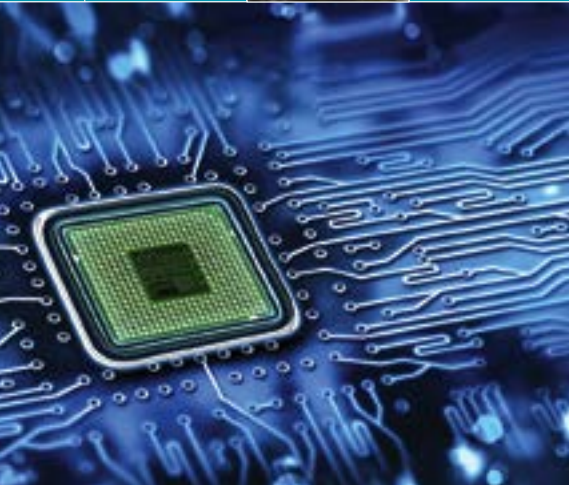


Southern Interior

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, 2015 through March 31, 2016.

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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2016 Message from the Chairman of the Board

I consider it an honour to represent the Board of Directors of the Southern Interior Development Initiative Trust for the past year, and look forward to the upcoming year.

The Southern Interior Development Initiative Trust (SIDIT) is proud to celebrate our 10th anniversary in 2016.

In 2006, the government of British Columbia enacted legislation launching the Trust with a one-time allocation of \$50 million paid into a regional Account. The mission of SIDIT is to support strategic investments in economic development projects that will have long-lasting and measurable benefits to the Southern Interior.

Ten years later, with 98 Grant projects, and 105 Loans and Investment projects funded, creating 2,609 jobs, a total of \$49.8 million has been disbursed. SIDIT is proud to have sustained its initial funding allocation of \$50 million to support strategic investments in economic development projects for the next 10 years. This is indeed a good news story for SIDIT and the Liberal government for making this solid business investment on behalf of all British Columbians in the Southern Interior.

The Trust 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 continue to accomplish even more in the years ahead.

During the 2016 fiscal period we awarded \$4.8 million in economic development initiatives in the Southern Interior for a cumulative total of \$49.8 million as at March 31, 2016.

The success of SIDIT 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 CEO position on July 1, 2014. The SIDIT Board applauds Luanne and the team for another successful year of success with SIDIT. Under her executive leadership, and the Board's vision, SIDIT continues to embark upon exciting new phases of growth and development. Luanne's ongoing leadership

has strengthened 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 continuation of the new direction that the Board of Directors has put forth in the SIDIT Strategic Plan.

The Board of Directors has been working closely with Luanne Chore, CEO, 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. We are pleased to announce Pamela Deveau has joined the team as an Executive Assistant to the CEO and Board of Directors on June 20, 2016.

The past year has also brought a new member to our Board of Directors. We are pleased to welcome Peter Moore, retired Chartered Accountant, who has been Appointed as a Director by the BC Ministry.

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 dark ink, appearing to read 'Grace McGregor'.

Grace McGregor
SIDIT Chairman of the Board

Governance

Southern Interior Development Initiative Trust (SIDIT) is governed by a board of thirteen directors, eight of which are elected officials appointed by Regional Advisory Committees; and the five other Board directors are 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.

Board of Directors

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



Peter Moore
Provincial Appointee
North Okanagan Region

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 to the Board of Directors of SIDIT, to provide advice, recommendations on Trust funding project eligibility, to establish the terms of office for members elected; and to provide representation opportunities 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 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

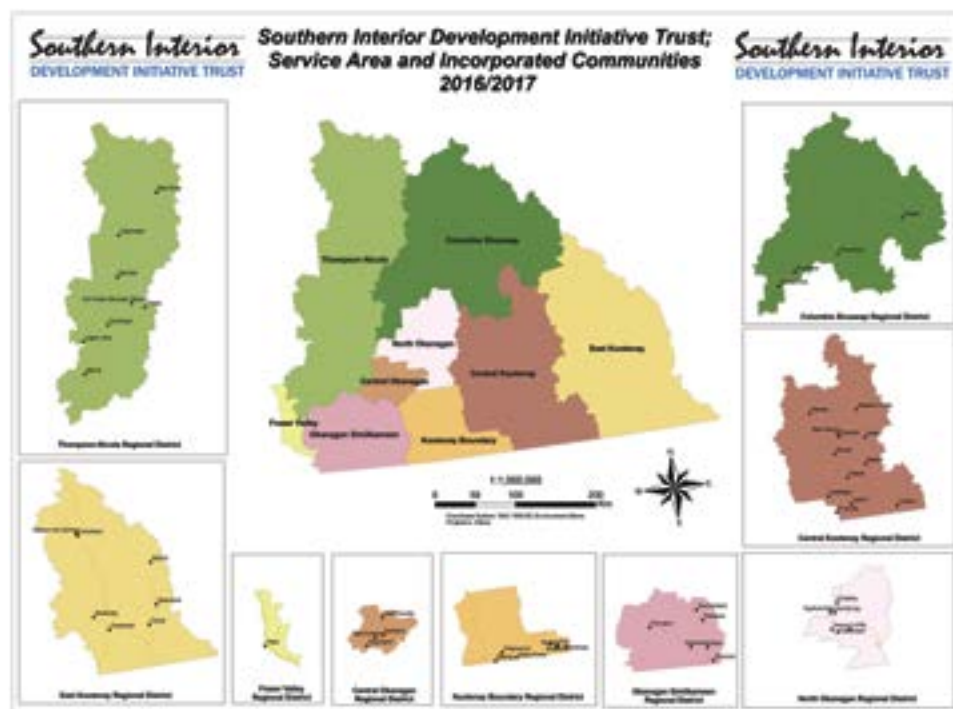
Columbia Kootenay Region

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



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*

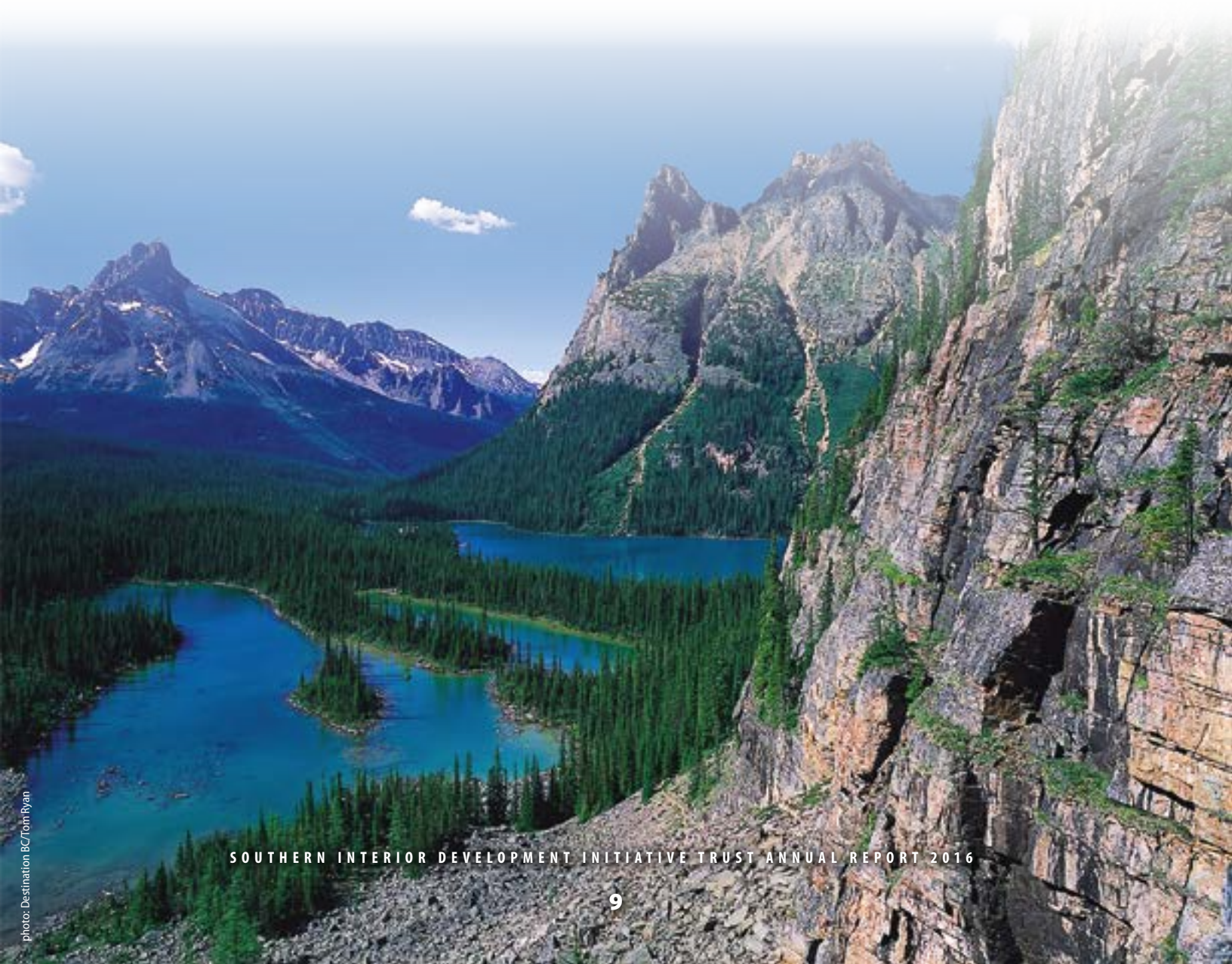
Our Mission

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.

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 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.

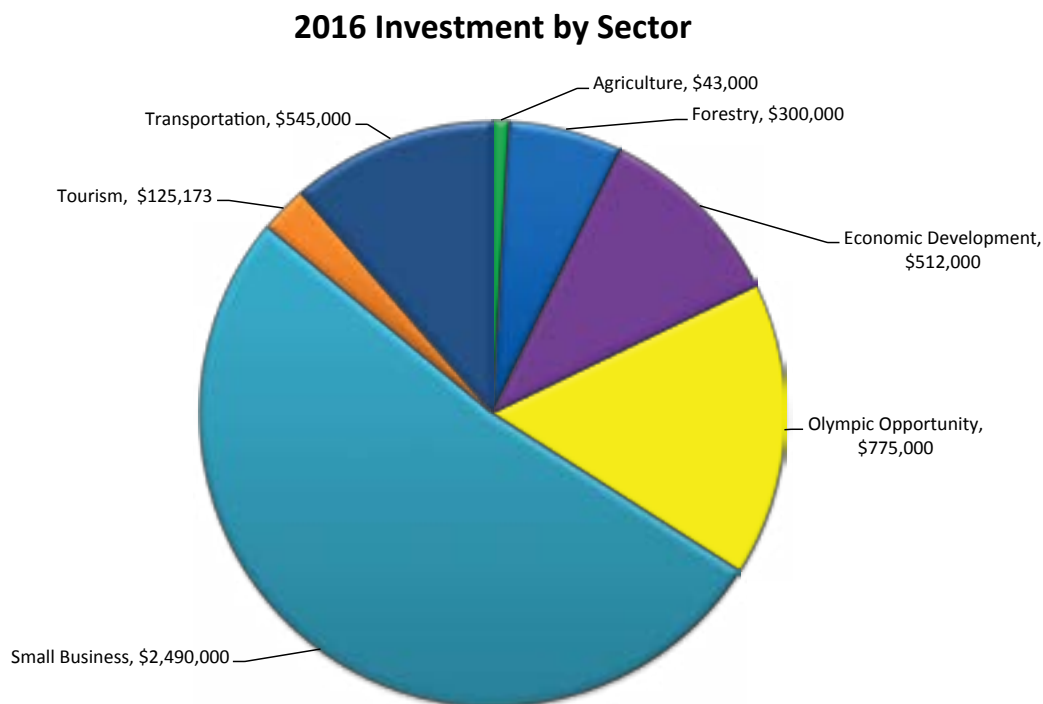
SIDIT is focused on supporting economic development initiatives that will demonstrate long term measurable economic impact within the Southern Interior. Funding may include grants, loans and equity participation with a focus on leveraged partnership participation.

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.

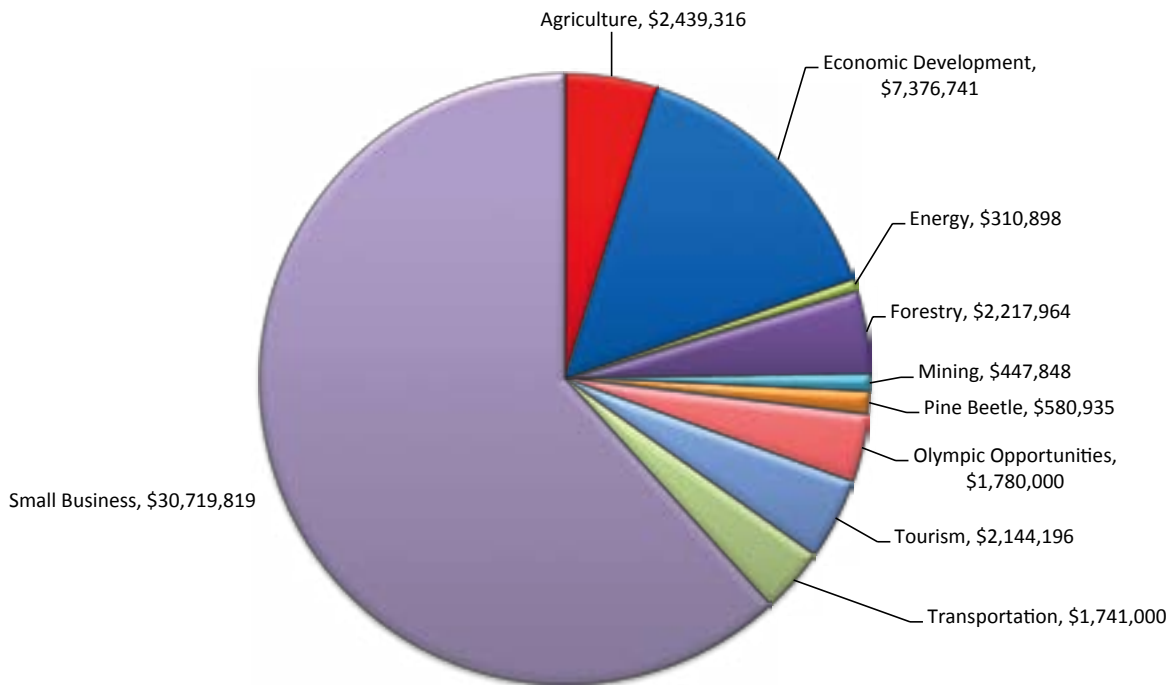
Funding by Investment Sector

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



2007-2016 Cumulative Funding by Sectors



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; 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; 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.

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 loans and investments 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. 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 it self 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 SIDIT's Risk Rating Guidelines (refer to SIDIT's 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 SIDIT's 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 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, has the necessary funding and cash flows to meet its objectives.

Internal Capacity Risk:

An experienced management and staff team allows 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:

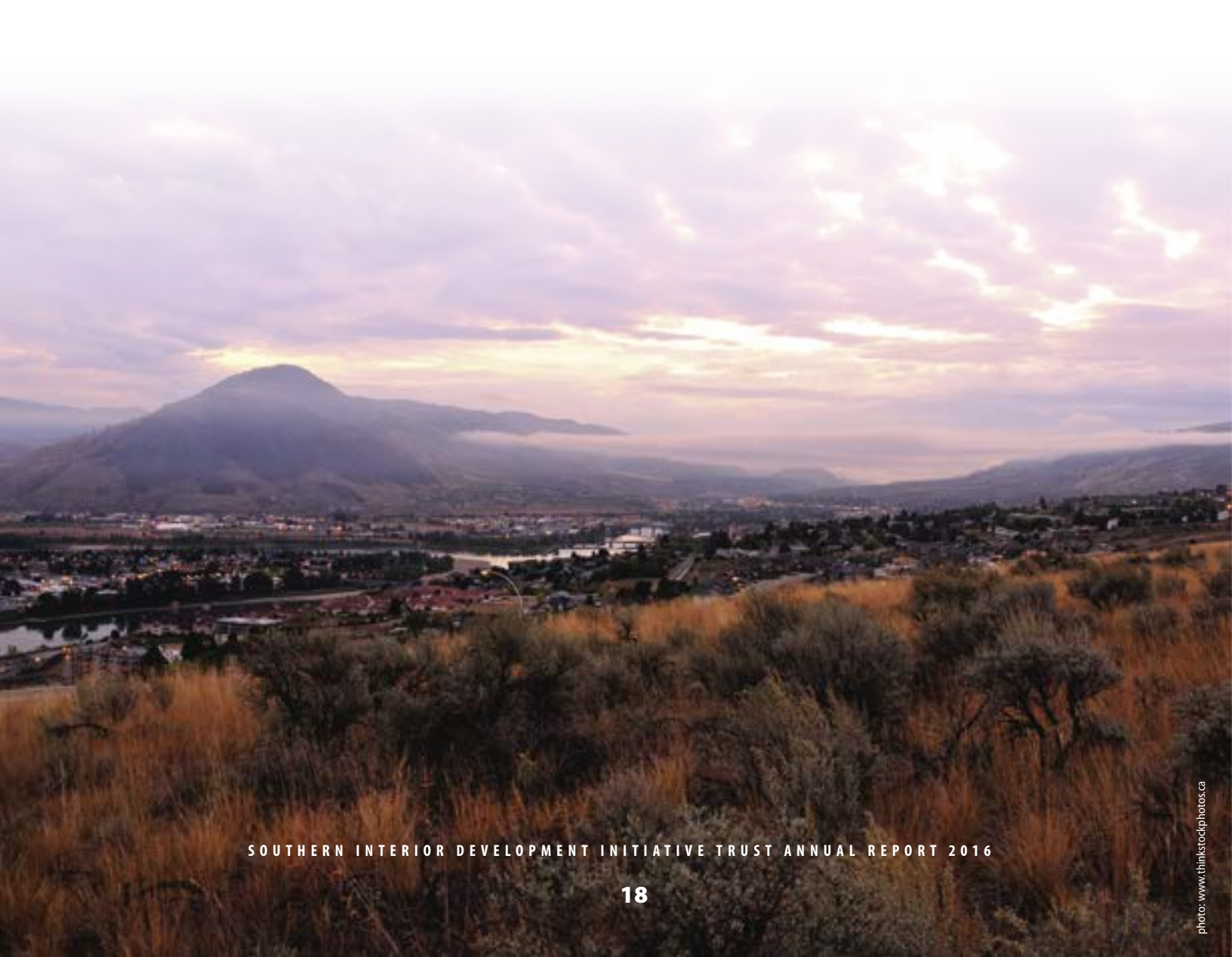
Liquidity risk is the risk that SIDIT will be unable to fund its obligations as they come due. SIDIT's management oversees SIDIT's liquidity risk to ensure that SIDIT has access to enough readily available funds to cover its financial obligations as they come due. SIDIT's business requires such capital 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

SIDIT established its long term goals in consultation with the SIDIT Board and the chairs of the Regional Advisory Committees (RAC) who represent the two Southern Interior regions that are impacted by SIDIT's performance. SIDIT has established processes and extensive knowledge of its stakeholders required to set goals that are significant to and

inclusive of its stakeholders. SIDIT's strategic plan outlines the next three years of strategic initiatives, including annual work plans for each of these years. The strategic plan can be viewed on SIDIT's website www.sidit-bc.ca under the "Apply for Funding" tab.



Changes in Reporting

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 a grant 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 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, 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, in the southwest part of British Columbia. More specifically, the SIDIT region comprises of 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 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:

1. Positively impact each region in the Southern Interior through strategic investments in communities, effective partnership and by focusing on primary target industries.
2. 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.
3. 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.
- 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

Measurement:

Regional impact will be evaluated as dollars per capita/per sub region and is provided for informational purposes only.

Results:

The following reflects cumulative disbursed funding by region on a per capita basis.

Grant Funding by Region and per Capita:

Regions	2016 Grants	Total Funded Grants	Population	\$ per capita
Fraser Valley	\$25,000	\$25000	5,969	\$4.19
Thompson Nicola	\$80,173	\$949,666	128,473	\$7.39
Columbia Shuswap-TO	\$50,000	\$200,000	36,055	\$5.55
North Okanagan	\$0	\$344,822	81,237	\$4.24
Central Okanagan	\$75,000	\$815,478	179,839	\$4.53
Okanagan Similkameen	\$30,000	\$451,284	80,742	\$5.59
			512,315	
Columbia Shuswap-K	\$0	\$150,000	14,457	\$10.38
Kootenay Boundary	\$100,000	\$807,715	31,138	\$25.94
Central Kootenay East	\$18,000	\$561,088	58,441	\$9.60
Kootenay	\$75,000	\$700,406	56,685	\$12.36
			160,721	
Leverage 9:6 to 1	\$453,173	\$5,005,459	673,036	\$7.44

Loan Funding Mandates by Region and per Capita

Regions	2016	\$ Funded Loans	Population	per capita
Fraser Valley	\$545,000	\$1,045,000	5,969	\$ 175.07
Thompson Nicola	\$0	\$816,010	128,473	\$ 6.35
Columbia Shuswap-TO	\$300,000	\$735,935	36,055	\$ 20.41
North Okanagan	\$300,000	\$4,505,589	81,237	\$ 55.46
Central Okanagan	\$1,615,000	\$22,291,487	179,839	\$ 123.95
Okanagan Similkameen	\$1,275,000	\$4,195,674	80,742	\$ 51.96
	<u>\$4,035,000</u>	<u>\$33,589,695</u>	<u>512,315</u>	<u>\$ 65.56</u>
Columbia Shuswap-K	\$0	\$0	14,457	\$ -
Kootenay Boundary	\$75,000	\$3,712,930	31,138	\$ 119.24
Central Kootenay	\$0	\$310,775	58,441	\$ 5.32
East Kootenay	\$0	\$1,701,600	56,685	\$ 30.02
	<u>\$75,000</u>	<u>\$5,725,305</u>	<u>160,721</u>	<u>\$ 35.62</u>
Leverage: 2.38 to 1	<u>\$4,110,000</u>	<u>\$39,315,000</u>	<u>673,036</u>	

Funding Mandates by Region and per capita

Regions	Total	Population	\$ per capita
Fraser Valley	\$1,117,253	5,969	\$187.18
Thompson Nicola	\$2,732,734	128,473	\$21.27
Columbia Shuswap-TO	\$1,221,363	36,055	\$33.87
North Okanagan	\$5,493,520	81,237	\$67.62
Central Okanagan	\$24,398,651	179,839	\$135.67
Okanagan Similkameen	\$5,256,147	80,742	\$65.10
	<u>\$40,219,668</u>	<u>512,315</u>	<u>\$78.51</u>
Columbia Shuswap-K	\$300,176	14,457	\$20.76
Kootenay Boundary	\$4,844,100	31,138	\$155.57
Central Kootenay	\$1,478,936	58,441	\$25.31
East Kootenay	\$2,915,837	56,685	\$51.44
Entire Area	<u>\$9,539,049</u>	<u>160,721</u>	<u>\$59.35</u>
	<u>\$49,758,717</u>		

Population based on the 2011 Federal Census

Education by Regions

	Total	Population	\$ per capita
ThompsonOkanagan	3,837,250	512,315	\$7.49
Columbia Kootenay	1,601,000	160,721	\$9.96
	<u>5,438,250</u>	<u>673,036</u>	<u>\$ 8.08</u>

Discussion:

From its original \$50 million government allocation, SIDIT has invested \$39.3 million into business ventures in the Southern Interior as well as funded \$10.4 million in non-repayable grants and education awards. \$19.6 million in principal and interest has been repaid as at the end of fiscal 2016. \$29.6 million in surplus funds are invested in liquid and market securities to provide for operating capital and create a reserve for future funding and investment opportunities. It is anticipated that this level of funding will help communities respond to challenges and opportunities in the near term while preserving a significant portion of the funds to ensure that the Trust has resources available to respond to future challenges and opportunities as they evolve. At the October 2014 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.

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.

BC Acceleration Network

Q4 FY2015/16

Total BCIC Funding Since Launch: \$9,949,975 | BCIC-Supported Funding in FY2015/16: \$3,417,975

Program Launch: 2011 | Total No. of Partners in Network: 14

Average Client Capacity Filled¹: 91% | Companies' Average Time in Program: 7 months | Total EIR Capacity: 47

BC ACCELERATION NETWORK PERFORMANCE OVERVIEW								
	Q1 2015/16	Q2 2015/16	Q3 2015/16	Q4 2015/16	Quarter-over- Quarter Change (Q4 2015/16 / Q3 2015/16)	Q4 Year-over- Year Change (Q4 FY2015/16 / Q4 FY2014/15)	FY 2015/16	Since Program Launch
Entrepreneurs Trained During the Period	447	433	422	445	5%	14%	631	931
Companies Active During the Period	179	227	221	239	8%	128%	348	556
New Jobs Created	115	90	114	122	8%	64%	440	1394
New Company Revenue Generated	\$4.7M	\$5.8M	\$8.1M	\$9.1M	13%	133%	\$27.7M	\$61.1M
New Private Investment Attracted	\$15M	\$19.4M	\$18.4M	\$16.8M	-8%	199%	\$69.6M	\$119.8M
Other New Investment Attracted	\$7.5M	\$3.5M	\$3M	\$4.4M	45%	90%	\$18.3M	\$50.9M

- 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 Launch* data refer to the cumulative results achieved since each partner began offering the Venture Acceleration Program, up to the end of Q4 2015/16.
- New Private Investment* refers to new venture capital, angel, strategic and friends & family investments. *Other New Investment* refers to new founder investment and government grants.

69% of Companies contributed to Jobs, Revenue and/or Investment			
43%	created 440 New Jobs	29%	attracted \$69.6M in New Private Investment
39%	generated \$27.7M New Revenue	53%	attracted \$18.3M in Other New Investment

Note: Performance data have been received for 318 of 348 companies active in the fiscal year. Results are based on the performance data reports received. Performance results were not required from companies that exited the program immediately after the beginning of the quarter and those that joined the program immediately before quarter end.

Accelerate Okanagan (AO) Okanagan Valley

BCIC Funding Since Launch: \$1,450,000 | BCIC Funding in FY2015/16: \$400,000

Program Launch: Jul 2011

Average Capacity Filled¹: 59% (15 of 25 seats) | Companies' Average Time in Program: 4.2 months | Total EIR Capacity: 8

PROGRAM PERFORMANCE								
	Q1 2015/16	Q2 2015/16	Q3 2015/16	Q4 2015/16	Quarter-over- Quarter Change (Q4 2015/16 / Q3 2015/16)	Q4 Year-over- Year Change (Q4 FY2015/16 / Q4 FY2014/15)	FY 2015/16 (%BCAN)	Since Program Launch
Entrepreneurs Trained During the Period	28	25	24	23	-4%	43%	43 (7%)	118
Companies Active During the Period	12	17	16	18	13%	260%	33 (9%)	93
New Jobs Created	7	7	4	5	25%	-64%	23 (5%)	322
New Company Revenue Generated	\$465K	\$324K	\$384K	\$173K	-55%	-67%	\$1.3M (5%)	\$13.4M
New Private Investment Attracted	\$577K	\$181K	\$500K	\$257K	-49%	-49%	\$1.5M (2%)	\$7.8M
Other New Investment	\$200K	\$136K	\$101K	\$109K	8%	-28%	\$546K (3%)	\$5.8M

- 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 Launch* data refer to the cumulative results achieved since each partner began offering the Venture Acceleration Program, up to the end of Q4 2015/16.
- New Private Investment* refers to new venture capital, angel, strategic and friends & family investments. *Other New Investment* refers to new founder investment and government grants.

100% of Companies contributed to Jobs, Revenue and/or Investment			
61%	created 23 New Jobs	36%	attracted \$1.5M in New Private Investment
64%	generated \$1.3M New Revenue	70%	attracted \$546K in Other New Investment

Note: Performance data have been received for 33 of 33 companies active in the fiscal year. Contribution percentages are based on the performance data reports received.

Highlighted Success Stories:

- AO Alumni, QuestUpon, partners with Best Western Plus Hotel & Suites created interactive experience for hotel guests, with 'BC Wildlife Adventure' that featured Kelowna and BC's wildlife.
- AO Alumni, WtFast & Community Sift (formerly Two Hat Security) on Ready to Rocket 2016 List.
- KinematicSoup, announced expansion of beta Scene Fusion platform, inviting additional game developers using the Unity 3D engine to trial Scene Fusion in its current stage of development P open to game studios worldwide.

Kamloops Innovation (KI)

Central Interior

Total BCIC Funding Since Launch: \$525,000 | BCIC Funding Budgeted FY2015/16: \$150,000

Program Launch: Apr 2013

Average Capacity Filled¹: 89% (11 of 12 seats) | Companies' Average Time in Program: 8.9 months | Total EIR Capacity: 2

PROGRAM PERFORMANCE								
	Q1 2015/16	Q2 2015/16	Q3 2015/16	Q4 2015/16	Quarter-over- Quarter Change (Q4 2015/16 / Q3 2015/16)	Q4 Year-over- Year Change (Q4 FY2015/16 / Q4 FY2014/15)	FY 2015/16 (%BCAN)	Since Program Launch
Entrepreneurs Trained During the Period	21	22	25	25	0%	39%	26 (4%)	44
Companies Active During the Period	8	10	12	12	0%	140%	13 (4%)	21
New Jobs Created	4	5	10	4	-60%	100%	23 (5%)	41
New Company Revenue Generated	\$72K	\$95K	\$1.4M	\$2.1M	54%	15937%	\$3.6M (13%)	\$3.7M
New Private Investment Attracted	\$1.3M	\$18K	\$13K	\$755K	5940%	260%	\$2.1M (3%)	\$2.4M
Other New Investment Attracted	\$503K	\$119K	\$148K	\$616K	317%	806%	\$1.4M (8%)	\$1.8M

- 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 Launch* data refer to the cumulative results achieved since each partner began offering the Venture Acceleration Program, up to the end of Q4 2015/16.
- New Private Investment* refers to new venture capital, angel, strategic and friends & family investments. *New Other Investment* refers to new founder investment and government grants

77% of Companies contributed to Jobs, Revenue and/or Investment			
38%	created 23 New Jobs	31%	attracted \$2.1M in New Private Investment
69%	generated \$3.6M New Revenue	62%	attracted \$1.4M in Other New Investment

Note: Performance data have been received for 12 of 13 companies active in the fiscal year. Contribution percentages are based on the performance data reports received.

Highlighted Success Stories:

- Snap Up Real Estate has taken on a new technical founder.
- iTel has hired 4 new people, including one Thompson Rivers University Graduate.
- Lightship has entered into pilot agreements with the Port of Tampa Florida, and Imperial Oil.

Kootenay Association for Science and Technology (KAST)

West Kootenays

Total BCIC Funding Since Launch: \$370,000 | BCIC Funding Budgeted FY2015/16: \$170,000

Program Launch: Jul 2013

Average Capacity Filled¹: 92% (7 of 8 seats) | Companies' Average Time in Program: 7.7 months | Total EIR Capacity: 3

PROGRAM PERFORMANCE								
	Q1 2015/16	Q2 2015/16	Q3 2015/16	Q4 2015/16	Quarter-over- Quarter Change (Q4 2015/16 / Q3 2015/16)	Q4 Year-over- Year Change (Q4 FY2015/16 / Q4 FY2014/15)	FY 2015/16 (%BCAN)	Since Program Launch
Entrepreneurs Trained During the Period	14	13	13	15	15%	114%	17 (3%)	33
Companies Active During the Period	8	9	9	10	11%	11%	12 (3%)	23
New Jobs Created	2	1	9	10	11%	150%	22 (5%)	55
New Company Revenue Generated	\$1M	\$768K	\$1.6M	\$1.8M	18%	223%	\$5.2M (19%)	\$10.5M
New Private Investment Attracted	\$0	\$0	\$7M	\$0	-100%	N/A	\$7M (10%)	\$7M
Other New Investment Attracted	\$190K	\$10K	\$13K	\$82K	534%	-60%	\$295K (2%)	\$805K

- 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 Launch* data refer to the cumulative results achieved since each partner began offering the Venture Acceleration Program, up to the end of Q4 2015/16.
- New Private Investment* refers to new venture capital, angel, strategic and friends & family investments. *New Other Investment* refers to new founder investment and government grants.

92% of Companies contributed to Jobs, Revenue and/or Investment			
42%	created 22 New Jobs	17%	attracted \$7M in New Private Investment
67%	generated \$5.2M New Revenue	50%	attracted \$805K in Other New Investment

Note: Performance data have been received for 12 of 12 companies active in the fiscal year. Contribution percentages are based on the performance data reports received.

Highlighted Success Stories:

- ThoughtExchange won BC Tech Summit's Innovation Showcase in Vancouver. They received \$5,000 in cash and \$120,000 in tools from IBM.
- Cyberdantics has received \$40,000 in government funding in the last quarter which will help them with their R&D.

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 to *strengthen 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) drives economic development by training entrepreneurs to start and grow a company, thereby driving job creation in British Columbia. It accelerates the process of defining a proven business model and increases the likelihood of success through:

- A structured approach to growing a company, the Venture Growth Model, that integrates concepts and advice from global thought leaders such as Geoffrey Moore, Steve Blank and Alex Osterwalder.
- Ongoing one-on-one coaching from experienced Executives in Residence (EiRs) and access to their networks. This may include introductions to investment sources, strategic partners, and early adopter customers.
- Valuable networking opportunities.

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:

1. Invest in new and existing commercial enterprises that will use the infusion of capital to preserve jobs and/or create new jobs through:
 - a. Business, product line and market share expansion
 - b. Turnaround or management buyouts of existing businesses; and
 - c. Increased regional spending on services and resources that help to support indirect regional employment
2. Invest a percentage of the income of the Fund into educational programs focused on trades, technology and academic programs that focus on projected labour shortages that 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.

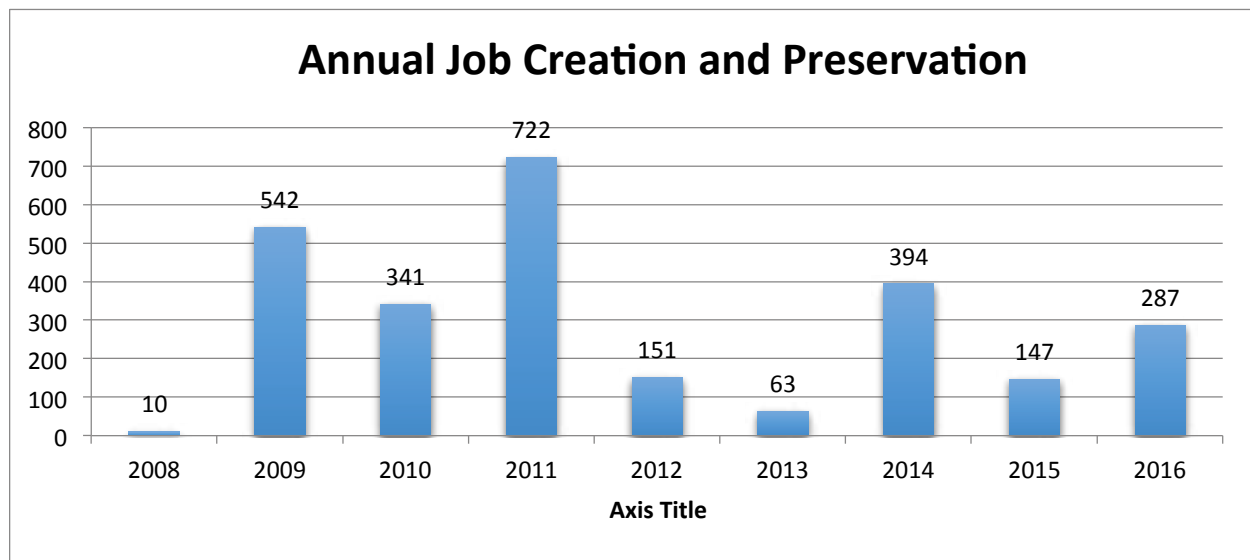
Performance metrics:

- 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, 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.



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 2015, 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 SIDIT's 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 SIDIT; (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 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 markets are showing signs of improvement. The BC Labour Market Outlook 2010-2020 offers projections such as:

- Labour market conditions 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.
- 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 markets are expected to continue.
- 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.

Number of Students Funded by SIDIT

	2009	2010	2011	2012	2013	2014	2015	2016	Total
College of the Rockies	142	183	187	107	106	100	123	84	1032
Selkirk College	284	362	450	74	58	44	38	36	1346
TRU	493	558	590	58	65	58	62	81	1965
Okanagan College	582	593	468	102	50	50	50	75	1970
UBCO	0	0	0	29	50	50	40	65	234
UBCO - Medical	0	0	0	10	10	10	5	5	40
BCIC	0	6	9	11	10	10	5	1	52
	1501	1702	1704	391	349	322	323	347	6639

Discussion

SIDIT engaged five post-secondary institutions operating in the Southern Interior as delivery partners for SIDITs 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.

Testimonials from University of British Columbia Okanagan

In 2015/16 SIDIT provided \$252,000 to fund student scholarships and bursaries. This commitment greatly enhances our mission to provide 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.

SIDIT Scholarship Recipients from the University of British Columbia Okanagan



AMANDA CHASE, 2ND YEAR NURSING

"I would like to thank the Southern Interior Development Initiative Trust for its support and investment in the futures of the many students enrolled at the University of British Columbia.

I am currently finishing my second year of a Bachelor of Science degree in Nursing at UBC's Okanagan campus and would like to pursue a nursing specialty in neonatal intensive care upon graduating in the spring of 2018. As the need for specialized nurses in the Okanagan region continues to rise, I know that my goal to become an ICU nurse will help to lessen the burden of the nursing shortage. In addition, I hope to make a difference in my community by making a difference in the lives of my patients and their families through the compassionate care that encompasses nursing.

Your generous support for students such as myself has provided me with the finances to one day reach my goal and has allowed me to pursue a career where I can give back to the community in a positive and impactful way. It is donors such as SIDIT that make it possible for students to focus on their education instead of worrying about their finances; so once again, I want to express my thanks to SIDIT, for their generosity and support of UBC and its students."



CHELSEA MURPHY, 2ND YEAR NURSING

"Thank you for your generous donation in support of students. I am currently 21 years old and living in Kelowna while I work to finish my second year in the Nursing Program. I grew up in the small hamlet of Rosebud, Alberta, and appreciate the community in Kelowna as it makes the distance from home a little easier.

I take part in the Peer Support Network on campus to listen to students who may be struggling with stress, relationships, school, etc. This campus involvement continues to improve my interpersonal skills with others.

Once finished my Nursing Degree I hope to work in rural nursing, giving back to those in the Okanagan community who have been so welcoming to me.

Thank you again for your contribution, I am so grateful for this scholarship as it will assist with the government loans, living costs, and my professional development. I am grateful for all that you do."



DALE MOORMAN, 3RD YEAR MANAGEMENT

"The \$1,000 scholarship I received from the Southern Interior Development Initiative Trust made it possible to afford the proper school supplies and life supplies (grocery and rent assistance) to make me feel more comfortable while studying at UBC. After finishing my degree at UBC, I plan to pursue a Juris Doctorate in Corporate Law and become a corporate lawyer. By taking advantage of the many opportunities available to students at UBC, I've been able to travel across Canada displaying my presentation skills at business competitions such as JDC West and JMSM (John Molson Sports Marketing Competition). In fact, it was at JMSM in Montreal where our team won 'Delegation of the Year' and placed 'Top 4' across Canada at the competition last November. By learning and practising these skills, myself and other students alike can greatly benefit the Southern Interior by offering the best possible talent in terms of corporate, social, and environmental responsibility. UBC truly is developing the best students for the future.

To conclude, I would like to thank the Southern Interior Development Initiative Trust so much for their support of myself and any others who receive the award. This financial assistance has helped me immensely, and I really, truly, appreciate it."



TREVOR STIRLING, 3RD YEAR ELECTRICAL ENGINEERING

"I was born in Kelowna 21 years ago, and have lived here ever since. I have always had an enormous interest in science and mathematics. I was a recipient of an award from the Southern Interior Development Initiative Trust this year. It has helped me to finance my studies and allowed me to spend more time learning and less time worrying about how to pay for it. After I have completed my undergraduate degree, I plan to continue my studies through to a masters and a PhD, and eventually to work on research in the field of applied optics. Scholarships such as this one are vital in helping students such as myself be able to obtain a solid education, something for which I am incredibly grateful."

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

Strategies:

1. Attract capital into the region and contribute to the economic sustainability of the community by providing grants in support of community economic initiatives.
2. 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:

\$453,173 has been funded in support of community economic initiatives in 2016 and cumulatively \$5 million has been funded as at fiscal year-end 2016. This represents 71% of our cumulative target. Our leverage to date is 9:6 to 1. Our investments of \$39 million into loans and equity investments has attracted an additional \$106 million into the region representing leverage of 2:38 for every \$1 invested by SIDIT.

The following projects have been funded via grants since inception:

Grant Applications	Project Value	Amount Advanced	Sector	Region
West Kootenay Herb Growers Project - Edgewood	\$27,109.00	\$13,555.00	Agriculture	Central Kootenay
Kootenay Reg. Ass. For Community Living	\$90,000.00	\$18,000.00	Agriculture	Central Kootenay
Nakusp Emergency Services Building	\$863,293.00	\$42,233.00	Economic Development	Central Kootenay
Selkirk College Studio 80 Revitalization	\$150,000.00	\$50,000.00	Economic Development	Central Kootenay
Kootenay Region Association for Community Living	\$100,000.00	\$20,000.00	Economic Development	Central Kootenay
Creston & District Community Resource Centre Society	\$271,162.00	\$50,000.00	Economic Development	Central Kootenay
City of Nelson Broadband Initiative	\$125,000.00	\$50,000.00	Economic Development	Central Kootenay
Kootenay Region Ass for Community Living	\$100,000.00	\$50,000.00	Economic Development	Central Kootenay
Harrop-Procter Community Co-op	\$290,765.00	\$50,000.00	Forestry	Central Kootenay
BCCFA - Branding BC's Community Forests	\$106,000.00	\$10,000.00	Tourism	Central Kootenay
Nakusp Centennial Golf Club	\$47,320.00	\$7,300.00	Tourism	Central Kootenay
Nelson Civic Theatre Society	\$355,000.00	\$50,000.00	Tourism	Central Kootenay
Castlegar Airport Hazard Beacon	\$1,026,160.00	\$150,000.00	Transportation	Central Kootenay
BC Association of Abattoirs	\$788,000.00	\$50,000.00	Agriculture	Central Okanagan
Okanagan Research and Innovation Centre	\$778,000.00	\$150,000.00	Economic Development	Central Okanagan
Kootenay Aboriginal Business Advocacy Services	\$825,000.00	\$75,000.00	Economic Development	Central Okanagan
ORIC Business Incubator expansion	\$530,000.00	\$150,000.00	Economic Development	Central Okanagan
Accelerate Okanagan (AO) / BCIC	\$1,258,000.00	\$38,255.00	Economic Development	Central Okanagan
Accelerate Okanagan (AO) / BCIC	\$400,000.00	\$25,000.00	Economic Development	Central Okanagan
Lake Country Food Assistance Society	\$1,000,000.00	\$25,000.00	Economic Development	Central Okanagan
Kelowna Habitat for Humanity Society	\$40,000.00	\$10,000.00	Small Business	Central Okanagan
Kelowna Innovation Society	\$225,779.00	\$25,000.00	Small Business	Central Okanagan
Kettle Valley Railway	\$61,500.00	\$30,000.00	Tourism	Central Okanagan
Myra Canyon	\$40,446.00	\$20,223.00	Tourism	Central Okanagan
Community Foundations - Central OK CF	\$106,000.00	\$25,000.00	Tourism	Central Okanagan
Okanagan Car Share Co-Op	\$107,206.00	\$10,000.00	Transportation	Central Okanagan
Revelstoke Nordic Ski Club	\$100,000.00	\$50,000.00	Olympic Opportunities	Columbia Shuswap
Golden Nordic Ski Club Society	\$344,900.00	\$50,000.00	Tourism	Columbia Shuswap
RJ Haney Heritage Village & Museum, Salmon Arm	\$1,432,080.00	\$25,000.00	Tourism	Columbia Shuswap
Salmon Arm Folk Music Society	\$183,172.00	\$25,000.00	Tourism	Columbia Shuswap
Golden Nordic Club	\$1,050,000.00	\$50,000.00	Olympic Opportunities	Columbia Shuswap
Shuswap Trail Development, Salmon Arm	\$799,100.00	\$150,000.00	Tourism	Columbia Shuswap
Windermere District Farmers' Institute and Livestock	\$888,736.00	\$25,000.00	Agriculture	East Kootenay
Community Foundations- Cranbrook CF	\$220,000.00	\$25,000.00	Economic Development	East Kootenay
Kimberly Conference & Paralympic Centre	\$7,301,022.00	\$100,000.00	Economic Development	East Kootenay
Kootenay Rockies Innovation Council (KRIC) / BCIC	\$273,285.00	\$45,906.00	Economic Development	East Kootenay
Kootenay Rockies Innovation Council (KRIC) / BCIC	\$100,000.00	\$25,000.00	Economic Development	East Kootenay
City of Kimberley - SunMine Solar Project	\$5,327,380.00	\$50,000.00	Energy	East Kootenay
Small Business Productivity Project (Cranbrook)	\$238,500.00	\$37,500.00	Small Business	East Kootenay
Friends of Fort Steele Society	\$160,000.00	\$20,000.00	Tourism	East Kootenay
Village of Canal Flats - Columbia Discovery Centre	\$265,000.00	\$36,000.00	Tourism	East Kootenay
Village of Canal Flats	\$175,000.00	\$25,000.00	Tourism	East Kootenay
Fly YXC Alliance Society	\$600,000.00	\$186,000.00	Transportation	East Kootenay
Fly YXC Alliance Society	\$2,385,456.00	\$50,000.00	Transportation	East Kootenay
Hope Business and Development Society	\$187,000.00	\$25,000.00	Tourism	Fraser Valley
Kettle Valley Mobile Abattoir	\$376,633.00	\$50,000.00	Agriculture	Kootenay Boundary
City of Trail - Downtown Trail Fibre Broadband	\$302,618.00	\$50,000.00	Economic Development	Kootenay Boundary
Kootenay Association for Science (KAST) / BCIC	\$448,113.00	\$102,714.50	Economic Development	Kootenay Boundary
Village of Kaslo Fiber Broadband Initiative	\$139,420.00	\$50,000.00	Economic Development	Kootenay Boundary
Kootenay Association for Science (KAST) / BCIC	\$170,000.00	\$50,000.00	Economic Development	Kootenay Boundary
City of Rossland - Broadband Initiative	\$380,765.00	\$25,000.00	Economic Development	Kootenay Boundary
Kootenay Rockies Innovation Council (KRIC) / BCIC	\$1,582,784.00	\$25,000.00	Mining	Kootenay Boundary
Black Jack Ski Club	\$130,000.00	\$50,000.00	Olympic Opportunities	Kootenay Boundary
Red Mountain Academies Association	\$123,000.00	\$45,000.00	Olympic Opportunities	Kootenay Boundary
Black Jack Ski Club	\$80,800.00	\$10,000.00	Olympic Opportunities	Kootenay Boundary
South Kootenay Business Centre	\$370,800.00	\$50,000.00	Small Business	Kootenay Boundary
City of Trail - KBRH Heliport	\$783,740.00	\$50,000.00	Transportation	Kootenay Boundary
Christina Lake Ecological Centre for the Arts	\$1,268,000.00	\$150,000.00	Economic Development	Kootenay Boundary
Community Foundations - Phoenix CF	\$50,000.00	\$25,000.00	Tourism	Kootenay Boundary
Grand Forks Art Gallery & Cultural Museum	\$950,000.00	\$75,000.00	Tourism	Kootenay Boundary
Community Dental Access Centre Society	\$610,518.00	\$50,000.00	Economic Development	North Okanagan
RDNO - Cherryville Broadband Extension	\$600,000.00	\$50,000.00	Economic Development	North Okanagan

Grant Applications	Project Value	Amount Advanced	Sector	Region
RDNO - Rural Lumby Broadband Extension	\$600,000.00	\$50,000.00	Economic Development	North Okanagan
Grinrod Recreation Association	\$382,809.00	\$20,000.00	Economic Development	North Okanagan
Vertical Log Home Prototype Enderby	\$229,800.00	\$95,000.00	Pine Beetle	North Okanagan
O'Keefe Ranch RV Park	\$101,769.00	\$50,000.00	Tourism	North Okanagan
CFNO - Our Okanagan	\$343,525.00	\$29,822.00	Small Business	Okanagan Area
CFDCOS - Economic Gardening	\$183,091.00	\$29,284.00	Agriculture	Okanagan Similkameen
UBCO Biotechnology Resources	\$517,620.00	\$150,000.00	Agriculture	Okanagan Similkameen
RDOS Utilization of Compost	\$35,000.00	\$17,500.00	Agriculture	Okanagan Similkameen
Loose Bay Campground Society-Water Line	\$46,200.00	\$23,000.00	Agriculture	Okanagan Similkameen
Penticton Centre for Exceptional Learning	\$321,400.00	\$10,000.00	Economic Development	Okanagan Similkameen
NK'Mip Desert & Heritage Centre LP	\$96,500.00	\$48,250.00	Tourism	Okanagan Similkameen
SS Sicamous Marine Heritage Society	\$101,366.00	\$20,000.00	Tourism	Okanagan Similkameen
Okanagan Similkameen Film Commission Society	\$26,530.00	\$13,250.00	Tourism	Okanagan Similkameen
Similkameen Valley Hwy 3 Corridor Project	\$987,054.00	\$75,000.00	Tourism	Okanagan/Similkameen
Gold Country GeoTourism Program	\$312,300.00	\$35,000.00	Tourism	Okanagan/Similkameen
Organic Farming Institute of BC	\$100,020.00	\$30,000.00	Agriculture	SIDIT Area
New Ventures BC Regional Competition	\$689,501.00	\$50,000.00	Economic Development	SIDIT Area
Women's Enterprise Centre	\$252,557.00	\$7,000.00	Economic Development	SIDIT Area
Southern Interior Beetle Action Coalition	\$175,000.00	\$50,000.00	Pine Beetle	SIDIT Area
Enterprising Non-Profits	\$1,350,000.00	\$150,000.00	Small Business	SIDIT Area
TRU Centre for Innovation in Ranching	\$525,500.00	\$150,000.00	Agriculture	Thompson Nicola
Kamloops Farm Fresh Processing Initiative	\$393,800.00	\$118,110.57	Agriculture	Thompson Nicola
North Thompson Fall Fair & Rodeo Association	\$470,000.00	\$50,000.00	Agriculture	Thompson Nicola
North Thompson Fall Fair & Rodeo Stage 2	\$181,000.00	\$50,000.00	Agriculture	Thompson Nicola
Kamloops International Market Development	\$43,750.00	\$15,000.00	Economic Development	Thompson Nicola
TRU - Liquid Chromatography Mass Spectrometry	\$953,655.00	\$50,000.00	Economic Development	Thompson Nicola
Sun Peaks Education Society	\$669,450.00	\$45,000.00	Economic Development	Thompson Nicola
TNRD Web Portal	\$115,000.00	\$35,000.00	Economic Development	Thompson Nicola
Kamloops Innovation Centre (KIC) / BCIC	\$491,395.00	\$57,382.50	Economic Development	Thompson Nicola
Yellowhead Community Services Society	\$290,000.00	\$50,000.00	Economic Development	Thompson Nicola
Kamloops Innovation Centre (KIC) / BCIC	\$150,000.00	\$75,000.00	Economic Development	Thompson Nicola
The Green Dream Home - CMHC	\$800,000.00	\$100,000.00	Energy	Thompson Nicola
Gold Country Geo-Tourism	\$350,000.00	\$49,000.00	Tourism	Thompson Nicola
Sun Peaks Mountain Resort Municipality	\$515,000.00	\$50,000.00	Tourism	Thompson Nicola
TNRD Film Commission Website Upgrade	\$25,865.00	\$5,173.00	Tourism	Thompson Nicola
Thompson Okanagan Tourism Association	\$150,100.00	\$50,000.00	Tourism	Thompson Okanagan
	\$53,086,119.00	\$5,005,458.57		

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
 - 2011 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 equity 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 equity investment portfolio returns on investment (ROI), itemized by category of risk and with returns calculated to include loans and equity investments written off and provisions for losses.
 - Include updated exit strategies in reports on loan and equity investments.
- **Accelerate Client Success:**
 - In Fiscal 2016, launch a pilot mentorship program for select SIDIT direct investee companies.

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%	\$821,461.01	3%
Early Stage	15%	\$5,642,784.95	19%
Growth / Expansion Stages	50%	\$13,572,194.94	45%
Later / Mature Stages	30%	\$10,070,093.36	33%
		\$30,106,534.26	100%

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.

Results:

SIDIT has committed \$43 million and advanced \$39 million into business ventures. \$19.6 million in principal and interest has been repaid to date. Our investment of \$43 million in loan and equity investments has attracted an additional \$102 million into the region representing a leverage of \$2.38 for every \$1 invested by SIDIT.

Trust assets, originally \$50 million, are currently \$50.6 million as at March 31, 2016 after disbursement of \$49.8 million into economic development initiatives in the Southern Interior.

In 2006, the Government of British Columbia enacted legislation launching SIDIT with a \$50 million, one time allocation. Ten years later with \$50 million of projects funded and disbursed, SIDIT is proud to have sustained its initial funding allocation. This is indeed a good news story for SIDIT and the Liberal government for making this solid business investment on behalf of all British Columbians.

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 and 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.

Results:

The return in fiscal 2016 for the PH&N portfolio was 4.7% versus a composite benchmark of -1.81%. The overall return since inception was 6.7% as compared to a composite benchmark of 5.2% and to the Canadian Consumer Price Index of 1.1%. The portfolio, originally \$25 million at inception, is currently valued at \$29.6 million after reallocation of \$12.35 million to SIDIT's operating fund for investment into its loan and equity portfolio and grants program.

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.

As of March 31, 2016		% of Total Portfolio	Current Benchmark %
Market Value	\$29,601,310		
Asset Mix (% of total market value)	Cash	8.8	8.0
	Mortgages	10.2	10.0
	Universe Bonds	11.1	17.0
	High Yield Bonds	69.0	5.0
	Canadian equities	30.28	30.0
	Global equities	30.1	30.0

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.

Investment Returns	Year Ended Mar/2016 %	Year Ended Mar/2015 %	Year Ended Mar/2014 %	Year Ended Mar/2013 %	Since Inception* (annualized) %
Southern Interior Development Initiative Trust	4.7	16.3	12.0	9.7	6.7
<i>Composite Benchmark**</i>	<u>-1.8</u>	<u>11.4</u>	<u>13.8</u>	<u>7.8</u>	<u>5.3</u>
Difference	+6.5	+4.9	-1.8	+1.9	+1.4
Canadian Consumer Price Index	1.3	1.2	1.5	1.0	1.6
Canadian Equities	3.8	16.5	16.6	7.6	5.4
<i>S&P/TSX Capped Composite Index</i>	-6.6	6.9	16.0	6.1	3.2
Global Equities	8.8	28.1	19.9	17.6	8.0
<i>MSCI World Net Index</i>	-0.7	22.1	30.2	14.4	6.8
Fixed Income	1.7	8.2	3.1	5.0	5.8
<i>Fixed Income Benchmark</i>	0.9	8.3	1.2	4.4	5.0
Money Market	0.8	1.2	1.2	1.2	1.1
<i>DEX 91 Day T-Bill Index</i>	0.5	0.9	1.0	1.0	0.9

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

*Since January 15, 2008

**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

The investment portfolio earned a return of 4.7% in the year ended March 31, 2016. This is a good return against a market backdrop that has been quite weak and volatile over the last year – a return that just managed to meet the objective of earning a return of 3% above the rate of inflation. This return was also ahead of that of the benchmark, driven by strong returns in the equity component of the portfolio, particularly compared to their respective benchmarks.

Over the last year, investors shied away from risk assets on concerns related to slowing global growth, commodities markets weakness, the aging business cycle, and a host of erratic Chinese data points, to name a few. Equity markets bore the majority of these concerns which led to negative returns year-over-year for the S&P/TSX Composite Index as well as the MSCI World Index. The falling Canadian dollar acted as less of a tailwind to global equity performance for the year ended March 2016 as the Canadian dollar has reversed course so far in 2016 and has appreciated quite sharply against the U.S. dollar. SIDIT's equity holdings are invested in low volatility equity strategies, which have an objective of minimizing risk and maximizing risk-adjusted returns. These strategies performed as intended last year and outperformed their benchmarks by a significant margin. Though pleased by this result we would caution that should equity market performance rally sharply, particularly in the lower quality area of the market, we would expect to underperform in such a scenario.

Fixed income performance was also positive over the last year, though modestly so. Interest rates were quite volatile over the last year and finished roughly where they started. The fixed income component of the portfolio was well served by being diversified across government bonds, mortgages, and high yield bonds as the performance across each allocation varied throughout the year and acted complementary to one another. With respect to both corporate and high yield bonds, their performance was a tale of two halves last year – initially quite weak in a risk-off environment through the Summer and Fall of 2015, then performing quite strong more recently, which ultimately led to positive returns over the last year.

It is fair to say that the strong returns across a variety of asset classes coming out of the financial crisis have slowed considerably over the last year and volatility has picked up. This volatility should bode well for the style of active management which is focused on security selection first and foremost. Though given today's level of interest rates, bond returns will almost certainly remain muted, and with equity market valuations having normalized since the crisis, the prospect of outsized returns has greatly diminished. Overall, the 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 capital should the stock market correct or interest rates rise sharply after the remarkable performance of the past few years.

Discussion:

Equity markets remain volatile. Market conditions have been particularly favourable, a function of a number of things including the (still ongoing) recovery from the financial crisis and highly accommodative monetary policy around the world. We continue to believe 2016 will see mild but sustained growth in GDP globally, the beginning of a recovery in inflation and enough strength in corporate profits to move stock prices higher. Key indications of this progress or lack thereof will come from credit spreads, earnings, stock market breadth and leading economic indicators as 2016 unfolds. The portfolio is positioned to protect the capital and outperform its benchmark in periods of stock market weakness, primarily due to the use of a low volatility equity strategy. It is also positioned to mitigate the impact of rises in interest rates, should that occur. It may underperform in periods of stock market strength, potentially significantly, although it would likely still deliver a positive return in that environment.

Management Discussion and Analysis

We prepared this discussion and analysis of financial position and results of operations of SIDIT on May 31, 2016. Read it in conjunction with our audited financial statements and related notes for the year ended March 31, 2016. We prepared the financial information in this report 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 2016 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.

100% of our operational funding comes from returns on market investments and development initiatives, including loan interest and application fees.

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 2015	Fiscal 2016
Investment Income	Phillips Hager & North–Mutual Funds and Bonds	67%	39%
Development Initiative Income	Private Companies	30%	61%
Contributions	BCIC	3%	0%

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 2016 OPERATING RESULTS COMPARED TO BUDGET

	2016 Actual	2016 Budget	Variance to Budget
REVENUES			
Income on Investments	\$754,566	\$800,000	-\$45,434
Unrealized gains/losses	-\$889,793	\$1,000,000	-\$1,889,793
Realized gains	\$1,424,780	\$1,000,000	\$424,780
Income on Development Initiatives	\$1,564,666	\$1,690,000	-\$125,334
Other Revenue	\$449,294	\$200,000	\$249,294
Contributions	\$2,000	\$14,500	-\$12,500
EXPENSES			
Board Costs	\$24,924	\$24,000	-\$924
Education Awards and Grants	\$707,173	\$899,000	\$191,827
Office and Administration	\$148,465	\$203,500	\$55,035
Professional /Consulting/Investment	\$399,161	\$440,000	\$40,839
Salaries and benefits	\$652,813	\$738,000	\$85,187
Provision for Loans	\$1,206,157	\$1,200,000	-\$6,157
Gain/-Deficiency	\$166,820	\$1,200,000	-\$1,033,180

Revenue

INCOME ON INVESTMENTS / UNREALIZED GAINS (LOSSES)

With global capital markets continuing to be volatile, investment returns combined with unrealized gains resulted in a combined return of 4.7% which is below our budgeted 5% return on investment.

INCOME ON DEVELOPMENT INITIATIVES

We achieved 93% of our budgeted loan interest as we have a large committed amount that hasn't been disbursed for loans.

OTHER REVENUE

We collected significantly more fees on loans due to a large penalty fee being charged for early payout and several deferral options exercised.

CONTRIBUTIONS

British Columbia Innovation Council (BCIC) drew out less than the budgeted amount for payout to students. The remaining student grants should be paid in 2017 and that will be the final year of contributions.

Expenditures

BOARD COSTS

The Board costs for meetings were \$924 higher as we had all our meetings held off site during the year to accommodate Board members flying in and out of the Kelowna airport.

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 \$25,000 is due to BCIC drawing out less than the budgeted amount for payout to BCIC/SIDIT funded programs. BCIC's 50% share of funding is reflected in "Contributions".

A Grant budget variance of \$46,827 is due to previously committed grants being postponed to the next fiscal yearend due to the proponents not being able to verify matching funding. We did meet our Strategic Target for grants which was for a total of \$5,000,000. We also had a surplus in the Loans Advisory grant program in the amount of \$120,000 as the program was not rolled out fully in this fiscal period.

OFFICE AND ADMINISTRATION

We had a \$55,035 surplus in operations due to spending cuts as our revenues were lower.

SALARIES AND BENEFITS

The \$85,187 surplus in admin salaries was due to not hiring a loans support position.

PROFESSIONAL, CONSULTING AND INVESTMENT FEES

Accounting Services was \$10,467 over as we set up an accrual for fees this fiscal as per Audit recommendations. We have a surplus of \$27,216 for consulting services as we did not get a new CRM system but choose to stay with MLM. A surplus of \$7,463 was incurred with lower investment management fees and a surplus of \$15,253 incurred in the legal cost area. We had a \$1,839 surplus in Web and Data base fees due to not completing our new website in this fiscal.

PROVISION FOR DEVELOPMENT INITIATIVE LOSSES

An additional provision of \$1,206,157 has been made against certain outstanding development initiative investments which management considers unlikely to be recovered.

FINANCIAL POSITION

ASSETS & LIABILITIES

Balance Sheet

	2016	2015	2014	2013	2012
Assets					
Current Assets:					
Cash and cash equivalents	356,951	1,107,445	1,518,509	3,219,309	3,432,819
Accounts receivable	123,533	162,016	640,625	149,377	183,794
Prepaid expenses	5,381	6,701	8,478	10,445	4,971
CP of Development Initiatives	2,096,614	3,488,859	447,384	2,257,701	2,487,454
	2,582,479	4,765,021	2,614,996	5,636,832	6,109,038
Investments	29,601,310	30,753,080	30,048,349	30,270,043	27,720,211
Development Initiatives	18,482,898	14,949,834	17,140,914	12,393,716	13,443,489
Property & Equipment	19,428	33,270	43,074	27,772	9,649
	50,686,115	50,501,205	49,847,333	48,328,363	47,282,387
Liabilities and Fund Balance					
Current Liabilities:					
Accounts payable	78,778	58,688	60,940	348,413	147,814
Deferred contributions	12,500	14,500	255,500	433,139	305,500
	91,278	73,188	316,440	781,552	453,314
Fund Balance:					
Regional Account:					
Externally restricted	50,594,837	50,428,017	49,530,893	47,546,811	46,829,073
	50,686,115	50,501,205	49,847,333	48,328,363	47,282,387

Assets

CASH AND CASH EQUIVALENTS

Our cash equivalent assets of \$357,000 are monies currently held in Vantage One Credit Union.

ACCOUNTS RECEIVABLE

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

PREPAID EXPENSES

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

CURRENT PORTION OF DEVELOPMENT INITIATIVES

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

DEVELOPMENT INITIATIVES

As part of our mandate, we provide funding for business ventures. This funding is provided through our development initiatives.

INVESTMENTS

The principal financial instruments affecting our financial condition and results of operations are bonds and equity investments. Our investments expose SIDIT to global market risk as well as interest rate risk. Although the short-term nature of our cash and money market investments limits the impact of fair value fluctuations, our longer-term bonds and debentures will have greater interest rate sensitivity.

We manage interest rate risk by monitoring portfolio duration and yields with the fund administrator. Liquidity risk is low because our market investments are in pooled fund units redeemable within a short time period. Our funds are invested with Phillips, Hager & North Investment Management. We have \$5,620,589 in Money Markets, \$5,968,717 in Bonds and \$18,012,004 in Low Volatility Equities.

PROPERTY & EQUIPMENT

Net book decreased to \$19,428, which included a large leasehold write-down. Total depreciation was \$13,841.

Liabilities

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable of \$59,143 includes monies owed to a loan client. Accrued liabilities of \$119,635 are for accounting fees.

CURRENT PORTION OF DEFERRED CONTRIBUTIONS

This represents \$12,500 of the unspent externally restricted grant from the British Columbia Innovation Council.

Equity

REGIONAL ACCOUNT

This account has increased by current net gain of \$166,820.

Profit and Loss Actuals

	2016	2015	2014	2013	2012
Income on Investments	754,566	893,694	761,868	828,276	1,459,184
Income Development Initiatives	1,564,666	1,858,465	1,421,093	1,735,793	2,020,602
Other revenue	449,294	255,447	204,345	87,824	289,667
Contributions	2,000	241,000	177,639	22,625	57,375
Total Revenues	2,770,526	3,248,606	2,564,945	2,674,518	3,826,828
Board Costs	24,924	22,833	17,453	17,382	12,141
Education Awards and Grants	707,173	930,000	1,235,750	556,550	910,983
Office and Administration	148,465	147,143	133,591	84,268	72,056
Professional Fees	399,161	201,480	176,224	239,611	161,633
Salaries and Benefits	652,813	578,627	466,792	332,656	304,445
Total Expenses	1,932,536	1,880,083	2,029,810	1,230,467	1,461,258
Excess of Revenue over Expenses	837,990	1,368,523	535,135	1,444,051	2,365,570
Unrealized gain(loss) Investments	(889,793)	2,691,174	2,190,751	2,578,925	(1,309,767)
Realized gain(loss) on investments	1,424,780	1,175,949	446,938	(706,178)	-
Provision for Development Initiative Losses	(1,206,157)	(4,338,522)	(1,188,743)	(2,599,060)	(3,549,922)
NET INCOME (LOSS)	166,820	897,124	1,984,081	717,738	(2,494,119)

LIQUIDITY

STATEMENT OF CASH FLOWS

	2016	2015	2014
Cash provided by (used in):			
Cash flows from operating activities:			
Excess (Deficiency) of revenue over expenditures	166,820	897,124	1,984,081
Items not involving cash:			
Amortization	13,841	15,404	9,797
Realized gains(loss) on investments	(1,424,780)	(1,175,949)	(446,938)
Unrealized gain(loss) on investments	889,793	(2,691,174)	(2,190,751)
Provision for development initiative losses	1,206,157	4,338,522	1,188,743
	851,831	1,383,927	544,932
Change in non-cash operating working capital			
Receivables	38,483	478,609	(491,248)
Prepaid Expenses	1,320	1,777	1,967
Payables and Accrued Liabilities	20,092	(2,252)	(184,972)
Recognition of deferred contributions	(2,000)	(241,000)	(177,639)
	909,726	1,621,061	(306,960)
Cash flows from investing activities:			
Funding of development initiatives	(4,068,737)	(5,188,917)	(4,228,124)
Purchase of investments	721,761	(3,991,665)	(3,582,969)
Proceeds from sale of investments	8,279,558	7,154,057	6,442,352
Acquisition of property and equipment	(6,592,802)	(5,600)	(25,099)
	(1,660,220)	(2,032,125)	(1,393,840)
Increase(decrease) in cash and cash equivalents	(750,494)	(411,064)	(1,700,800)
Cash and cash equivalents, beginning of year	1,107,445	1,518,509	3,219,309
Cash and cash equivalents, end of year	356,951	1,107,445	1,518,509

Cash flow, excluding provision for development initiative losses and unrealized loss on investments, was negative for the year at \$.9 million. We ended the year with \$.36 million in cash and cash equivalents.

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

Commitments:

As at March 31, 2016, the Trust has committed funding and deferred contributions of \$287,500 as follows:

Project/Recipient	Description	Amount	Anticipated Disbursement Timing - Fiscal
British Columbia Innovation Council	Co-funding of innovation, commercialization and academic awards	\$12,500	2017
Various development initiatives and grants	Conditionally approved grants	\$275,000	2017

FUTURE OUTLOOK

BUDGET AND 3 YEAR PROJECTIONS

	2017 Budget	2018 Projected	2019 Projected	2020 Projected
Investment Revenues	\$1,519,500	\$1,396,000	\$1,242,000	\$1,200,000
Development Initiative Revenues	\$1,739,000	\$2,000,000	\$2,200,000	\$2,302,000
Other Revenues	\$443,000	\$450,000	\$450,000	\$450,000
Contributions	\$12,500	\$0	\$0	\$0
Total Revenues	\$3,714,000	\$3,846,000	\$3,892,000	\$3,952,000
Education Awards	\$275,000	\$250,000	\$250,000	\$250,000
Grants	\$500,000	\$500,000	\$500,000	\$500,000
Total Educ/Grants	\$775,000	\$750,000	\$750,000	\$750,000
Wages & Benefits	\$802,000	\$864,000	\$900,000	\$950,000
Board expenses	\$32,000	\$32,000	\$32,000	\$32,000
Admin costs	\$235,000	\$250,000	\$260,000	\$270,000
Professional Services	\$670,000	\$750,000	\$750,000	\$750,000
Total Expenses	\$1,739,000	\$1,896,000	\$1,942,000	\$2,002,000
Total Expenses & Grants	\$2,514,000	\$2,646,000	\$2,692,000	\$2,752,000
TOTAL INCOME OVER EXPENSES	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
Provision for Development Initiative Loss	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
NET INCOME	\$0	\$0	\$0	\$0

Revenues

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

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

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

Expenses

Education awards will decline after 2017 as our commitment for certain awards will be fulfilled.

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

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

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

Management's Responsibility and Certification

Management is responsible for ensuring that the financial statements and other financial information in this annual report are complete and accurate. Management has prepared the financial statements according to Canadian 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.*

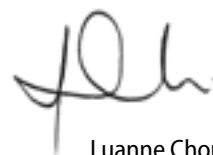
We believe that the financial statements and other financial information in the annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Southern Interior Development Initiative Trust (the Trust) as of the dates and for the periods presented. 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, 2016, and the statements 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2016, 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
May 30, 2016

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

Chartered Professional Accountants

Southern Interior Development Initiative Trust Statement of Financial Position

March 31 2016 2015

Assets

Current

Cash and cash equivalents	\$ 356,951	\$ 1,107,445
Receivables	123,533	162,016
Prepaid expenses	5,381	6,701
Current portion of development initiatives (Note 4)	<u>2,096,614</u>	<u>3,488,859</u>
	2,582,479	4,765,021
Development initiatives (Note 4)	18,482,898	14,949,834
Investments (Note 6)	29,601,310	30,753,080
Property and equipment (Note 7)	<u>19,428</u>	<u>33,270</u>
	<u>\$ 50,686,115</u>	<u>\$ 50,501,205</u>

Liabilities

Current

Payables and accrued liabilities	\$ 78,778	\$ 58,688
Deferred contributions (Note 8)	<u>12,500</u>	<u>14,500</u>
	91,278	73,188
Regional account	<u>50,594,837</u>	<u>50,428,017</u>
	<u>\$ 50,686,115</u>	<u>\$ 50,501,205</u>

Commitments and contingencies (Note 9)
Subsequent events (Note 10)

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 Income, Distributions and Trust Income

Year ended March 31	2016	2015
Revenue		
Income on development initiatives	\$ 1,564,666	\$ 1,858,465
Income on investments	754,566	893,694
Other revenue	449,294	255,447
Contributions (Note 8)	<u>2,000</u>	<u>241,000</u>
	<u>2,770,526</u>	<u>3,248,606</u>
Expenses		
Amortization	13,841	15,404
Board costs	24,923	22,833
Consulting fees	252,784	61,515
Education awards and grants	707,173	930,000
Insurance	5,978	5,978
Investment fees	92,545	96,881
Office and administration	128,647	125,761
Professional fees	53,832	43,084
Salaries and benefits	<u>652,813</u>	<u>578,627</u>
	<u>1,932,536</u>	<u>1,880,083</u>
Excess of revenues over expenses before other income (expenses)	<u>837,990</u>	<u>1,368,523</u>
Other income (expenses)		
Gain on disposal of investments	1,424,780	1,175,949
Unrealized (loss) gain on investments	(889,793)	2,691,174
Provision for development initiative losses (Note 5)	<u>(1,206,157)</u>	<u>(4,338,522)</u>
	<u>(671,170)</u>	<u>(471,399)</u>
Excess of revenues over expenses	<u>\$ 166,820</u>	<u>\$ 897,124</u>
Regional account, beginning of year	\$ 50,428,017	\$ 49,530,893
Excess of revenues over expenses	<u>166,820</u>	<u>897,124</u>
Regional account, end of year	<u>\$ 50,594,837</u>	<u>\$ 50,428,017</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	2016	2015
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenues over expenses	\$ 166,820	\$ 897,124
Items not affecting cash		
Amortization	13,841	15,404
Gain on disposal of investments	(1,424,780)	(1,175,949)
Unrealized loss (gain) on investments	889,793	(2,691,174)
Provision for development initiative losses	<u>1,206,157</u>	<u>4,338,522</u>
	851,831	1,383,927
Change in non-cash working capital items		
Receivables	38,483	478,609
Prepaid expenses	1,320	1,777
Payables and accrued liabilities	20,092	(2,252)
Deferred contributions	<u>(2,000)</u>	<u>(241,000)</u>
	<u>909,726</u>	<u>1,621,061</u>
Investing		
Funding of development initiatives	(4,068,737)	(5,233,664)
Repayments of development initiatives	721,761	44,747
Proceeds on sale of investments	8,279,558	7,154,057
Purchase of investments	(6,592,802)	(3,991,665)
Purchase of property and equipment	<u>-</u>	<u>(5,600)</u>
	<u>(1,660,220)</u>	<u>(2,032,125)</u>
Decrease in cash and cash equivalents	(750,494)	(411,064)
Cash and cash equivalents		
Beginning of year	<u>1,107,445</u>	<u>1,518,509</u>
End of year	<u>\$ 356,951</u>	<u>\$ 1,107,445</u>

See accompanying notes to the financial statements.

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Southern Interior Development Initiative Trust

Notes to the Financial Statements

March 31, 2016

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.

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.

Southern Interior Development Initiative Trust

Notes to the Financial Statements

March 31, 2016

2. Significant accounting policies (continued)

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.

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%

Impairment of long-lived assets

The Trust tests long-lived assets for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

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.

Southern Interior Development Initiative Trust

Notes to the Financial Statements

March 31, 2016

2. Significant accounting policies (continued)

Financial instruments (continued)

- **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.

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. Restricted cash

The Trust has \$59,143 (2015 - \$58,688) in cash that is restricted in its use to offset a corresponding liability.

Southern Interior Development Initiative Trust

Notes to the Financial Statements

March 31, 2016

4. Development initiatives

	<u>2016</u>	<u>2015</u>
Loans		
- direct	\$ 10,235,683	\$ 7,328,698
- convertible	10,654,051	10,162,835
- via Community Futures Development Corp. ("CFDC")	361,903	396,850
Equity		
- common shares	4,459,838	4,459,838
- preferred shares	<u>3,959,105</u>	<u>3,959,105</u>
	29,670,580	26,307,326
Less:		
Provision for development initiative losses (Note 5)	(9,091,068)	(7,868,633)
Current portion	<u>(2,096,614)</u>	<u>(3,488,859)</u>
	<u>\$ 18,482,898</u>	<u>\$ 14,949,834</u>

(a) Loans - direct:

The Trust has 22 (2015 - 16) direct loans outstanding which bear interest at rates that range from 5.25% to 16% per annum. Interest and principal amounts are due at various dates between March 1, 2016 and November 1, 2034.

(b) Loans - convertible:

The Trust has 28 (2015 - 26) convertible loans that bear interest at rates that range from 8% to 18% per annum. Interest and principal amounts are due at various dates between September 1, 2016 and September 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 (2015 - 4) loans made via CFDC's Southern Interior Business Investment Fund which bear interest at rates that range from 5.5% to 10% per annum. The principal amounts are due at various dates between July 31, 2018 and September 1, 2024.

(d) Equity - common shares:

The Trust has 4 (2015 - 4) common share investments.

(e) Equity - preferred shares:

The Trust has 4 (2015 - 4) preferred share investments that bear dividends at rates that range from 10% to 14% per annum.

Southern Interior Development Initiative Trust Notes to the Financial Statements

March 31, 2016

5. Provision for development initiative losses

	2015	Increase (decrease) in estimated provision	2016
Loans			
- direct	\$ 1,772,340	\$ (320,683)	\$ 1,451,657
- convertible	1,741,659	802,319	2,543,978
Equity			
- common shares	2,136,243	-	2,136,243
- preferred shares	2,218,391	740,799	2,959,190
	<u>\$ 7,868,633</u>	<u>\$ 1,222,435</u>	<u>\$ 9,091,068</u>

In addition to the adjustments to the above noted provision, during the year \$16,278 (2015 - \$nil) was directly recovered to the excess of revenue over expenses. These amounts had previously been allowed for and included in the provision for development initiatives.

6. Investments

The year end composition of investments is as follows:

	2016	2015
Money market	\$ 5,620,589	\$ 5,231,110
Bonds	5,968,717	6,517,031
Equities	18,012,004	19,004,939
	<u>\$ 29,601,310</u>	<u>\$ 30,753,080</u>

Continuity of investment activity during the year is as follows:

	2016	2015
Opening balance	\$ 30,753,080	\$ 30,048,349
Income on investments	749,025	880,688
Unrealized (loss) gain on investments	(889,793)	2,691,174
Gain on disposal of investments	1,424,780	1,175,949
	<u>32,037,092</u>	<u>34,796,160</u>
Funds withdrawn for funding of development initiatives	(2,343,237)	(3,946,199)
Investment management fees paid	(92,545)	(96,881)
	<u>(2,435,782)</u>	<u>(4,043,080)</u>
	<u>\$ 29,601,310</u>	<u>\$ 30,753,080</u>

The annual weighted average rate of return for 2016 was 4.69% (2015 - 16.30%).

Southern Interior Development Initiative Trust Notes to the Financial Statements

March 31, 2016

7. Property and equipment		2016		2015	
	Cost	Accumulated Amortization	Net Book Value		Net Book Value
Office furniture	\$ 26,869	\$ 17,360	\$ 9,509	\$	11,887
Leasehold improvements	15,488	15,488	-		6,969
Computer hardware	29,693	20,199	9,494		13,563
Computer software	7,983	7,558	425		851
	<u>\$ 80,033</u>	<u>\$ 60,605</u>	<u>\$ 19,428</u>	<u>\$</u>	<u>33,270</u>

8. Deferred contributions

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

	2016	2015
Balance, beginning of year	\$ 14,500	\$ 255,500
Amounts recognized as revenue in the year	(2,000)	(241,000)
Balance, end of year	<u>\$ 12,500</u>	<u>\$ 14,500</u>

9. Commitments and contingencies

As of March 31, 2016, the Trust has committed funding of approximately \$275,000 (2015 - \$325,000) to various development initiatives and grants.

The Trust has indemnified Heritage Credit Union ("Heritage") in the amount of \$1,306,635 (2015 - \$1,488,977) 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, BC, exclusive of occupancy costs, are as follows:

2017	\$ 31,032
2018	<u>31,032</u>
	<u>\$ 62,064</u>

Southern Interior Development Initiative Trust

Notes to the Financial Statements

March 31, 2016

10. Subsequent events

Subsequent to year end, the Trust entered into an agreement with the Canadian Imperial Bank of Commerce to guarantee a \$6,000,000 letter of credit relating to future development initiatives.

Subsequent to the year end, the Trust entered into an operating lease agreement for premises in Kelowna, BC, beginning October 2016 with an annual lease cost of \$49,584.

11. 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.

(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 \$8,916,707 (2015 - \$9,702,358) 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.

Notes

Notes

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

Helen Patterson | Controller

Pam Deveau | Executive Assistant

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