



# Southern Interior

DEVELOPMENT INITIATIVE TRUST



## About the Southern Interior Development Initiative Trust Annual Report

This report covers the Southern Interior Development Initiative Trust (SIDIT) for the period April 1, 2014 through March 31, 2015.

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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# 2015 Message from the Chairman of the Board

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 proud of the results and confident that the Trust will accomplish even more in the years ahead.

The success of the Southern Trust reflects the dedication and commitment of a talented and motivated team of employees led by our Chief Executive Officer, Luanne Chore, who took over the position on July 1, 2014. The SIDIT Board applauds Luanne for her success in her first year with The Southern Interior Development Initiative Trust. Under her executive leadership and the Board's vision SIDIT has embarked upon a very exciting new phase 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 are very grateful for her steadfast leadership and commitment to our organization and extend her our support in the new direction that the Board of Directors.

The Board of Directors has been working closely with CEO, Luanne Chore and her team, consisting of Tammy Jurczak, Senior Director Loans and Investments, Shawn G Edwards, Director Loans and Investments, Helen Patterson, Controller and Mary Beadman, Administrative and Communications Assistant 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 of Directors. We are pleased to welcome new Board members, Ron Hovanes, Mayor, City of Oliver, Greg McCune, Mayor, City of Enderby both representing the Thompson Okanagan Regional Advisory Committee. Karen Cathcart Electoral Area A Director and Aimee Watson Electoral Area D Director representing the Columbia Kootenay Region. We also express our sincere appreciation to out-going Board members, Karen Hamling, Mayor, Village of Nakusp, Walter Gray, Mayor, City of Kelowna, Stu Wells, Mayor, Town of Osoyoos, and Ron McRae, Mayor, City of Kimberly for their many years of service on the Board.

During the 2015 fiscal period we awarded \$5.3 million in economic development initiatives in the Southern Interior for a cumulative total of \$45 million to date. We continue to honor our goal of maintaining the Trust so that it is sustainable, while providing continual support for economic initiatives in the Southern Interior and we are pleased to present our report detailing the results of these efforts.



Respectfully submitted,

A handwritten signature in black ink that reads "Grace McGregor".

Grace McGregor  
SIDIT Chairman of the Board

# 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**  
SIDIT Vice-Chairman  
Provincial Appointee  
North Okanagan Region



**Philip Jones**  
Provincial Appointee  
East Kootenay Region



**John Zimmer**  
Provincial Appointee  
East Kootenay Region



**Elizabeth Garrish**  
Provincial Appointee  
Okanagan Similkameen Region



**1 Vacant Position**  
Provincial Appointee

## Elected Officials:



**Doug Findlater**  
Mayor, West Kelowna  
Central Okanagan Region



**Grace McGregor**  
SIDIT Chairman  
Director, Area C  
Kootenay Boundary Region



**Ron Hovanes**  
Mayor, Town of Oliver  
Okanagan Similkameen Region



**Loni Parker**  
Director, Area B  
Columbia Shuswap Region



**Greg McCune**  
Mayor, City of Enderby  
North Okanagan Region



**Al Raine**  
Mayor, Sun Peaks  
Thompson Nicola Region



**Aimee Watson**  
Director Area D  
Columbia Kootenay Region



**Karen Cathcart**  
Director Area A  
Columbia Shuswap Region

# 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 Southern Interior Development Initiative Trust Board for required terms, to provide advice and recommendations to the Board on project eligibility for Trust funding, to establish the terms of office for members elected, and to provide representation opportunity for communities and regional district areas under 500 in population.

An up to date listing of our Regional Advisory Committee Members can be found on our website [www.sidit-bc.ca](http://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

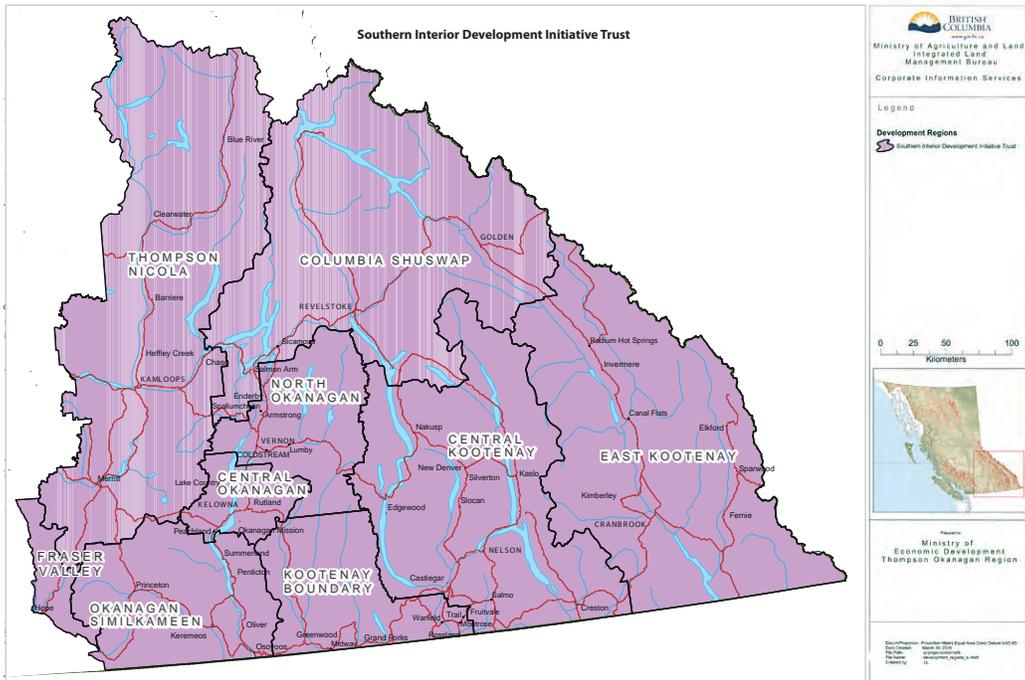
Cranbrook, Kimberley, Fernie, Sparwood, Invermere, Elkford, Canal Flats, Radium Hot Springs

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 partnership participation.

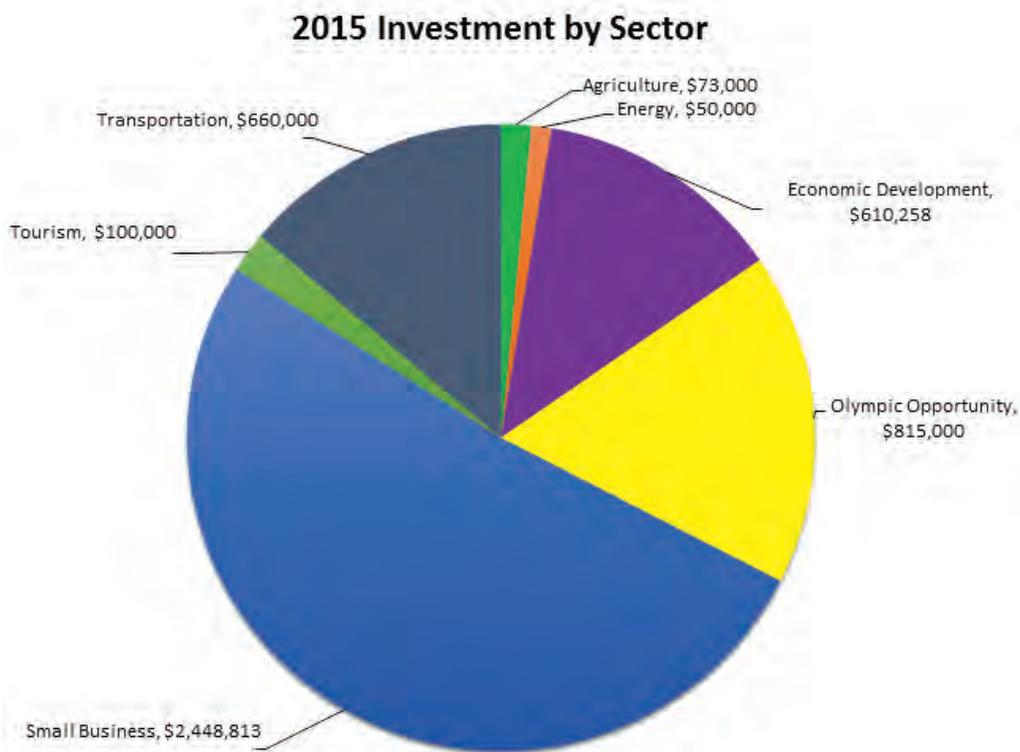
Within its mandate, SIDIT lends to and invests in promising commercial enterprises. SIDIT assesses the long-term potential of lending and investment opportunities and will consider a more patient position than would a traditional lender.



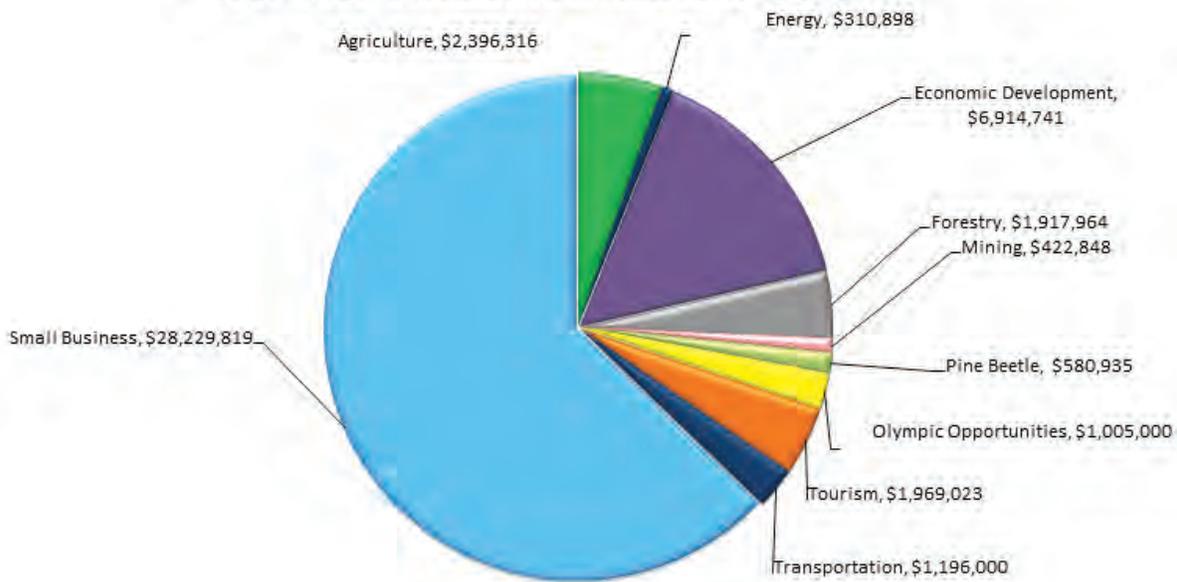
# Funding by Investment Sector

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. Applications received are proponent driven, therefore there are no specific set targets for any of these areas. SIDIT approves projects and investments based on their impact, sustainability, and individual merit



## 2007-2015 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 Agriplex/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 Regional Advisory Committee 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 strategic investments in economic development projects that will have long-lasting and measurable benefits for the Southern Interior.



# Guiding Principals

- **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**



# 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 SIDIT. Credit risk primarily arises from development initiatives receivable. Within its mandate, SIDIT lends to, and invests in, promising commercial enterprises that may not fully 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 parri-passu, 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 policy 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 achieved.

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 SIDIT fund.

All applications are risk-rated according to SIDITs Risk Rating Guidelines (refer to 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 parri-passu, syndicating or co-lending with other financing partners such as Business Development Bank of Canada, Community Futures, Women's Enterprise, Banks, Credit Unions, venture capital and private investors.

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 grant funded incubation centers which provide on-going support to early stage technology and related 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 fair value of future cash flows of a financial instrument that will fluctuate due to changes in market prices. Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. SIDIT incurs fair value risk on its investments held and does not hedge its fair value risk.

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;

Refer to SIDIT's By-Law and Policy Manual at [www.sidit-bc.ca/resources/documents](http://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 historically and to date have 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 small management and staff group of 4.6 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 to be able to conduct the operations of the entity business model. SIDIT is enhancing the infrastructure and ongoing staffing requirements necessary to manage and grow its loan and equity portfolio.

### Information Systems/Technology Risk:

A robust software system is required 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.
- Managed Antivirus is utilized to protect against the most common online threats such as viruses, Trojan horses, worms and spyware, as well as malicious software. Managed 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.

## Liquidity Risk:

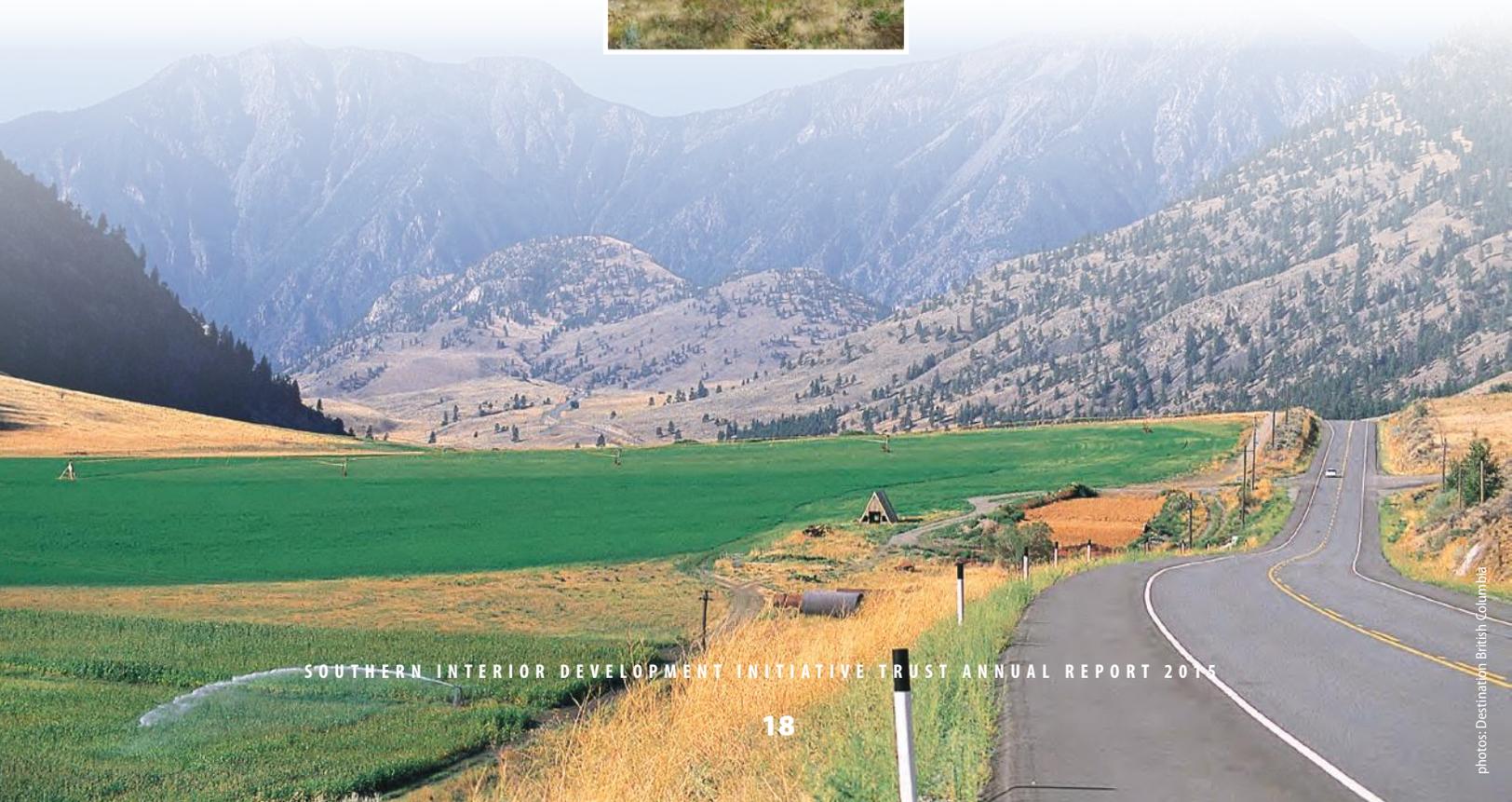
Liquidity risk is the risk that SIDIT will be unable to fund its obligations as they come due. SIDIT's management oversees SIDIT's liquidity risk to ensure that SIDIT has access to enough readily available funds to cover its financial obligations as they come due. SIDIT's business requires such capital for operating and funding of development initiatives, grants and education awards.

The assessment of SIDIT's liquidity position reflects management's estimates, assumptions and judgments pertaining to current and prospective trust specific 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](http://www.sidit-bc.ca) under the "Apply for Funding" tab.



# 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 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, although 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 engaged 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 2015 by Urban Futures, a copy of which can be found on our website which is located at [www.sidit-bc.ca](http://www.sidit-bc.ca) under Resources/Documents.

# Report on Performance

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

## Goals:

SIDIT's goal is to maintain the Trust so that it is sustainable, providing continual support for economic initiatives in the Southern Interior, increasing the value of the Trust over time through return on investment and achieving the Trusts' desired ends within available means. Supporting each of SIDIT's strategic goals are strategies, performance targets and performance metrics that track progress and measure goal achievement.

## Performance Targets and Metrics:

Performance targets and metrics for each strategic goal assist us, and our stakeholders, to measure and assess our progress, impact and results. Measurements are selected on the following criteria:

**Connection to our goals** – metrics that reflect our progress in achieving desired outcomes and through them, our mission, vision and mandate.

**Longevity** – metrics that track impact over time, identify trends and provide valuable information for performance improvement.

**Measurable** – metrics for which we can collect relevant, accurate data in a timely and affordable manner in support of SIDIT's operational and strategic priorities.

Specific metrics focus on activities, behaviors, operational processes and outcomes critical to the delivery of an efficient, effective funding system and consistent with SIDIT's Vision, Mission and Guiding Principles.

Metrics are evaluated annually to ensure they have integrity and are meaningful measurements of performance achievement, outcomes and impact. This results in ongoing refinement of metrics and data collection methods.

Overall, our performance metrics track and measure our strategy execution and goal achievement.

## **GOAL 1 ENHANCE THE SOUTHERN INTERIOR ECONOMY BY PROMOTING GREATER ECONOMIC GROWTH, RESILIENCY AND DIVERSIFICATION.**

### Strategies:

- Positively impact each region in the Southern Interior through strategic investments in communities, effective partnership and by focusing on primary target industries.
- Invest in existing enterprises that are seeking to create diversification in their own business by introducing new products lines; targeting new markets; creating diversification through other means; ensuring successful business transition; or succession to the next generation.
- Invest in innovation and entrepreneurship projects that assist individuals to create or expand businesses, develop innovative products, enhance services and utilize technologies.

### Performance Target:

Subject to proponent demand, positively impact the economy by investing in each region of the Southern Interior.

#### Performance metrics:

- Funding rate in each region measured as a ratio of the number and dollar value of SIDIT loan and grant applications vs approvals;
- Penetration rate of SIDIT support in each region measured as the percentage of SIDIT clients vs eligible businesses.
- Support the sustainability and growth of business enterprises through SIDIT direct loans or equity investments and by leveraging the financing participation of others.
- Minimum annual SIDIT dollar loans and equity investments of \$6 Million;
- Cumulative SIDIT loan and equity investments of \$68 Million by 2020;
- Minimum leverage of 2 times SIDIT annual investment, measured as the percentage of SIDIT dollars committed vs other investment and project financing approved and committed.
- Support innovation and entrepreneurship that accelerates commercialization of technology through partnership investments of \$225,000 in early stage seed funds over a three year period commencing fiscal year 2016. Seed fund investments will be reviewed annually for performance and considered for renewal annually over the three year period.

#### Performance metrics:

Co-investment in Early Stage Seed Funds, based on the applicant's demonstration of:

- Matching dollar investments at least equal to SIDIT funding;
- Alignment with SIDIT priorities and eligibility criteria;
- Impact reporting of program outcomes and client performance

## Results:

### Grant Funding by Region and per Capita

Regions	Total Grants	Population	\$ per capita
Fraser Valley	\$2,545	5,969	\$0.43
Thompson Nicola	\$874,277	128,473	\$6.81
Columbia Shuswap-TO	\$165,375	36,055	\$4.59
North Okanagan	\$379,464	81,237	\$4.67
Central Okanagan	\$685,166	179,839	\$3.81
Okanagan Similkameen	\$425,714	80,742	\$5.27
	<hr/>	<hr/>	<hr/>
	\$2,532,541	512,315	\$4.94
Columbia Shuswap-K	\$156,165	14,457	\$10.80
Kootenay Boundary	\$720,993	31,138	\$23.15
Central Kootenay	\$568,009	58,441	\$9.72
East Kootenay	\$574,578	56,685	\$10.14
	<hr/>	<hr/>	<hr/>
	\$2,019,745	160,721	\$12.57
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	\$4,552,286	673,036	\$6.76

### Loan Funding Mandates by Region and per Capita

Regions	\$ Funded Loans	Population	per capita
Fraser Valley	\$500,000	5,969	\$ 83.77
Thompson Nicola	\$816,018	128,473	\$ 6.35
Columbia Shuswap-TO	\$435,935	36,055	\$ 12.09
North Okanagan	\$4,205,589	81,237	\$ 51.77
Central Okanagan	\$20,676,487	179,839	\$ 114.97
Okanagan Similkameen	\$2,920,674	80,742	\$ 36.17
	<hr/>		
	\$29,554,703	512,315	\$ 57.69
Columbia Shuswap-K	\$0	14,457	\$ -
Kootenay Boundary	\$3,637,930	31,138	\$ 116.83
Central Kootenay	\$310,775	58,441	\$ 5.32
East Kootenay	\$1,701,600	56,685	\$ 30.02
	<hr/>		
	\$5,650,305	160,721	\$ 35.16
	<hr/>		
	\$35,205,008	673,036	\$ 52.31

### Education Funding by Region

	Total	Population	\$ per capita
Thompson Okanagan	\$3,595,750	512,315	\$7.02
Columbia Kootenay	\$1,590,500	160,721	\$9.90
	<hr/>		
	\$5,186,250	673,036	\$7.71

### Total Funding by Region and per Capita

Regions	Total	Population	\$ per capita
Fraser Valley	\$544,439	5,969	\$91.21
Thompson Nicola	\$2,592,001	128,473	\$20.18
Columbia Shuswap-TO	\$854,367	36,055	\$23.70
North Okanagan	\$5,155,226	81,237	\$63.46
Central Okanagan	\$22,623,877	179,839	\$125.80
Okanagan Similkameen	\$3,913,086	80,742	\$48.46
	<hr/>		
	\$35,682,995	512,315	\$69.65
Columbia Shuswap-K	\$299,232	14,457	\$20.70
Kootenay Boundary	\$4,667,066	31,138	\$149.88
Central Kootenay	\$1,457,118	58,441	\$24.93
East Kootenay	\$2,837,134	56,685	\$50.05
	<hr/>		
Entire Area	\$9,260,549	160,721	\$57.62
	<hr/>		
	\$44,943,544	673,036	\$66.78

Population numbers are based on the 2011 Federal Census.

## Discussion:

From its original \$50 million, SIDIT has invested \$35.0 million into business ventures in the Southern Interior as well as funded \$9.7 million in non-repayable grants and education awards. \$15 million in principal and interest has been repaid as at the end of fiscal 2015. \$30.8 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 achieved.

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 presented 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 per student recipient.

As part of our mandate, we provide funding for early stage 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 business 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 in early to growth stage of the business venture.

While the Trust completes due diligence procedures prior to any investment being funded, 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 March 31, 2008 fiscal year. As the recipient companies are now further into the lifecycle of an early stage enterprise, it has become evident that certain investments are unlikely to be recovered.

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

## SOUTHERN INTERIOR REGIONAL HIGHLIGHTS FOR FISCAL YEAR 2014/15

### Accelerate Okanagan (AO) - Q4 FY2014/15

- Program Launch: July 2011
- Region: Okanagan Valley
- Accelerator Type: Physical
- Total BCIC Funding Since Launch: \$1,050,000
- BCIC-Supported Funding Budgeted FY2014/15: \$400,000
- Average Capacity Filled: 57% (17 of 30 seats)
- Total EiR Capacity: 5
- Total Entrepreneurs Trained to Date: 100

### Company Performance

	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	Quarter-Over- Quarter Change (Q4 FY2014/15 / Q3 FY2014/15)	Q4 Year-Over- Year Change (Q4 FY2014/15 / Q4 FY2013/14)	FY 2014/15 (% of BCAN Total)	Since Program Inception (% of BCAN Total)
Companies Active During the Period	26	21	24	19	-21%	-27%	35 (13%)	77 (20%)
New Jobs (FTEs) Created	24	17	19	14	-26%	-39%	74 (20%)	308 (31%)
New Company Revenue Generated	\$1.9M	\$1.4M	\$1.6M	\$517K	-67%	-76%	\$5.4M (30%)	\$12.1M (37%)
New Private Investment Attracted	\$1.2M	\$660K	\$760K	\$505K	-34%	40%	\$3.1M (17%)	\$6.7M (12%)
Other New Investments	\$631K	\$314K	\$309K	\$152K	-51%	-62%	\$1.4M (8%)	\$5.4M (15%)

- Numbers and percentages may not fully add up due to rounding.
- Companies enter and exit the program at various times. Companies Active During the Period refers to the total number of unique companies active at some point during the period specified.
- Since Program Inception data refers to the cumulative results achieved since each partner began offering the Venture Acceleration Program, up to the end of Q4 2014/15.
- New Private Investment refers to new venture capital, angel, strategic and friends & family investments attracted in the period specified.
- Other New Investments refers to new founder investment and government grants attracted in the period specified.

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

In FY2014/15, of the 34 Active Companies that Submitted Performance Reports:

- 56% created **74 New Jobs**
- 76% generated **\$5.4M in New Revenue**
- 32% attracted **\$3.1M in New Private Investment**
- 65% attracted **\$1.4M in Other New Investment**

\*Performance reports were received for 34 of 35 companies active in the fiscal year. Results are based on the 34 performance reports received.

## Kamloops Innovation (KI) - Q4 FY2014/15

- **Program Launch:** April 2013
- **Region:** Central Interior
- **Accelerator Type:** Physical
- **Total BCIC Funding Since Launch:** \$375,000
- **BCIC-Supported Funding Budgeted FY2014/15:** \$150,000
- **Average Capacity Filled:** 55% (6 of 11 seats)
- **Total EIR Capacity:** 3
- **Total Entrepreneurs Trained to Date:** 33

### Company Performance

	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	Quarter-Over- Quarter Change (Q4 FY2014/15 / Q3 FY2014/15)	Q4 Year-Over- Year Change (Q4 FY2014/15 / Q4 FY2013/14)	FY 2014/15 (% of BCAN Total)	Since Program Inception (% of BCAN Total)
Companies Active During the Period	8	6	6	8	33%	-20%	12 (4%)	15 (4%)
New Jobs (FTEs) Created	0.3	2	2	2	33%	100%	6 (2%)	18 (2%)
New Company Revenue Generated	\$28K	\$0	\$9K	\$13K	43%	-81%	\$50K (<1%)	\$113K (<1%)
New Private Investment Attracted	\$0	\$0	\$50K	\$210K	320%	147%	\$260K (1%)	\$362K (1%)
Other New Investments	\$23K	\$286K	\$62K	\$68K	9%	656%	\$439K (3%)	\$640K (2%)

- Numbers and percentages may not fully add up due to rounding.
- Companies enter and exit the program at various times. Companies Active During the Period refers to the total number of unique companies active at some point during the period specified.
- Since Program Inception data refers to the cumulative results achieved since each partner began offering the Venture Acceleration Program, up to the end of Q4 2014/15.
- New Private Investment refers to new venture capital, angel, strategic and friends & family investments attracted in the period specified. Other New Investments refers to new founder investment and government grants attracted in the period specified.

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

In FY2014/15, of the 12 Active Companies that Submitted Performance Reports:

- 33% created **6 New Jobs**
- 33% generated **\$50K in New Revenue**
- 17% attracted **\$260K in New Private Investment**
- 42% attracted **\$439K in Other New Investment**

\*Performance reports were received for 12 of 12 companies active in the fiscal year. Results are based on the 12 performance reports received.

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

- **Program Launch:** July 2013
- **Region:** West Kootenays
- **Accelerator Type:** Virtual
- **Total BCIC Funding Since Launch:** \$200,000
- **BCIC-Supported Funding Spent FY2014/15:** \$150,000
- **Capacity Filled:** 58% (7 of 12 seats)
- **Total EiR Capacity:** 1
- **Total Entrepreneurs Trained to Date:** 28

### Company Performance

	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	Quarter-Over- Quarter Change (Q4 FY2014/15 / Q3 FY2014/15)	Q4 Year-Over- Year Change (Q4 FY2014/15 / Q4 FY2013/14)	FY 2014/15 (% of BCAN Total)	Since Program Inception (% of BCAN Total)
Companies Active During the Period	12	10	10	9	-10%	-18%	17 (6%)	18 (5%)
New Jobs (FTEs) Created	8	3	1	4	300%	-43%	16 (4%)	33 (3%)
New Company Revenue Generated	\$1.4M	\$485K	\$553K	\$570K	3%	-28%	\$3M (17%)	\$4.5M (14%)
New Private Investment Attracted	\$0	\$0	\$0	\$0	\$0	-100%	\$0 (0%)	\$5K (<1%)
Other New Investments	\$65K	\$87K	\$28K	\$206K	649%	175%	\$385K (2%)	\$510K (1%)

- Numbers and percentages may not fully add up due to rounding.
- Companies enter and exit the program at various times. Companies Active During the Period refers to the total number of unique companies active at some point during the period specified.
- Since Program Inception data refers to the cumulative results achieved since each partner began offering the Venture Acceleration Program, up to the end of Q4 2014/15.
- New Private Investment refers to new venture capital, angel, strategic and friends & family investments attracted in the period specified. Other New Investments refers to new founder investment and government grants attracted in the period specified.

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

In FY2014/15, of the 16 Active Companies that Submitted Performance Reports:

- 44% created **16 New Jobs**
- 56% generated **\$3M in New Revenue**
- 0% attracted **New Private Investment**
- 44% attracted **\$385K in Other New Investment**

\*Performance reports were received for 16 of 17 companies active in the fiscal year. Results are based on the 17 performance reports received.

## Kootenay Rockies Innovation Council (KRIC) - Q4 FY2014/15

- **Program Launch:** July 2013
- **Region:** East Kootenays
- **Accelerator Type:** Virtual
- **Total BCIC Funding Since Launch:** \$200,000
- **BCIC-Supported Funding Spent FY2014/15:** \$100,000
- **Capacity Filled:** 29% (2 of 6 seats)
- **Total EiR Capacity:** 2
- **Total Entrepreneurs Trained to Date:** 9

### Company Performance

	Q1 2014/15	Q2 2014/15	Q3 2014/15	Q4 2014/15	Quarter-Over- Quarter Change (Q4 FY2014/15 / Q3 FY2014/15)	Q4 Year-Over- Year Change (Q4 FY2014/15 / Q4 FY2013/14)	FY 2014/15 (% of BCAN Total)	Since Program Inception (% of BCAN Total)
Companies Active During the Period	4	2	2	2	0%	-60%	5 (2%)	6 (2%)
New Jobs (FTEs) Created	0	2	0	0	0%	-100%	2 (1%)	6 (1%)
New Company Revenue Generated	\$30K	\$30K	\$0	\$0	0%	-100%	\$60K (<1%)	\$160K (<1%)
New Private Investment Attracted	\$0	\$0	\$0	\$0	0%	0%	\$0 (0%)	\$0 (0%)
Other New Investments	\$18K	\$0	\$75K	\$103K	37%	2475%	\$196K (1%)	\$517 (1%)

- Numbers and percentages may not fully add up due to rounding.
- Companies enter and exit the program at various times. Companies Active During the Period refers to the total number of unique companies active at some point during the period specified.
- Since Program Inception data refers to the cumulative results achieved since each partner began offering the Venture Acceleration Program, up to the end of Q4 2014/15.
- New Private Investment refers to new venture capital, angel, strategic and friends & family investments attracted in the period specified. Other New Investments refers to new founder investment and government grants attracted in the period specified.

### 60% of Companies created Jobs and/or Revenue and/or Investment

In FY2014/15, of the 5 Active Companies that Submitted Performance Reports:

- 20% created **2 New Jobs**
- 20% generated **\$60K in New Revenue**
- 0% attracted **New Private Investment**
- 60% attracted **\$196K in Other New Investment**

## 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](http://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 companies often receive support, funding and resources from a number of sources in BC's technology ecosystem, all of which contribute to their success. These resources include the National Research Council of Canada's Industrial Research Assistance Program (NRC-IRAP), the Southern Interior Development Initiative Trust, the Northern Development Initiative Trust and Western Economic Diversification Canada.

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

### Strategies:

- Invest in new and existing commercial enterprises that will use the infusion of capital to preserve jobs and/or create new jobs through:
  - Business, product line and market share expansion
  - Turnaround or management buyouts of existing businesses
  - Increased regional spending on services and resources that help to support indirect regional employment
- 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 could hamper economic growth in the region.

### Performance Targets:

Directly or indirectly create and/or preserve 3,000 jobs by 2020 at an average rate of 250 jobs per annum.

#### Performance metrics:

- Annual and cumulative impact of SIDIT support on the number of new jobs created and jobs retained as reported by each loan and grant funding recipient at time of funding approval.
- Annual and cumulative job creation and retention by existing SIDIT clients and grant recipients as reported in annual client reviews and funding partner impact reports.

Invest \$6.2 million by 2020 in post-secondary trades, technology, and academic, innovation and entrepreneurship programs with investment impact focused on regional workforce, trade skill shortages and SIDIT mandated priority target industries.

#### Performance metrics:

Investment of \$250,000 per annum, allocated among SIDIT's partners based on each applicant's demonstration of:

- Allocation to, alignment with, and projected impact on SIDIT priority target industries including impact on regional labour shortages;
- Report on program outcomes including number of students supported, immediate and long term effects on the region's workforce retention, employment; and, SIDIT student grant recipient success stories.

### Number of Students Funded by SIDIT

	2009	2010	2011	2012	2013	2014	2015	Total
College of the Rockies	142	183	187	107	106	100	123	948
Selkirk College	284	362	450	74	58	44	38	1310
Thompson River University	493	558	590	58	65	58	62	1884
Okanagan College	582	593	468	102	50	50	50	1895
UBCO	0	0	0	29	50	50	40	169
UBCO - Medical	0	0	0	10	10	10	5	35
BCIC	0	6	9	11	10	10	5	51
	<b>1501</b>	<b>1702</b>	<b>1704</b>	<b>391</b>	<b>349</b>	<b>322</b>	<b>323</b>	<b>6292</b>

## 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.

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, although from the analysis 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. Refer to [www.sidit-bc.ca](http://www.sidit-bc.ca) in the resources/documents section to see our 2011 Economic Impact Report.

## 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

In 2014/15 SIDIT provided \$250,000 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 post-secondary education.

### Testimonials from Okanagan College



*"I've always had a mechanical aptitude, but this program has put me on track for a career that I know I'll be excited about every single day. I was so ecstatic when I found out I was selected for an award. It means so much for my future. I'm trying to find a balance between working and school and this award helps so much with that."*

*- Brad Atkins, Aircraft Maintenance Engineering student*



*"Okanagan College has given me the technical knowledge and skills to succeed in the automotive industry. I'm really looking forward to this career. Being an award recipient has helped ease financial pressure so I can achieve my educational goals."*

*-Jonah Cramer,  
Automotive Service Technician student*



*“Getting a taste of the Culinary Arts Program has instilled in me the dream of becoming a Red Seal Chef. I want to use my training to pursue a cooking career in the armed forces and see the world. Being an award recipient has helped me to achieve educational goals I never thought were possible.”*

*- Desiree Froh, Gateway to Trades - Culinary Arts Student*



*“My kids are my biggest priority—they’re the reason why I’m going back to school. Having support to attend Okanagan College has meant that I didn’t have to be away from them while I was completing my training.”*

*- Les Mortimer, Plumbing and Piping Trades student*

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

### Strategies:

- Attract capital into the region and contribute to the economic sustainability of the community by providing grants in support of community economic initiatives.
- Through leverage and partnerships, achieve a multiplier effect through SIDIT loans, equity investments and grants.

### Performance Targets:

Support community economic initiatives through cumulative investment of \$7 Million by 2020.

#### Performance Metrics:

Advance a minimum of \$500,000 per annum in grant funds to support community economic initiatives that demonstrate:

- Minimum 4:1 leverage of SIDIT's funding defined as an investment of \$4 from funding sources unrelated to SIDIT for every \$1 invested by SIDIT;
- Enhanced access to technology and economic opportunities in small/rural communities; third party verification of funding leverage;
- Annual proponent reporting on immediate and on-going project impact.

Achieve a leverage target on loan and equity investments of at least 2:1 defined as a minimum investment of \$2 from other sources (i.e. private equity/institutional investors/conventional and development lenders) for every \$1 invested by SIDIT.

#### Performance Metrics:

- At application and annual review, track and report on project financing from other sources on an annual and cumulative basis.
- Leverage partnerships through collaboration on best practices, joint initiatives in business and community economic development. Track and report annually on partnership activities and impact.

### Results:

\$680,000 has been funded in support of community economic initiatives in 2015 and cumulatively \$4.6 million has been funded as at fiscal year-end 2015. This represents 77% of our annual target and 65% of our cumulative target. Our investment of \$35.0 million into loan and equity investments has attracted an additional \$88.4 million into the region representing leverage of \$2.34 for every \$1 invested by SIDIT

#### The following projects have been funded via grants 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 Boundary
Community Foundations - Central OK CF	Okanagan Valley Public Market	\$106,000.00	\$25,000.00	Tourism	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 Nicola
City of Grand Forks	Grand Forks Art Gallery & Cultural Museum	\$950,000.00	\$75,000.00	Tourism	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
Okanagan Research and Innovation Centre	Business Incubator	\$778,000.00	\$150,000.00	Economic Dev	Central Okanagan
Shuswap Hut & Trail Society	Shuswap Trail Development	\$799,100.00	\$150,000.00	Tourism	Columbia 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 Nicola
Sounds of Light Multicultural Society	Vertical Log Home Prototype Enderby	\$229,800.00	\$95,000.00	Pine Beetle	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 Nicola
Aboriginal Agricultural Education Society	Kamloops Farm Fresh Processing Initiative	\$393,800.00	\$118,110.57	Agriculture	Thompson Nicola
City of Castlegar	Castlegar Airport Hazard Beacon	\$1,026,160.00	\$150,000.00	Transportation	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
Golden Nordic Ski Club	Dawn Mountain Development Project	\$1,050,000.00	\$50,000.00	Olympic Ops	Columbia 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
City of Trail	KBRH Heliport	\$783,740.00	\$50,000.00	Transportation	Kootenay Boundary
Okanagan Research and Innovation Centre	Business Incubator expansion	\$530,000.00	\$150,000.00	Economic Dev	Central Okanagan
Business Development Corporation	Business Productivity Pilot Project	\$238,500.00	\$37,500.00	Economic Dev	East Kootenay
City of Kimberly	Kimberly Conference & Paralympic Centre	\$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 Nicola
Community Futures Okanagan Similkameen	Economic Gardening Project	\$183,091.00	\$29,284.00	Economic Dev	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
Harrop-Procter Community Co-op	Growing Community Forests Project	\$290,765.00	\$50,000.00	Forestry	Central Kootenay
Community Futures -Trail	South Kootenay Business Centre	\$370,800.00	\$50,000.00	Small Business	Kootenay Boundary
Women's Enterprise Centre	Taking the Stage	\$252,557.00	\$7,000.00	Economic Dev	SIDIT Area
Selkirk College	Selkirk College Studio 80 Revitalization	\$150,000.00	\$50,000.00	Economic Dev	Central Kootenay
North Thompson Fall Fair & Rodeo Association	North Thompson Agriplex	\$470,000.00	\$50,000.00	Agriculture	Thompson Nicola
Revelstoke Nordic Ski Club	Nordic Trail Improvements	\$100,000.00	\$50,000.00	Olympic Ops	Columbia Shuswap-Kootenay
UBC Okanagan	Biotechnology Resources	\$517,620.00	\$150,000.00	Agriculture	Okanagan Similkameen
Thompson Okanagan Tourism	Online Resource Centre	\$150,100.00	\$50,000.00	Tourism	Thompson Okanagan
Red Mountain Academies	Athlete Development	\$123,000.00	\$30,000.00	Olympic Ops	Kootenay Boundary
Okanagan Similkameen Film Commission Society	Digital Media Expansion	\$26,530.00	\$13,250.00	Tourism	Okanagan Similkameen
NK'Mip Desert & Heritage Cen	Senulustn Gallery	\$96,500.00	\$48,250.00	Tourism	Okanagan Similkameen
Nakusp Centennial Golf Club	Fairway Upgrades	\$47,320.00	\$7,300.00	Tourism	Central Kootenay
Regional District Okanagan Similkameen	Utilization of Compost	\$35,000.00	\$17,500.00	Agriculture	Okanagan Similkameen
Thompson Nicola Regional District	Web Portal	\$115,000.00	\$35,000.00	Economic Dev	Thompson Nicola
Regional District North Okanagan	Cherryville Broadband Extension	\$600,000.00	\$50,000.00	Economic Dev	North Okanagan
Sun Peaks Education Society	Discovery Centre for Advanced Education	\$515,000.00	\$45,000.00	Economic Dev	Thompson Nicola
Kelowna Habitat for Humanity Society	ReStore Donation Pick-up Program	\$40,000.00	\$10,000.00	Small Business	Central Okanagan
North Thompson Fall Fair & Rodeo Association	North Thompson Agriplex	\$181,000.00	\$50,000.00	Agriculture	Thompson Nicola
Grinrod Recreation Association	Grinrod Community Hall	\$382,809.00	\$20,000.00	Economic Dev	North Okanagan
Village of Canal Flats	Columbia Discovery Centre	\$265,000.00	\$36,000.00	Tourism	East Kootenay
Yellowhead Community Services Society	Dutch Lake Community Centre	\$290,000.00	\$50,000.00	Economic Dev	Thompson 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 Boundary
City of Rossland	Rossland Broadband Initiative	\$187,135.00	\$50,000.00	Economic Dev	Kootenay Boundary
City of Nelson	Nelson Broadband Initiative	\$125,000.00	\$50,000.00	Economic Dev	Central Kootenay
Village of Kaslo	Kaslo Broadband Initiative	\$139,420.00	\$50,000.00	Economic Dev	Central Kootenay
City of Trail	Trail Broadband Initiative	\$302,618.00	\$50,000.00	Economic Dev	Kootenay Boundary
Kootenay Region Association for Community Living	Spectrum Farms	\$100,000.00	\$20,000.00	Economic Dev	Central Kootenay
Creston & District Community Resource Centre Society	Building for a Stronger Community Project	\$271,162.00	\$50,000.00	Economic Dev	Central Kootenay
City of Kimberly	SunMine Solar Project	\$5,327,380.00	\$50,000.00	Energy	East Kootenay
Loose Bay Campground Society	Water Line	\$46,200.00	\$23,000.00	Agriculture	Okanagan Similkameen
Sun Peaks Mountain Resort Municipality	Multi-Purpose Centre	\$765,000.00	\$50,000.00	Tourism	Thompson Nicola
Golden Nordic Ski Club Society	Dawn Mountain Capacity Building Project	\$100,300.00	\$50,000.00	Tourism	Columbia Shuswap
Okanagan Car Share Co-Op	Fleet Expansion	\$107,206.00	\$10,000.00	transportation	Central Okanagan
BC Association of Abattoirs	BC BeefNET	\$788,000.00	\$50,000.00	Agriculture	Central Okanagan
Kootenay Region Ass for Community Living	Spectrum Farms - Stage 3	\$100,000.00	\$50,000.00	Economic Dev	Central Kootenay
Kootenay Rockies Innovation Council (KRIC) / BCIC	Business Incubator	\$273,285.00	\$45,906.00	Economic Dev	East Kootenay
Kamloops Innovation Centre (KIC) / BCIC	Business Incubator	\$491,395.00	\$57,382.50	Economic Dev	Thompson Nicola
Kootenay Association for Science (KAST) / BCIC	Business Incubator	\$448,113.00	\$102,714.50	Economic Dev	Kootenay Boundary
Accelerate Okanagan (AO) / BCIC	Business Incubator	\$1,258,000.00	\$38,255.00	Economic Dev	Central Okanagan
<b>Total</b>		<b>\$45,677,572.00</b>	<b>\$4,552,285.57</b>		

## 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.

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
  - Farm Credit Corporation
  - Community Futures Development Corporations
  - Women's Enterprise
  - 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;
- Farm Credit Corporation
- Community Futures Development Corporations;
- Women's Enterprise;
- 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.**

### Strategies:

1. Prudently manage SIDIT's credit investment risk by:

- Establishing and following clear guidelines for assessing lending and investment opportunities
- Setting maximum levels of funding that can be invested in companies at various stages of development and categories of risk. Specifically:
  - Maximum dollar amount invested into any one company at a specific stage of development.
  - Maximum percentage of the fund pool invested into companies at specific stages of development
  - Maximum total percentage of the fund pool invested in specific categories of risk based on loan purpose, proponent's industry sector and operational performance
- Providing ongoing business mentoring and monitoring to investee companies to enhance their performance and success.

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 and achieve target rates of return on investment as established by SIDIT's Board of Directors and specified in SIDIT's investment policy and bylaws.

### Performance Targets:

Increase the value of the Trust over time.

#### Performance Metrics:

- **Balanced Portfolio Risk Mix:**
- Achieve and sustain a balanced risk mix in the loan and investment portfolio, based on investee's: Stage of business development, loan/investment purpose, life cycle and operational performance.
- **Prudent Portfolio Management:**
  - Pricing loans and investments appropriately based on risk, with higher returns priced into higher risk transactions.
  - Proactively manage and report on portfolio risk, including downgrading of risk at the time of material adverse changes, and provision for losses.
  - Quarterly and annually report on lending and investment portfolio returns on investment (ROI), itemized by category of risk and with returns calculated to include loans written off and provisions for losses.
  - Include updated exit strategies in reports on loan and investments.
- **Accelerate Client Success:**
  - In Fiscal 2016, launch a pilot mentorship program for select SIDIT direct investee companies.

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

**Performance Metrics:**

- Annually establish target return on market investment.
- Report and manage market investments on the basis of investment type and risk, benchmarked against industry performance for each category of investment as provided by the professional investment manager.
- Report on actual net return achieved vs target ROI and vs industry benchmark performance for each category of market investment, as well as the overall portfolio.

The Loan/Investment Business stages are defined as:

**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, although 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 market 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 positive trending profit generation. Funding at this stage can be provided to help grow or expand operations, enter new markets, finance an acquisition, and 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*
Seed Capital	\$200,000	1:1	5%
Early-stage Capital	\$500,000	1:1	15%
Growth / Expansion Capital	\$1,000,000	2:1	50%
Later / Mature Capital	\$1,000,000	4:1	30%

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

# Results:

## CURRENT FUND ALLOCATION:

Stage of Business	Target Allocation	Actual	Actual Allocation
Start Up Phase	5%	\$766,114.30	3%
Early Stage	15%	\$4,517,564.12	17%
Growth / Expansion Stages	50%	\$13,339,676.19	49%
Later / Mature Stages	30%	\$8,346,919.42	31%
		<b>\$26,970,274.03</b>	<b>100%</b>

SIDIT’s loan and equity 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, and investors with fewer resources or corporate profits – have affected lenders in varying ways. They affect existing borrowers, whose businesses may face declining sales, altering 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 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 although these opportunities are tempered by challenges, as existing borrowers are stressed, and investors have fewer resources.

**Leverage:** Our investment of \$35 million into loan and equity investments has attracted an additional \$88.4 million into the region representing leverage of \$2.34 for every \$1 invested by SIDIT.

## Discussion:

Leverage is established in loan and equity investment applications with 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 criteria. 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 business 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 investment returns are realized by earning of interest and dividends as well as an equity position 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 a participant in the 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 early /growth stage 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 traditional financing. 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.

## 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%
Total equities	45%	60%	75%
Universe Bonds	7%	17%	27%
Mortgages	0%	10%	20%
High Yield Bonds	0%	5%	10%
Total Bonds	20%	32%	44%
Cash & short-term	3%	8%	13%

\* Percentage of portfolio at market value.

## Results:

As of March 31, 2015		% of Total Portfolio	Current Benchmark %
<b>Market Value</b>	<b>\$30,753,080</b>		
Asset Mix (% of total market value)	Cash	5.5	8.0
	Mortgages	11.5	10.0
	Universe Bonds	14.5	17.0
	High Yield Bonds	6.7	5.0
	Canadian equities	30.2	30.0
	Global equities	31.5	30.0

## 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 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.

## Results:

Trust assets, originally \$50 million, are currently \$50.5 million as at March 31, 2015 increasing from \$49.8 million the previous year. Our market investments, cash reserves, loan and equity investments, net of provisions for loss, are 101.6% of the original funds balance after disbursement of \$45 million into economic development initiatives including \$9.7 million in non-repayable grants and education awards.

## Discussion:

From its original \$50 million, SIDIT has invested \$35 million into business ventures in the Southern Interior as well as funded \$9.7 million in non-repayable grants and education awards. \$15 million in principal and interest has been repaid as at the end of fiscal 2015. \$30.8 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 assist 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.

## MARKET INVESTMENT PORTFOLIO

Investment Options	Year Ended Mar/2015 %	Year Ended Mar/2014 %	Year Ended Mar/2013 %	Year Ended Mar/2012 %	Since Inception (annualized) %
Southern Interior Development Initiative Trust	16.3	14.1	12.6	9.4	7.0
Composite Benchmark *	11.4	12.6	11.0	8.7	6.3
Canadian Consumer Price Index	1.2	1.5	1.0	1.9	1.7
Canadian Equities	16.5	16.6	13.5	6.8	5.6
S&P/TSX Composite Index	6.9	11.4	9.6	4.4	4.6
Global Equities	28.1	23.9	21.8	16.0	7.9
MSCI World ex Canada Index	22.1	26.1	22.1	17.5	7.9
Fixed Income	8.2	5.6	5.4	6.4	6.3
Fixed Income Benchmark	8.3	4.7	4.6	5.9	5.6
Money Market	1.2	1.2	1.2	1.2	1.2
DEX 91 Day T-Bill Index	0.9	1.0	1.0	1.0	1.0

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 market investment portfolio earned an average rate of return of 16.3% in the year ended March 31st, 2015. This is a very strong absolute return, and handily exceeds our objective of earning an average rate of return of 3% above the rate of inflation and is significantly ahead of that of our benchmark, driven by strong returns in our equity portfolio.

The primary driver of these returns has been a result of very favorable capital market conditions. Inflation remains low, central banks around the world remain accommodative, and corporate earnings continue to grow. While the falling oil price is certainly an issue for oil companies and certain regions of the country, the accompanying fall in the Canadian dollar has added significantly to the Canadian-dollar returns of foreign investment assets.

SIDIT's equity holdings are invested in low volatility equity strategies, which have an objective of minimizing risk and maximizing risk-adjusted returns. While these strategies would not normally be expected to deliver higher returns than broad stock market in years when returns are very strong, that did happen over the past year due to our Canadian equity portfolio of not investing in poor performing natural resource stocks, while in our global portfolio this was primarily due to significant exposure to strong performing health care companies.

Returns in our fixed income portfolio were also very strong, though in-line with our benchmark, driven by another sharp fall in interest rates over the past six months. All three components of the fixed income portfolio – universe bonds, high yield bonds, and mortgages – generated positive returns.

The period since the financial crisis has been exceptionally good for investors, although looking forward, these strong absolute and relative returns should not be expected to continue. Given today's level of interest rates, bond returns will almost certainly be lower. And with equity market valuations having normalized since the crisis, the prospect of outsized returns is greatly diminished. 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 or interest rates rise sharply after the remarkable performance of the past few years.

## Results:

The return in fiscal 2015 for the PH&N portfolio was 16.3% versus a composite benchmark of 11.4%. The overall return since inception was 7% as compared to a composite benchmark of 6.3% and to the Canadian Consumer Price Index of 1.7%. The portfolio, originally \$25 million at inception is currently valued at \$30.8 million after reallocation of \$7.5 million to SIDIT's operating fund for investment into its loan and equity portfolio and grants program.

# Management Discussion and Analysis

We prepared this discussion and analysis of the financial position and results of operations of SIDIT on May 27, 2015, in conjunction with our audited financial statements and related notes for the year ended March 31, 2015.

The preparation of the financial information in this report is in accordance with Canadian accounting standards for not-for-profit organizations. We report in Canadian dollars. Totals and percentages may not always add up due to rounding.

## Internal Control Over Financial Reporting

Our fiscal 2015 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 as we are not a GST registrant.

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 2014	Fiscal 2015
Investment Income	Phillips Hager & North – Mutual Funds and Bonds	65%	67%
Development Initiative Income	Private Companies	32%	30%
Contributions	BCIC	3%	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 fully 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 achieved. 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 2015 OPERATING RESULTS COMPARED TO BUDGET

	2015 Actual	2015 Budget	Variance to Budget
<b>REVENUES</b>			
Income on Investments	\$893,694	\$1,059,917	-\$166,223
Unrealized gains	\$2,691,174	\$0	\$2,691,174
Realized gains	\$1,175,949	\$0	\$1,175,949
Income on Development Initiatives	\$1,858,465	\$1,743,166	\$115,299
Other Revenue	\$255,447	\$120,000	\$135,447
Contributions	\$241,000	\$255,500	-\$14,500
<b>EXPENSES</b>			
Board Costs	\$22,833	\$24,000	\$1,167
Education Awards and Grants	\$930,000	\$1,136,000	\$206,000
Office and Administration	\$147,143	\$144,940	-\$2,203
Professional /Consulting/Investment	\$201,480	\$208,000	\$6,520
Salaries and benefits	\$578,627	\$606,560	\$27,933
Provision for Loans	\$4,338,522	\$1,200,000	-\$3,138,522
Gain/-Deficiency	\$897,124	-\$140,917	\$1,038,041

### Revenue

#### INCOME ON INVESTMENTS / UNREALIZED GAINS (LOSSES)

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 16.3% well above our budgeted 6% return on investment.

#### INCOME ON DEVELOPMENT INITIATIVES

We achieved 107% of our budgeted loan interest.

#### 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 the majority of the budgeted amount for payout for scholarships, bursaries and other programs except for some student scholarships that have been awarded and not paid out to recipients.

## Expenditures

### BOARD COSTS

The administration costs for meetings were \$1,001 lower as additional meetings were held in the SIDIT office. Board expenditures for travel costs were under budget by \$166.

### 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 \$29,000 is due to BCIC not drawing out their allotted budgeted amount for payout to BCIC/SIDIT funded programs. BCIC's share of funding is reflected in "Contributions".

A Grant budget variance of \$177,000 is due to previously committed grants being withdrawn by applicants or cancelled due to the applicants not being able to secure matched funding. We also had a grant recipient return \$50,000 of funding approved due to not proceeding with a grant funded project.

### OFFICE AND ADMINISTRATION

We had a \$2,203 deficit in operations due to amortization of our leaseholds quicker than previously planned.

### SALARIES AND BENEFITS

The \$27,933 surplus was due to a delay in hiring of a new employee position approved as budgeted for.

### PROFESSIONAL, CONSULTING AND INVESTMENT FEES

The Accounting fees were under by \$290 and a savings of \$10,277 in legal fees as the majority of these expenses incurred for the year were expensed to individual loan accounts as security preparation or realization costs. We had an \$11,515 overage in consultant fees as a result of the engagement of consultants for the Strategic Plan session and reports generated. Investment management fees were lower by \$3,119 which were due to asset class transfers. Web and data base costs were lower by \$4,349 due to having internal staff with computer skills and knowledge to assist.

### PROVISION FOR DEVELOPMENT INITIATIVE LOSSES

An additional provision of \$4,338,522 has been made against certain outstanding development initiative investments which management considers unlikely to be recovered.

# FINANCIAL POSITION

## Assets & Liabilities

Balance Sheet							
	2009	2010	2011	2012	2013	2014	2015
<b>Assets</b>							
Current Assets:							
Cash and cash equivalents	1,404,809	1,157,630	5,085,229	3,432,819	3,219,309	1,518,509	1,107,445
Accounts receivable	149,227	126,773	203,630	183,794	149,377	640,625	162,016
Prepaid expenses	5,250	5,250	5,250	4,971	10,445	8,478	6,701
CP of Development Initiatives	0	0	1,570,420	2,487,454	2,257,701	447,384	3,488,859
	1,559,286	1,289,653	6,864,529	6,109,038	5,636,832	2,614,996	4,765,021
Investments	43,955,600	36,422,257	27,749,742	27,720,211	30,270,043	30,048,349	30,753,080
Development Initiatives	3,368,981	12,888,735	15,232,382	13,443,489	12,393,716	17,140,914	14,949,834
Property & Equipment	9,544	11,337	10,687	9,649	27,772	43,074	33,270
	48,893,411	50,611,982	49,857,340	47,282,387	48,328,363	49,847,333	50,501,205
<b>Liabilities and Fund Balance</b>							
Current Liabilities:							
Accounts payable	12,000	186,786	171,271	147,814	348,413	60,940	58,688
Deferred contributions	450,000	414,576	362,875	305,500	433,139	255,500	14,500
	462,000	601,362	534,146	453,314	781,552	316,440	73,188
Fund Balance:							
Regional Account:							
Externally restricted	48,431,411	50,010,620	49,323,194	46,829,073	47,546,811	49,530,893	50,428,017
	48,893,411	50,611,982	49,857,340	47,282,387	48,328,363	49,847,333	50,501,205

## Assets

### CASH AND CASH EQUIVALENTS

Our cash equivalent assets of \$1.1 million are monies currently held in Vantage One Credit Union.

### ACCOUNTS RECEIVABLE

Our accounts receivable include CFDC payments on Development Initiatives for the quarter ending March 31, 2015.

### 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 fiscal year.

### DEVELOPMENT INITIATIVES

As part of our mandate, we provide funding for business ventures through our development initiatives. In Fiscal 2015, development initiatives funded increased by \$5,233,664 over 2014 to \$14,949,834 net of \$7,868,633 provisions for losses and \$3,488,859 current portion of debt.

### INVESTMENTS

The principal financial instruments affecting our financial condition and results of operations are market bonds and equity investments. Our market 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 due to 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 \$5,231,110 in Money Markets, \$6,517,031 in Bonds and \$19,004,939 in Low Volatility Equities.

### PROPERTY & EQUIPMENT

Net book value decreased by \$9,804 which included an accelerated write-down on leasehold improvements and depreciation that was \$15,404.

## Liabilities

### ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable of \$58,688 includes monies owed on contractual obligations with development initiatives.

### CURRENT PORTION OF DEFERRED CONTRIBUTIONS

This represents \$14,500 of the unspent externally restricted grant from the British Columbia Innovation Council.

## Equity

### REGIONAL ACCOUNT

This account has increased by current net gain of \$897,124.

## Profit and Loss Statement

	2009	2010	2011	2012	2013	2014	2015
Province of BC Contribution	-	-	-	-	-	-	-
Income on Investments	1,557,434	1,091,859	939,214	1,459,184	828,276	761,868	893,694
Income Development Initiatives	116,596	938,167	1,979,692	2,020,602	1,735,793	1,421,093	1,858,465
Other revenue	31,900	222,420	276,165	289,667	87,824	204,345	255,447
Contributions	45,000	39,500	47,625	57,375	22,625	177,639	241,000
<b>Total Revenues</b>	<b>1,750,930</b>	<b>2,291,946</b>	<b>3,242,696</b>	<b>3,826,828</b>	<b>2,674,518</b>	<b>2,564,945</b>	<b>3,248,606</b>
Board Costs	10,850	17,683	10,089	12,141	17,382	17,453	22,833
Education Awards and Grants	1,975,002	2,958,698	1,827,011	910,983	556,550	1,235,750	930,000
Office and Administration	131,339	87,942	87,326	72,056	84,268	133,591	147,143
Professional Fees	149,539	168,076	169,814	161,633	239,611	176,224	201,480
Salaries and Benefits	201,937	286,508	303,976	304,445	332,656	466,792	578,627
<b>Total Expenses</b>	<b>2,468,667</b>	<b>3,518,907</b>	<b>2,398,216</b>	<b>1,461,258</b>	<b>1,230,467</b>	<b>2,029,810</b>	<b>1,880,083</b>
<b>Excess of Revenue over Expenses</b>	<b>(717,737)</b>	<b>(1,226,961)</b>	<b>844,480</b>	<b>2,365,570</b>	<b>1,444,051</b>	<b>535,135</b>	<b>1,368,523</b>
Unrealized gain(loss) on investments	(4,463,979)	3,706,143	1,235,173	(1,309,767)	2,578,925	2,190,751	2,691,174
Realized gain(loss) on investments	-	-	-	-	(706,178)	446,938	1,175,949
Provision for Development Initiative Losses	(400,000)	(899,973)	(2,767,079)	(3,549,922)	(2,599,060)	(1,188,743)	(4,338,522)
<b>NET INCOME (LOSS)</b>	<b>(5,581,716)</b>	<b>1,579,209</b>	<b>(687,426)</b>	<b>(2,494,119)</b>	<b>717,738</b>	<b>1,984,081</b>	<b>897,124</b>

## LIQUIDITY

Cash flow, excluding provision for development initiative losses and unrealized loss on investments, was negative for the year at \$0.4 million. We ended the year with \$1.1 million in cash and cash equivalents.

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

### STATEMENT OF CASH FLOWS

	2015	2014	2013	2012
<b>Cash provided by (used in):</b>				
<b>Cash flows from operating activities:</b>				
Excess (Deficiency) of revenue over expenditures	897,124	1,984,081	717,738	(2,494,119)
Items not involving cash:				
Amortization	15,404	9,797	5,285	3,073
Realized loss on investments	(1,175,949)	(446,938)	706,178	-
Unrealized (gain)loss on investments	(2,691,174)	(2,190,751)	(2,578,925)	1,309,767
Provision for development initiative losses	4,338,522	1,188,743	2,599,060	3,549,922
	1,383,927	544,932	1,449,336	2,368,643
Change in non-cash operating working capital				
Receivables	478,609	(491,248)	34,417	
Prepaid Expenses	1,777	1,967	(5,474)	(3,345)
Payables and Accrued Liabilities	(2,252)	(184,972)	98,098	
Recognition of deferred contributions	(241,000)	(177,639)	127,639	(57,375)
	1,621,061	(306,960)	1,704,016	2,307,923
<b>Cash flows from investing activities:</b>				
Funding of development initiatives, net	(5,188,917)	(4,228,124)	(1,217,034)	(2,678,062)
Purchase of investments	(3,991,665)	(3,582,969)	(25,293,158)	(3,153,537)
Proceeds from sale of investments	7,154,057	6,442,352	24,616,073	1,873,301
Acquisition of property and equipment	(5,600)	(25,099)	(23,407)	(2,035)
	(2,032,125)	(1,393,840)	(1,917,526)	(3,960,333)
Increase(decrease) in cash and cash equivalents	(411,064)	(1,700,800)	(213,510)	(1,652,410)
Cash and cash equivalents, beginning of year	1,518,509	3,219,309	3,432,819	5,085,229
<b>Cash and cash equivalents, end of year</b>	<b>1,107,445</b>	<b>1,518,509</b>	<b>3,219,309</b>	<b>3,432,819</b>

## Commitments:

As at March 31, 2015, the Trust has committed funding of \$339,500 as follows:

<b>Project/Recipient</b>	<b>Description</b>	<b>Amount</b>	<b>Anticipated Disbursement Timing - Fiscal</b>
British Columbia Innovation Council	Co-funding of innovation, commercialization and academic awards	\$14,500	2016
Various equity and loan initiatives	Conditionally approved loan and equity initiatives	\$325,000	2016

## FUTURE OUTLOOK

### BUDGET AND 3 YEAR PROJECTIONS

	2016 Budget	2017 Projected	2018 Projected	2019 Projected
Investment Revenues	\$2,800,000	\$2,500,000	\$2,300,000	\$2,100,000
Development Initiative Revenues	\$1,690,000	\$2,100,000	\$2,400,000	\$2,700,000
Other Revenues	\$200,000	\$200,000	\$200,000	\$200,000
Contributions	\$14,500	\$0	\$0	\$0
<b>Total Revenues</b>	<b>\$4,704,500</b>	<b>\$4,800,000</b>	<b>\$4,900,000</b>	<b>\$5,000,000</b>
Grants	\$899,000	\$870,000	\$870,000	\$870,000
<b>Total Grants</b>	<b>\$899,000</b>	<b>\$870,000</b>	<b>\$870,000</b>	<b>\$870,000</b>
Wages & Benefits	\$738,000	\$800,000	\$864,000	\$933,000
Board expenses	\$24,000	\$24,000	\$24,000	\$24,000
Admin costs	\$180,500	\$185,000	\$190,000	\$200,000
Professional Services	\$440,000	\$440,000	\$440,000	\$440,000
Total Expenses	\$1,382,500	\$1,449,000	\$1,518,000	\$1,597,000
<b>Total Expenses &amp; Grants</b>	<b>\$2,281,500</b>	<b>\$2,319,000</b>	<b>\$2,388,000</b>	<b>\$2,467,000</b>
<b>TOTAL INCOME OVER EXPENSES</b>	<b>\$2,423,000</b>	<b>\$2,481,000</b>	<b>\$2,512,000</b>	<b>\$2,533,000</b>
Provision for Development Initiative Loss	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
<b>NET INCOME</b>	<b>\$1,223,000</b>	<b>\$1,281,000</b>	<b>\$1,312,000</b>	<b>\$1,333,000</b>

### Revenues

Investment income is expected to be 6% as we are forecasting a steady growing global economy. We have made forecasts for unrealized gains/losses.

Development Initiative interest income is calculated on 8% 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

Our financial statements are prepared on an accrual 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 accounting standards 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 accounting standards 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.*

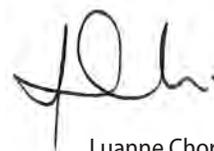
We believe that the financial statements and other financial information in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Southern Interior Development Initiative Trust (the Trust) as of the dates and for the periods presented. 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.



Luanne Chore  
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, 2015, 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, 2015, 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.

Kelowna, Canada  
June 3, 2015

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

Chartered Accountants

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**Southern Interior Development Initiative Trust**  
**Statement of Financial Position**

March 31 2015 2014

**Assets**

Current		
Cash and cash equivalents	\$ 1,107,445	\$ 1,518,509
Receivables	162,016	640,625
Prepaid expenses	6,701	8,478
Current portion of development initiatives (Note 3)	<u>3,488,859</u>	<u>447,384</u>
	4,765,021	2,614,996
Development initiatives (Note 3)	14,949,834	17,140,914
Investments (Note 5)	30,753,080	30,048,349
Property and equipment (Note 6)	<u>33,270</u>	<u>43,074</u>
	<u>\$ 50,501,205</u>	<u>\$ 49,847,333</u>

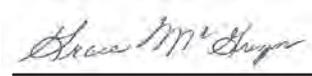
**Liabilities**

Current		
Payables and accrued liabilities	\$ 58,688	\$ 60,940
Deferred contributions (Note 7)	<u>14,500</u>	<u>255,500</u>
	73,188	316,440
Regional account	<u>50,428,017</u>	<u>49,530,893</u>
	<u>\$ 50,501,205</u>	<u>\$ 49,847,333</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	2015	2014
<b>Revenue</b>		
Income on development initiatives	\$ 1,858,465	\$ 1,421,093
Income on investments	893,694	761,868
Other revenue	255,447	204,345
Contributions (Note 7)	<u>241,000</u>	<u>177,639</u>
	<u>3,248,606</u>	<u>2,564,945</u>
<b>Expenses</b>		
Amortization	15,404	9,797
Board costs	22,833	17,453
Consulting fees	61,515	27,053
Education awards and grants	930,000	1,235,750
Insurance	5,978	5,940
Investment fees	96,881	95,608
Office and administration	125,761	117,854
Professional fees	43,084	53,563
Salaries and benefits	<u>578,627</u>	<u>466,792</u>
	<u>1,880,083</u>	<u>2,029,810</u>
Excess of revenues over expenses before other income (expenses)	<u>1,368,523</u>	<u>535,135</u>
<b>Other income (expenses)</b>		
Gain on disposal of investments	1,175,949	446,938
Unrealized gain on investments	2,691,174	2,190,751
Provision for development initiative losses (Note 4)	<u>(4,338,522)</u>	<u>(1,188,743)</u>
	<u>(471,399)</u>	<u>1,448,946</u>
Excess of revenues over expenses	<u>\$ 897,124</u>	<u>\$ 1,984,081</u>
<hr/>		
Regional account, beginning of year	\$ 49,530,893	\$ 47,546,812
Excess of revenues over expenses	<u>897,124</u>	<u>1,984,081</u>
Regional account, end of year	<u>\$ 50,428,017</u>	<u>\$ 49,530,893</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	2015	2014
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Excess of revenues over expenses	\$ 897,124	\$ 1,984,081
Items not affecting cash		
Amortization	15,404	9,797
Gain on disposal of investments	(1,175,949)	(446,938)
Unrealized gain on investments	(2,691,174)	(2,190,751)
Provision for development initiative losses	<u>4,338,522</u>	<u>1,188,743</u>
	<b>1,383,927</b>	<b>544,932</b>
Change in non-cash working capital items		
Receivables	478,609	(491,248)
Prepaid expenses	1,777	1,967
Payables and accrued liabilities	(2,252)	(184,972)
Deferred contributions	<u>(241,000)</u>	<u>(177,639)</u>
	<b>1,621,061</b>	<b>(306,960)</b>
<b>Investing</b>		
Funding of development initiatives	(5,233,664)	(6,285,157)
Repayments of development initiatives	44,747	2,057,033
Proceeds on sale of investments	7,154,057	6,442,352
Purchase of investments	(3,991,665)	(3,582,969)
Purchase of property and equipment	<u>(5,600)</u>	<u>(25,099)</u>
	<b>(2,032,125)</b>	<b>(1,393,840)</b>
Decrease in cash and cash equivalents	(411,064)	(1,700,800)
Cash and cash equivalents		
Beginning of year	<u>1,518,509</u>	<u>3,219,309</u>
End of year	<b>\$ 1,107,445</b>	<b>\$ 1,518,509</b>

See accompanying notes to the financial statements.

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## **Southern Interior Development Initiative Trust**

### **Notes to the Financial Statements**

March 31, 2015

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#### **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 of British Columbia 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 of British Columbia.

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#### **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.

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## Southern Interior Development Initiative Trust

### Notes to the Financial Statements

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March 31, 2015

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#### 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 at 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 and estimated useful lives and related amortization of property and equipment.

##### 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 investments 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 (which approximates fair value for cash and cash equivalents) are cash and cash equivalents, receivables, development initiatives, and payables and accrued liabilities.

## Southern Interior Development Initiative Trust

### Notes to the Financial Statements

March 31, 2015

#### 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

	2015	2014
Loans - direct	\$ 7,328,698	\$ 4,667,419
Loans - convertible	10,162,835	9,175,208
Loans - via Community Futures Development Corp. ("CFDC")	396,850	429,901
Equity - common shares	4,459,838	4,459,838
Equity - preferred shares	3,959,105	2,454,984
	26,307,326	21,187,350
Less: provision for development initiative losses (Note 4)	(7,868,633)	(3,599,052)
Less: current portion	(3,488,859)	(447,384)
	<b>\$ 14,949,834</b>	<b>\$ 17,140,914</b>

(a) Loans - direct:

The Trust has 16 (2014 - 12) direct loans outstanding which bear interest rates that range from 5.25% to 16% per annum. Interest and principal amounts are due at various dates between April 1, 2015 and November 1, 2034.

(b) Loans - convertible:

The Trust has 26 (2014 - 21) 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, 2015 and March 1, 2020. 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 (2014 - 4) loans made via CFDC's Southern Interior Business Investment Fund which bear interest rates that range from 5.5% to 10% per annum. The principal amounts are due at various dates between April 1, 2015 and September 1, 2024.

(d) Equity - common shares:

The Trust has 4 (2014 - 4) common share investments.

(e) Equity - preferred shares:

The Trust has 4 (2014 - 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, 2015

#### 4. Provision for development initiative losses

	2014	Increase in estimated provision	Amounts written off	2015
Loans - direct	\$ 638,306	\$ 1,202,975	\$ (68,941)	\$ 1,772,340
Loans - convertible	250,997	1,490,662	-	1,741,659
Equity - common shares	2,136,243	-	-	2,136,243
Equity - preferred shares	573,506	1,644,885	-	2,218,391
	<u>\$ 3,599,052</u>	<u>\$ 4,338,522</u>	<u>\$ (68,941)</u>	<u>\$ 7,868,633</u>

#### 5. Investments

The year end composition of investments is as follows:

	2015		2014
Money market	\$ 5,231,110	\$	5,955,722
Bonds	6,517,031		5,495,208
Equities	<u>19,004,939</u>		<u>18,597,419</u>
	<u>\$ 30,753,080</u>	\$	<u>30,048,349</u>

Continuity of investment activity during the year is as follows:

	2015		2014
Opening balance	\$ 30,048,349	\$	30,270,043
Income on investments	880,688		736,225
Unrealized gain on investments	2,691,174		2,190,751
Gain on disposal of investments	<u>1,175,949</u>		<u>446,938</u>
	<u>34,796,160</u>		<u>33,643,957</u>
Income reinvested in funds	(880,688)		(736,225)
Funds withdrawn for development initiatives	(3,065,511)		(2,763,775)
Investment management fees paid	<u>(96,881)</u>		<u>(95,608)</u>
	<u>(4,043,080)</u>		<u>(3,595,608)</u>
	<u>\$ 30,753,080</u>	\$	<u>30,048,349</u>

The annual weighted average rate of return for 2015 was 16.30% (2014 - 14.1%).

## Southern Interior Development Initiative Trust Notes to the Financial Statements

March 31, 2015

6. Property and equipment			2015	2014
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture	\$ 26,869	\$ 14,982	\$ 11,887	\$ 14,858
Leasehold improvements	15,488	8,519	6,969	13,939
Computer hardware	29,693	16,130	13,563	12,576
Computer software	7,983	7,132	851	1,701
	<b>\$ 80,033</b>	<b>\$ 46,763</b>	<b>\$ 33,270</b>	<b>\$ 43,074</b>

### 7. Deferred contributions

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

	2015	2014
Balance, beginning of year	\$ 255,500	\$ 433,139
Amounts recognized as revenue in the year	(241,000)	(177,639)
Balance, end of year	<b>\$ 14,500</b>	<b>\$ 255,500</b>

### 8. Commitments and contingencies

As of March 31, 2015, the Trust has committed funding of approximately \$325,000 (2014 - \$1,020,500) to various development initiatives and grants.

The Trust has indemnified Heritage Credit Union ("Heritage") in the amount of \$1,488,977 (2014 - \$1,671,269) 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.

The Trust's total commitments, under operating leases for premises in Vernon and Kelowna, BC, exclusive of occupancy costs, are as follows:

2016	\$ 35,757
2017	31,032
2018	25,860
	<b>\$ 92,649</b>

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## Southern Interior Development Initiative Trust

### Notes to the Financial Statements

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March 31, 2015

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#### 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 development initiative 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) Currency risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Trust is exposed to this risk on its investments in U.S. and other international equities quoted in an active market. At year end, the Trust has \$9,702,358 (2014 - \$9,407,066) in investments in U.S. and other international equities.

(ii) 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.

(iii) 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.

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#### 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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# Notes

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# *Southern Interior*

DEVELOPMENT INITIATIVE TRUST

## Southern Interior Development Initiative Trust Staff

Luanne Chore | Chief Executive Officer

Tammy Jurczak | Sr. Director, Loans and Equity Investments

Shawn G. Edwards | Director, Loans and Equity Investments

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