



About the Southern Interior Development Initiative Trust Annual Report

This report covers the Southern Interior Development Initiative Trust (SIDIT) for the period April 1, 2013 through March 31, 2014.

The report was prepared for our stakeholders, the British Columbia Provincial Government, and reflects SIDIT's commitment to support economic development in the Southern Interior.

Southern Interior Development Initiative Trust

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COVER PHOTOS:

Skiing image (top right): Red Mountain Cross Country

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2014 Message from the Chair

The Southern Interior Development Initiative Trust (SIDIT) has performed well over the past year. All of us who are privileged to serve on the Board of Directors are pleased with the results and confident about what can be accomplished in the year ahead.

SIDIT's performance reflects the dedication and commitment of a talented and motivated team of employees. In this regard, I want to express our appreciation to our Chief Executive Officer, Luby Pow, who will be retiring on June 30, 2014. Luby joined SIDIT in September of 2008 and has been instrumental in the development and success of the Trust. We are very grateful for her steadfast leadership and commitment to our organization and extend our congratulations and best wishes for her retirement.

It's also a pleasure to welcome Luanne Chore to her new role as Chief Executive Officer effective July 1, 2014. Luanne has served as Senior Portfolio Manager since April 2013. Under her executive leadership, SIDIT will be embarking upon a very exciting new phase of our journey of growth and development. Luanne's appointment strengthens our capacity to continue developing co-funding relationships that drive customer experience and potential for success. We congratulate and welcome her in her new role as chief executive officer.

We will work closely with Luanne and the SIDIT team in a shared commitment to stimulate the economy of the Southern Interior of British Columbia through investment in economic development initiatives that will demonstrate long term measurable economic impact.

The past year has also brought change to our Board. We are pleased to welcome new Board members, Elizabeth Garrish, from the City of Oliver, as Provincial Appointee representing the Okanagan Similkameen Region and Loni Parker, Director, Area B, Columbia Shuswap Regional District, Columbia Kootenay RAC Appointee. We also wish to express our sincere appreciation to out-going Director, Gordon DeRosa, Councilor, City of Trail, for his numerous years of service on the SIDIT Board.

2014 proved to be another extraordinary year for the Trust. We have funded \$6.8 million for economic

development initiatives in the Southern Interior during the fiscal period. We are pleased to report that we have to date invested \$31.3 million for business start-ups and expansion and encouraged, through leverage, additional direct investment in new businesses to commercialize ideas, attract and retain employees, expand operations and compete in the global marketplace. We have further invested \$4 million into community initiatives to create economic diversity and opportunity as well as a high quality of life. Based on total cumulative project values of \$146.9 million, \$111.6 million has been invested by proponents and other funders. Our investments have created the opportunity for the creation of 2,223 jobs in the Southern Interior as well as numerous spin-off benefits.

With anticipated Boomer retirement and projected growth of industries, our challenge is to ensure we have the human capital necessary to translate our potential into prosperity. We are proud to report that SIDIT's \$5 million investment in education focused on trades, technology and science programs has supported 5,969 students to date and will greatly reduce the impact of anticipated labour shortages that will hinder economic growth in the Southern Interior.

Our market investments, cash reserves, loan and equity investments, net of provisions for loss, are \$49.8 million or 99.6% of our initial capitalization after disbursement of \$40.3 million into economic development initiatives including \$9 million in non-repayable grants and education awards. We continue to work towards our goal to maintain the Trust so that it is sustainable, providing continual support for economic initiatives for the Southern Interior and are pleased to submit our report detailing the results of our efforts.

Respectfully submitted,



Grace McGregor
SIDIT Chair

Governance

Southern Interior Development Initiative Trust (SIDIT) is governed by a board of thirteen directors of which eight are elected officials appointed by Regional Advisory Committees and five are individuals appointed by the Province of British Columbia.

The Board is responsible for identifying the strategic direction of SIDIT, policy decisions, investment decisions in support of a variety of regional economic priorities, and other opportunities which contribute to the economic diversity of the Southern Interior. The Board meets quarterly in person, by telephone conference or electronically as required. Current directors on the SIDIT Board include:

Provincial Appointees:



Claudette Everitt
Provincial Appointee
North Okanagan Region



Philip Jones
Provincial Appointee
East Kootenay Region



John Zimmer
Provincial Appointee
East Kootenay Region



Keith Matthew
Provincial Appointee
Thompson Nicola Region



Elizabeth Garrish
Provincial Appointee
Okanagan Similkameen Region

Elected Officials:



Loni Parker
Director, Area B
Columbia Shuswap Region



Walter Gray
Mayor, Kelowna
Central Okanagan Region



Doug Findlater
Mayor, West Kelowna
Central Okanagan Region



Karen Hamling
Mayor, Nakusp
Central Kootenay Region



Al Raine
Mayor, Sun Peaks
Thompson Nicola Region



Grace McGregor
Director, Area C
Kootenay Boundary Region



Stu Wells
Mayor, Osoyoos
Okanagan Similkameen Region



Ron McRae
Mayor, Kimberley
East Kootenay Region

We wish to express our sincere appreciation to out-going Director, Gord DeRosa for his numerous years of service and welcome new Directors Elizabeth Garrish, City of Oliver, as Provincial Appointee representing the Okanagan Similkameen Region and Loni Parker, Director, Area B, Columbia Shuswap Regional District, Columbia Kootenay Regional Advisory Committee Appointee.

Regional Advisory Committees

Under the governing legislation, two Regional Advisory Committees (RACs) have been created representing mayors, chairs of Regional Districts, and members of the legislative assembly.

Thompson-Okanagan Regional Advisory Committee representing the region from Blue River to the North, Hope to the West and south to the US border.

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

The role of the Regional Advisory Committees is to elect members as Directors to the Trust Board, to provide advice and recommendations to the board on project eligibility for Trust funding, to establish the terms of office for members, and to provide representation for communities and regional district areas under 500 in population.

A current listing of our Regional Advisory Committee Members can be found on our website www.sidit-bc.ca under "About us/Regional Advisors"



Service Area

The service area for SIDIT includes Blue River to the North, Hope to the West and the United States and Alberta borders as Southern and Eastern boundaries respectively.

Thompson-Okanagan Region

REGIONAL DISTRICT OF COLUMBIA SHUSWAP

Salmon Arm, Sicamous

REGIONAL DISTRICT OF CENTRAL OKANAGAN

Kelowna, Lake Country, Peachland, West Kelowna

FRASER VALLEY REGIONAL DISTRICT

Hope

REGIONAL DISTRICT OF NORTH OKANAGAN

Vernon, Coldstream, Spallumcheen, Armstrong,
Enderby, Lumby

REGIONAL DISTRICT OF OKANAGAN SIMILKAMEEN

Penticton, Summerland, Osoyoos, Oliver, Princeton,
Keremeos

REGIONAL DISTRICT OF THOMPSON NICOLA

Kamloops, Merritt, Chase, Barriere, Clearwater,
Sun Peaks Mountain Resort

Columbia Kootenay Region

REGIONAL DISTRICT OF COLUMBIA SHUSWAP

Revelstoke, Golden

REGIONAL DISTRICT OF EAST KOOTENAY

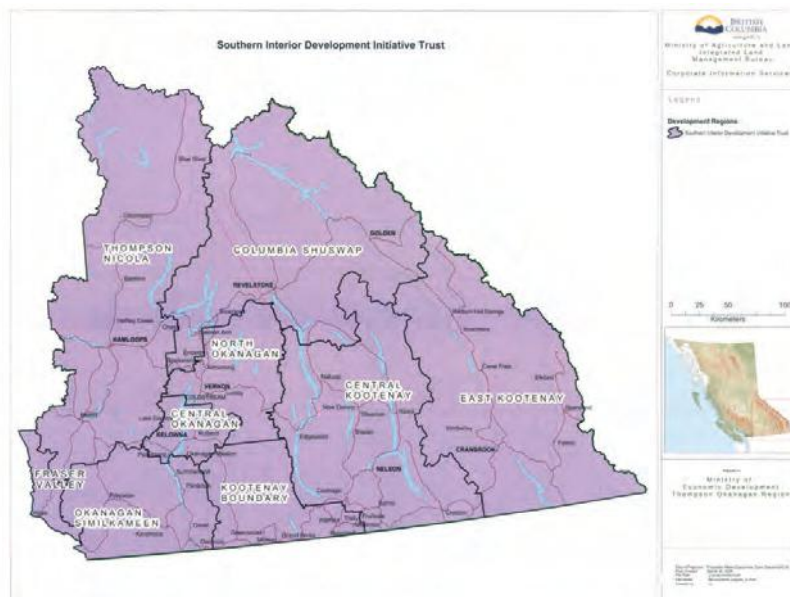
Cranbrook, Kimberley, Fernie, Sparwood, Invermere,
Elkford, Canal Flats, Radium Hot Springs

REGIONAL DISTRICT OF CENTRAL KOOTENAY

Nelson, Castlegar, Creston, Nakusp, Salmo, Kaslo,
New Denver, Slocan, Silverton

REGIONAL DISTRICT OF KOOTENAY BOUNDARY

Trail, Grand Forks, Rossland, Fruitvale, Warfield, Montrose,
Greenwood, Midway



Legislature

The Southern Interior Development Initiative Trust (SIDIT) was created by an Act of the BC Legislature Bill 8-2005, which came into force by regulation on February 27, 2006. SIDIT received a one-time allocation of \$50 million designated for strategic investments in sustainable economic development initiatives throughout the Southern Interior. The Southern Interior Development

Initiative Trust Act mandates investment in ten areas of the economy. These areas include Energy, Forestry, Mining, Olympic Opportunities, Agriculture, Transportation, Small Business, Tourism, Pine Beetle Recovery, and Economic Development. SIDIT has no specific targets for any of these areas, and approves projects and investments based on their impact, sustainability, and individual merit.



Our Mandate

The Southern Interior Development Initiative Trust (SIDIT) Act mandates investment in economic development initiatives within ten key sectors that will demonstrate long term measurable economic impact within the Southern Interior. While the Trust is not an agent of the Government, as a Public Trust it must comply with public sector regulations.

SIDIT is managed as an independent and sustainable regional economic development corporation. The Trust capital is invested in a balanced mix of financial markets and loan or equity investments in regionally based commercial enterprise to ensure sustainability and growth. Funding outflows align with returns generated.

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

Within its mandate, SIDIT lends to and invests in promising commercial enterprises. SIDIT assesses the long-term potential of lending and investment opportunities and may take a more patient position than would a traditional lender.

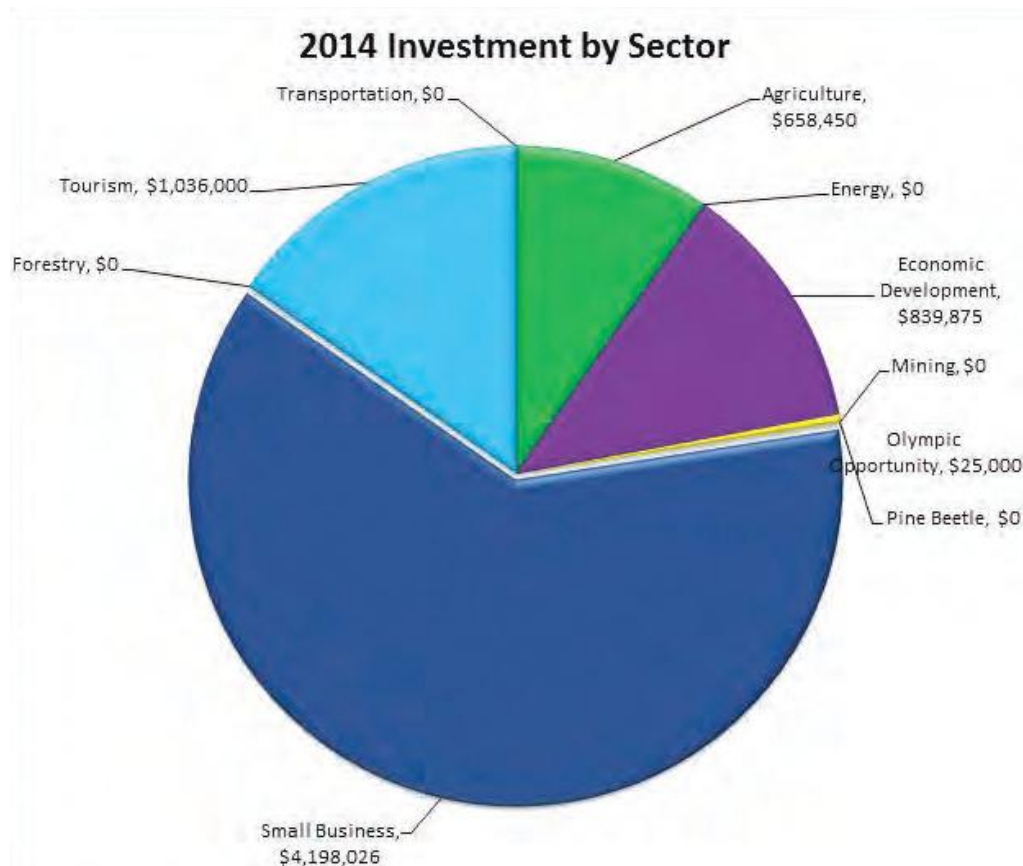


Funding by Investment Sector

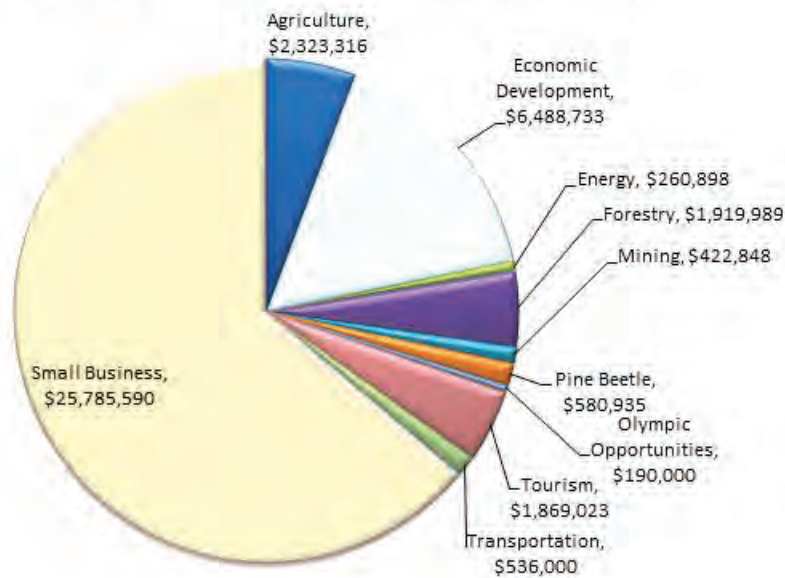
The Southern Interior Development Initiative Trust Act mandates investment in ten areas of the economy. These areas include Energy, Forestry, Mining, Olympic Opportunities, Agriculture, Transportation, Small Business, Tourism, Pine Beetle Recovery, and Economic Development. Because applications are proponent driven, there are no specific targets for any of these areas. SIDIT

approves projects and investments based on their impact, sustainability, and individual merit.

The Southern Interior Development Trust in fiscal 2014 has funded \$6.8 million in development initiatives, non-repayable grants and education awards and over \$40.4 million cumulatively since inception.



2007-2014 Cumulative Investment by Sector



Agriculture includes manufacture of products used in the agriculture industry, research and development in agri-business and biotechnology resources, community based food and herb production, nurseries, community based abattoir services, organic gardening training and certification services and community based agri-plex/multi-purpose buildings.

Economic Development includes investment in education in trades, technology and science related academic programs, innovation and entrepreneurship programs, business advocacy, international market development, business incubators, research and development, business productivity training, community halls, broadband initiatives and community investment in conference and training centers.

Energy includes research and development of energy related technology, energy efficiency products and services and bio-energy solutions.

Forestry includes those investments related to community forests and value added industry.

Mining includes value-added manufacturing.

Olympic Opportunities reflect community investments into training facilities and equipment that have been or will be used to train future Olympians.

Pine Beetle Recovery includes research and development, market development and manufacture of value-added products.

Small Business includes investment in business enterprises such as: software development, communications, fire prevention, health care, pharmaceuticals, composite manufacturing, electronics manufacturing, RFID, retail and wholesale, micro-breweries and other business activities.

Tourism includes heritage-based tourism, geo-tourism, trail development, arts and culture and sports tourism.

Transportation includes commercial transportation services, airport hazard equipment and heliport construction.

Vision and Mission

Our 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 throughout*

Our 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.



Core Strategy

SIDIT's core strategy is to identify and support community based development projects and regionally based commercial ventures that match the objectives of the Trust and demonstrate sustainability.

Funding, including grants, loans and equity participation with a focus on leveraged participation, must be guided by the need to ensure the long term stability, growth and health of the Trust as an important agent of economic development of the Southern Interior.

SIDIT's primary goal is to maintain the Trust so that it is sustainable, providing continual support for economic initiatives for the Southern Interior and increasing the value of the Trust over time through return on investments.



Guiding Principals

The following principles guide the Board in making its evaluation and in determining the eligibility of projects for SIDIT funding. These principles may also be supplemented by other considerations by the Board in making its funding decisions.

- Consistent with the Act, vision and mission of the Trust.
- Open and transparent processes, decisions and reporting.
- High standards of financial management and accountability.
- Judicious management of public resources.
- Sound strategic and operational planning.
- Leveraged investment with maximum Trust participation rate of 50%.
- Investments made in the context of a long-term strategy.
- Funding to take the form of grants, loans, equity participation or combination thereof.
- Grants are not available to projects considered to be commercial interests
- Preference for initiatives with regional benefits.
- Bias for investments offering long-term, sustainable benefits.
- Diligent professional evaluation of proposals' feasibility and risk.
- Real benefits as measured by increased tax base, new job creation, incremental revenue generation and economic diversification in addition to non-financial benefits.
- Evaluation and reporting of success against clear performance measures.

Risk and Risk Management Strategies

SIDIT FACES THE FOLLOWING KEY RISKS IN ITS INVESTMENTS AND OPERATIONS:

Credit Risk:

Credit risk is the risk of loss resulting from the failure of a borrower to honour its financial or contractual obligation to the SIDIT. Credit risk primarily arises from development initiatives receivable. Within its mandate, SIDIT lends to, and invests in, promising commercial enterprises that may not qualify for credit through traditional sources. SIDIT assesses the long-term potential of lending and investment opportunities and will consider being patient for cash flow providing that other positive credit and community economic indicators are in evidence in the application.

It is envisioned that the loans and investments made by SIDIT will eventually become bankable at which time the enterprise may retire the SIDIT position in favor of a traditional lender allowing SIDIT's funds to be re-invested in other promising enterprises.

If there are any business proposals presented to SIDIT in which SIDIT does not have the specific commercial knowledge, it will search out or contract the expertise. Alternatively, SIDIT will also syndicate or co-fund these types of commercial ventures with other Lending Partners that have the expertise required.

SIDIT Management and Board of Directors review and update the credit risk annually. Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner.

SIDIT determines enterprise risk based on a careful study

of the business plan, past performance of the enterprise if applicable and management capacity of the principals in order to gain a sufficient level of comfort that future cash flow and equity targets will be met.

Within the context of the SIDIT Act, SIDIT balances the level of risk that is present with the community economic benefits that are being created and satisfies itself that the potential of the deal is sound and prudent in order to protect the future of the fund.

All applications are risk-rated according to SIDITs Risk Rating Guidelines (see SIDITs By-law and Policy Manual on our website) as part of the original underwriting of loans and investments, annual review and renewal.

SIDIT manages its loan and equity risk by limiting its investment in any one business enterprise, investing in a diverse portfolio, and syndicating or co-lending with other financing partners such as Business Development Bank of Canada, Community Futures, Banks, Credit Unions and venture capital.

Bad debt impacts SIDITs ability to be sustainable. To diminish the risk of a firm failing, good management and financial systems are critical. Operational problems derail a company more often than a product or technology that does not work. To this end, SIDIT has also funded incubation centres which provide on-going support to early stage technology companies.

Environmental Risk:

Environmental issues are considered and the potential risk assessed in the underwriting of loans and investments. A Stage 1 Preliminary Site Investigation Report is required in all cases for applicants whose industries/activities are listed in Schedule 2, *Contaminated Site Regulations/Waste Management Act (Bill 26)*. The Report must be satisfactory to SIDIT and its Lending Partners and if not, a Stage 2 Report is required. All loans and investments over \$50,000 secured by commercial property require execution of an Environmental Indemnity Agreement.

Market Risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The SIDIT incurs fair value risk on its investments held. The SIDIT does not hedge its fair value.

SIDITs investment objectives are as follows:

- **Capital preservation:** the need to preserve the purchasing power of the capital base, in perpetuity;
- **Capital growth:** the desire to increase the value of the organization's funds;
- **Income generation:** the need to cover annual cash flows, ongoing expenses and the disbursement targets;
- **Project funding:** the desire to fund specific cash flow commitments or projects in the future.

SIDIT manages its market risk through various means including the following:

- Limiting investment in any one company;
- Maintaining diversity in the portfolio;
- Investing into companies with a market capitalization greater than \$100 million; (Canadian) and \$1 Billion (US) at the time of purchase;
- Limiting holdings of fixed income by credit risk ratings and by issuer;

Go to SIDIT's By-Law and Policy Manual at www.sidit-bc.ca/resources/documents to see our investment policy in detail.

At the firm level, Phillips, Hager & North (PH&N) Chief Investment Officer is responsible for setting investment policies for every RBC Global Asset Management (GAM) and PH&N Fund. An investment mandate is established for every fund which places allowable limits on such factors as maximum individual position sizes, maximum sector exposures (both absolute and relative to the benchmark), exposure to small capitalization stocks and other illiquid investments, minimum credit quality for fixed income instruments, and other factors. The fund managers are responsible for ensuring their portfolios remain compliant with their investment mandates, and compliance is also monitored by individuals and systems outside the fund management team.

In addition to complying with the requirements of their investment mandates, the fund manager employs risk management processes specific to each asset class. PH&N's fixed income team, through the use of their proprietary bond management system called Bondlab, monitors each

fixed income portfolio in real time for its exposure to movements in rates, shifts in the yield curve, movements in credit spreads, other factors. Bondlab also considers the correlations between movements in these factors, in addition to the direct exposures themselves. Within global equities, the portfolio managers use an Investment Grade rating system, under which they rate the quality of every stock under consideration for the portfolio based on such characteristics as balance sheet strength, profitability, and quality of management, and apply limits on the proportion of the portfolio that can be invested in lesser-quality companies. PH&N's Canadian equity fund managers evaluate companies on similar criteria, and also consider where a company's earnings, valuation and stock price fall in its likely range over the course of a market cycle to help estimate the downside risk for individual stocks.

Investment losses impact SIDIT's ability to be sustainable as well as its ability to fund on-going operations and meet funding targets. SIDIT has the necessary funding and cash flows to meet its objectives.

Internal Capacity Risk:

An experienced management and staff team has allowed SIDIT to achieve disbursement targets and maintain operating expenses at a low level relative to funding volume. SIDIT maintains a very small management and staff group of 3.6 FTE. Training and succession plans are in place to address the limited depth in staffing and potential prolonged absence of any key player, including the CEO, in order that entity funding processes are not unduly interrupted. The small size of management and staff requires a broad and deep skill set at all levels, able to conduct the operations of the entity business model. SIDIT has the infrastructure and staffing necessary to manage and grow its loan and equity portfolio.

Information Systems/Technology Risk:

A robust software system is needed to report individual project and aggregate portfolio performance over time. This is invaluable in increasing the efficiency of SIDIT and enabling strong reporting, given its limited resources.

- In-house software systems are utilized for grant due diligence, Board approval, monitoring, disbursement and reporting. This enables SIDIT to manage the full lifecycle of each grant application, improves the approval processes through use of comparative scoring and compliance standards and provides the means to track milestone progress.
- Margill Loan Manager Software is used to manage SIDIT's loan and equity portfolio. Designed specifically for small lenders, Margill Loan Manager is a PC-based, simple-to-use, robust and inexpensive loan management solution. The program is capable of producing very complete, customized, financial and non-financial reporting.
- Simply Accounting Pro financial software helps SIDIT manage its cash flows by tracking revenues and expenses and simplifying the budgeting and forecasting process. Its ability to track cash flows and its audit trail capabilities further increase efficiencies and reporting capabilities.
- A full suite of loan and equity legal templates have been developed and refined. The forms increase consistency between applications and reduce implementation and customization costs for our borrowers and investee companies.

Disaster Recovery Risk:

SIDIT's contingency plan to protect against computerized or paper records loss, computer hacking, and the event of fire or earthquake includes the following:

- ProBack Offsite Backup & Recovery is utilized for disaster recovery. Protocol Technologies Inc. manages all backup and disaster recovery activities and automates backup processes for workstations. After a disaster strikes, Protocol restores workstations or laptops providing highly flexible disaster recovery and migration options. ProBack meets all data protection acts including the BC Government data protection Act.
- All documents are scanned and stored electronically. Paper records are stored in fire resistant file cabinets.
- Norton Antivirus is utilized to protect against the most common online threats such as viruses, Trojan horses, worms and spyware, as well as malicious software. Norton Antivirus prevents threats from reaching our computers and removes any existing threats already present. The protection offered is fully automatic, from threat detection and removal to product updates.

Directors and Officers Liability and Omissions Risk:

The Trust maintains a \$5 Million Policy for Directors and Officers Liabilities and Omissions Insurance as well as adequate Property and \$2 Million General Liability Insurance. Vehicles used by Directors or staff for the business of the Trust, maintain a minimum of \$2 million in general liability insurance.

Liquidity Risk:

Liquidity risk is the risk that SIDIT cannot fund its obligations as they come due. The SIDIT's management oversees SIDIT's liquidity risk to ensure that SIDIT has access to enough readily available funds to cover its financial obligations as they come due. The SIDIT's business requires such capital for operating and funding of development initiatives, grants and education awards.

The assessment of the SIDIT's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective trust specific and market conditions and the related behavior of its borrowers and investees. SIDIT has the necessary cash and cash-flows to meet its current and long term objectives.

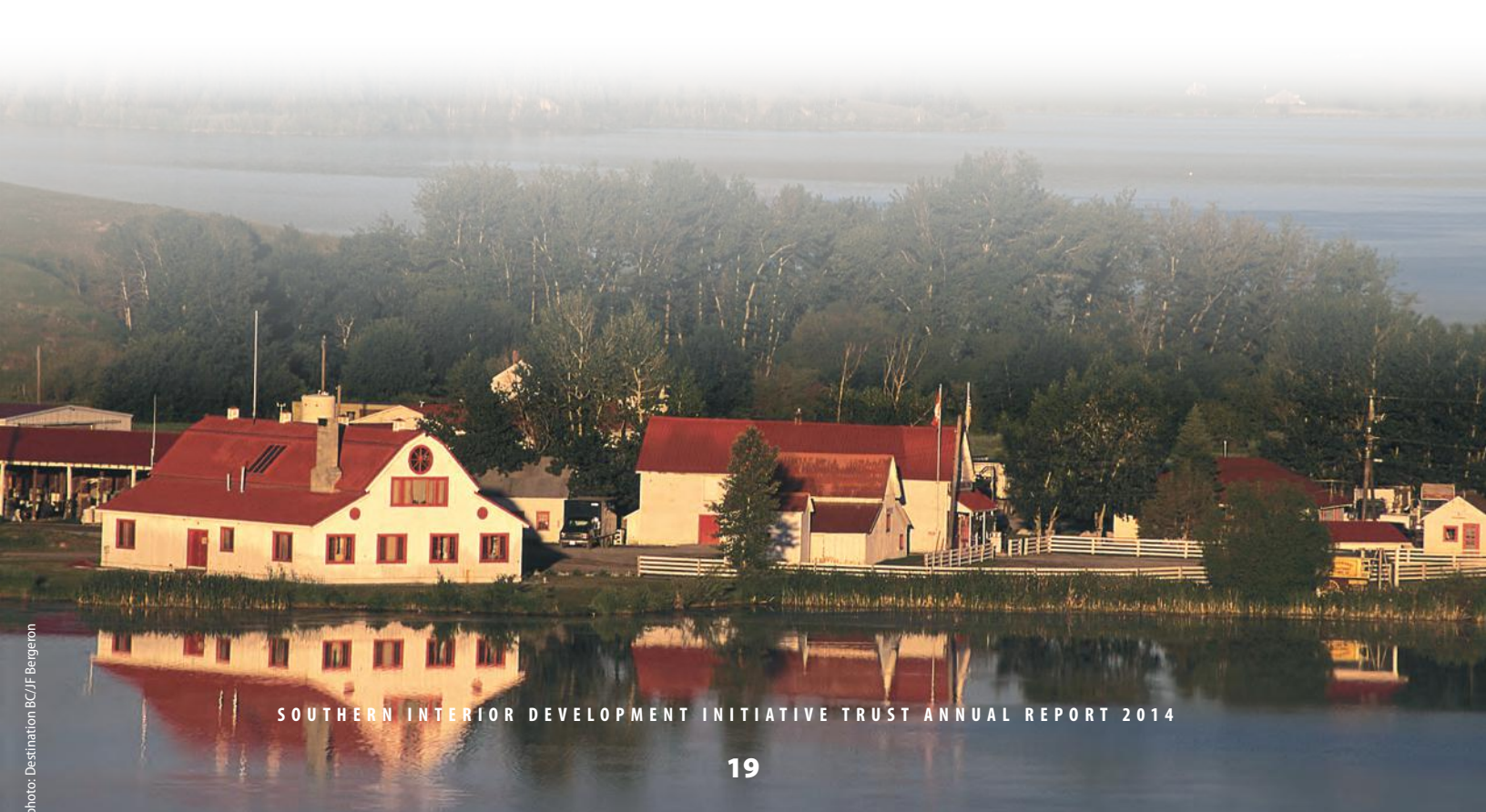
Strategic Plan Changes

The Southern Interior Development Initiative Trust (SIDIT) established its long term goals in consultation with the SIDIT Board and the chairs of the Regional Advisory Committees (RAC) who represent the two Southern Interior regions that are impacted by SIDIT's performance. SIDIT has established processes and extensive knowledge of its stakeholders required to set goals that are significant to and inclusive of its stakeholders. SIDIT's strategic plan outlines the next three years of strategic initiatives including annual work plans for each of these years. The strategic plan can be viewed on SIDIT's website www.sidit-bc.ca under the "Apply for Funding" tab.

Priority Focus Areas:

SIDIT's Directors identified priority focus areas and these provide overarching guidelines for establishing goals, values and principles. Priority Focus areas include:

- Contribution towards economic sustainability of small communities;
- Regional impact;
- Realistic measurement criteria established to assess project outputs;
- Job creation, job preservation, or enhancement;
- Economic diversification;
- Leveraging other funds;
- Filling funding gaps;
- Avoiding overlap and duplication;
- Economic merit;
- Research and Development leading to commercialization;
- Strategic initiatives;
- Ensuring geographic sensitivity in the disbursement of SIDIT funds.



Values and Principles:

The Trust's values and principles are described as follows:

- **Sensitive** to the cultural uniqueness and diversity of the population of the Southern Interior;
- **Accountable** to the public for all of SIDIT's activities and **transparent** in all of our processes, decisions and reporting;
- Treat everyone with **respect** and **dignity**;
- Support only those projects that comply with all applicable **environmental** legislation;
- Support projects that **add value** to the communities and regions of the Southern Interior;
- **Responsive** to the needs and aspirations of the people and communities in the Southern Interior;
- Maintain a **sustainable** Trust that can provide **ongoing support** for economic initiatives for the Southern Interior;
- Encourage investment in the Southern Interior through **leveraging** and by acting as a catalyst;
- Support the creation, preservation and/or enhancement of **employment** in the Southern Interior;
- To the best extent possible, ensure that all regions of the Southern Interior have **fair and equitable access** to the SIDIT Funds;
- Support economic **diversification** and **sustainability** within Southern Interior communities;
- Support and create **sound, economically viable communities**.

Goal Setting

The SIDIT Board of Directors at its strategic planning session in October of 2012 created specific annual and cumulative targets in support of the following goals:

- Enhance the resiliency of the Southern Interior economy by promoting greater economic diversification.
- Preserve existing jobs and stimulate new employment in the Southern Interior region.
- Attract new capital to the Southern Interior region to drive incremental economic development activities.
- Increase the value of the investment pool, thereby increasing opportunities to support regionally strategic investments in the Southern Interior.

On October 2, 2013, the SIDIT Board of Directors met for a one day planning session to review the current economic environment as well as existing opportunities and threats, and identified the key issues facing the Trust in the upcoming three years. Upon completion of this process, the Board concurred that the strategy adopted in SIDIT's 2014-2016 plan remains valid. Our 2014 annual report and future reporting will mirror these goals.



Changes in Reporting

The Southern Interior Development Initiative Trust (SIDIT) was established in February 2006 with an initial capitalization of \$50 million and a mandate to stimulate and facilitate the realization of positive, long lasting and measurable benefits within the Southern Interior of British Columbia. While the SIDIT was set up as a statutory trust and not-for-profit corporation that is not part of a government reporting entity, it was funded through grants from the government of British Columbia. In early 2012, the Office of the Auditor General of BC carried out an audit under section 11(6) of the Auditor General Act, which empowers the Auditor General to audit an individual or organization concerning a grant received from the government, to ensure that any of the grant's terms and conditions have been fulfilled. The purpose of this audit was to determine whether the SIDIT was complying with the requirements of its Act, and meeting public accountability reporting standards.

The Auditor General developed their audit criteria based on SIDIT's governing legislation that SIDIT is required to follow and on recognized good practices that exist, but are not legislated requirements.

As a result of the audit, the Auditor General recommended that SIDIT:

- Include discussion in our public accountability reports about how we are complying with legislated requirements.
- Incorporate the BC Reporting Principles into our annual reports.
- Develop and report annual goals, as well as key performance indicators that can be used to monitor progress in achieving those goals.

We believe that the recommendations presented by the Auditor General provide useful guidance on how to improve our public accountability reporting practices and create clarity for stakeholders. These recommendations were incorporated into our 2012 Annual Report and will be continuously improved.



Environmental Scan

As part of its strategic plan, the Southern Interior Development Initiative Trust (SIDIT) must complete an environmental scan every three years, drawing upon independent research to identify changes in a variety of demographic and economic dimensions that have relevance to the SIDIT region, which is located in the southwest part of British Columbia. More specifically, the SIDIT region comprises the Thompson-Okanagan development region (which includes the Columbia-Shuswap, Thompson-Nicola, North Okanagan, Central Okanagan, and Okanagan-Similkameen regional districts), the Kootenay development region (which includes the Kootenay Boundary, Central Kootenay, and East Kootenay regional districts), and Hope, located in the Fraser Valley regional district.

Against this backdrop, SIDIT has asked Urban Futures to provide a summary of historical data for, and where applicable, projections of a variety of demographic and economic dimensions that are relevant to the SIDIT region.

The range of dimensions selected for inclusion in this summary report are: population growth and change; trends in incorporations and bankruptcies; tourism room revenues; building permit values; unemployment rates; employment by sector; business locations by sector and size; major projects; and commodity prices.

All data presented in this report are publicly available and have been obtained through BC Stats' website. Readers of this report should note, however, that the SIDIT-specific information presented herein pertains to the aggregate of the Thompson-Okanagan and Kootenay development regions (thereby excluding Hope), as this is the level of geography at which BC Stats has tabulated their data.

Results:

A regional demographic and economic profile for the Southern Interior Trust Region was completed in February 2013 by Urban Futures, a copy of which can be found on our website which is located at www.sidit-bc.ca under Resources/Documents.

Discussion:

On October 2, 2013, the SIDIT Board of Directors met for a one day planning session to review data on the current economic environment and existing opportunities and threats, and identified the key issues facing the Trust in the upcoming three years. Upon completion of this process, the Board concurred that the strategy adopted in SIDIT's 2014-2016 plan remains valid.

Report on Performance

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.

Goals:

SIDIT's primary goal is to maintain the Trust so that it is sustainable, providing continual support for economic initiatives for the Southern Interior and increasing the value of the Trust over time through return on investment. The following goals support our mission:

1. Enhance the resiliency of the Southern Interior economy by promoting greater economic diversification.
2. Preserve existing jobs and stimulate new employment in the Southern Interior region.
3. Attract new capital to the Southern Interior region to drive incremental economic development activities.
4. Increase the value of the investment pool, thereby increasing opportunities to support regionally strategic investments in the Southern Interior.

Measurements:

We designed performance measures for each goal to help us, and our stakeholders, assess our progress in achieving the goals. We selected measurements on the following criteria:

Connection to our goals – We chose measurements that will assess our progress in achieving our goals and, through them, our mission.

Longevity – We chose measurements that we will be able to track over several years, and whose trends will provide valuable information for improving our performance.

Measurability – We chose measurements for which we can collect accurate data and form baselines in a timely way.

Some measurements track the overall progress we are making towards achieving our goals. Others measure operational processes critical to the delivery of an efficient and effective funding system.

We will evaluate our measurements annually, to ensure they have integrity, and are meaningful. This may result in reconsidering the measure or the data collection method.

This section describes each goal, the strategies supporting it, and the measurable progress we made during fiscal 2014 towards achieving the goals.

GOAL 1 ENHANCE THE RESILIENCY OF THE SOUTHERN INTERIOR ECONOMY BY PROMOTING GREATER ECONOMIC DIVERSIFICATION.

STRATEGY 1.1: Positively impact each region in the Southern Interior through investment in each area.

Performance Target: Subject to proponent demand, positively impact the economy by investing in each region of the Southern Interior. Regional impact will be measured as cumulative funding by sub-region and on a per-capita basis.

Results:

Grant Funding by Region and per Capita:

Regions	\$ Funded Grants	Population	\$ per capita
Hope	\$2,545	5,969	\$0.43
Thompson Nicola	\$851,895	128,473	\$6.63
Columbia Shuswap	\$165,375	36,055	\$4.59
North Okanagan	\$299,642	81,237	\$3.69
Central Okanagan	\$461,911	179,839	\$2.57
Okanagan Similkameen	\$397,536	80,742	\$4.92
Thompson Okanagan Region	\$2,178,904	512,315	\$4.25
Columbia Shuswap	\$106,165	14,457	\$7.34
Kootenay Boundary	\$603,278	31,138	\$19.37
Central Kootenay	\$518,009	58,441	\$8.86
East Kootenay	\$553,673	56,685	\$9.77
Columbia Kootenay Region	\$1,781,124	160,721	\$11.08
Total Grants	\$3,960,028		

Loan Funding by Region and per Capita

Regions	\$ Funded Loans	Population	\$ per capita
Hope	\$0	5,969	\$0.00
Thompson Nicola	\$816,018	128,473	\$6.35
Columbia Shuswap	\$435,935	36,055	\$12.09
North Okanagan	\$3,350,589	81,237	\$41.24
Central Okanagan	\$19,126,618	179,839	\$106.35
Okanagan Similkameen	\$2,061,674	80,742	\$25.53
Thompson Okanagan Region	\$25,790,834	512,315	\$50.34
Columbia Shuswap	\$0	14,457	\$0.00
Kootenay Boundary	\$3,507,570	31,138	\$112.65
Central Kootenay	\$310,775	58,441	\$5.32
East Kootenay	\$1,703,625	56,685	\$30.05
Columbia Kootenay Region	\$5,521,970	160,721	\$34.36
Total Loans	\$31,312,804		

Education Funding by Region	Funded Education Awards	Population	\$ per capita
Columbia Kootenay	\$ 1,756,562	160,721	\$10.93
Thompson Okanagan	\$ 3,347,938	512,315	\$ 6.21
Total Education	\$ 5,104,500	673,036	\$ 7.58

Total Funding by Region and per Capital

Regions:	Amount Funded	Population	\$ per capita
Hope	\$41,552	5,969	\$6.96
Thompson Nicola	\$2,507,474	128,473	\$19.52
Columbia Shuswap	\$836,927	36,055	\$23.21
North Okanagan	\$4,181,108	81,237	\$51.47
Central Okanagan	\$20,986,853	179,839	\$115.46
Okanagan Similkameen	\$2,986,853	80,742	\$36.99
Thompson Okanagan Region	\$31,317,676	512,315	\$61.13
Columbia Shuswap	\$264,169	14,457	\$18.27
Kootenay Boundary	\$4,451,163	31,138	\$142.95
Central Kootenay	\$1,467,501	58,441	\$25.11
East Kootenay	\$2,876,822	56,685	\$50.75
Columbia Kootenay Region	\$9,059,656	160,721	\$56.37
Total Funded	\$40,377,332	673,036	\$59.99

Population numbers are based on the 2011 Federal Census.

Discussion: From its original \$50 million, SIDIT has invested \$31.3 million into business ventures in the Southern Interior as well as funded \$9 million in non-repayable grants and education awards. \$10.9 million in principal and interest has been repaid as at the end of fiscal 2014. \$31.6 million in surplus funds are invested in liquid and market securities to provide for operating capital and create a reserve for future funding and investment opportunities. It is anticipated that this level of funding will help communities respond to challenges and opportunities in the near term while preserving a significant portion of the funds to ensure that the Trust has resources available to respond to future challenges and opportunities as they evolve. At the October 2012 strategic planning session, the SIDIT Board of Directors determined to increase loan and equity investments and reduce market investments incrementally. Reserved funds will be released for investment into the Southern Interior as opportunities are presented.

Applications for grant funding are proponent driven and while SIDIT strives, to the best extent possible, that all regions of the Southern Interior have fair and equitable access to the SIDIT Funds, it does not have control over the results of distribution of funding. SIDIT's primary objective is to support economic development opportunities based on project merit within the Southern Interior irrespective of geographic considerations. In line with the SIDIT Act and its mandate, SIDIT encourages submissions throughout the region.

SIDIT determines business enterprise risk based on a careful study of the business plan, past performance of the business enterprise if applicable and management capacity of the principals in order to gain a sufficient level of comfort that future cash flow and equity targets will be met.

Within the context of the SIDIT Act, SIDIT balances the level of risk that is present, with the community economic benefits that are being created. However, SIDIT will always satisfy itself that the potential of the deal is sound and prudent in order to protect the future of the fund.

SIDIT engaged five post-secondary institutions operating in the Southern Interior as delivery partners for SIDIT's investment in education. The participating institutions; College of the Rockies, Selkirk College, Okanagan College, University of British Columbia Okanagan and Thompson Rivers University deliver programs and manage awards for trades, technology and applied sciences students at both the secondary school and post-secondary school levels. Awards are based on financial need and range in size from \$500 to \$2,500.

STRATEGY 1.2: Invest in existing enterprises that are seeking to create diversification in their own business by introducing new products lines, targeting new end markets, or creating diversification through other means.

Performance Target: Provided appropriate investment opportunities become available, achieve cumulative investment in support of business ventures by way of loans or equity of \$68 Million by 2020. This target will be achieved by investing \$6 million per annum.

Results: \$6 million has been funded in support of business ventures in 2014 which represents 100% of our annual target. \$31.3 million has been funded cumulatively representing 46% of our cumulative target.

Discussion: At the October 2012 Strategic Planning session, the SIDIT Board determined to increase the amount of funding in support of business ventures from \$40 million to \$68 million by 2020.

As part of our mandate, we provide funding for start-up ventures which are generally seen to be in a “pre-bankable” phase due to a lack of tangible security, history or sufficient cash flow. The development initiative investments are considered to be risky and accordingly demand higher rates of return than more established companies would be able to negotiate.

We have the option to convert a number of development initiative loans into equity of the loan recipient. Should the recipient companies be successful, these conversion options may have a material fair value over and above the value of the associated loan. We consider there is no material value in any of the conversion options at present, given that the recipient companies are early in the start-up stage.

While the Trust completes due diligence procedures prior to any investment being made, economic conditions have impacted the credit quality of many entities due to increased uncertainty in cash flows.

We made the first development initiative investment in the March 31, 2008 fiscal year. As the recipient companies are now further into the lifecycle of a start-up enterprise, it is becoming clear that certain investments are unlikely to be recovered.

A provision for losses is made when we no longer have reasonable assurance of timely collection of the full amount of principal and interest.

STRATEGY 1.3: Invest in innovation and entrepreneurship projects that assist individuals in creating their own businesses and developing innovative new products, services and technologies.

Performance Target: Provide \$.5 million of cumulative investment into innovation and entrepreneurship programs that accelerate the commercialization of technology, resulting in the rapid growth of technology ventures. This target will be achieved by investing \$165,000 per annum over the next 3 years.

Result: SIDIT partnered with and engaged the British Columbia Innovation Council (BCIC), a Crown Agency of the Province of British Columbia, to develop entrepreneurial talent and commercialize technology. BCIC focuses on competitively positioning British Columbia in today's global knowledge economy in order to provide significant employment opportunities and a high standard of living for British Columbians. SIDIT and BCIC jointly committed \$488,500 in 2012 and BCIC increased their commitment by \$150,000 in 2013. \$310,000 has been funded in 2014 representing 188% of our annual target and \$322,500 has been funded to date which represents 65% of the SIDIT/BCIC cumulative funding target.

Discussion: In today's economic climate, it is increasingly important for British Columbia to be competitively positioned in the global knowledge economy. A Crown Agency of the BC Government, the BC Innovation Council (BCIC) is BC's lead agency for promoting and accelerating technology commercialization. BCIC provides funding to and collaborates with organizations across the province to create and deliver programs and support key industry initiatives that help BCIC meet its mission of strengthening British Columbia's economy by accelerating the growth of BC ventures through the support of entrepreneurs and technology companies.

The Venture Acceleration Program (www.bcacceleration.ca) is a structured venture growth program designed to train and coach ambitious early-stage technology entrepreneurs and innovators. It accelerates the process of defining a proven business model based on proven best practices for starting and growing technology companies.

The program delivers:

- Hands-on skills training in entrepreneurship and product commercialization strategies and tactics.
- A structured approach to growing a company - the Venture Growth Model – that integrates concepts and advice from global thought leaders such as Geoffrey Moore (Crossing the Chasm), Steve Blank (The Startup Owner's Manual) and Alex Osterwalder (Business Model Generation).
- Ongoing one-on-one coaching from experienced Executives in Residence (EiRs) and access to their networks, which may include introductions to investment sources, strategic partners, and early adopter customers.
- Valuable opportunities for networking.

Through the delivery of an intense skills training experience akin to an apprenticeship in technology entrepreneurship and commercialization, the goal of the program is to develop entrepreneurial talent, drive economic development and job creation in the province of BC.

BCIC acknowledges that Venture Acceleration Program partners often receive support, funding and resources from a number of public sources in BC's technology ecosystem, all of which contribute to companies' success. Additional governmental sources include, but are not limited to, Southern Interior Development Initiative Trust (SIDIT), Northern Development Initiative Trust (NDIT), National Research Council (NRC) and Western Economic Diversification (WD).

SOUTHERN INTERIOR REGIONAL HIGHLIGHTS FOR FISCAL YEAR 2013/14

Accelerate Okanagan (AO) - Q4 FY2013/14

- **Program Launch:** July 2011
- **Region:** Okanagan Valley
- **Accelerator Type:** Physical – Offers desk space
- **Total BCIC Funding Since Launch:** \$1,112,500
- **BCIC-Supported Funding Spent FY2013/14:** \$380,000
- **Capacity Filled:** 87% (of 30 seats) as at Mar 31, 2014
- **Total EiR Capacity:** 7
- **Total Entrepreneurs Trained to Date:** 77

Company Performance

	FY 2013/14	Q1 2013/14	Q2 2013/14	Q3 2013/14	Q4 2013/14	Q4/Q3 Change	Since Program Inception
Companies Participating	42	25	29	27	26	-4%	64
New Jobs (FTEs) Created	59	11	13	13	23	84%	235
New Company Revenue Generated	\$4.8M	\$596K	\$565K	\$1.5M	\$2.1M	38%	\$6.4M
New Private Investment Attracted	\$1.7M	\$366K	\$473K	\$520K	\$360K	-31%	\$3.6M
Other New Investments	\$1.5M	\$485K	\$325K	\$245K	\$397K	62%	\$4.0M

- Companies enter and exit the program at various times. Companies participating Q1, Q2, Q3 and Q4 2013/14 columns refer to the total number of companies participating in each quarter while FY 2013/14 refers to the total number of unique companies that have participated in at least one quarter of the 2013/14 fiscal year. Therefore, quarterly company totals will not add up to the FY 2013/14 total.
- Private investment is Venture Capital, Angel, Strategic and Friends & Family. Other investment is Founder Investment and Government Grants.

83% of Companies created Jobs and/or Revenue and/or Investment

In FY 2013/14, of the 42 participating companies:

- 48% created **59 new jobs**
- 52% generated **\$4.8M in new Revenue**
- 26% attracted **\$1.7M in new Private Investment**
- 52% attracted **\$1.5M in new Other Investment**

Kamloops Innovation (KI) - Q4 FY2013/14

- **Program Launch:** April 2013
- **Region:** Central Interior
- **Accelerator Type:** Physical – Offers desk space
- **Total BCIC Funding Since Launch:** \$225,000
- **Client Capacity:** 100% (of 8 seats) at Mar 31, 2014
- **BCIC-Supported Funding Spent FY2013/14:** \$150,373
- **Total EiR Capacity:** 1
- **Total Entrepreneurs Trained to Date:** 23

Company Performance

	FY 2013/14	Q1 2013/14	Q2 2013/14	Q3 2013/14	Q4 2013/14	Q4/Q3 Change	Since Program Inception
Companies Participating	11	4	4	8	10	25%	11
New Jobs (FTEs) Created	13	12	0	0	1	-	13
New Company Revenue Generated	\$70K	\$0	\$0	\$0	\$70K	-	\$70K
New Private Investment Attracted	\$85K	\$0	\$0	\$0K	\$85K	-	\$85K
Other New Investments	\$59K	\$50K	\$0	\$0K	\$9K	-	\$59K

- Companies enter and exit the program at various times. Companies participating Q1, Q2, Q3 and Q4 2013/14 columns refer to the total number of companies participating in each quarter while FY 2013/14 refers to the total number of unique companies that have participated in at least one quarter of the 2013/14 fiscal year. Therefore, quarterly company totals will not add up to the FY 2013/14 total.
- Private investment is Venture Capital, Angel, Strategic and Friends & Family. Other investment is Founder Investment and Government Grants.

91% of Companies created Jobs and/or Revenue and/or Investment

In FY 2013/14, of the 11 participating companies:

- 9% created **13 new jobs**
- 36% generated **\$70K new Revenue**
- 55% attracted **\$85K new Private Investment**
- 9% attracted **\$59K in new Other Investment**

Kootenay Association for Science and Technology (KAST) - Q4 FY2013/14

- **Program Launch:** July 2013
- **Region:** West Kootenays
- **Accelerator Type:** Virtual – no desk space for clients
- **Total BCIC Funding Since Launch:** \$100,000
- **BCIC-Supported Funding Spent FY2013/14:** \$71,000
- **Capacity Filled:** 110% (of 10 seats) at Mar 31, 2014
- **Total EiR Capacity:** 2
- **Total Entrepreneurs Trained to Date:** 18

Company Performance

	FY 2013/14	Q1 2013/14	Q2 2013/14	Q3 2013/14	Q4 2013/14	Q4/Q3 Change	Since Program Inception
Companies Participating	12	2	3	10	11	10%	12
New Jobs (FTEs) Created	17	0	1	9	7	-22%	17
New Company Revenue Generated	\$1.5M	\$0	\$20K	\$670K	\$792K	18%	\$1.5M
New Private Investment Attracted	\$5K	\$0	\$0	\$0	\$5K	-	\$5K
Other New Investments	\$125K	\$0	\$0	\$50K	\$75K	50%	\$125K

- Companies enter and exit the program at various times. Companies participating Q1, Q2, Q3 and Q4 2013/14 columns refer to the total number of companies participating in each quarter while FY 2013/14 refers to the total number of unique companies that have participated in at least one quarter of the 2013/14 fiscal year. Therefore, quarterly company totals will not add up to the FY 2013/14 total.
- Private investment is Venture Capital, Angel, Strategic and Friends & Family. Other investment is Founder Investment and Government Grants.

75% of Companies created Jobs and/or Revenue and/or Investment

In FY 2013/14, of the 12 participating companies:

- 50% created **17 new jobs**
- 50% generated **\$1.5M in new Revenue**
- 8% attracted **\$5K in new Private Investment**
- 42% attracted **\$125K in new Other Investment**

Kootenay Rockies Innovation Council (KRIC) - Q4 FY2013/14

- **Program Launch:** July 2013
- **Region:** East Kootenays
- **Accelerator Type:** Virtual – no desk space for clients
- **Total BCIC Funding Since Launch:** \$100,000
- **BCIC-Supported Funding Spent FY2013/14:** \$64,691
- **Capacity Filled:** 67% (of 6 seats) at Mar 31, 2014
- **Total EiR Capacity:** 2
- **Total Entrepreneurs Trained to Date:** 8

Company Performance

	FY 2013/14	Q1 2013/14	Q2 2013/14	Q3 2013/14	Q4 2013/14	Q4/Q3 Change	Since Program Inception
Companies Participating	5	2	3	4	5	25%	5
New Jobs (FTEs) Created	4	0	1	0	3	-	4
New Company Revenue Generated	\$100K	\$1.0K	\$33K	\$36K	\$30K	-17%	\$100K
New Private Investment Attracted	\$0	\$0	\$0	\$K	\$K	-	\$0
Other New Investments	\$321K	\$0	\$0	\$317K	\$4K	-99%	\$321K

- Companies enter and exit the program at various times. Companies participating Q1, Q2, Q3 and Q4 2013/14 columns refer to the total number of companies participating in each quarter while FY 2013/14 refers to the total number of unique companies that have participated in at least one quarter of the 2013/14 fiscal year. Therefore, quarterly company totals will not add up to the FY 2013/14 total.
- Private investment is Venture Capital, Angel, Strategic and Friends & Family. Other investment is Founder Investment and Government Grants.

80% of Companies created Jobs and/or Revenue and/or Investment

In FY 2013/14, of the 5 participating companies:

- 20% created **4 new jobs**
- 40% generated **\$100K in new Revenue**
- 0% attracted **new Private Investment**
- 40% attracted **\$321K in new Other Investment**

GOAL 2 PRESERVE EXISTING JOBS AND STIMULATE NEW EMPLOYMENT IN THE SOUTHERN INTERIOR REGION.

STRATEGY 2.1: Invest in new and existing commercial enterprises that will use the infusion of capital to preserve jobs and/or create new jobs through:

- a. Business, product line and market share expansion
- b. Turnaround or management buyouts of existing businesses
- c. Increased regional spending on services and resources that help to support indirect regional employment

Performance Target: Based on the projected use of our funding to sustain and grow commercial enterprises, we forecast that we will help create and/or preserve 3,000 jobs by 2020. This target will be achieved by creating or preserving 175 jobs per annum.

Result: SIDIT's funding in 2014 created or preserved 394 jobs and has to date created or preserved 2,223 long and short term jobs. Jobs created in 2014 represent 225% of our annual target and to date represent 74% of our cumulative targets.

Discussion:

Jobs reported are based on proponent estimates on direct employment to be created or preserved. Wages expenses are verified by comparison to financial statements or proponent reporting. Financial statements provided by business proponents are prepared, at a minimum, on a Review Engagement Basis.

In early 2011 SIDIT engaged the services of Lochaven Management Consultants Ltd. to set-up a framework to be used to evaluate SIDIT's functioning pursuant to the Southern Interior Development Initiative Trust Act and to conduct such evaluation. The purpose of the evaluation framework was to provide the Evaluation Committee with a consistent, comparable and objective means of conducting the evaluation, including assessing the effectiveness and efficiency of SIDIT's operations, and the impact of SIDIT's Investments at the regional and community level along with the compliance of such investments in accordance with the Act.

In May 2011 Lochaven Management Consultants Ltd. completed the economic impact analysis. The report identifies and assesses the impacts accruing from SIDITs efforts by focusing on key measurable results (outputs, outcomes and impacts) accruing within the Southern Interior Development Initiative Trust Service Region as a consequence of SIDIT's loan and equity funding activities. Specifically, impacts that can be directly attributed to particular activities (i.e. spending, investing, producing, providing, employing, and/or utilizing) that would not have occurred in the absence of SIDIT's loan and equity funding activities. The key to the analysis was the isolation and measurement of incremental activity – including direct, indirect and induced effects.

In order to estimate the economic impacts of SIDIT loan and equity efforts, the analysis used an array of information sources

and materials including, but not restricted to the following: (1) various studies, reports, and Annual Reports of the Southern Interior Development Initiative Trust; (2) primary survey data collected by the Consultant in one-on-one interviews; and, (3) information made available to the Consultant from Client files. Collectively this data provided a sufficient platform from which to confidently estimate the relationship between SIDIT's lending/equity investment efforts and the income and employment impacts to the Service Region.

SIDIT does not conduct independent audits of non-financial information, but from the analyses undertaken, it is apparent that the Southern Interior Development Initiative Trust has had a positive and significant incremental economic impact within its Service Region specifically and within British Columbia generally. We intend to conduct this analysis on a regular basis every five years. Go to www.sidit-bc.ca in the resources/documents section to see our 2011 Economic Impact Report.

STRATEGY 2.2: Invest a percentage of the income of the Fund into educational programs focused on trades, technology and academic programs that focus on projected labour shortages that will hamper economic growth in the region.

Performance Target: Invest \$6.2 million in trades, technology, academic, and innovation and entrepreneurship programs, providing support for 7,250 students by 2020. This target will be achieved by investing \$250,000 per annum and supporting 250 students per annum.

Result: SIDIT engaged five post-secondary institutions operating in the Southern Interior as delivery partners for SIDIT's investment in education. The participating institutions; College of the Rockies, Selkirk College, Okanagan College, University of British Columbia Okanagan and Thompson Rivers University deliver programs and manage awards for trades, technology and applied sciences students at both the secondary school and post-secondary school levels. SIDIT has funded \$297,375 in 2014 and \$5 million cumulatively in education support. This represents 119% of our annual target and 81% of our 2020 cumulative funding target of \$6.2 million for trades, technology and academic education support programs. 322 students received bursaries in 2014 increasing the total number of students that have received education support by way of bursaries and scholarships to 5,969. This represents 129% of our annual target and 82% of our cumulative target of 7,250 students by 2020.

	2009	2010	2011	2012	2013	2014	Total
College of the Rockies	142	183	187	107	106	100	825
Selkirk College	284	362	450	74	58	44	1272
Thompson River University	493	558	590	58	65	58	1822
Okanagan College	582	593	468	102	50	50	1845
UBCO	0	0	0	29	50	50	129
UBCO - Medical	0	0	0	10	10	10	30
BCIC	0	6	9	11	10	10	46
	1501	1702	1704	391	349	322	5969

Discussion:

Labour Shortage Forecast

As a result of the economic downturn in 2008, the demand for skilled trade workers slowed after several years of rapid employment growth. However, as we transition from recession to recovery, the Trades Outlook Report 2010-2020 predicts that labour market conditions are going to tighten, with labour shortages for the trades sector as a whole expected by 2016.

A labour market outlook takes a look at trends that are anticipated in the future labour market. After recovering from the economic downturn, B.C.'s economy and labour market are showing signs of improvement. The BC Labour Market Outlook 2010-2020 offers projections such as:

- Labour market conditions have been improving along with the economy as total employment in the province grew by 1.7 per cent to 2.3 million in 2010, almost back to pre-recession level.
- As the economy and labour market continue to recover, the gross domestic product or GDP (the total value of all goods and services produced in B.C.) is likely to grow by 2.6 per cent in 2012.
- Employment in the province is expected to increase by 1.8 per cent in 2012.
- Unemployment is forecast to drop from 7.5 per cent in 2011 to 6.5 percent in 2015 before declining to 5.2 per cent in 2020.
- Over the next several years, more than one million job openings are expected across the province.
- The number of workers needed will gradually become greater than the number of workers available.
- The gains noted in B.C.'s economy and labour market are expected to continue.
- 1,027,400 job openings are expected for B.C. over the ten year period.
- Close to two-thirds of job openings (676,400) will be due to replacement demand as a result of retiring workers and deaths.
- The other one-third of job openings (351,000) will be due to the new jobs that result from economic growth.
- Demand for workers in B.C. is expected to grow by an annual average rate of 1.4 percent over the ten-year period.

These key long-term demographic measures point out the need to attract new recruits into the construction industry, even during periods of limited employment growth, to meet labour requirements in the final years of the scenario period. Many of these new workers will be new entrants from the younger population or will come from outside the industry. This highlights a specific need to target training, certification and career promotions and to focus on immigration over the longer term. Training programs, including apprenticeship, will need to expand and adapt to attract and prepare these new construction workers.

Testimonials

On behalf of the entire community at UBC's Okanagan campus, I wish to express sincere gratitude to the board of directors of the Southern Interior Development Initiative Trust for its generous investment in the University.

In 2013/14 SIDIT provided \$100,000 to fund student scholarships and bursaries. This commitment greatly enhances our mission to provide transformative student learning opportunities, create and advance knowledge and understanding, and enhance the economic and social well-being of the communities which we serve. What's more, the impact of the SIDIT contributions to student awards has been extended through dollar for dollar matches by an anonymous donor who also recognizes the value of assisting students in their pursuit of an extraordinary university education.

Great universities transform their regions and the world, and we have bold ambitions at UBC. We are embarking on an initiative focused on the promotion of innovation in our region. Our aim is for the University to have an even greater regional impact through new and more meaningful partnerships in the community. Through those partnerships we will build on our core commitments by offering new experiential student learning opportunities and emphasizing research in practice that has a positive impact in the Interior.

Your ongoing support of our start an evolution campaign is critical to the University reaching the goals we have set for ourselves.



UBC Okanagan is close to realizing its dual goal of raising \$100 million and doubling the number of alumni engaged with the University. As an important partner of the University, your leadership, commitment, and meaningful investment will fuel our capacity to drive positive change in our region, our province, and beyond.

On behalf of the entire University, thank you again for your generous support.

Prof. Deborah Buszard
Deputy Vice Chancellor and Principal

"I would like to take this opportunity to thank Southern Interior Development Initiative Trust (SIDIT) for their continued support of the University of British Columbia and its students. I am a 23 year old student from Vernon, BC, in my final year of a Bachelor of Applied Science degree at UBC's Okanagan campus. I will graduate in April with a BAsC degree specialized in the field of Civil Engineering.

In the future, I plan to continue my education and obtain a master's degree before entering the workforce as a keen professional.



I look forward to translating these skills to the Okanagan region through the civil engineering industry. Providing structures, roads or other vital elements to a community are just a few ways that my career aspirations will benefit the region. Let me once again reiterate my gratitude for the support of students like myself. The scholarship will be vital in assisting me with increasing tuition costs, student loans, and my professional development."

Trevor Billows, 4th year Engineering
SIDIT scholarship recipient

"I am very thankful for the recent scholarship I received from the Southern Interior Development Initiative Trust. I am a fourth year mature student in the Faculty of Management, pursuing a specialty in Accounting after raising a family. My husband and I have three wonderful children who are also in post-secondary education.

However, despite the value we place in learning, it comes at a price, so it is particularly rewarding to be recognized financially for academic achievement along the way.

I am also grateful for the UBCO Faculty of Management's Co-op program, through which I was temporarily placed at a major international accounting firm in Kelowna. This has given me the chance to gain valuable hands-on experience before finishing my degree in the Fall, as well as to confirm that Accounting is truly my area of interest. I am already dealing with clients' needs from all over the Southern Interior, from Naramata to Armstrong, and anticipate contributing even more of my knowledge, experience and enthusiasm to this broad community. I am thankful to everyone who has helped me along the way, including this much appreciated scholarship from the donor of the Southern Interior Development Initiative Trust."



Esther Whitehead, 4th Year Management
SIDIT scholarship recipient

"I am a third year nursing student at UBC-O, and I would like to express my gratitude to the Southern Interior Development Initiative Trust for their generosity contributing to my financial burden as a student. The financial support has enabled me to maintain my high standards of school performance, and has helped me with my cost of living for things such as: rent, food, gas, bills, tuition, books etc.

Because of this generosity, I was able to register for a distance education course through BCIT in the Emergency Nursing Specialty starting April. This will hopefully enable me to be successful in my clinical this summer on the cardiac ward (KGH 2E), and during fourth year as well. My goal is to finish the first theory course through BCIT in September via distance education and possibly do one of my fourth year practicums in the ER. I plan on applying to hospitals throughout the Okanagan, particularly with a cardiac or emergency focus in the next year.

This award has also allowed me to maintain my position as the UBC-O cross-country running team captain, and we were able to bring home a gold medal at Nationals. Being a student-athlete in the nursing program has taught me so much about prioritizing, time management, sacrifice & rewards. I have gained so much at UBC-O with all of the student resources, as well as the BSN curriculum, and have enjoyed my journey thus far and the ability to give back to the community through our service learning projects and community health rotations.

In the future I hope to continue contributing to the Okanagan as a nurse in hospital, and also branching out into the community working with less advantaged marginalized populations. This award has given me opportunities I would not have had if I were forced to work every weekend while in the program. It has also saved my sanity, and contributed to my GPA-which I know will make a difference when I apply for the nursing masters program in the future. My sincere "thanks".



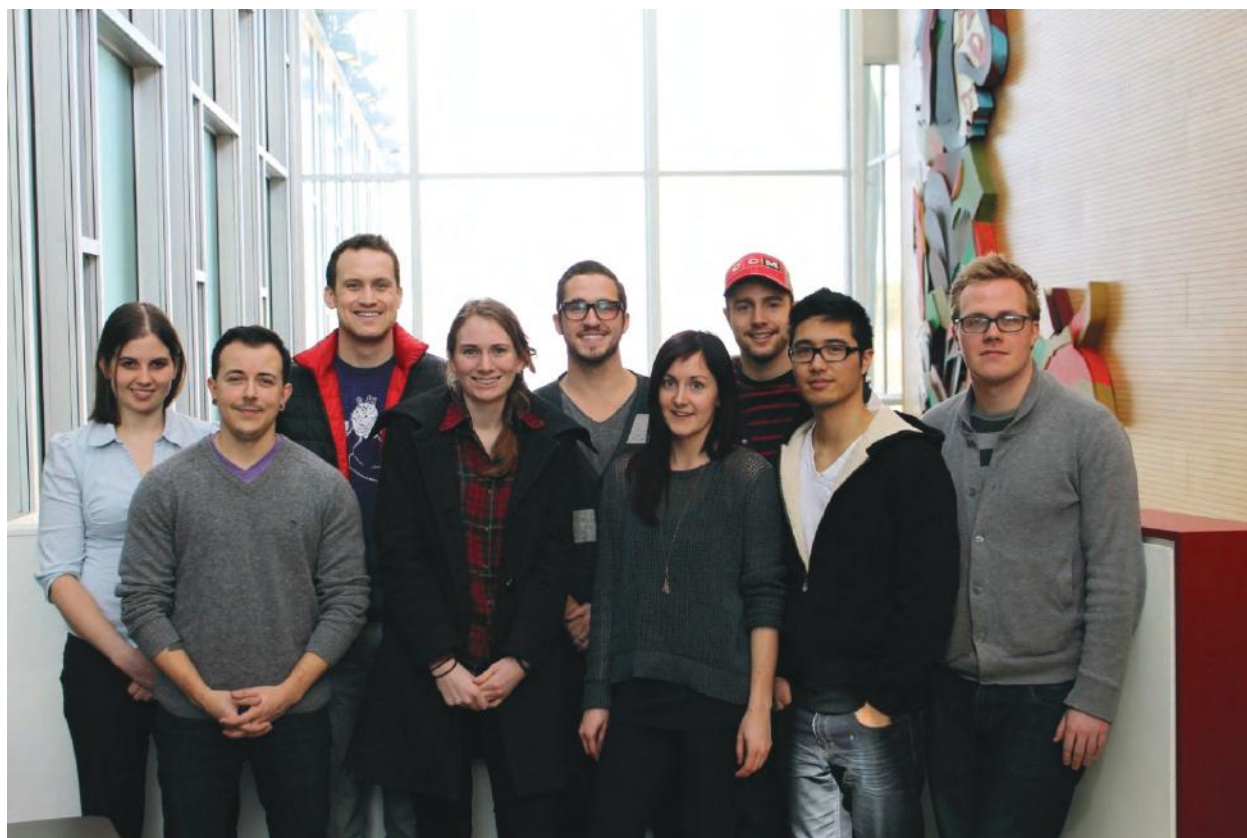
Trisha-Lee Metro, 3rd year Nursing
SIDIT Scholarship recipient

"Having the opportunity to study medicine in British Columbia is truly wonderful. The community of Kelowna rallies behind its doctors and medical students. This is a place where I feel well supported by the teachers, support staff, senior students and donors. Contributions from donors make it possible for students like me to thrive. These funds allow me to purchase text books and online resources, pay rent and bills, and focus on my studies. Without extra resources my experience in medical school would



be both more restricted and also more stressful. I cannot emphasize enough the value of financial support when going to school. My studies are very challenging; having financial support at this time is essential for me to do well in medical school. Thank you for your contribution to student learning and enriching my learning experience"

**Amelia Stegman, 1st Year Southern Medical Program
SIDIT Bursary recipient.**



SIDIT Southern Medical Program 2014 bursary recipients



ALLAN JONES, REGIONAL ASSOCIATE DEAN, INTERIOR,
UBC FACULTY OF MEDICINE AND ASSOCIATE VICE-PROVOST,
MEDICAL SCIENCES, UBC'S OKANAGAN CAMPUS

The Southern Medical Program is now in its third year. It is quite remarkable when reflecting back on the amount of time and hard work invested by our faculty, staff, and program stakeholders in expanding the distributed MD Undergraduate Program to the Interior. Our collaborative partnership with the Interior Health Authority and ongoing support from the communities in which we operate continue to be key contributors to our success. We also recognize and value the role our students have played in helping us to refine and build a top notch medical program.

The collective feedback from students across our distributed sites has been incredibly positive and a strong reinforcement for all of our efforts. With the recent admission of our third cohort of students, 96 medical undergraduates are now enrolled with the Southern Medical Program (SMP). The sheer demand for teaching capacity across our sites remains an ever-present priority – especially with the growing need to create new residency spots and programs. It is vitally important that the need to grow always be balanced with the current demands placed upon our clinical faculty. We are incredibly fortunate to have an engaged medical community that is truly invested in training the next generation of physicians for our province.

We are now set to embark on an exciting new chapter for our program with the creation of the research arm of the SMP. With a focus on chronic disease prevention, we look forward to future collaborations with researchers from across UBC Okanagan and Interior Health. Ultimately, our goal is to deliver front-line research that advances the health of individuals and communities from a local to international level.

Support from funders like the Southern Interior Development Initiative Trust is critically important to our students and our program. If our shared goal – to increase the number of physicians practicing in rural communities of BC – is to be realized, we must work together to support students on their educational journey. On behalf of the Faculty of Medical Southern Medical Program, please accept our sincere thanks for your significant investment in our program and our students, BC's future physicians.

GOAL 3 ATTRACT NEW CAPITAL TO THE SOUTHERN INTERIOR REGION TO DRIVE INCREMENTAL ECONOMIC DEVELOPMENT ACTIVITIES.

STRATEGY 3.1: Provide grants in support of community economic initiatives that help attract capital into the region and contribute to the economic sustainability of the community.

Performance Target: Invest \$7 million in support of community economic initiatives by 2020. This target will be achieved by investing \$500,000 per annum in support of community economic initiatives.

Result: \$606,000 has been funded in support of community economic initiatives in 2014 and cumulatively \$4 million has been funded as at fiscal year-end 2014. This represents 121% of our annual target and 57% of our cumulative target.

Discussion: We define an economically sustainable community as a place where:

- There is a high quality of living that attracts people to the community and keeps them there;
- There is ample economic diversity and opportunity.

To help strengthen and build sustainable communities, we invest in initiatives that:

- Have regional economic impact;
- Support the creation, preservation or enhancement of employment;
- Support economic diversification and sustainability within Southern Interior communities;
- Tap into and take advantage of the expertise of people who live in the Southern Interior;
- Build on the region's tourism sector;
- Capitalize on the innovation and entrepreneurship of Southern Interior communities and businesses;
- Build on the industrial strength of the Southern Interior

The following projects have been funded since inception:

Applicant	Project Description	Project Value	Amount Funded	Sector	Region
Community Foundations- Cranbrook CF	Community Living for Blade Runner Expansion	\$220,000.00	\$25,000.00	Economic Dev	East Kootenay
Community Foundations - Phoenix CF	Christina Lake Stewardship Works	\$50,000.00	\$25,000.00	Tourism	Kootenay
Community Foundations - Central OK CF	Okanagan Valley Public Market	\$106,000.00	\$25,000.00	Tourism	Boundary Central Okanagan
BCCFA Society	BCCFA - Branding BC's Community Forests	\$106,000.00	\$10,000.00	Tourism	Central Kootenay
Christina Lake Chamber of Commerce	Christina Lake Ecological Centre for the Arts	\$1,268,000.00	\$150,000.00	Economic Dev	Kootenay Boundary
Fly YXC Alliance Society	Transportation Alliance Project	\$600,000.00	\$186,000.00	Transportation	East Kootenay
Gold Country Communities Society	GeoTourism Program	\$312,300.00	\$35,000.00	Tourism	Thompson
City of Grand Forks	Grand Forks Art Gallery & Cultural Museum	\$950,000.00	\$75,000.00	Tourism	Nicola Kootenay Boundary
Venture Kamloops Business Development	Kamloops International Market Development	\$43,750.00	\$15,000.00	Economic Dev	Thompson Nicola
Kootenay Aboriginal Business Advocacy	Aboriginal Business Advocacy Services	\$825,000.00	\$75,000.00	Economic Dev	East Kootenay

Applicant	Project Description	Project Value	Amount Funded	Sector	Region
Okanagan Research and Innovation Centre	Business Incubator	\$778,000.00	\$150,000.00	Economic Dev	Central Okanagan Columbia
Shuswap Hut & Trail Society	Shuswap Trail Development	\$799,100.00	\$150,000.00	Tourism	Shuswap-Kootenay
Town of Princeton	Bridge of Dreams Construction	\$987,054.00	\$75,000.00	Tourism	Okanagan Similkameen
Thompson Rivers University	Centre for Innovation in Ranching	\$525,500.00	\$150,000.00	Agriculture	Thompson
Sounds of Light Multicultural Society	Vertical Log Home Prototype Enderby	\$229,800.00	\$95,000.00	Pine Beetle	Nicola North Okanagan
Friends of Fort Steele Society	Entrepreneurial Development Project	\$160,000.00	\$20,000.00	Tourism	East Kootenay
Kettle Valley Railway Society	Kettle Valley Steam Railway Expansion	\$61,500.00	\$30,000.00	Tourism	Central Okanagan
Myra Canyon Trestle Restoration Society	Myra Canyon Trestles Promotion	\$40,446.00	\$20,223.00	Tourism	Central Okanagan
Canadian Home Builders' Association, Kamloops	The Green Dream Home	\$800,000.00	\$100,000.00	Energy	Thompson
Aboriginal Agricultural Education Society	Kamloops Farm Fresh Processing Initiative	\$393,800.00	\$118,110.57	Agriculture	Nicola Thompson
City of Castlegar	Castlegar Airport Hazard Beacon	\$1,026,160.00	\$150,000.00	Transportation	Nicola Central Kootenay
West Kootenay Herb Growers Cooperative	Herb Growers Project - Edgewood	\$27,109.00	\$13,555.00	Agriculture	Central Kootenay
Thompson Rivers University	Liquid Chromatography Mass Spectrometry	\$953,655.00	\$50,000.00	Economic Dev	Thompson Nicola
Enterprising Non-Profits	Non-profit Incubator	\$1,350,000.00	\$150,000.00	Small Business	SIDIT area Columbia
Golden Nordic Ski Club	Dawn Mountain Development Project	\$1,050,000.00	\$50,000.00	Olympic Ops	Shuswap-Kootenay
Community Futures North Okanagan	"Our Okanagan" Web Site Development	\$343,525.00	\$29,822.00	Small Business	Okanagan Area
Fly YXC Alliance Society	Transportation Alliance Project	\$2,385,456.00	\$50,000.00	Transportation	East Kootenay Kootenay
City of Trail	KBRH Heliport	\$783,740.00	\$50,000.00	Transportation	Boundary
Okanagan Research and Innovation Centre	Business Incubator expansion	\$530,000.00	\$150,000.00	Economic Dev	Central Okanagan
Business Development Bank of Canada	Business Productivity Pilot Project	\$238,500.00	\$37,500.00	Economic Dev	East Kootenay
City of Kimberly	Kimberly Conference &	\$7,301,022.00	\$100,000.00	Economic Dev	East Kootenay
Black Jack Cross Country Ski Club Society	Equipment and Trail Development	\$130,000.00	\$50,000.00	Olympic Ops	Kootenay Boundary
BC Ventures Society	New Ventures BC Regional Competition	\$689,501.00	\$50,000.00	Economic Dev	SIDIT Area
Village of Nakusp	Nakusp Emergency Services Building	\$863,293.00	\$42,233.00	Economic Dev	Central Kootenay
Gold Country Communities Society	Gold Country Geo-Tourism Expansion	\$350,000.00	\$49,000.00	Tourism	Thompson
Community Futures Okanagan Similkameen	Economic Gardening Project	\$183,091.00	\$29,284.00	Economic Dev	Nicola Okanagan Similkameen
Organic Farming Institute of BC	Organic Farming Project	\$100,020.00	\$30,000.00	Agriculture	SIDIT Area
Southern Interior Beetle Action Coalition	BC Log Home & Timber Frame Market Dev.	\$175,000.00	\$50,000.00	Pine Beetle	SIDIT Area
Grand Forks and Boundary Region Agricultural	Kettle Valley Mobile Abattoir	\$376,633.00	\$50,000.00	Agriculture	Kootenay Boundary
O'Keefe Ranch and Interior Heritage Society	O'Keefe Ranch RV Park	\$101,769.00	\$50,000.00	Tourism	North Okanagan
Community Dental Access Centre Society	Dental Access Centre	\$610,518.00	\$50,000.00	Economic Dev	North Okanagan

Applicant	Project Description	Project Value	Amount Funded	Sector	Region
Harrop-Procter Community Co-op	Growing Community Forests Project	\$290,765.00	\$50,000.00	Forestry	Central
Community Futures -Trail	South Kootenay Business Centre	\$370,800.00	\$50,000.00	Small Business	Kootenay
Women's Enterprise Centre	Taking the Stage	\$252,557.00	\$7,000.00	Economic Dev	Boundary
Selkirk College	Selkirk College Studio 80 Revitalization	\$150,000.00	\$50,000.00	Economic Dev	SIDIT area
North Thompson Fall Fair & Rodeo Association	North Thompson Agriplex	\$470,000.00	\$50,000.00	Agriculture	Central
Revelstoke Nordic Ski Club	Nordic Trail Improvements	\$100,000.00	\$50,000.00	Olympic Ops	Kootenay
UBC Okanagan	Biotechnology Resources	\$517,620.00	\$150,000.00	Agriculture	Shuswap-
Thompson Okanagan Tourism	Online Resource Centre	\$150,100.00	\$50,000.00	Tourism	Kootenay
Red Mountain Academies	Athlete Development	\$123,000.00	\$30,000.00	Olympic Ops	Okanagan
Okanagan Similkameen Film Commission Society	Digital Media Expansion	\$26,530.00	\$13,250.00	Tourism	Similkameen
NK'Mip Desert & Heritage Cen	Senulustn Gallery	\$96,500.00	\$48,250.00	Tourism	Okanagan
Nakusp Centennial Golf Club	Fairway Upgrades	\$47,320.00	\$7,300.00	Tourism	Similkameen
Regional District Okanagan Similkameen	Utilization of Compost	\$35,000.00	\$17,500.00	Agriculture	Central
Thompson Nicola Regional District	Web Portal	\$115,000.00	\$35,000.00	Economic Dev	Kootenay
Regional District North Okanagan	Cherryville Broadband Extension	\$600,000.00	\$50,000.00	Economic Dev	Okanagan
Sun Peaks Education Society	Discovery Centre for Advanced Education	\$515,000.00	\$45,000.00	Economic Dev	Thompson
Kelowna Habitat for Humanity Society	ReStore Donation Pick-up Program	\$40,000.00	\$10,000.00	Small Business	Nicola
North Thompson Fall Fair & Rodeo Association	North Thompson Agriplex	\$181,000.00	\$50,000.00	Agriculture	Central
Grinrod Recreation Association	Grinrod Community Hall	\$382,809.00	\$20,000.00	Economic Dev	Okanagan
Village of Canal Flats	Columbia Discovery Centre	\$265,000.00	\$36,000.00	Tourism	Thompson
Yellowhead Community Services Society	Dutch Lake Community Centre	\$290,000.00	\$50,000.00	Economic Dev	Nicola
Black Jack Cross Country Ski Club Society	Nordic Ski Trail Upgrades for Olympic & World Jr Trials	\$80,800.00	\$10,000.00	Olympic Ops	Kootenay
City of Rossland	Rossland Broadband Initiative	\$187,135.00	\$50,000.00	Economic Dev	Boundary
City of Nelson	Nelson Broadband Initiative	\$125,000.00	\$50,000.00	Economic Dev	Kootenay
Village of Kaslo	Kaslo Broadband Initiative	\$139,420.00	\$50,000.00	Economic Dev	Boundary
City of Trail	Trail Broadband Initiative	\$302,618.00	\$50,000.00	Economic Dev	Kootenay
Kootenay Region Association for Community Living	Spectrum Farms	\$100,000.00	\$20,000.00	Economic Dev	Central
Creston & District Community Resource Centre Society	Building for a Stronger Community Project	\$271,162.00	\$50,000.00	Economic Dev	Kootenay
Total Grants		\$35,050,378.00	\$3,960,027.57		

STRATEGY 3.2: Through leverage and partnerships, achieve a multiplier effect that allows participation in a greater number of projects in which ideally, proponents will have a significant stake.

Performance Target: Achieve a leverage target on loan and equity investments of at least \$2 from other sources (i.e. private equity/bank financing) for every \$1 invested by SIDIT.

Result: Our investment of \$25.2 million into loan and equity investments has attracted an additional \$68.5 million into the region representing leverage of \$2.72 for every \$1 invested by SIDIT.

Performance Target: Achieve a leverage target on community economic initiative projects of at least \$2 from other sources for every \$1 invested in projects.

Results: Our investment of \$4 million into community economic initiatives has attracted an additional \$32.7 million into the region representing leverage of \$8.25 for every \$1 invested by SIDIT.

Discussion:

Funding partners for community economic initiatives include the following:

- Provincial Government
 - » 2010 Legacies Now Measuring up Fund
 - » BC 150 Celebrations Fund
 - » BC Innovation Council
 - » BC Lottery Foundation
 - » Jobs Opportunities Program
 - » Ministry of Aboriginal Relations and Reconciliation
 - » Ministry of Forests, Lands and Natural Resource Operations
 - » Ministry of Jobs, Tourism & Innovation
 - » Mountain Pine Beetle Epidemic Response Division
 - » Ministry of Community, Sports and Cultural Development
 - » Ministry of Transportation & Infrastructure
 - » Rural Economic Diversification
- Federal Government
 - » Business Development Bank of Canada
 - » Community Futures Development Corporations
 - » Canada – BC Municipal Rural Infrastructure Fund
 - » Heritage Legacy Fund
 - » P3 Canada
 - » Service Canada – Youth Employment Strategy
 - » Western Economic Diversification
- Business
 - Chambers of Commerce
 - Credit Unions and Credit Union Foundations
 - First Nations Groups
 - Colleges, Universities, and other Education Facilities
 - Municipal Government
 - Not-for-Profit Organizations, Foundations, and Cooperatives
 - Trusts

Funding partners for business loans and equity investment initiatives include the following:

- Business Development Bank of Canada;
- Community Futures Development Corporations;
- Banks;
- Credit Unions;
- Venture Capital Corporations;
- Proponent equity;
- Angel investors;
- National Research Council Canada – Industrial Research Assistance Program;
- Scientific Research and Experimental Development - Federal Tax Incentive Program.

GOAL 4 INCREASE THE VALUE OF THE INVESTMENT POOL, THEREBY INCREASING OPPORTUNITIES TO SUPPORT REGIONALLY STRATEGIC INVESTMENTS IN THE SOUTHERN INTERIOR.

STRATEGY 4.1: Prudently manage SIDIT's credit investment risk by:

- Establishing and following clear guidelines for assessing investment opportunities.
- Setting maximum levels of funding that can be invested in companies at various stages of development. Specifically:
 - » Maximum dollar amount that can be invested into any one company at a specific stage of development.
 - » Maximum total percentage of the fund pool that can be invested into companies at specific stages of development.
- Providing ongoing business mentoring and monitoring to investee companies to enhance their chances of success.

Performance Target: Within its mandate, SIDIT lends to, and invests in, promising commercial enterprises that may not qualify for credit through traditional sources. SIDIT assesses the long-term potential of lending and investment opportunities and will consider being patient for cash flow providing that other positive credit and community economic indicators are in evidence in the application.

Due diligence audits are performed to verify the accuracy of information and assumptions. If there are any business proposals presented to SIDIT in which SIDIT does not have the specific commercial knowledge, it searches out or contracts the expertise.

All applications are risk-rated according to SIDIT's Risk Rating Guidelines as part of the original underwriting of loans and investments, annual review and renewal. Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner.

SIDIT determines enterprise risk based on a careful study of the business plan, past performance of the enterprise if applicable and management capacity of the principals in order to gain a sufficient level of comfort that future cash flow and equity targets will be met.

Within the context of the SIDIT Act, SIDIT balances the level of risk that is present with the community economic benefits that are being created and satisfies itself that the potential of the deal is sound and prudent in order to protect the future of the fund.

To diminish the risk of a firm failing, good management and financial systems are critical. Operational problems derail a company more often than a product or technology that does not work. To this end, SIDIT closely monitors financial results and management decision making.

SIDIT manages its loan and equity risk by limiting its investment in any one business enterprise, investing in a diverse portfolio, and by syndicating or co-lending with other financing partners.

SIDIT also manages risk by allocating investment funds to companies at various stages of development. These stages are defined as:

Start-Up/Seed Capital Stage: Companies at the start-up stage have an idea that is feasible and a credible business model for delivering their product, service or technology to an attractive target market, but may not yet have begun to generate revenues. SIDIT can provide financing to help the business develop a viable product from their technology, build prototypes for testing and develop marketing and sales plans for product launch.

Early Stage: Companies at the early stage have a corporate structure in place and have successfully tested their products or services. SIDIT can provide financing to help these ventures begin commercial production and marketing.

Growth/Expansion Stages: Companies at this stage are established businesses with well-defined products and markets, tangible assets used in providing services, an established management team, and a track record of revenue and profit generation. Funding at this stage can be provided to help grow or expand operations, enter new markets, finance an acquisition, facilitate a change in control or to execute a turnaround strategy.

Later/Mature Stages: We provide financing to later stage / mature companies to help grow existing operations, improve performance or protect employment through an injection of capital and appropriate management support.

TARGET INVESTMENT FUND ALLOCATION AND LEVERAGE

Stage of Business	Maximum \$ Invested	Target Leverage SIDIT/Other	Target Fund Allocation*
<i>Seed Capital</i>	<i>\$200,000</i>	<i>1:1</i>	<i>5%</i>
<i>Early-stage Capital</i>	<i>\$500,000</i>	<i>1:1</i>	<i>15%</i>
<i>Growth / Expansion Capital</i>	<i>\$1,000,000</i>	<i>2:1</i>	<i>50%</i>
<i>Later / Mature Capital</i>	<i>\$1,000,000</i>	<i>4:1</i>	<i>30%</i>

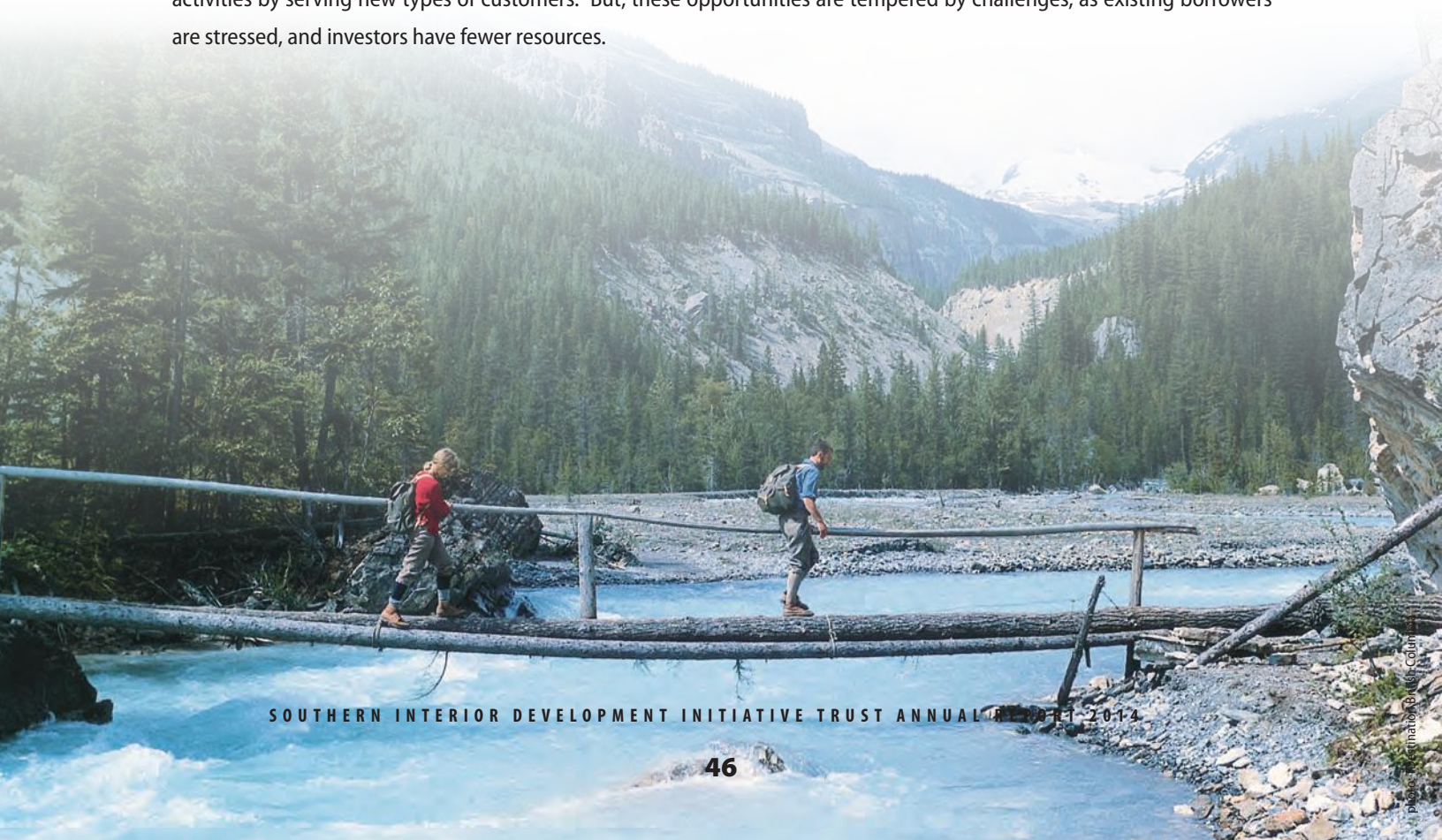
*value is based on current balances and monitored on at least an annual basis

Result:

Fund Allocation:

Stage of Business	Target Allocation	Actual	Actual Allocation
Start Up Phase	5%	\$289,844.95	1%
Early Stage	15%	\$1,969,409.81	9%
Growth / Expansion Stages	50%	\$15,271,979.25	72%
Later / Mature Stages	30%	\$3,758,616.35	18%
		<u>\$21,289,850.36</u>	

SIDIT's loan and equity portfolio is overweight in Growth/Expansion stage loans and underweight in Start Up, Early, Later and Mature stage loans. The portfolio is dynamic and can fluctuate significantly with new debt and debt repayment. Following the recession, demand for growth and expansion funding has been unusually high due to credit and demand constraints. The recession and financial crisis have created dramatically different market conditions for lending organizations. These conditions – a weaker economy, a highly stressed private financial sector, investors with fewer resources or corporate profits – have affected lenders in varying ways. They affect existing borrowers, whose businesses may face declining sales. They have altered the profile of potential borrowers: lenders may see businesses that were formerly able to access financing from banks that have tightened their lending, as well as new entrepreneurs looking to supplement or replace wage income. And, they affect lenders' budgets, as many investors have fewer resources. As is always the case with change, these new conditions create both opportunities and challenges for SIDIT. Opportunities lie in the potential to expand core lending activities by serving new types of customers. But, these opportunities are tempered by challenges, as existing borrowers are stressed, and investors have fewer resources.



Leverage: Our investment of \$31.3 million into loan and equity investments has attracted an additional \$78.9 million into the region representing leverage of \$2.52 for every \$1 invested by SIDIT.

Discussion: Leverage is established in loan and equity investment applications as funding from other sources as compared to budget. Projects supported by SIDIT will have a minimum of matching funds invested by either the project proponent or other parties. When security is provided in asset based lending scenarios, leverage ratios used by SIDIT will reflect standard bank loan to value criteria. Exceptions to this policy may be approved when the lending decision provides protection of a SIDIT investment.

The structure of SIDIT's equity investments is consistent with best business practices in equity investment procedures. The structure of SIDIT's loans is consistent with traditional lending procedures. In general terms, amortization periods do not exceed the life expectancy of the assets being secured and the loan term will typically be five years or less. The purpose of all loans or investments funded by SIDIT complies with the SIDIT Act.

Fees are market-based and rates appropriately represent the inherent risk of each individual circumstance.

It is envisioned that the loans made by SIDIT will eventually become bankable, at which time the enterprise may retire the SIDIT position in favour of a traditional lender allowing SIDIT's funds to be re-invested in other promising enterprises. At the time of approval, exit clauses and bankable timelines are developed and monitored against.

SIDIT equity investments are provided to early-stage, high-potential, high risk, growth companies. SIDIT makes money by earning interest and dividends as well as owning equity in the companies it invests in, which usually have a novel technology or business model in high technology industries. The typical equity capital investment will occur after the seed funding round as growth funding round in the interest of generating a return through an eventual realization event or option to redeem capital. Equity capital is attractive for new companies with limited operating history that are too small to raise capital in the public markets and have not reached the point where they are able to secure a bank loan. In exchange for the high risk that SIDIT assumes by investing in smaller and less mature companies, SIDIT incorporates terms and conditions, positive and negative covenants, milestone targets, performance measures, and monitoring criteria in equity investment agreements that are intended to control company decisions and actions, in addition to holding a portion of the company's ownership (and consequently value).

SIDIT's role in the ongoing operation of the enterprises that it invests is not passive. Generally, SIDIT has the right to: appoint monitors, appoint candidates for seats on the Boards of the enterprises that SIDIT invests in, and hold observer roles.

STRATEGY 4.2: Prudently manage SIDIT's market investment risk by:

- Establishing and following investment policy guidelines that set out investment risk tolerance and portfolio structure.
- Engaging high-quality investment management professionals to manage the market investment portfolio.

Performance Target:

Target Asset Allocation and Ranges

Asset Class	Minimum*	Target*	Maximum*
Canadian equities	22.5%	30%	37.5%
Foreign equities	22.5%	30%	37.5%
<i>Total equities</i>	<i>45%</i>	<i>60%</i>	<i>75%</i>
DEX Universe Bonds	7%	17%	27%
Mortgages	0%	10%	20%
High Yield Bonds	0%	5%	10%
<i>Total Bonds</i>	<i>20%</i>	<i>32%</i>	<i>44%</i>
Cash & short-term	3%	8%	13%

* Percentage of portfolio at market value.

Result:

As of March 31, 2014		% of Total Portfolio	Current Benchmark %
Market Value	\$30,048,349.48		
Asset Mix			
(% of total market value)			
	Mortgages	12.6	10.0
	Universe Bonds	12.8	17.0
	High Yield Bonds	5.5	5.0
	Canadian equities	30.6	30.0
	Global equities	31.3	30.0
	Money market	7.3	8.0

Discussion: SIDIT's investment portfolio is managed by Philips, Hagar and North Investment Management (PH&N IM). Founded in 1964, PH&N IM has grown to become one of Canada's leading investment management firms with \$86.8 billion in assets under management. In 2008, PH&N IM was acquired by Royal Bank of Canada, providing access to significant additional resources to evolve their services and strategies in tandem with their clients' increasingly sophisticated investment needs. PH&N IM have extensive experience managing balanced portfolios and currently manage \$13.0 billion in balanced mandates for more than 300 institutional clients.

Their key objective is to add value while controlling risk. Their approach is characterized by teamwork and long-term thinking. Analysts are responsible for individual security selection, portfolio construction and overall strategy. Portfolio managers ensure the implementation of each client's asset mix and investment guidelines. PH&N IM provides a full range of investment funds, including the traditional asset classes of stocks, government bonds and money market investments, as well as less-traditional asset classes and strategies such as corporate bonds and mortgages.

SIDIT's portfolio remains slightly overweight equities and underweight Universe bonds, with an emphasis on global equities. Despite this overweight of equities relative to its benchmark, SIDIT's portfolio is positioned to protect its capital and outperform its benchmark in periods of stock market weakness, primarily due to the use of a low volatility equity strategy. It may however underperform in periods of stock market strength.

Performance Target: Increase the value of the Trust over time.

Results: Trust assets, originally \$50 million, are currently \$49.8 million as at March 31, 2014 increasing from \$48.3 million the previous year. Our market investments, cash reserves, current assets, loan and equity investments, net of provisions for loss, are 99.6% of the original funds balance after disbursement of \$40.4 million into economic development initiatives including \$9 million in non-repayable grants and education awards.

Discussion: From its original \$50 million, SIDIT has invested \$31.3 million into business ventures in the Southern Interior as well as funded \$9 million in non-repayable grants and education awards. \$10.9 million in principal and interest has been repaid as at the end of fiscal 2014. \$32.3 million in surplus funds are invested in liquid and market securities to provide for operating capital and create a reserve for future funding and investment opportunities. It is anticipated that this level of funding will help communities respond to challenges and opportunities in the near term while preserving a significant portion of the funds to ensure that the Trust has resources available to respond to future challenges and opportunities as they evolve. At the October 2012 strategic planning session, the SIDIT Board of Directors determined to increase loan and equity investments and reduce market investments incrementally. Reserved funds will be released for investment into the Southern Interior as opportunities are presented.

Performance Target: Achieve a return on market investment portfolio at or above industry benchmarks.

Results: The return in fiscal 2014 for the PH&N portfolio was 12% versus a benchmark of 13.8%. The overall return since inception was 5.6% as compared to a composite benchmark of 5.5% and to the Canadian Consumer Price Index of 1.7%. The portfolio, originally \$25 million at inception is currently valued at \$30 million after reallocation of \$3.5 million to SIDIT's operating fund for investment into its loan and equity portfolio and grants program.

Investment Options	Year Ended Mar/2014	Year Ended Mar/2013 %	Year Ended Mar/2012 %	Year Ended Mar/2011 %	Since Inception (annualized) %
Southern Interior Development Initiative Trust	12.0	9.7	0.3	8.1	5.6
<i>Composite Benchmark *</i>	<i>13.8</i>	<i>7.8</i>	<i>2.6</i>	<i>10.0</i>	<i>5.5</i>
Canadian Consumer Price Index	1.5	1.0	1.9	3.3	1.7
Canadian Equities	16.6	7.6	-11.0	17.2	3.9
<i>S&P/TSX Composite Index</i>	<i>16.0</i>	<i>6.1</i>	<i>-9.8</i>	<i>20.4</i>	<i>4.3</i>
Global Equities	19.9	17.6	0.2	7.9	5.0
<i>MSCI World ex Canada Index</i>	<i>30.2</i>	<i>14.4</i>	<i>4.3</i>	<i>8.0</i>	<i>5.7</i>
Fixed Income	3.1	5.0	9.3	5.5	6.0
<i>Fixed Income Benchmark</i>	<i>1.2</i>	<i>4.4</i>	<i>9.7</i>	<i>5.1</i>	<i>5.2</i>
Money Market	1.2	1.2	1.2	0.9	1.2
<i>DEX 91 Day T-Bill Index</i>	<i>1.0</i>	<i>1.0</i>	<i>0.9</i>	<i>0.8</i>	<i>1.0</i>

Note: All performance data is shown on a gross or "pre-fee" basis.

*New Benchmark as of September 11, 2012: 30% S&P/TSX Composite Index, 30% MSCI World ex Canada Index, 22% DEX Universe Bond Index, 10% DEX Short Term Bond Index, 8% DEX 91-Day T-Bill Index. Mortgage and High Yield investments were made at that time.

Previous Benchmark: 40%DEX Universe Index, 30% S&P/TSX Composite Index, 30% MSCI World ex Canada Index

Discussion: SIDIT's investment portfolio earned a return of 12.0% in the year ended March 31st, 2014. This is a very strong absolute return, and handily exceeds our objective of earning a return of 3% above the rate of inflation. This was less than that of the composite benchmark, due primarily to the use of a low volatility strategy in global equities.

As the global financial crisis of 2008 continued to fade in the rear-view mirror, investor confidence and risk appetite continued to improve, which drove exceptionally strong equity market returns. Earnings have continued to grow, but the primary driver of equities returns over the past year has been increased valuations, which are now back to being in-line with historical averages. At the same time, interest rates rose sharply beginning in May of 2013, after investors began to contemplate the end of the U.S. Federal Reserve's extraordinary stimulus program known as Quantitative Easing. As a result of rising interest rates, bond returns have been much more modest over the past year.

SIDIT's equity holdings are invested in low volatility equity strategies, which have an objective of minimizing risk and maximizing risk-adjusted returns. These strategies should be expected to outperform in falling markets, while lagging in very strong markets such as those we have recently experienced. It was the low volatility global equity portfolio that was responsible for our portfolio's return lagging that of its benchmark over the past year; while it returned a very strong 19.9%, this was less than the very strong return of 30% on the broad global equity market. Our Canadian low volatility portfolio outperformed the broad Canadian equity market, primarily by having little exposure to the poor performing mining sector.

In September of 2012 we undertook a repositioning of our investment portfolio. The goal of the repositioning was to reduce the expected volatility of our returns and to generate a higher level of income. Within the equity portfolio, we transitioned to low volatility equity strategies, which are expected to generate a smoother path of investment returns by outperforming in falling markets, while lagging somewhat in very strong markets. Within our fixed income portfolio, the September 2012 repositioning reduced the negative impact that rising interest rates would have on our portfolio, and added yield through allocations to high quality mortgages and high yield bonds. This repositioning has paid off, as our fixed income portfolio generated a positive return, well ahead of its benchmark, in a difficult environment for bonds. The net result of this repositioning is a portfolio with a higher yield and similar expected return but lower expected volatility.

Overall, our portfolio is structured to generate a higher level of income and a smoother path of returns than its benchmark, and is well positioned to protect our capital should the stock market correct after the remarkable performance we have seen over the past three years.

Management Discussion and Analysis

We prepared this discussion and analysis of financial position and results of operations of SIDIT on May 20, 2014. Read it in conjunction with our audited financial statements and related notes for the year ended March 31, 2014.

We prepared the financial information in this report in accordance with Canadian generally accepted accounting principles. We report in Canadian dollars. Totals and percentages may not always add up due to rounding.

Internal Control Over Financial Reporting

Our fiscal 2014 evaluation of the effectiveness of internal control over financial reporting did not identify any control gaps that are reasonably likely to materially affect SIDIT.

Nature of Operations

We were established as a corporation in 2005 by the Southern Interior Development Initiative Trust Act and

operate as a not-for-profit economic development trust. As a non-profit corporation, we are exempt from income taxes. We pay GST and provincial sales tax and receive no rebates on taxable purchases.

We are not an agent of the government.

Revenue Sources

We received a one-time development allocation payment from the Provincial Government in the amount of \$50 million.

97% of our operational funding comes from returns on market investments and development initiatives including loan interest and application fees. The remaining 3% comes from funding partner contribution into programs.

Our model is premised on generating sufficient revenue to allow us to break even over the business cycle. We generate surpluses during high points in the market's cycle, and may generate deficits during bear market periods.

Category	Source	Fiscal 2013	Fiscal 2014
Investment Income	Phillips Hager & North–Mutual Funds and Bonds	31%	65%
Development Initiative Income	Private Companies	68%	32%
Contributions	BCIC	1%	3%

Investment Income

Our prime investment objectives for surplus funds are to meet SIDIT's financial obligations related to disbursements in support of economic development initiatives and its day to day operations while preserving and expanding reserves necessary to meet future opportunities and obligations.

We invest in highly liquid, high quality money market instruments, government securities, investment-grade corporate debt securities, Canadian equities, foreign equities, pooled funds, closed-end investments, companies and other structured vehicles in any or all of the above permitted investment categories.

Development Investment Income

We lend to, and invest in, promising commercial enterprises that may not qualify for credit through traditional sources, balancing the level of risk that is present, with the community economic benefits that are being created, and the long-term potential that future cash flow and equity targets will be met. Interest rates are risk based.

Contributions

We have an agreement with the British Columbia Innovation Council to jointly support economic development initiatives within our area.

Expenses

We are committed to managing our operational expenses so they do not exceed expected revenue over the business cycle. We do this by preparing an annual budget approved by the Board, monthly budget variance reporting to management committee, requiring Board approval of significant unbudgeted expenses, and continually improving our processes.

ANALYSIS OF FISCAL 2014 OPERATING RESULTS COMPARED TO BUDGET

	2014 Actual	2014 Budget	Variance to Budget
REVENUES			
Income on Investments	\$761,868	\$1,275,000	-\$512,868
Realized and Unrealized gains/losses	\$2,637,689	\$0	\$2,637,689
Income on Development Initiatives	\$1,421,093	\$1,988,000	-\$566,907
Other Revenue	\$204,345	\$120,000	\$84,345
Contributions	\$177,639	\$36,000	\$141,375
EXPENSES			
Board Costs	\$17,453	\$32,000	\$14,547
Education Awards and Grants	\$1,235,750	\$1,174,000	-\$61,750
Office and Administration	\$133,591	\$180,000	\$46,409
Professional /Consulting/Investment	\$176,224	\$371,000	\$194,776
Salaries and benefits	\$466,792	\$462,000	-\$4,792
Provision for Loan Losses	\$1,188,743	\$1,200,000	\$11,257
Gain/-Deficiency	\$1,984,081	\$0	1,984,081

Revenue

INCOME ON INVESTMENTS / UNREALIZED GAINS (LOSSES)

Even with global capital markets continuing to be shaky, concerns over debt of certain nations and a sluggish global economy, investment returns combined with unrealized gains resulted in a combined return of 12% well above our budgeted 6% return on investment.

INCOME ON DEVELOPMENT INITIATIVES

We achieved 71.5% of our budgeted loan interest due to conversions of certain loans to equity and provisions for loss.

OTHER REVENUE

Fees on loans were higher than anticipated due to more payment deferral options being exercised and new loans advanced.

CONTRIBUTIONS

British Columbia Innovation Council (BCIC) drew out more than the budgeted amount for payout for scholarships, bursaries and other programs than anticipated. 2015 will be the final year of contributions.

Expenditures

BOARD COSTS

The administration costs for meeting were \$2,593 lower as we had more meetings in our office. Board expenditures for travel costs were under budget by \$7,954 as we had budgeted for more face to face meetings but used conference calling for several meetings. Regional Advisory Committee expenses had been budgeted for \$4,000 but weren't spent.

EDUCATION AWARDS AND GRANTS

We fund education awards in partnership with others. The Education institutions decide which students receive funds and how funding is disbursed. Our Education budget variance of \$281,750 is due to BCIC drawing out more than the budgeted amount for payout to BCIC/SIDIT funded programs. BCIC's share of funding is reflected in "Contributions".

A Grant budget variance of \$220,000 is due to previously committed grants being withdrawn by proponents or cancelled due to the proponents not being able to find matching funding. The \$220,000 savings in grant disbursements will be funded in future years.

OFFICE AND ADMINISTRATION

We had a \$46,409 surplus in operations due to some expense accounts having unallocated amounts and to the costs of moving to a new office being expensed in the prior year.

SALARIES AND BENEFITS

The \$4,792 overage in admin salaries was due to a payout settlement.

PROFESSIONAL, CONSULTING AND INVESTMENT FEES

The Accounting fees were higher by \$769. We had a \$162,947 savings in consultant fees as a result of the engagement of a full time portfolio manager and savings of \$3,733 in legal fees as most of these expenses incurred for the year were expensed to individual loan accounts as security preparation or realization costs. Investment management fees were lower by \$13,392 due to some investments allocated to a lower fee class. Web and data base costs were lower by \$15,473 due to relocation into our new premises earlier than anticipated and expensed in the prior year.

PROVISION FOR DEVELOPMENT INITIATIVE LOSSES

A provision of \$1,188,743 has been made against certain outstanding development initiative investments which management considers unlikely to be recovered. This amount is lower than budget by \$11,257.

FINANCIAL POSITION

Assets & Liabilities

Balance Sheet

	2007	2008	2009	2010	2011	2012	2013	2014
Assets								
Current Assets:								
Cash and cash equivalents	20,084	34,433	1,404,809	1,157,630	5,085,229	3,432,819	3,219,309	1,518,509
Accounts receivable	0	0	149,227	126,773	203,630	183,794	149,377	640,625
Prepaid expenses	7,500	6,488	5,250	5,250	5,250	4,971	10,445	8,478
CP of Development Initiatives	0	0	0	0	1,570,420	2,487,454	2,257,701	447,384
	27,584	40,921	1,559,286	1,289,653	6,864,529	6,109,038	5,636,832	2,614,996
Investments								
Development Initiatives	51,941,373	53,277,633	43,955,600	36,422,257	27,749,742	27,720,211	30,270,043	30,048,349
	0	700,000	3,368,981	12,888,735	15,232,382	13,443,489	12,393,716	17,140,914
Property & Equipment	4,711	8,154	9,544	11,337	10,687	9,649	27,772	43,074
	51,973,668	54,026,708	48,893,411	50,611,982	49,857,340	47,282,387	48,328,363	49,847,333
Liabilities and Fund Balance								
Current Liabilities:								
Accounts payable	15,534	13,581	12,000	186,786	171,271	147,814	348,413	60,940
Deferred contributions	0	0	450,000	414,576	362,875	305,500	433,139	255,500
	15,534	13,581	462,000	601,362	534,146	453,314	781,552	316,440
Fund Balance:								
Regional Account:								
Externally restricted	51,958,134	54,013,127	48,431,411	50,010,620	49,323,194	46,829,073	47,546,811	49,530,893
	51,973,668	54,026,708	48,893,411	50,611,982	49,857,340	47,282,387	48,328,363	49,847,333

Assets

CASH AND CASH EQUIVALENTS

Our cash equivalent assets of \$1.5 million are monies currently held in Vantage One Credit Union.

ACCOUNTS RECEIVABLE

Our accounts receivable include accrued interest on Development Initiatives for the month of March and a share payout on a loan investment.

PREPAID EXPENSES

Prepaid expenses are monies paid for rent deposits and for insurance premiums paid in advance.

CURRENT PORTION OF DEVELOPMENT INITIATIVES

This includes that portion of Development Initiatives that are due and payable in the next year.

DEVELOPMENT INITIATIVES

As part of our mandate, we provide funding for business ventures. This funding is provided through our development initiatives. In 2014, development initiatives increased by \$4,747,198 over 2013 to \$17,140,914 net of \$3,599,052 provisions for losses and \$447,384 current portion of debt.

INVESTMENTS

The principal financial instruments affecting our financial condition and results of operations are bonds and equity investments. Our investments expose SIDIT to global market risk as well as interest rate risk. Although the short-

term nature of our cash and money market investments limits the impact of fair value fluctuations, our longer-term bonds and debentures will have greater interest rate sensitivity. We manage interest rate risk by monitoring portfolio duration and yields with the fund administrator. Liquidity risk is low because our market investments are in pooled fund units redeemable within a short time period. Our funds are invested with Phillips, Hager & North Investment Management. We have \$5,955,722 in Money Markets, \$5,495,208 in Bonds and \$18,597,419 in Low Volatility Equities.

PROPERTY & EQUIPMENT

Net book increased by \$15,302 which included leasehold improvements and computer equipment and depreciation was \$9,797.

Liabilities

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable of \$60,940 includes monies owed.

CURRENT PORTION OF DEFERRED CONTRIBUTIONS

This represents \$255,500 of the unspent externally restricted grant from the British Columbia Innovation Council.

Equity

REGIONAL ACCOUNT

This account has increased by current net gain of \$1,984,081.

PROFIT AND LOSS

	2007	2008	2009	2010	2011	2012	2013	2014
Province of BC Contribution	50,000,000	-	-	-	-	-	-	-
Income on Investments	2,091,372	2,331,966	1,557,434	1,091,859	939,214	1,459,184	828,276	761,868
Income Development Initiatives	-	-	116,596	938,167	1,979,692	2,020,602	1,735,793	1,421,093
Other revenue	-	-	31,900	222,420	276,165	289,667	87,824	204,345
Contributions	-	-	45,000	39,500	47,625	57,375	22,625	177,639
Total Revenues	52,091,372	2,331,966	1,750,930	2,291,946	3,242,696	3,826,828	2,674,518	2,564,945
Board Costs	23,241	8,331	10,850	17,683	10,089	12,141	17,382	17,453
Education Awards and Grants	-	-	1,975,002	2,958,698	1,827,011	910,983	556,550	1,235,750
Office and Administration	28,931	82,548	131,339	87,942	87,326	72,058	84,268	133,591
Professional Fees	31,571	46,471	149,539	168,076	169,814	161,633	239,611	176,224
Salaries and Benefits	49,495	144,095	201,937	286,508	303,976	304,445	332,656	466,792
Total Expenses	133,238	281,445	2,468,667	3,518,907	2,398,216	1,461,260	1,230,467	2,029,810
Excess of Revenue over Expenses	51,958,134	2,050,521	(717,737)	(1,226,961)	844,480	2,365,570	1,444,051	535,135
Unrealized gain(loss)	-	-	-	-	-	-	-	-
Investments	-	4,471	(4,463,979)	3,706,143	1,235,173	(1,309,767)	2,578,925	2,190,751
Realized loss on investments	-	-	-	-	-	-	(706,178)	446,938
Provision for Development Initiative Losses	-	-	(400,000)	(899,973)	(2,767,079)	(3,549,922)	(2,599,060)	(1,188,743)
NET INCOME (LOSS)	51,958,134	2,054,993	(5,581,716)	1,579,209	(687,426)	(2,494,119)	717,738	1,984,081

LIQUIDITY

STATEMENT OF CASH FLOWS

	2014	2013	2012
Cash provided by (used in):			
Cash flows from operating activities:			
Excess (Deficiency) of revenue over expenditures	1,984,081	717,738	(2,494,119)
Items not involving cash:			
Amortization	9,797	5,285	3,073
Realized loss on investments	(446,938)	706,178	-
Unrealized (gain)loss on investments	(2,190,751)	(2,578,925)	1,309,767
Provision for development initiative losses	1,188,743	2,599,060	3,549,922
	<u>544,932</u>	<u>1,449,336</u>	<u>2,368,643</u>
Change in non-cash operating working capital			
Receivables	(491,248)	34,417	
Prepaid Expenses	1,967	(5,474)	(3,345)
Payables and Accrued Liabilities	(184,972)	98,098	
Recognition of deferred contributions	(177,639)	127,639	(57,375)
	<u>(306,960)</u>	<u>1,704,016</u>	<u>2,307,923</u>
Cash flows from investing activities:			
Funding of development initiatives	(4,228,124)	(1,217,034)	(2,678,062)
Purchase of investments	(3,582,969)	(25,293,158)	(3,153,537)
Proceeds from sale of investments	6,442,352	24,616,073	1,873,301
Acquisition of property and equipment	(25,099)	(23,407)	(2,035)
	<u>(1,393,840)</u>	<u>(1,917,526)</u>	<u>(3,960,333)</u>
Increase(decrease) in cash and cash equivalents	(1,700,800)	(213,510)	(1,652,410)
Cash and cash equivalents, beginning of year	<u>3,219,309</u>	<u>3,432,819</u>	<u>5,085,229</u>
Cash and cash equivalents, end of year	1,518,509	3,219,309	3,432,819

Cash flow, excluding provision for development initiative losses and unrealized loss on investments, was negative for the year at \$1.7 million. We ended the year with \$1.52 million in cash and cash equivalents.

As discussed, our revenue model may result in surpluses and deficits over the business cycle because revenues fluctuate while our costs are mainly fixed. We have sufficient liquidity and capital resources to fund operations through a sustained market downturn.

Commitments:

As at March 31, 2014, the Trust has committed funding of \$1,020,500 as follows:

Project/Recipient	Description	Amount	Anticipated Disbursement Timing - Fiscal
British Columbia Innovation Council	Co-funding of innovation, commercialization and academic awards	\$255,500	2015
Education awards delivered through University of British Columbia Okanagan	Student bursaries for the Southern Medical Program	\$25,000	2015
Various grant projects	Conditionally approved grants	\$165,000	2015
Various equity and loan initiatives	Conditionally approved loan and equity initiatives	\$575,000	2015

FUTURE OUTLOOK

BUDGET AND 3 YEAR PROJECTIONS

	2015 Budget	2016 Projected	2017 Projected	2018 Projected
Investment Revenues	\$1,091,083	\$974,229	\$744,554	\$532,538
Development Initiative Revenues	\$1,712,000	\$2,908,850	\$3,484,850	\$4,060,850
Other Revenues	\$120,000	\$120,000	\$120,000	\$120,000
Contributions	\$255,500	\$0	\$0	\$0
Total Revenues	\$3,178,583	\$4,003,079	\$4,349,404	\$4,713,388
Education Awards	\$275,000	\$250,000	\$250,000	\$250,000
Grants	\$861,000	\$500,000	\$500,000	\$500,000
Total Educ/Grants	\$1,136,000	\$750,000	\$750,000	\$750,000
Wages & Benefits	\$606,560	\$695,000	\$744,000	\$797,000
Board expenses	\$24,000	\$24,000	\$24,000	\$24,000
Admin costs	\$144,940	\$152,000	\$154,000	\$156,000
Professional Services	\$208,000	\$210,000	\$211,000	\$212,000
Total Expenses	\$983,500	\$1,081,000	\$1,133,000	\$1,189,000
Total Expenses & Grants	\$2,119,500	\$1,831,000	\$1,883,000	\$1,939,000
TOTAL INCOME OVER EXPENSES	\$1,059,083	\$2,172,079	\$2,466,404	\$2,774,388
Provision for Development Initiative Loss	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
NET INCOME	-\$140,917	\$972,079	\$1,266,404	\$1,574,388

Revenues

Investment income is expected to be 5% as we are forecasting a slow growing global economy. We have not made forecasts for unrealized gains/losses.

Development Initiative interest income is calculated on 12% returns on development initiative balances net of provisions.

Non-interest revenues and partner contributions are budgeted to remain steady for the next few years.

Expenses

Education awards will decline in 2016 as our commitment for certain awards will be fulfilled.

Our financial statements are recorded on a cash basis, meaning that disbursements are made to projects regardless of the year for which the funds were budgeted. In our annual budget, previous years uncommitted funds are accounted for and are also available for disbursement.

Salaries and benefits are projected to increase for inflationary, experience and bonus components.

All other expenses are carefully controlled and most have inflationary increases to the categories.

Management's Responsibility and Certification

Management is responsible for ensuring that the financial statements and other financial information in this annual report are complete and accurate. Management has prepared the financial statements according to Canadian generally accepted accounting principles (GAAP) for not-for-profit organizations.

We certify that:

- *We oversaw the design of internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP for not-for-profit organizations;*
- *We have reviewed the financial statements and other information in this annual report;*
- *We believe the report reflects all material facts for the period covered;*
- *We do not believe the report misstates any material fact.*

We believe that the financial statements and other financial information in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Southern Interior Development Initiative Trust (the Trust) as of the dates and for the periods presented. The preparation of financial statements necessarily involves the use of estimates, which have been made using careful judgment. It is possible that circumstances will cause actual results to differ. We do not believe it is likely that any differences will be material.

The Board is responsible for establishing prudent rules of business and conduct. It is the Trust's policy to maintain the highest standards of ethics in all its activities. The Trust has employee and director conduct policies, including conflict of interest rules, to achieve those standards.

The Board is also responsible for ensuring that management fulfills its financial reporting and control responsibilities, and has appointed an independent audit committee to oversee the financial reporting process. The committee members are independent directors who do not participate in the day-to-day operations of the Trust. The audit committee meets annually with management and the external auditors to review the:

- *Financial statements,*
- *Adequacy of financial reporting, accounting systems and controls, and*
- *External audit functions.*

The external auditors have full and open access to the audit committee, with and without the presence of management.

The audit committee has reviewed these financial statements and has recommended the Board approve them.



Luby Pow
Chief Executive Officer



Independent Auditors' Report

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To the Directors of
Southern Interior Development Initiative Trust

We have audited the accompanying financial statements of Southern Interior Development Initiative Trust ("the Trust"), which comprise the statement of financial position as at March 31, 2014, and the statement of operations and changes in fund balance and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Southern Interior Development Initiative Trust as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements for the Trust for the year ended March 31, 2013, were audited by another auditor who expressed an unmodified opinion on those statements on June 19, 2013.

Kelowna, Canada
May 20, 2014

Grant Thornton LLP

Chartered Accountants

Audit • Tax • Advisory
Grant Thornton LLP, A Canadian Member of Grant Thornton International Ltd

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Southern Interior Development Initiative Trust Statement of Financial Position

March 31	2014	2013
Assets		
Current		
Cash and cash equivalents	\$ 1,518,509	\$ 3,219,309
Receivables	640,625	149,377
Prepaid expenses	8,478	10,445
Current portion of development initiatives (Note 3)	<u>447,384</u>	<u>2,257,701</u>
	2,614,996	5,636,832
Development initiatives (Note 3)	17,140,914	12,291,216
Investments (Note 5)	30,048,349	30,270,043
Property and equipment (Note 6)	<u>43,074</u>	<u>27,772</u>
	<u>\$ 49,847,333</u>	<u>\$ 48,225,863</u>
Liabilities		
Current		
Payables and accrued liabilities	\$ 60,940	\$ 245,912
Deferred contributions (Note 7)	<u>255,500</u>	<u>433,139</u>
	316,440	679,051
Regional account	<u>49,530,893</u>	<u>47,546,812</u>
	<u>\$ 49,847,333</u>	<u>\$ 48,225,863</u>
Commitments and contingencies (Note 8)		
On behalf of the Board		
_____ Director	_____ Director	

See accompanying notes to the financial statements.

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Southern Interior Development Initiative Trust Statements of Operations and Changes in Fund Balance

Year ended March 31	2014	2013
Revenue		
Income on development initiatives	\$ 1,421,093	\$ 1,735,793
Income on investments	761,868	828,276
Other revenue	204,345	87,824
Contributions (Note 7)	177,639	22,625
	<u>2,564,945</u>	<u>2,674,518</u>
Expenses		
Amortization	9,797	5,285
Board costs	17,453	17,382
Consulting fees	27,053	101,574
Education awards and grants	1,235,750	556,550
Insurance	5,940	5,857
Investment fees	95,608	114,527
Office and administration	117,854	73,126
Professional fees	53,563	23,510
Salaries and benefits	466,792	332,656
	<u>2,029,810</u>	<u>1,230,467</u>
Excess of revenues over expenses before other income (expenses)	<u>535,135</u>	<u>1,444,051</u>
Other income (expenses)		
Gain (loss) on disposal of investments	446,938	(706,178)
Unrealized gain on investments	2,190,751	2,578,925
Provision for development initiative losses (Note 4)	(1,188,743)	(2,599,060)
	<u>1,448,946</u>	<u>(726,313)</u>
Excess of revenues over expenses	<u>\$ 1,984,081</u>	<u>\$ 717,738</u>
Regional account, beginning of year	\$ 47,546,812	\$ 46,829,074
Excess of revenues over expenses	<u>1,984,081</u>	<u>717,738</u>
Regional account, end of year	<u>\$ 49,530,893</u>	<u>\$ 47,546,812</u>

See accompanying notes to the financial statements.

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Southern Interior Development Initiative Trust

Statement of Cash Flows

Year ended March 31	2014	2013
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenues over expenses	\$ 1,984,081	\$ 717,738
Items not affecting cash		
Amortization	9,797	5,285
(Gain) loss on disposal of investments	(446,938)	706,178
Unrealized gain on investments	(2,190,751)	(2,578,925)
Provision for development initiative losses	1,188,743	2,599,060
	<u>544,932</u>	1,449,336
Change in non-cash working capital items		
Receivables	(491,248)	34,417
Prepaid expenses	1,967	(5,474)
Payables and accrued liabilities	(184,972)	98,098
Deferred contributions	(177,639)	127,639
	<u>(306,960)</u>	1,704,016
Investing		
Funding of development initiatives, net	(4,228,124)	(1,217,034)
Purchase of investments	(3,582,969)	(25,293,158)
Proceeds on sale of investments	6,442,352	24,616,073
Purchase of property and equipment	(25,099)	(23,407)
	<u>(1,393,840)</u>	(1,917,526)
Decrease in cash and cash equivalents	(1,700,800)	(213,510)
Cash and cash equivalents		
Beginning of year	<u>3,219,309</u>	3,432,819
End of year	<u>\$ 1,518,509</u>	<u>\$ 3,219,309</u>

See accompanying notes to the financial statements.

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Southern Interior Development Initiative Trust

Notes to the Financial Statements

March 31, 2014

1. Nature of operations

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.

2. Significant accounting policies

Basis of presentation

The Trust has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit enterprises.

Fund accounting

The Trust reports its activities on a fund accounting basis. The Trust currently has a General fund (with a \$nil balance) and a Regional Account fund, which is externally restricted. The Regional Account includes balances which are invested in property and equipment and represents the amount currently available for development initiatives and administrative costs.

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. Externally restricted contributions not related to the Act are recognized as revenue in the year in which the related expenses are recognized, all within the general fund.

Income is recognized on the accrual basis when the service has been provided or as otherwise earned, provided that collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the price is fixed or determinable. All income is included in the Regional Account in accordance with the Act.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term deposit which are highly liquid with original maturities of less than three months. Any cash or cash equivalents held in investment portfolios is included with investments.

Southern Interior Development Initiative Trust

Notes to the Financial Statements

March 31, 2014

2. Significant accounting policies (continued)

Property and equipment

Each class of property and equipment is carried at cost less, where applicable, any accumulated amortization and impairment losses. Amortization is provided using the declining balance method and the following annual rates:

Office furniture	20%
Leasehold improvements	20%
Computer hardware	30%
Computer software	50%

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

Items subject to significant management estimates include the carrying amount of development initiatives.

Financial instruments

The Trust considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. A financial asset or liability is recognized when the Trust becomes party to contractual provisions of the instrument.

Unless otherwise noted, it is management's opinion that the Trust is not exposed to significant credit, liquidity or market risks arising from these financial instruments.

Initial measurement

The Trust's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

Subsequent measurement

At each reporting date, the Trust measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value. All changes in fair value of the Trust's investments in equities quoted in an active market are recorded in the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, receivables, development initiatives, and payables and accrued liabilities.

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Southern Interior Development Initiative Trust

Notes to the Financial Statements

March 31, 2014

2. Significant accounting policies (continued)

Financial instruments (continued)

For financial assets measured at cost or amortized cost, the Trust regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Trust determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

3. Development initiatives

	2014	2013
Loans - direct	\$ 4,667,419	\$ 4,484,398
Loans - convertible	9,338,803	8,492,248
Loans - via Community Futures Development Corp. ("CFDC")	429,901	498,039
Equity - common shares	4,296,243	4,136,243
Equity - preferred shares	2,454,984	2,219,154
	21,187,350	19,830,082
Less: provision for development initiative losses (Note 4)	(3,599,052)	(5,281,165)
Less: current portion	(447,384)	(2,257,701)
	<u>\$ 17,140,914</u>	<u>\$ 12,291,216</u>

(a) Loans - direct:

The Trust has 12 (2013 - 18) direct loans outstanding which bear interest rates that range from 5.65% to 16% per annum. Interest and principal amounts are due at various dates between April 1, 2014 and March 1, 2029.

(b) Loans - convertible:

The Trust has 22 (2013 - 17) convertible loans that bear interest rates that range from 8% to 18% per annum. Interest and principal amounts are due at various dates between April 1, 2014 and April 1, 2019. The loans are convertible to common shares of the companies, which are non-publicly traded, at the option of the Trust.

(c) Loans via CFDC:

The Trust has 4 (2013 - 4) loans made via CFDC's Southern Interior Business Investment Fund which bear interest rates that range from 5.50% to 10% per annum. The principal amounts are due at various dates between August 1, 2014 and September 1, 2024.

(d) Equity - common shares:

The Trust has 3 (2013 - 2) common share investments.

(e) Equity - preferred shares:

The Trust has 3 (2013 - 3) preferred share investments that bear dividends that range from 10% to 14% per annum.

Southern Interior Development Initiative Trust

Notes to the Financial Statements

March 31, 2014

4. Provision for development initiative losses

	2013	Increase (decrease) in estimated provision	Amounts written off	2014
Loans - direct	\$ 1,203,196	\$ (125,090)	\$ (439,800)	\$ 638,306
Loans - convertible	1,407,068	1,274,985	(2,431,056)	250,997
Equity - common shares	2,136,243	-	-	2,136,243
Equity - preferred shares	534,658	38,848	-	573,506
	<u>\$ 5,281,165</u>	<u>\$ 1,188,743</u>	<u>\$ (2,870,856)</u>	<u>\$ 3,599,052</u>

5. Investments

	2014	2013
Money market	\$ 5,955,722	\$ 5,155,625
Bonds	5,495,208	6,202,215
Equities	18,597,419	18,912,203
	<u>\$ 30,048,349</u>	<u>\$ 30,270,043</u>

The annual weighted average rate of return for 2014 was 12.00% (2013 - 9.70%).

6. Property and equipment

6. Property and equipment			2014	2013
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture	\$ 26,869	\$ 12,011	\$ 14,858	\$ 17,706
Leasehold improvements	15,488	1,549	13,939	-
Computer hardware	24,094	11,518	12,576	9,638
Computer software	7,983	6,282	1,701	428
	\$ 74,434	\$ 31,360	\$ 43,074	\$ 27,772

7. Deferred contributions

Deferred contributions related to expenses of future periods represent the unspent externally restricted grant from the British Columbia Innovation Council.

	2014	2013
Balance, beginning of year	\$ 433,139	\$ 305,500
Amounts recognized as revenue in the year	(177,639)	(22,625)
Amounts received that relate to future periods	-	150,264
Balance, end of year	<u>\$ 255,500</u>	<u>\$ 433,139</u>

Southern Interior Development Initiative Trust

Notes to the Financial Statements

March 31, 2014

8. Commitments and contingencies

As of March 31, 2014, the Trust has committed funding of approximately \$1,020,500 (2013 - \$662,875) to various development initiatives and grants.

The Trust has indemnified Heritage Credit Union ("Heritage") in the amount of \$1,671,269 (2013 - \$2,000,000) due to an agreement in fiscal 2013, whereby Heritage paid out the Trust's amount owed on a development initiative loan. The indemnity was provided to cover Heritage on any net losses incurred on the loan.

9. Financial instruments

The main risks the Trust is exposed to through its financial instruments are credit risk and market risk.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trust's main credit risks relate to its receivables and investments in bonds and loans. The Trust provides credit to its clients in the normal course of its operations.

(b) Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risks. The Trust is mainly exposed to interest rate risks and other price risks.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust is exposed to interest rate risk with respect to its investment in bonds.

(ii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Trust is mainly exposed to other price risk through its investments in equities.

10. Comparative figures

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

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Southern Interior

DEVELOPMENT INITIATIVE TRUST

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Helen Patterson | Controller

Luanne Chore | Sr. Portfolio Manager

Mary Beadman | Administration and Communications Representative

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