and equity services available to SIDIT.

It was not until November, 2007 that SIDIT secured VantageOne Financial Services, headquartered in Vernon in collaboration with BC Central Credit Union to participate in designing a cost effective service model for the delivery of loan services. We selected the Vantage One proposal over other competing options because it provided the best overall value and created a mechanism designed to attract credit unions from throughout the Southern Interior region as delivery participants.

This initiative involved a multi-stage process beginning with creation of SIDIT's Lending Policy which effectively positions SIDIT in a moderately higher risk position relative to conventional lenders. We did not wish to displace current financing options but rather to complement existing options and expand access to capital within the Southern Interior.

Qualifying loans can generally be described as "pre-bankable". The expectation is that these loans will over time become bankable and may then be transition to the credit union partner. This is an attractive

arrangement for both the credit union and SIDIT since the return of loan funds would allow SIDIT to assist new economic development opportunities. Rates, terms and fees will be market based.

Southern Interior Innovation Fund (SIIF):

Other major collaborations established during the year include an investment partnership with the newly formed Southern Interior Innovation Fund, a private investment equity fund. This new fund based on the Okanagan Innovation Fund model will expand its scope to attract investors and equity investment opportunities from the entire Columbia Kootenay region as well as the Thompson Okanagan. SIDIT will invest up to \$2 million or 40% of the total capital whichever is less, thereby ensuring that a minimum of 1:1 leverage ratio is maintained. Like the original fund, SIIF will focus on innovative start up ventures. Mentoring provided to investee businesses by SIIF investors and their network of contacts will be a key element in helping these companies achieve commercial success.

Community Futures Development Corporation (CFDC):

Preliminary negotiations with representatives from the 13 Community Futures Development Corporations operating in the Southern Interior centered on developing terms of a loan partnership in which both parties would co-fund loans with administration services provided by the CFDCs for a share of SIDIT's loan revenue.

By leveraging on CFDCs skilled lending network, an initial commitment by SIDIT of \$1 million will help expand SIDIT's reach by providing loan funding to small start up and expanding businesses. Discussions are ongoing with respect to finalizing an executable agreement.

Community Foundations (CFs):

In seeking to advance collaborations with potential delivery partners, SIDIT undertook a pilot flow-through funding agreement with three of the 15 Community Foundations operating in the Southern Interior region. This pilot project was designed to consider with the Community Foundations their role in attracting social, economic development opportunities. If proven effective this initiative may go a long ways to advancing SIDIT's grant funding. Benefits include greater community access to SIDIT funding, fees payable to the CFs which help maintain their operations and reduced SIDIT administration. The first calls for proposals were made in March 2008 and all CF recommendations to SIDIT are expected by mid-2008. Next steps include an evaluation of the effectiveness of the pilot initiative to determine how the program best be modified and expanded.

Education Awards:

The record would not be complete without recognizing SIDIT's historic commitment to education awards. Focusing on innovation, enterprise, trades, technology and academic programs, SIDIT engaged the British Columbia Innovation Council and four post-secondary institutions operating in the Southern Interior as delivery partners. With a total commitment in excess of \$5.4 million over 3 years, SIDIT holds the distinction of making the largest single education award commitment to be

delivered by any college in the Southern Interior. The four participating institutions; College of the Rockies, Selkirk College, Okanagan College and Thompson Rivers University will deliver programs and manage awards for trades and technology students at both the secondary school and post secondary school levels. The University and Colleges are to be commended for how well they worked with SIDIT and each other to make this happen.

Investment Management:

Since receiving its \$50 million allocation from the Province, SIDIT has held its funds in money market instruments managed by the Municipal Finance Authority.

During the year SIDIT issued an RFP for investment management services and ultimately selected Phillips Hager and North (PHN) from amongst five submissions. Following development of SIDIT's Investment Policy, \$25 million was nominated for transfer to PHN in three tranches beginning with \$9 million in January 2008, to be followed by \$8 million in April and July 2008. At fiscal year-end SIDIT's total investment balance was \$54 million.

Looking Forward:

The groundwork is now in place to position SIDIT as a vital and effective force for economic development in the Southern Interior. Through its strategic partnerships with the Credit Unions, Southern Interior Innovation Fund, Community Futures and Community Foundations, SIDIT has both the capacity and commitment to make a significant contribution in meeting the challenges and opportunities of a diverse and changing economy in the Southern Interior.



Report on Goals and Achievements

Goals for Fiscal 2007:

1. Subject to the availability of qualified investment opportunities, SIDIT will commit up to \$30 million to be disbursed over a four-year period, at an annual rate of \$7.5 million per year. Target \$15 million of investment on a leveraged basis.
2. Launch web site by May
3. Build alliances with other funding agencies and identify partnership opportunities
4. Execute an effective communications plan ensuring all communities are aware and have equitable access to funds for eligible programs within funding guidelines
5. Complete the development and adoption of governance policies
6. Accept funding applications by mid 2007

Achievements:

Objective 1: Subject to availability of qualified investment opportunities SIDIT will commit up to \$30 million to be disbursed at an annual rate of \$7.5 million, for annual target investment of \$15 million on a leveraged basis.

Several factors contributed to actual disbursements made during the year being significantly lower than the \$7.5 million disbursement cap set out in the objectives. Of note is that funding commitments totaling \$9.6 million were made during fiscal 2007.

Additionally there were pending projects totaling \$5.5 million in varying stages of review at the end of its 2007 fiscal year.

To address the timing issue, in creating its 2008-2010 Strategic Plan, the Board provided that funds not disbursed in any one year will be available for projects in subsequent years, in addition to the funding budgeted for those years.

A Board decision, made after the adoption of the 2007-2009 Strategic Plan, to limit funding available as grants to \$750,000 annually with individual projects qualifying for up to \$150,000 versus \$1 million for loans or equity investments, had by some accounts limited the number and types of projects submitted for SIDIT funding.

Going forward the expectation is that grant approvals and the communications resulting from those awards will encourage a significant number of grant applications that qualify within the revised parameters.

It is also important to note that the disbursement target of \$7.5 million was predicated on the availability of qualifying investment opportunities. The Board's position was that projects were to be funded on economic merit. This philosophy ensures that funding is not inappropriately committed simply to meet targets, but rather, that funding is preserved for those projects which will truly deliver sustainable economic benefits.

Following is a recap of activity volumes for Fiscal 2007:

1. Applications Processed	42
2. Funding Requested per Applications	\$9,971,383
3. Project Funding Committed &/or Disbursed	\$1,150,223
1. Grants - \$450,223	
2. Loans - \$0	
3. Equity - \$700,000	
(note:- pending projects represent a further \$ 5.5 million)	
4. Other Funding Committed	
1. BCIC Awards (2 year)	\$1,520,000
2. University and College Trades and Technology Awards (3 year)	\$2,400,000
3. High School Trades, Technology, Academic Awards (3 year)	\$1,500,000
4. Community Foundations Flow Through Grants	\$ 75,000
5. Southern Interior Innovation Fund	\$2,000,000
6. Community Futures Lending Partnership	\$1,000,000
5. Total Funding Disbursed/ Committed	<u>\$9,645,223</u>

8 of the 10 key sectors identified in the SIDIT Act are represented by projects and initiatives approved or funded by SIDIT. Only mining and energy remain unrepresented.

This is a function of the lack of applications targeting these sectors. SIDIT adopted a sector neutral approach and its focus in its first year of funding operations has been on the merits of individual submissions. As with its interest in ensuring geographic sensitivity, over time it expects all sectors will be represented.

Objective 2: Launch website by May 2007.

SIDIT views its website as its primary communications tool. A soft launch of SIDIT's website in March was followed in late May with content updates including application forms and guidelines.

Objective 3: Build alliances with other funding agencies and identify partnership opportunities.

Through a series of introductory meetings and ongoing contact with local, provincial and federal agencies engaged in economic development, as well as association membership and event attendance, SIDIT has established collaborations resulting in co-funding opportunities as well as many direct referrals. Partnership opportunities were actively pursued with Community Futures, the Okanagan Innovation Fund, Western Diversification, CEDI program, the British Columbia Innovation Council, Thompson Rivers University, Okanagan College, College of the Rockies and Selkirk College.

Objective 4: Execute an effective communications plan ensuring all communities are aware and have equitable access to funds for eligible programs within funding guidelines.

In announcing SIDIT's first 3 year Strategic Plan and its website address including on-line application information, newspaper ads were placed in over 50 local newspapers covering communities throughout SIDIT's service area.

As each new project is posted to SIDIT's secure website, an email alert is sent to each Regional Advisor throughout the appropriate region inviting them to login and leave comments. This constant reminder ensures those representing all regions within SIDIT's coverage area are aware of applications received and the opportunities for SIDIT funding.

Additionally media releases are issued for at time of awards and SIDIT publishes a periodic newsletter distributed to subscribers and economic development agencies throughout its service area.

Objective 5: Complete the development and adoption of governance policies.

SIDIT's By-Laws and Policies were adopted at its May 10, 2007 Regular Board Meeting and since that time these policies have been subject to ongoing review and amendments necessary to ensure that appropriate controls were in place to effectively and efficiently guide the affairs of the Trust while ensuring accountability and transparency.

Objective 6: Accept funding applications by mid- 2007.

The first funding applications were received in early June utilizing SIDIT's online guidelines and application forms. From that time until its fiscal year-end, March 31, 2008, SIDIT received in excess of 42 Stage 1 applications followed by a number of Stage 2 applications.



Financial Statements of

**SOUTHERN INTERIOR
DEVELOPMENT INITIATIVE
TRUST**

Year ended March 31, 2008



KPMG LLP
Chartered Accountants
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3205 – 32nd Street, 3rd Floor
Vernon BC V1T 9A2
Canada

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Fax (250) 545-6440
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Directors of Southern Interior Development Initiative Trust

We have audited the statement of financial position of Southern Interior Development Initiative Trust as at March 31, 2008 and the statements of operations, fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Trust'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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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

A handwritten signature in black ink that reads 'KPMG LLP'.

Chartered Accountants

Vernon, Canada

May 8, 2008

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Statement of Financial Position

March 31, 2008, with comparative figures for 2007

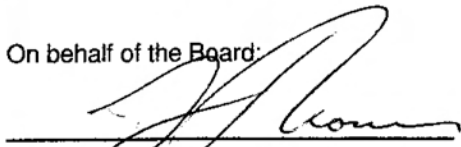
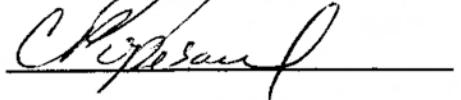
	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 34,433	\$ 20,084
Prepaid expenses	6,488	7,500
	40,921	27,584
Investments (note 2)	53,277,633	51,941,373
Development initiatives (note 3)	700,000	-
Property and equipment (note 4)	8,154	4,711
	<u>\$ 54,026,708</u>	<u>\$ 51,973,668</u>

Liabilities and Fund Balance

Current liabilities:		
Accounts payable and accrued liabilities	\$ 13,581	\$ 15,534
Fund balance:		
Regional account:		
Externally restricted	54,004,973	51,953,423
Invested in property and equipment	8,154	4,711
	54,013,127	51,958,134
Commitments (note 6)		
	<u>\$ 54,026,708</u>	<u>\$ 51,973,668</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Statement of Operations

Year ended March 31, 2008, with comparative figures for
the period from February 28, 2006 to March 31, 2007

	2008	2007
Revenue:		
Province of British Columbia contribution	\$ -	\$ 50,000,000
Investment income	2,331,966	2,091,372
Unrealized gain on investments	4,471	-
	<u>2,336,437</u>	<u>52,091,372</u>
Expenditures:		
Amortization	4,913	652
Board costs	8,331	23,241
Communications	6,955	1,970
Consulting fees	24,894	19,601
Insurance	13,132	7,500
Office and administration	64,503	20,779
Professional fees	14,621	10,000
Salaries and benefits	144,095	49,495
	<u>281,444</u>	<u>133,238</u>
Excess of revenue over expenditures	<u>\$ 2,054,993</u>	<u>\$ 51,958,134</u>

See accompanying notes to financial statements.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Statement of Fund Balance

Year ended March 31, 2008, with comparative figures for
the period from February 28, 2006 to March 31, 2007

	Externally restricted	Invested in property and equipment	2008 Total	2007 Total
Regional Account Fund:				
Balance, beginning of year	\$ 51,953,423	\$ 4,711	\$ 51,958,134	\$ -
Excess of revenue over expenditures	2,059,906	(4,913)	2,054,993	51,958,134
Transfer for property and equipment additions	(8,356)	8,356	-	-
Balance, end of year	\$ 54,004,973	\$ 8,154	\$ 54,013,127	\$ 51,958,134

See accompanying notes to financial statements.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for the
period from February 28, 2006 to March 31, 2007

	2008	2007
Cash provided by (used in):		
Cash flows from operating activities:		
Excess of revenue over expenditures	\$ 2,054,993	\$ 51,958,134
Items not involving cash:		
Amortization	4,913	652
Unrealized gain on investments	(4,471)	-
Change in non-cash operating working capital	(943)	8,034
	2,054,492	51,966,820
Cash flows from investing activities:		
Acquisition of investments	(1,331,787)	(51,941,373)
Increase in development initiatives	(700,000)	-
Acquisition of property and equipment	(8,356)	(5,363)
	(2,040,143)	(51,946,736)
Increase in cash and cash equivalents	14,349	20,084
Cash and cash equivalents, beginning of year	20,084	-
Cash and cash equivalents, end of year	\$ 34,433	\$ 20,084

See accompanying notes to financial statements.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements

Year ended March 31, 2008

Southern Interior Development Initiative Trust (the "Trust") was formed in February 2006 under the Southern Interior Development Initiative Trust Act (the "Act") and shortly thereafter received a one-time contribution from the Province of British Columbia. The Trust is a not-for-profit entity and is exempt from income tax under section 149 of the Income Tax Act.

The vision of the Trust is a future where economic opportunities are enabled, providing long-lasting measurable benefits to communities, a future where regional investment creates significant positive impacts across the region where smaller communities are given opportunities to remain or become economically sustainable, and a future where there is a strong and diversified economy in the Southern Interior that supports the development of viable, healthy, vital and sustainable communities throughout. The mission of the Trust is to support regionally strategic investments in economic development projects that will have long-lasting and measurable regional benefits for the Southern Interior.

1. Significant accounting policies:

(a) Fund accounting:

The Trust's follows Canadian generally accepted accounting principles for not-for-profit organizations and applies such principles consistently. Accordingly, the resources and operations of the Trust are segregated into various funds for accounting and financial reporting purposes. The Trust currently has one fund, the Regional account. This fund includes balances which are invested in property and equipment or externally restricted. The externally restricted balance represents the amount currently available for development initiatives and administrative costs.

(b) Revenue recognition:

The Trust follows the restricted fund method of accounting for contributions. Under the Act, the Trust has one Regional Account fund that reports contributions restricted to activities outlined in its respective strategic plan. The externally restricted one-time contribution has been recognized in the year received. Investment income is recognized as it is earned and is included in the Regional Account in accordance with the Act.

(c) Cash and cash equivalents:

The Trust considers investments in any liquid debt instrument with an original maturity of three months or less to be cash equivalents. Any cash held in investment portfolios is included with investments.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

(d) Property and equipment:

Property and equipment are recorded at cost. Amortization is provided on the straight-line basis using the following annual rates which approximate the useful lives of the assets:

Asset	Rate
Office furniture	20%
Computer	30%
Computer software	50%

(e) Financial instruments:

During the year, the Trust adopted the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

(i) Financial Instruments – Recognition and Measurement (CICA Handbook Section 3855)

In accordance with this new standard, the Trust now classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables or other liabilities. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized on the statement of operations.

The Trust has classified cash and investments as held-for-trading and accounts payable and accrued liabilities as other financial liabilities.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements

Year ended March 31, 2008

1. Significant accounting policies (continued):

(f) Financial instruments (continued):

(ii) Financial Instruments – Disclosure and Presentation (CICA Handbook Section 3861)

The new standards enhance financial statement users' understanding of the significance of financial instruments to the Trust's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

Commencing with the fiscal year beginning April 1, 2008, the Trust will be adopting CICA Handbook Section 3862, "Financial Instruments - Disclosure" and Section 3863, "Financial Instruments - Presentation". The adoption of these Sections, which further expand on the disclosure and presentation of financial instruments, is not expected to significantly impact the Trust's financial statements.

(g) 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 at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

2. Investments:

	2008	2007
Money Market Funds	\$ 45,125,340	\$ 51,941,373
Bond Funds	4,376,627	-
Equity Funds	3,775,666	-
	<u>\$ 53,277,633</u>	<u>\$ 51,941,373</u>

The Trust's portfolio investments are held with the Municipal Finance Authority (\$44,217,060) and Phillips, Hager & North (\$9,060,573). The annual weighted average rate of return for 2008 was 4.40% (2007 - 4.15%).

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements

Year ended March 31, 2008

3. Development initiatives:

		2008	2007
Due from WaveTeq Communication Inc. ("WaveTeq")	\$	350,000	\$ -
Due from RFind Systems, Inc. ("RFind")		350,000	-
	\$	700,000	\$ -

The amount due from WaveTeq bears interest at 12.683% per annum (subject to a reduction to 10.471% if certain terms are met). Interest payments commence March 14, 2009 and principal is due June 1, 2011. The loan is convertible to Class "A" common shares of WaveTeq, a non-publicly traded company, at the option of the Trust.

The amount due from RFind bears interest at 14.93% per annum. Interest payments commence March 13, 2009 and principal is due November 1, 2011. The loan is convertible to Class "A" common shares of RFind, a non-publicly traded company, at the option of the Trust.

At March 31, 2008, the Trust has valued the conversion options on the loans to be nil.

4. Property and equipment:

				2008	2007
	Cost	Accumulated amortization		Net book value	Net book value
Office furniture	\$ 4,702	\$ 1,244	\$	3,458	\$ 2,736
Computer	3,234	157		3,077	1,975
Computer software	3,238	1,619		1,619	-
	\$ 11,174	\$ 3,020	\$	8,154	\$ 4,711

5. Financial instruments:

(a) Fair value

The fair value of cash and cash equivalents and accounts payable and accrued liabilities approximate their carrying value due to the relatively short periods to maturity of the instruments. Investments are recorded at their fair value.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements

Year ended March 31, 2008

5. Financial instruments (continued):

(b) Credit risk

The maximum credit risk exposure for all financial instruments is the carrying value of that instrument.

6. Commitments:

The Trust has committed funding of approximately \$8.9 million as follows:

Project/Recipient	Description	Amount	Anticipated Disbursement Timing
Community Foundations	Flow Through Grant Funding	\$75,000	June 2008
Southern Interior Innovation Fund	Investment in Private Equity Fund (investment agreement pending)	\$2 million	\$1 million by July 2008 with a further \$1 million following, subject to attracting sufficient investment capital
British Columbia Innovation Council	Co-funding innovation, commercialization and academic Awards	\$1.52 million	\$760,000 by July 2009 with a further \$760,000 by July 2010
Trades and Technology Awards delivered through TRU, Okanagan College, Selkirk College and College of the Rockies	Student Bursaries at college and secondary school level (contribution agreements pending)	\$3.9 million	\$1.3 million per year for 3 years with first funding released June 2008
Community Futures Development Corporation	Business Loan Program (agreement terms under development)	\$1 million	Full subscription by Dec 31, 2008
Various Projects	Conditionally approved Grants	\$450,223	Commencing May 2008 through to March 31, 2009



Southern Interior Development Initiative Trust

Audit Findings Report to the Board of Directors

For the year ending March 31, 2008

AUDIT

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This Audit Findings Report (the "Report") for the year (period) ended March 31, 2008 provides an overview of the results of our audit.

This Report is confidential and intended solely for the use of the Board of Directors in carrying out and discharging its responsibilities, and should not be used for any other purposes. No responsibility for loss or damages, if any, to any third party is accepted as this Report has not been prepared for, and is not intended for, any other purposes.

This Report is a by-product of the audit and is therefore a derivative communication and should not be distributed to others outside the Entity without our prior written consent.

KPMG LLP, Chartered Accountants

Significant matters

Financial instruments

- As described in note 1(e) of the financial statements, the Trust adopted new accounting standards for Financial Instruments that were issued by the Canadian Institute of Chartered Accountants
- As required by the standards, the Trust is required to make designations for the classification of its financial instruments
- The designations impact the measurement and classification on the financial statements
- The new standards also enhance disclosures for financial instruments

Actions Taken by Management

- Management designated cash and investments under the “held for trading” classification (which are recorded at fair value with changes in fair value recorded through the statement of operations)
- Management designated accounts payable as “other financial liabilities” (which are recorded at cost)

Effect on the Audit

- KPMG assisted management in the identification of the Trust’s financial instruments, including the equity conversion features of certain investments
- KPMG concurred with Management’s assessment of fair value for its investments, including nil value for the equity conversion features of certain investments
- KPMG assisted management with the required disclosures

For Discussion with the Board of Directors

- Quality of accounting policies
- Ease of understanding and completeness of disclosures
- Future measurement requirements for financial instruments (primarily the equity conversion features of certain investments)

Misstatements

Misstatements

- Management is responsible for the financial statements and, accordingly, evaluates uncorrected misstatements to determine whether individually, and in the aggregate, these misstatements, in their judgement, are material to the financial statements.
- Management has represented to us that the uncorrected misstatements, individually and in the aggregate, are, in their judgement, not material to the financial statements.
- Refer to Management's representations in Appendix 1.

Audit Differences

- Misstatements identified during the audit ("audit differences") have been categorized as follows:
 - unrecorded audit differences
 - corrected audit differences
 - uncorrected and corrected omissions or other errors in presentation and disclosure.
- We have encouraged Management to correct these audit differences.

Discussion with the Board of Directors

- Correction of all audit differences
- Quantifying misstatements – income statement method.

Appendices

Appendix 1 – Management representation letter

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST
103-2903 35TH AVENUE
VERNON, BC V1T 2S7

KPMG LLP
Chartered Accountants
Credit Union Building
3205-32 Street, 3rd Floor
Vernon, BC V1T 9A2

May 8, 2008

Ladies and Gentlemen:

We are writing at your request to confirm our understanding that your audit was for the purpose of expressing an opinion as to whether the financial statements of Southern Interior Development Initiative Trust (the "Entity") as at and for the year ended March 31, 2008, present fairly, in all material respects the Entity's financial position, results of operations, and cash flow in accordance with Canadian generally accepted accounting principles. We understand that your audit procedures, including your tests of accounting records, were limited to those that you considered necessary in the circumstances. We also understand that such procedures would not necessarily detect fraud or error, should any exist.

Certain representations in this letter are described as being limited to matters that are material. Items are considered to be material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the decision of a person who is relying on the financial statements, and who has a reasonable knowledge of business and economic activities, would be changed or influenced by such omission or misstatement. We understand that the determination of materiality involves qualitative as well as quantitative considerations.

We acknowledge that we are responsible for the fair presentation in the financial statements of the Entity's financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles, and we approve the financial statements.

We understand that fair presentation in accordance with Canadian generally accepted accounting principles includes providing sufficient information about certain transactions or events having an effect on the Entity's financial position, results of operations and cash flows for the periods presented that are of such size, nature and incidence that their disclosure is necessary to understand that effect on the Entity's financial statements, and providing information in a manner that is clear and understandable.

We understand that generally accepted accounting principles encompass broad principles and conventions of general application as well as rules and procedures that determine accepted accounting practices at a particular time, and acknowledge that Canadian generally accepted accounting principles applicable to the Entity are determined in accordance with CICA 1100, *Generally Accepted Accounting Principles*.

We confirm, to the best of our knowledge and belief, that:

GENERAL:

- 1) All financial records and related data of the Entity have been made available to you.
- 2) All minute books of the meetings of management, board of directors and committees of the board of directors that may affect the financial statements and summaries of actions of recent meetings for which minutes have not yet been prepared have been made available to you. All significant board and committee actions are included in the summaries.
- 3) The financial statements have been prepared and present fairly the financial position of the Entity and the results of its operations and its cash flows in accordance with Canadian generally accepted accounting principles.
- 4) The Entity's significant accounting policies are disclosed in the financial statements and:
 - a) there have been no changes in the Entity's accounting policies that have not been disclosed to you and appropriately reflected in the financial statements.
 - b) the accounting policies selected and applied are appropriate in the circumstances.
 - c) significant accounting estimates are reasonable in the circumstances.
- 5) Significant matters have not arisen that would require a restatement of the comparative financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING:

- 6) We are responsible for the design, implementation and operation of internal controls to prevent, deter and detect fraud and error, including internal controls over the financial reporting process and the accuracy of period-end adjusting journal entries.

Fraudulent financial reporting involves intentional misstatements or omissions of amounts or disclosures in financial statements to deceive financial statement users including misrepresentation in, or intentional omission from, the financial statements of events, transactions or other significant information; and intentional misapplication of accounting principles relating to amount, classification, manner of presentation or disclosure to deceive financial statement users. Misappropriation of assets involves the theft of an entity's assets when the effects of this theft of the assets cause the financial statements not to be in accordance with Canadian generally accepted accounting principles. Error refers to an unintentional misstatement in financial statements, including the omission of an amount or a disclosure, an incorrect accounting estimate arising from oversight or misinterpretation of facts; and a mistake in the application of accounting principles relating to amount, classification, manner of presentation, or disclosure.

- 7) There are no known material weaknesses in the design or operation of internal controls over financial reporting.

A weakness in internal control is a deficiency in the design or effective operation of internal control. Weaknesses in the design or operation of internal control are material when the deficiency is such that a material misstatement is not likely to be prevented or detected in the financial statements.

FRAUD & ILLEGAL ACTS:

- 8) We understand that the term fraud includes misstatements resulting from fraudulent financial reporting and misappropriation of assets.
- 9) We have disclosed to you the results of our assessment of the risks that the financial statements may be materially misstated as a result of fraud.
- 10) We have no knowledge of:
 - a) Any fraud or suspected fraud affecting the Entity involving: Management; other employees who have significant roles in internal control over financial reporting; or others, where the fraud could have a material effect on the financial statements.
 - b) Any allegations of fraud or suspected fraud affecting the Entity received in communications from employees, former employees, or others.
 - c) Violations or possible violations of laws or regulations, including illegal acts or possibly illegal acts, the effect of which should be considered for disclosure in the financial statements or as the basis for recording a contingent loss.
 - d) Communications from regulatory or governmental authorities or others concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
 - e) Any action by any officer or director of the Entity, or any other person acting under the direction thereof, to fraudulently influence, coerce, manipulate or mislead you during your engagement.

COMMITMENTS & CONTINGENCIES:

- 11) We have no knowledge of material contractual obligations (such as plant construction, purchases of property, plant, and equipment, etc.) except as disclosed in the financial statements.
- 12) We have no knowledge of claims that are outstanding or possible claims that should be disclosed or accounted for in accordance with CICA 3290, *Contingencies*, which have not been disclosed to you, whether or not these claims were discussed with legal counsel.

SUBSEQUENT EVENTS:

- 13) We have no knowledge of events that have occurred, or matters that have been discovered, subsequent to the balance sheet date and through to the date of this letter that would require adjustment to and/or disclosure in the financial statements.

RELATED PARTIES:

- 14) All known related parties and related party transactions excluding those involving financial instruments, including no-charge transactions, sales, purchases, loans, transfers, leasing arrangements, and guarantees, as well as all balances receivable or payable have been measured, recorded and disclosed in the financial statements in accordance with CICA 3840, *Related Party Transactions*.
- 15) All known related party transactions involving transfer of financial instruments covered in CICA 3855, *Financial Instruments – Recognition and Measurement* have been initially measured in accordance with CICA 3840, *Related Party Transactions*, and subsequently in accordance with CICA 3855, *Financial Instruments – Recognition and Measurement*.

We understand that the term "related parties" refers to: an enterprise or an individual (or members of his or her immediate family, as defined by CICA 3840) that directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, the Entity; the other party, when an investment is accounted for by the equity or the proportionate consolidation method and the Entity is either the investor or the investee; management, which includes any person(s) having authority and responsibility for planning, directing and controlling the activities of the Entity (e.g., directors, officers and other persons fulfilling a senior management function) or members of his or her immediate family, as defined by CICA 3840; an individual having an ownership interest in the Entity that results in significant influence or joint control (or members of his or her immediate family); the other party, when a management contract or other management authority exists and the Entity is either the managing or managed party; any party that is subject to significant influence, whether by reason of an ownership interest, management contract or other management authority, by another party that also has significant influence over the Entity; and any party that is subject to joint control by the Entity.

FAIR VALUE MEASUREMENTS AND RELATED DISCLOSURE:

- 16) We are responsible for making any fair value measurements and disclosures included in the financial statements, including determining the fair value of investments for which a readily determinable fair value does not exist. For recorded or disclosed amounts that incorporate fair value measurements:
 - a) The measurement methods are appropriate and consistently applied.
 - b) The significant assumptions used in determining fair value measurements represent our best estimates, are reasonable, adequately supported and have been consistently applied.
 - c) The resulting valuations are reasonable.
 - d) Presentation and disclosure is complete and appropriate and in accordance with generally accepted accounting principles.

ASSETS & LIABILITIES - GENERAL:

- 17) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- 18) There are no material unrecorded assets or liabilities or contingent assets or liabilities (such as claims related to patent infringements, unfulfilled contracts, etc. whose values depend on fulfillment of conditions regarded as uncertain or receivables sold or discounted, endorsements or guarantees, additional taxes for prior years, repurchase agreements, sales subject to renegotiation or price re-determination, etc.).
- 19) There are no plans, no plans adopted or no intentions nor does the Entity have present intentions that may materially affect the carrying value or classification of assets and liabilities.
- 20) There are no liens or encumbrances on assets and no assets have been pledged or assigned as security for liabilities, performance of contracts, etc. except as disclosed in the financial statements.
- 21) There are no shortages that have been discovered and not disclosed to you (such as shortages in inventory, cash, negotiable instruments, etc.).
- 22) There are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with CICA 3290, *Contingencies*, including contingencies arising from environmental matters except as disclosed in the financial statements.
- 23) There are no arrangements with financial institutions involving restrictions on cash balances and lines of credit or similar arrangements.
- 24) There are no agreements to repurchase assets previously sold, including sales with recourse.
- 25) The Entity has satisfactory title to all owned assets.

CONTRACTUAL AGREEMENTS:

- 26) The Entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance including violations or default of the covenants in the Entity's debt agreements.
- 27) The Entity has no side agreements (contractual or otherwise) with any parties that have not been disclosed to you.

PROVISIONS:

- 28) Provision, when material, has been made for:
 - a) Losses to be sustained as a result of other than temporary declines in the fair value of investments.

- b) Losses to be sustained from impairment of property, plant and equipment including amortizable intangible assets in accordance with CICA 3063, *Impairment of Long - Lived Assets*. Furthermore, the Entity has appropriately grouped long-lived assets together for purposes of assessing impairment in accordance with CICA 3063, *Impairment of Long - Lived Assets*. We have reviewed long-lived assets, including amortizable intangible assets, to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of the assets might not be recoverable.

NON-SEC REGISTRANTS OR NON-REPORTING ISSUERS:

- 29) We confirm that the Entity is not a Canadian reporting issuer (as defined under any applicable Canadian securities act) and is not a United States Securities and Exchange Commission ("SEC") Issuer (as defined by the Sarbanes-Oxley Act of 2002). We also confirm that the financial statements of the Entity will not be included in the consolidated financial statements of a Canadian reporting issuer audited by KPMG or an SEC Issuer audited by any member of the KPMG organization.

FINANCIAL INSTRUMENTS, OFF-BALANCE-SHEET ACTIVITIES, HEDGING AND GUARANTEES:

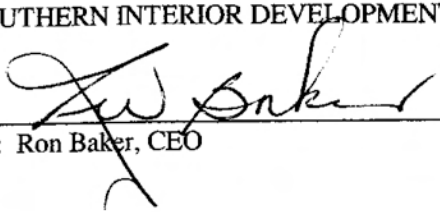
- 30) All financial assets and liabilities outstanding as of the balance sheet date have been reviewed and correctly classified as either: held for trading, held-to-maturity, loans and receivables or available-for-sale financial assets or other financial liabilities in accordance with CICA 3855, *Financial Instruments – Recognition and Measurement*, and have been appropriately recorded at their fair value, amortized cost or cost based on their classification.

MISSTATEMENTS:

- 31) We approve the corrected misstatements identified by you during the audit, as aggregated in the attached schedule, "Summary of Corrected Audit Differences".
- 32) We approve the corrected omissions and other errors in presentation and disclosure identified by you during the audit, as aggregated in the attached schedule, "Summary of Omissions and Other Errors in Presentation and Disclosure".

Yours very truly,

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST


By: Ron Baker, CEO

Schedule 2**Summary of corrected audit differences**

#	Account #	Account Name	Description	Amount	Income effect
1	094	Short Term Investment - PHN	To reverse Willis entry in order to record PHN investments at market value and reclassify unrealized gain seperately from investment income	\$ 4,471	\$ -
	KPMG4030	Unrealized gain (loss) on investments		\$ (4,471)	\$ (4,471)
Total income effect					\$ (4,471)

Schedule 3**Summary of omissions and other errors in presentation and disclosure**

Description of Omission or Other Error	Resolution	Rationale for uncorrected items
Certain disclosures with respect to future changes in accounting policies, details on investments and fair value information for financial instruments.	Corrected	

Appendix 2 – Glossary

Audit differences are proposed adjustments of misstatements in the financial statements that, in the auditor's professional judgement, may have not been detected except through the audit procedures performed. Any misstatement identified by Management during the audit and subsequently corrected is not considered an audit difference.

Income Statement Method (Rollover Method) is a method of quantifying misstatements. This method considers the impact of misstatements primarily from the income statement perspective. Misstatements are quantified as the amount by which the income statement is misstated. This method considers the reversing or correcting effect of prior year misstatements but ignores the accumulation of immaterial misstatements in the balance sheet over multiple periods.

Misstatements generally consist of differences between the amount, classification, or presentation of a reported financial statement element, account, or item and the amount, classification, or presentation that would have been reported under the financial reporting framework.

Appendices (continued)

Appendix 3 – Independence letter



KPMG LLP
Chartered Accountants
3rd Floor
3205 - 32nd Street
Vernon BC V1T 9A2
Canada

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Fax (250) 545-6440
Internet www.kpmg.ca

PRIVATE & CONFIDENTIAL

Board of Directors
Southern Interior Development Initiative Trust
103-2903 35th Avenue
Vernon, BC V1T 2S7

May 9, 2008

Dear Board of Directors :

We have been engaged to express an opinion on the financial statements of Southern Interior Development Initiative Trust (the "Entity") as at and for the year ended March 31, 2008.

Professional standards require that we communicate at least annually with you regarding all relationships between the Entity (and its related entities) and us that, in our professional judgment, may reasonably be thought to bear on our independence.

A related entity is defined as:

- (a) in the case of a client that is a reporting issuer, an entity that has control over a client, or over which the client has control, or that is under common control with a client, including the client's parent company and any subsidiaries.
- (b) in the case of a client that is not a reporting issuer, an entity over which the client has control, or that has control over the client provided the client is material to such entity, and an entity that is under common control with the client provided such entity and the client are both material to the controlling entity.
- (c) an entity over which a client has significant influence, unless the entity is not material to the client.
- (d) an entity that has significant influence over a client, unless the client is not material to the entity.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the Institute of Chartered Accountants of British Columbia and applicable legislation, covering such matters as:

- a) provision of services in addition to the audit engagement
- b) other relationships such as:
 - holding a financial interest, either directly or indirectly, in a client
 - holding a position, either directly or indirectly, that gives the right or responsibility to exert significant influence over the financial or accounting policies of a client
 - personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client
 - economic dependence on a client.

We have prepared the following comments to facilitate our discussion with you regarding

independence matters.

PROVISION OF SERVICES

The following summarizes the professional services rendered by us to the Entity (and its related entities) for the year ended March 31, 2008.

- Preparation of accounting records and financial statements
- Preparation of tax form for non-profit organizations

OTHER RELATIONSHIPS

We are not aware of any relationships between the Entity (and its related entities) and us that, in our professional judgment, may reasonably be thought to bear on our independence, that have occurred from February 29, 2008 to May 9, 2008.

CONFIRMATION OF INDEPENDENCE

Professional standards require that we confirm our independence to you in the context of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

Accordingly, we hereby confirm that, we are independent with respect to the Entity (and its related entities) within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia as of May 9, 2008.

OTHER MATTERS

This letter is confidential and intended solely for use by those with oversight responsibility for the financial reporting process in carrying out and discharging its responsibilities and should not be used for any other purposes. No responsibility for loss or damages, if any, to any third party is accepted as this letter has not been prepared for, and is not intended for, any other purpose. This letter should not be distributed to others outside the entity without our prior written consent.

We look forward to discussing with you the matters addressed in this letter as well as other matters that may be of interest to you. We will be prepared to answer any questions you may have regarding our independence as well as other matters.

Yours very truly,



Chartered Accountants