

Southern Interior
DEVELOPMENT INITIATIVE TRUST

2009

Annual Report

Table of Contents

Message from the Chair	3
About the Southern Interior Development Initiative Trust	4
Map of the Southern Interior Area	5
Vision and Mission	6
2009 Board of Directors	7
Staff	7
Regional Advisory Committees	8
Fiscal 2009 – A Year in Review	9
Report on Goals and Achievements	15
Testimonials and Letters of Appreciation	18
Audited Financial Statements	19

Message from the Chair

While there were frustrations and challenges to overcome last year, this year we were faced with even greater concerns. The downturn in the global economy has made the mandate of the Trust become more critical than ever before. You will note in the report that we experienced an unrealized loss of about \$4.5 million dollars on our investment portfolio. The impact of this loss on our vision for an ongoing endowment model to operate in perpetuity is much greater on the trust because we had counted on investment income of about \$3 million from the portfolio. We need to continue an ongoing effort to refine and improve the way we do business and the organization will continue to evolve as we move forward. We are at a critical juncture in the economic needs of the jurisdiction but we are confident that our Trust mandate will produce positive results for the Southern Interior in these trying times. I believe we have ample reason to be cautiously optimistic however, as the global markets appear to be stabilizing and since the fiscal year end of March 31st, the unrealized loss has already decreased to \$2.9 million. We expect over the long term our returns from the portfolio will return to more normal, traditional levels.

The Trust has completed some substantial initiatives such as the Education Awards & Scholarship programs, the agreement with Okanagan Innovation Fund to establish the Southern Interior Innovation Fund (SIIF) and Community Futures Development Corporation for a joint loan funding agreement. Co-funding arrangements with Business Development Corporation have also provided SIDIT with several leads and investment opportunities.

During Fiscal 2009, the Board of Directors approved over \$9 million in projects with a collective value of over \$34 million. Once complete, these projects will have created over 470 direct new jobs. In addition to the projects, \$1,345,000 was disbursed as Education Awards and Scholarships.

As expected, now that the trust has a couple of years of operations under its belt and awareness of the trust has increased, we are experiencing a much higher volume of deal flow. Given the massive geographical area covered by the Trust and the increased demand for a limited amount of funds, the Board has found it has been forced to be more selective in approving funding for projects. Regretfully this has resulted in the Board passing on several opportunities. I expect the Board will face some challenges with respect to managing expectations from applicants due to the increased demand for the limited amount of funding available.

I would like to thank our retiring Board members for their past services and welcome our new Board members, Ron Oszust, Director Columbia Shuswap Regional District, Golden, Mayor Peter Milobar, City of Kamloops, Gordon Zaitsoff, Director Central Kootenay Regional District, Castlegar, and Gord DeRosa, Director Kootenay Boundary Regional District, Trail.

As the primary topic of this document, I am pleased to submit the 2009 Audited Financial Statements.



Jim Thomson
Chair

About the Southern Interior Development Initiative Trust

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

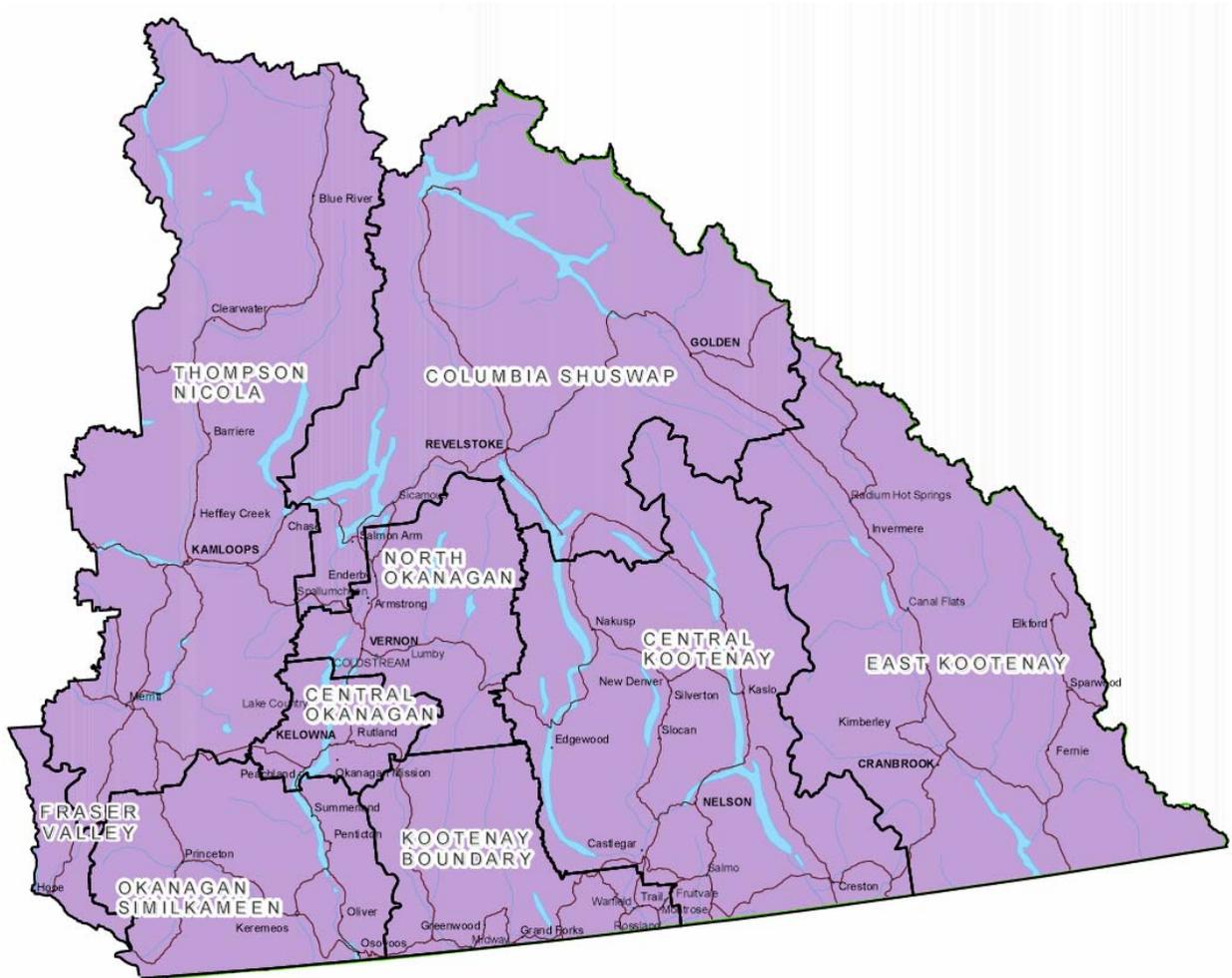
While the Trust is not an agent of the Government, as a Public Trust it must comply with public sector regulations.

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

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



Map of the Southern Interior Area



Vision and Mission

In its 2009-2012 Strategic Plan, SIDIT's Board of Directors continues to maintain the following vision and mission:

Vision

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

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

Mission

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



Sharon Barnes of RFind Systems Inc. wins OSTEC Innovative Organization of the Year award.

2009 Board of Directors

Mayor Wayne Lippert, City of Vernon, Vice Chair
Mayor Marty Bootsma, City of Salmon Arm
Mayor David Wilks, District of Sparwood
Mayor Sharon Shepherd, City of Kelowna
Mayor Jake Kimberly, City of Penticton
Mayor Greg Deck, Village of Radium Hot Springs
Area Director Josh Smienk, Central Kootenay Regional District
Mayor John Dooley, City of Nelson
Jim Thomson, Board Chair, Kamloops, Provincial Appointee
Chief Shane Gottfriedson, Kamloops Indian Band, Provincial Appointee
Chief Clarence Louie, Osoyoos Indian Bank, Provincial Appointee
Christa-Lee McWatters Bond, Summerland, Provincial Appointee
Cindy Popescul, CA, Cranbrook, Provincial Appointee

Southern Interior Development Initiative Trust is managed by a board of thirteen directors of which eight are elected officials and five are business leaders appointed by the Government of British Columbia.

As a result of municipal elections held in late 2008, Mayor Jake Kimberly, City of Penticton, Mayor Greg Deck, Village of Radium Hot Springs, Josh Smienk, Area Director, Central Kootenay Regional District and Mayor John Dooley, City of Nelson were replaced by Ron Oszust, Director Columbia Shuswap Regional District, Golden, Mayor Peter Milobar, City of Kamloops, Gordon Zaitsoff, Director Central Kootenay Regional District, Castlegar, and Gord DeRosa, Director Kootenay Boundary Regional District, Trail.

Staff

Luby Pow, Chief Executive Officer email: ceo@sidit-bc.ca
Anita Rhodes, Administrative Assistant email: admin@sidit-bc.ca

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

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 including: **Thompson-Okanagan Regional Advisory Committee** representing the region from Hope to Kamloops, to Salmon Arm and the Okanagan Valley and the **Columbia-Kootenay Regional Advisory Committee** representing the Columbia-Revelstoke, East Kootenay, to the West Kootenay-Boundary area.

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

The Chairs of the Regional Advisory Committees for fiscal 2009 were Mayor John Dooley, City of Nelson, for the Columbia Kootenay Regional Advisory Committee and Mayor Terry Lake, City of Kamloops, for the Thompson Okanagan Regional Advisory Committee. The Chairs have subsequently been replaced by Mayor David Wilks, District of Sparwood for the Columbia Kootenay RAC and by Mayor Wayne Lippert, City of Vernon, for the Thompson Okanagan RAC.



Fiscal 2009 – A Year in Review

The operating model envisioned by SIDIT's Board is one in which funds available for qualifying projects are to be maximized by maintaining a profitable bottom line. With a primary objective of supporting economic development opportunities which deliver on job creation, revenue generation and economic diversification while at the same time ensuring sustainability of the Trust, the challenge was to secure a qualified adjudicator and administrator on behalf of SIDIT. This was done in the hiring of a new CEO with significant commercial credit experience. With her expertise we were able to take our vision to the next level.

Within its mandate, SIDIT lends to, and invests in, promising commercial enterprises that may not qualify for credit through traditional sources. SIDIT assesses the long-term potential of lending and investment opportunities and takes a more patient position than would a traditional lender.

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

Southern Interior Innovation Fund (SIIF):

SIDIT has invested \$1 million into the Southern Interior Innovation Fund (SIIF) a private investment equity fund. This fund is focused on attract investors and equity investment opportunities from the entire Southern Interior region. SIDIT will invest up to \$2 million or 40% of the total capital whichever is less, thereby ensuring a 2.5:1 leverage ratio. Due to the downturn in the global economy, attracting other investors has been a challenge. As a result, SIIF has been focusing on attracting institutional investors.

Community Futures Development Corporation (CFDC):

Partnerships with 13 Community Futures Development Corporations operating in the Southern Interior creates loan syndication opportunities in which both parties co-fund loans with administration services provided by the CFDCs for a share of SIDIT's loan revenue. By leveraging on CFDCs skilled lending network, a commitment by SIDIT of \$1 million is helping to expand SIDIT's reach by providing loan funding to small start up and expanding businesses.

Community Foundations (CFs):

In seeking to advance collaborations with potential delivery partners, SIDIT undertook a pilot flow-through funding agreement with three of the 15 Community Foundations operating in the Southern Interior region. This pilot project was designed with consideration of the Community Foundations role in attracting social, economic development opportunities. This program is now modified with applications coming directly to the SIDIT office.

Education Awards:

Focusing on innovation, enterprise, trades, technology and academic programs, SIDIT engaged the British Columbia Innovation Council and four post-secondary institutions operating in the Southern Interior as delivery partners for SIDIT's historic commitment to education awards. With a total commitment in excess of \$5.4 million over 3 years, SIDIT holds the distinction of making the largest single education award commitment to be delivered by any college in the Southern Interior. The four participating institutions; College of the Rockies, Selkirk College, Okanagan College and Thompson Rivers University deliver programs and manage awards for trades and technology students at both the secondary school and post secondary school levels.

Market Investment Performance:

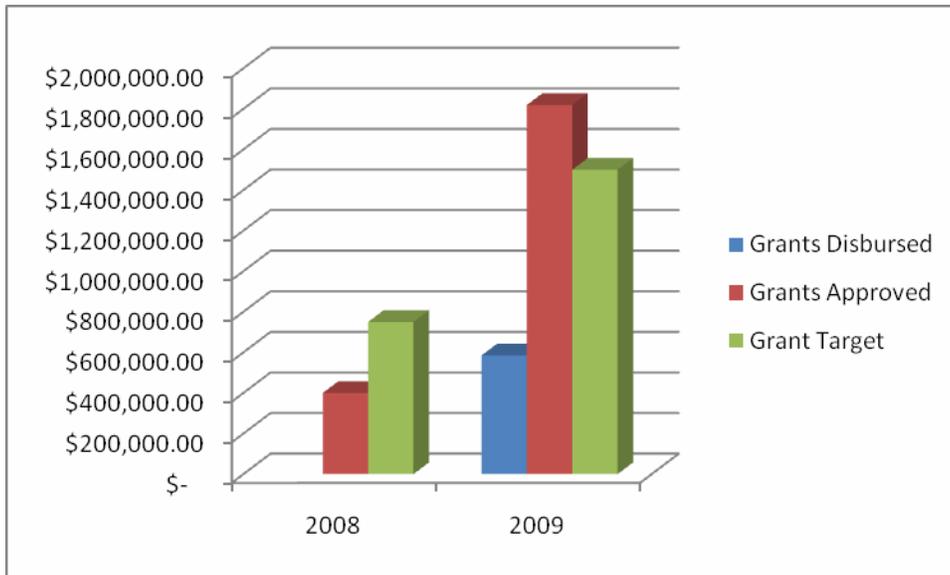
Greater than half of SIDIT's Investments are held with the Municipal Finance Authority in money market accounts. The balance of investment funds are managed by Philips, Hager & North Investment Management Ltd and are held in a conservative balanced portfolio. The investment funds managed by PH&N are monitored on a monthly basis and are benchmarked against comparable portfolios. The overall return in fiscal 2009 for the PH&N portfolio was -14.5% and the portfolio recorded an unrealized loss of \$4.5 million. 2008 was a year of unusual volatility and lower equity prices and it is expected that markets will return to more normal values in the future. Portfolio performance - both absolute and relative - has improved markedly since March 31st. Unrealized losses as at May 31/09 improved to \$2.9 million.

Investment Options	Performance: Year Ended March 31, 2009 (%)	SIDIT & Benchmark Weights: March 31, 2009 (%)
SIDIT	-14.5	
<i>Benchmark</i>	-13.1	
Canadian Equity Fund	-32.8	22.9
<i>S&P/TSX Composite Index</i>	-32.4	25.0
Global Equity Fund	-28.9	26.6
<i>MSCI World ex Canada Index</i>	-29.5	25.0
Bond Fund	3.0	49.8
<i>DEX Universe Bond Index</i>	4.9	50.0
Canadian Money Market Fund	3.1	0.8
<i>DEX 30 Day T-Bill Index</i>	1.9	0.0

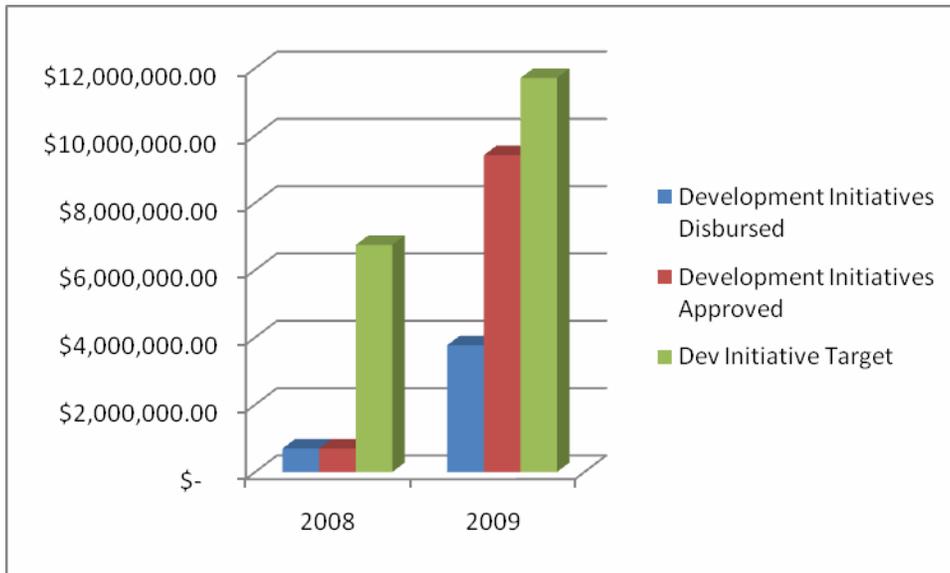
Development Initiative Investments:

Subject to the availability of qualified investment opportunities, SIDIT will commit up to \$30 million to be disbursed over a four-year period commencing April 1, 2007, at an annual rate of \$7.5 million per year. Per annum target \$15 million of investment on a leveraged basis. In creating its 2008-2010 strategic plans, the Board provided that funds not disbursed in any one year will be available for projects in subsequent years, in addition to the funding budgeted for those years.

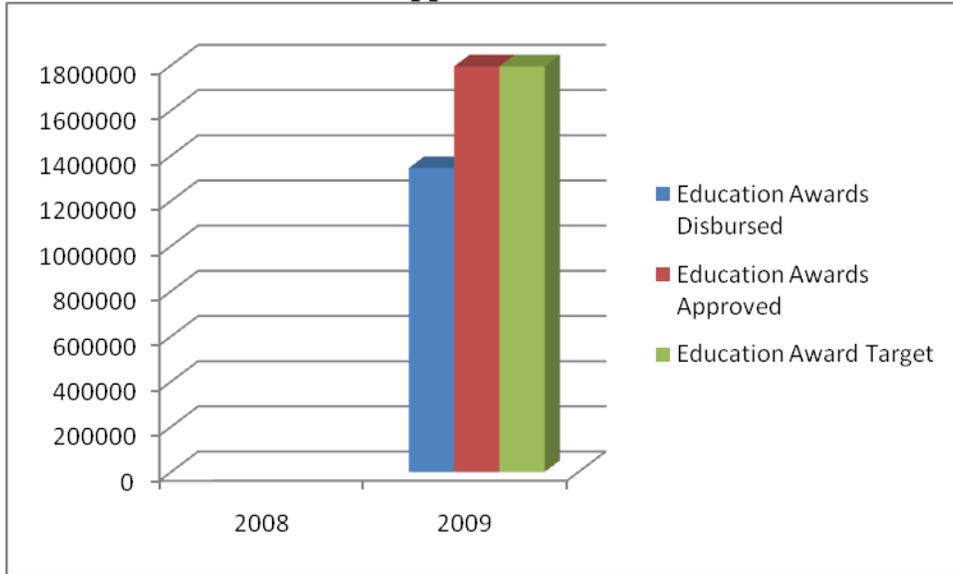
Cumulative Approved Grants



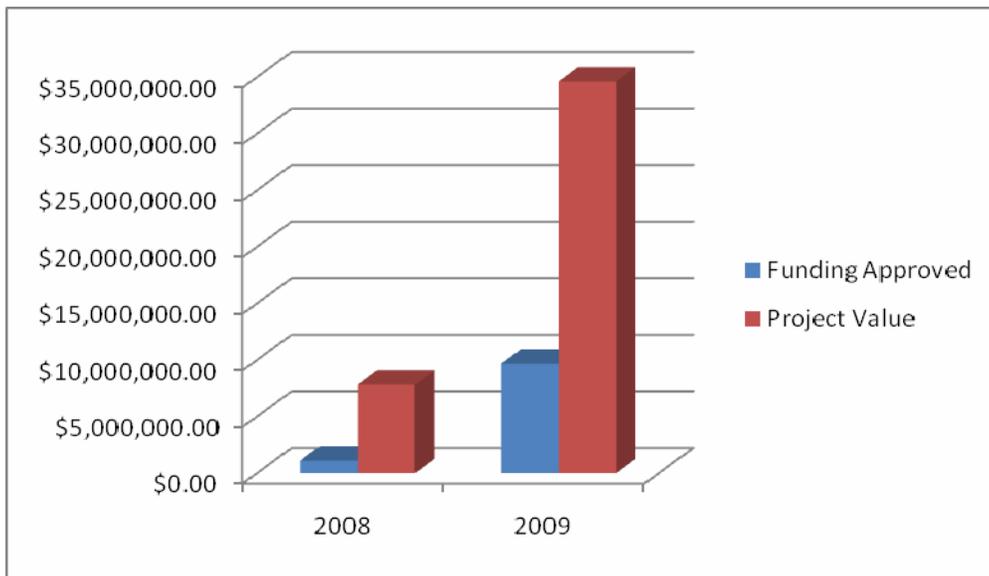
Cumulative Approved Development Initiatives



Cumulative Approved Education Awards



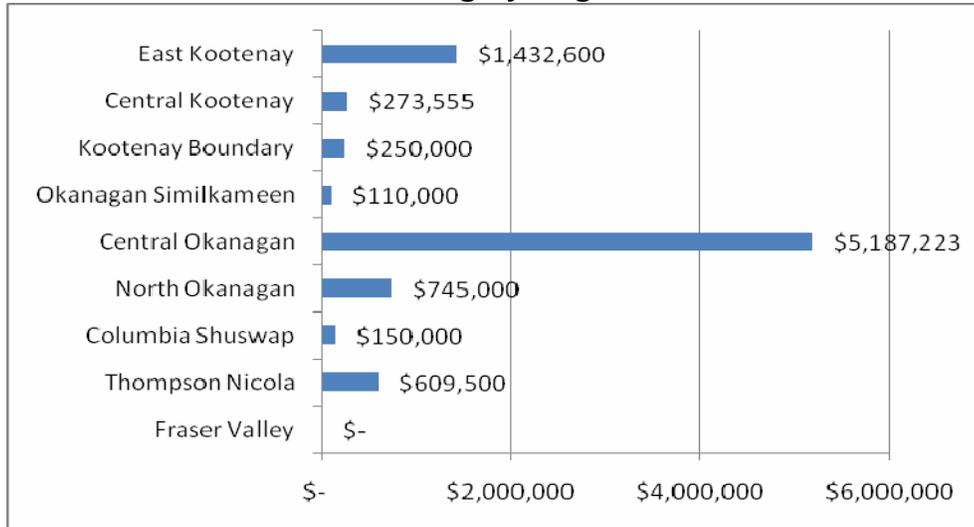
Total Project Leverage



Funding Mandates:

The funding programs are specifically targeted toward investments in self sustaining projects that support the ten mandated themes as defined in legislation. Performance measures include job creation and enhancement, increased revenues, increased tax base and economic diversification to the Southern Interior area of British Columbia.

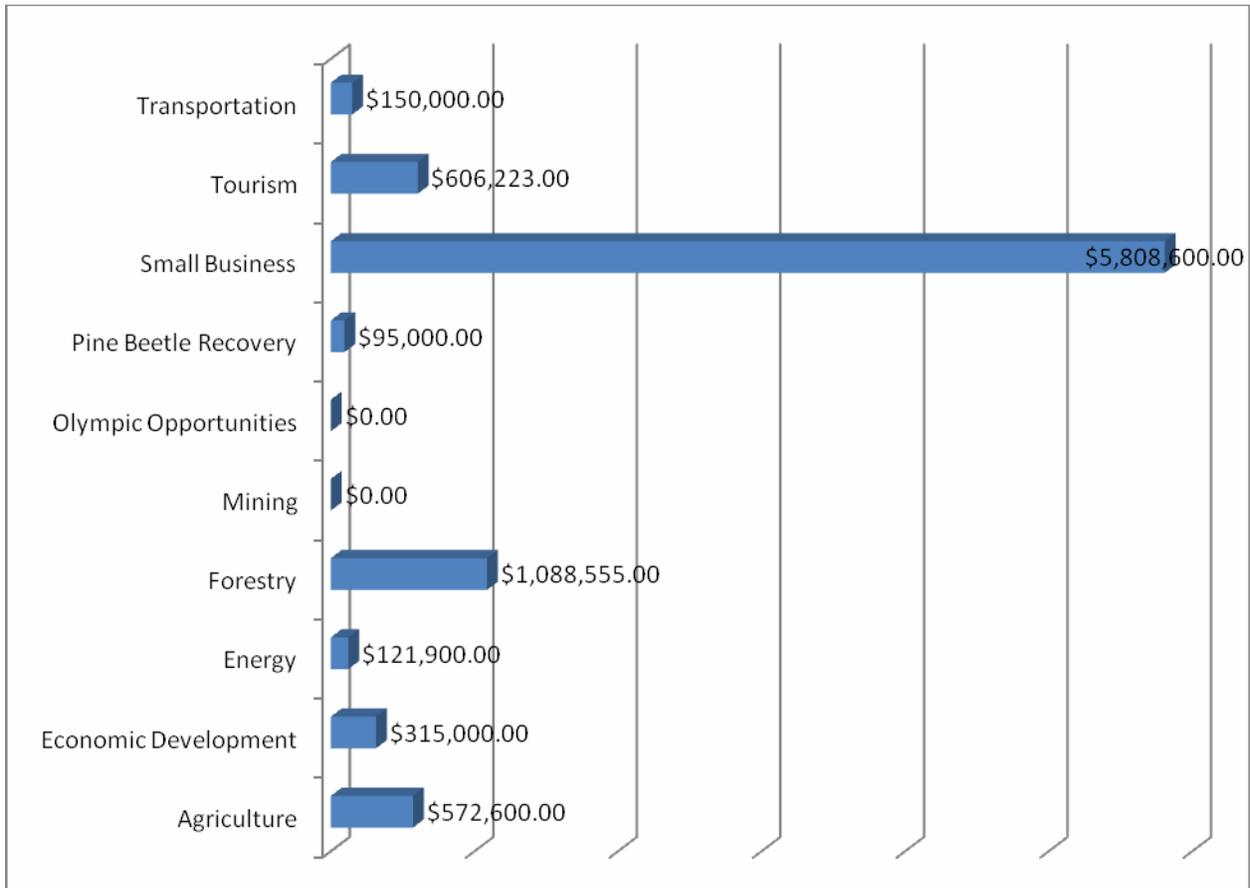
Funding by Region



Funding per Capita

Regions	\$ Grants	\$ Loans	Total	Population	\$ per capita
Fraser Valley	0	0	0	6,185	0
Thompson Nicola	\$509,500.00	\$100,000.00	\$609,500.00	130,132	\$4.68
Columbia Shuswap	\$150,000.00	\$0.00	\$150,000.00	53,038	\$2.80
North Okanagan	\$95,000.00	\$650,000.00	\$745,000.00	81,932	\$9.09
Central Okanagan Okanagan	\$300,223.00	\$4,887,000.00	\$5,187,223.00	180,114	\$28.80
Similkameen	\$110,000.00	\$0.00	\$110,000.00	82,436	\$1.33
Kootenay Boundary	\$250,000.00	\$0.00	\$250,000.00	31,921	\$7.80
Central Kootenay	\$173,555.00	\$100,000.00	\$273,555.00	58,824	\$4.65
East Kootenay	\$231,000.00	\$1,201,600.00	\$1,432,600.00	59,024	\$24.27
	<u>\$1,819,278.00</u>	<u>\$6,938,600.00</u>	<u>\$8,757,878.00</u>	<u>683,606</u>	<u>12.81</u>

Funding by Investment Sector



Report on Goals and Achievements

Goals for Fiscal 2009:

1. Strengthen and expand alliances with funding agencies, program delivery service providers, and identify new partnership opportunities.
2. Execute an effective communications plan ensuring all communities are aware and have equitable access to funds for eligible programs within funding guidelines.
3. Attract sufficient qualifying projects and such other funding opportunities as necessary to reach SIDIT disbursement target of \$7.5M.
4. Enhance the profile of SIDIT through strategic sponsorships, presentations, event attendance and networking.
5. Establish a feedback mechanism.
6. Improve the application process to enhance decision making and reduce decision making timelines.

Achievements:

Through a series of meetings and ongoing contact with local, municipal, provincial and federal agencies engaged in economic development, Credit Unions, Banks, Community Futures, and Business Development Bank, as well as association membership, sponsorship and event attendance, SIDIT has established itself with other funding and economic development agencies. Partnerships have been established with Community Futures, Southern Interior Innovation Fund, the British Columbia Innovation Council, Thompson Rivers University, Okanagan College, Selkirk College and College of the Rockies. Co-funding and referral opportunities with Okanagan Innovation Fund, Western Diversification, CEDI, Southern Interior Credit Unions, Business Development Bank, Community Futures and Conventional Banks were also pursued and established.

The 2009 communications activities entailed enhancing the Trust's website for providing information to the public, publishing news releases in a timely manner, responding to media and public inquires, publishing a periodic newsletter posted to the web site and participating in economic development, municipal, corporate and public forums.

SIDIT's application and decision making process has been shortened and streamlined through the efforts of our CEO, who comes to SIDIT with significant commercial credit and loan adjudication experience. By working with project sponsors through the application process, the quality of information provided has also materially improved allowing the Board to make fully informed decisions.

Following is a summary of activity volumes for Fiscal 2009:

Applications Processed	45
Funding Disbursed	
1. Grants	\$ 585,002
2. Education Awards	\$1,390,000
3. Loans	\$1,578,900
4. Community Futures Loans	\$ 490,081
5. Southern Interior Innovation Fund	<u>\$1,000,000</u>
Total Funding Disbursed:	\$ 5,043,983
Other Funding Commitments (including multi-year)	
1. BCIC Awards (2 year)	\$ 945,000
2. University and College Trades and Technology Awards (3 year)	\$ 1,400,000
3. High School Trades, Technology, Academic Awards (3 year)	\$ 1,000,000
4. Southern Interior Innovation Fund	\$ 1,000,000
5. Community Futures Lending Partnership	\$ 333,000
6. Various Projects	\$ 1,300,000
7. Various Loans and Equity	<u>\$ 8,000,000</u>
Total Funding Committed:	\$13,978,000
Total Committed and Disbursed	<u>\$19,021,983</u>

Goals for Fiscal 2010:

- Strengthen and expand alliances with lending institutions and identify new co-lending opportunities
- Execute an effective communications plan ensuring all communities are aware and have equitable access to funds for eligible programs within funding guidelines
- Attract sufficient qualifying projects and such other funding opportunities as necessary to reach SIDIT's disbursement target of \$7.5 million.
- Enhance the profile of SIDIT through strategic sponsorships, presentations, event attendance and networking
- Improve monitoring and reporting processes
- Continuous improvement in process design and decision making.
- Establish staff requirements as necessary to support SIDIT disbursement targets



Thompson Rivers University and the Canadian Home Builders' Association (CHBA) Central Interior Chapter have been chosen to build one of three new CMHC EQUilibrium™ Sustainable Housing Demonstration Initiative homes in Canada.



In photo: Les Weibe, TRU Welding Instructor; Evan Butchart, Welding; Daniel Hall and Al Green, TRU Educator Emeritus bring home gold medals from the 15th Annual Skills Canada Competition in Charlottetown, PEI.



The first Delta Airlines flight arrives at Cranbrook Airport providing Direct Air Access to Cranbrook from the U.S.

Testimonials and Letters of Appreciation:

“By donating to the Okanagan College Foundation, you are helping students succeed and develop workplace and lifelong skills, while assisting them to reach their potential and goals. You are investing in a bright future that is beginning and will continue to give back. Your investment powers the promise for students and learners who are transforming their lives and our communities. We appreciate and thank you for recognizing the value of supporting the next generation of learners and leaders.”

Kathy Butler, Executive Director, Okanagan College Foundations

“I am a single mom to two beautiful girls, and when I am not helping them to achieve their goals I am burning the midnight oil in order to achieve mine. I have every intention of making your organization proud to have given me this award by being the best student I can possibly be.”

Rebecca Ann MacLeod, student, Selkirk College

“The success of the Selkirk College scholarship and bursary program relies on the generosity and vision of people and organizations like yours. Ultimately your gift helps a student develop the skills and knowledge they require to make the most of the opportunities available in our region and around the world.”

Joyce Buckler, Donor Development Coordinator, Selkirk College

“TRU has been providing post-secondary education and training to the members of our community for over 30 years. In today’s economy post-secondary education requires more than a committed student; without sufficient financial resources, students are unable to achieve their educational goals. Your support helps us fill a great financial need for the students attending Thompson Rivers University.”

Christopher Seguin, Vice President, Advancement, Thompson Rivers University

“Always “On” is a strong viable manufacturer of high quality emergency power systems. We have projects for 2009 which will allow us to not only be profitable but continue to grow. Without the support of SIDIT we could not supply our customer need to fill in-house orders but in fact, we would probably not be here to see the expected growth in 2009.”

Wilfred Frey, President, Always “On” Systems Inc.

“The funding assistance provided by the Southern Interior Development Initiative Trust allows KABAS to expand our service capacity. With these funds, we are able to leverage into other partnerships which will enhance and expand the programs and services we provide to Aboriginal entrepreneurs in the region.”

Patti Phillips, Manager, Kootenay Aboriginal Business Advocates Society

Financial Statements of

**SOUTHERN INTERIOR
DEVELOPMENT INITIATIVE
TRUST**

Year ended March 31, 2009



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

Telephone (250) 503-5300
Fax (250) 545-6440
Internet www.kpmg.ca

AUDITORS' REPORT

To the Board of Directors of Southern Interior Development Initiative Trust

We have audited the statement of financial position of Southern Interior Development Initiative Trust as at March 31, 2009 and the statements of operations, fund balance and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Trust as at March 31, 2009 and the results of its operations, changes in fund balance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, stylized font.

Chartered Accountants

Vernon, Canada

May 14, 2009

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,404,809	\$ 34,433
Accounts receivable	149,227	-
Prepaid expenses	5,250	6,488
	<u>1,559,286</u>	<u>40,921</u>
Investments (note 2)	43,955,600	53,277,633
Development initiatives (note 3)	3,368,981	700,000
Property and equipment (note 4)	9,544	8,154
	<u>\$ 48,893,411</u>	<u>\$ 54,026,708</u>

Liabilities and Fund Balance

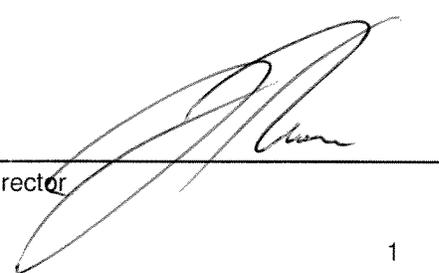
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,000	\$ 13,581
Deferred contributions (note 5)	450,000	-
	<u>462,000</u>	<u>13,581</u>
Fund balance:		
Regional account:		
Externally restricted	48,421,867	54,004,973
Invested in property and equipment	9,544	8,154
	<u>48,431,411</u>	<u>54,013,127</u>
	<u>\$ 48,893,411</u>	<u>\$ 54,026,708</u>

Commitments (note 7)

See accompanying notes to financial statements.

On behalf of the Board:


Director


Director

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Statement of Operations

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Investment income	\$ 1,557,434	\$ 2,331,966
Interest on development initiative loans	116,596	-
Contribution (note 5)	45,000	-
Other	31,900	-
	<u>1,750,930</u>	<u>2,331,966</u>
Expenditures:		
Amortization	3,086	4,913
Board costs	10,850	8,331
Consulting fees	3,704	31,850
Education awards and grants	1,975,002	-
Insurance	12,355	13,132
Investment fees	65,989	-
Office and administration	115,898	64,503
Professional fees	79,846	14,621
Salaries and benefits	201,937	144,095
	<u>2,468,667</u>	<u>281,445</u>
Excess (deficiency) before the undernoted	(717,737)	2,050,521
Other income (expenses):		
Unrealized gain (loss) on investments	(4,463,979)	4,471
Provision for development initiative losses	(400,000)	-
	<u>(4,863,979)</u>	<u>4,471</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (5,581,716)</u>	<u>\$ 2,054,992</u>

See accompanying notes to financial statements.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Statement of Fund Balance

Year ended March 31, 2009, with comparative figures for 2008

	Externally restricted	Invested in property and equipment	2009 Total	2008 Total
Regional Account Fund:				
Balance, beginning of year	\$ 54,004,973	\$ 8,154	\$ 54,013,127	\$ 51,958,134
Excess (deficiency) of revenue over expenditures	(5,578,630)	(3,086)	(5,581,716)	2,054,992
Property and equipment additions	(4,476)	4,476	-	-
Balance, end of year	\$ 48,421,867	\$ 9,544	\$ 48,431,411	\$ 54,013,126

See accompanying notes to financial statements.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenditures	\$ (5,581,716)	\$ 2,054,992
Items not involving cash:		
Amortization	3,086	4,913
Unrealized gain (loss) on investments	4,463,979	(4,471)
Provision for development initiative losses	400,000	-
<u>Change in non-cash operating working capital</u>	<u>(149,570)</u>	<u>(943)</u>
	(864,221)	2,054,492
Cash flows from financing activities:		
Increase in deferred contributions	450,000	-
Cash flows from investing activities:		
Proceeds from sale of investments	6,412,047	-
Purchase of investments	(1,553,993)	(1,331,787)
Funding of development initiatives	(3,068,981)	(700,000)
<u>Acquisition of property and equipment</u>	<u>(4,476)</u>	<u>(8,356)</u>
	1,784,597	(2,040,143)
Increase in cash and cash equivalents	1,370,376	14,349
Cash and cash equivalents, beginning of year	34,433	20,084
<u>Cash and cash equivalents, end of year</u>	<u>\$ 1,404,809</u>	<u>\$ 34,433</u>

See accompanying notes to financial statements.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements

Year ended March 31, 2009

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

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

1. Significant accounting policies:

(a) Fund accounting:

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

(b) Revenue recognition:

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

(c) Cash and cash equivalents:

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

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements

Year ended March 31, 2009

1. Significant accounting policies (continued):

(d) Development initiatives:

Loans are stated at outstanding principal amounts on an amortized cost basis using the effective interest method, net of a specific allowance for anticipated losses on impaired loans and a general provision. A general provision is maintained to absorb credit losses that management estimated have occurred at the reporting date for which specific allowances cannot yet be determined.

(e) Property and equipment:

Property and equipment are recorded at cost less accumulated amortization. Amortization is provided on the declining balance basis using the following annual rates which approximate the useful lives of the assets:

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

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of development initiatives; valuation allowances for bad debt; and valuation of loan conversion options. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements

Year ended March 31, 2009

1. Significant accounting policies (continued):

(g) Financial instruments:

The Trust classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables or other liabilities. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for equity instruments with no quoted market price in an active market, which are measured at cost. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized on the statement of operations.

The Trust has classified its financial instruments as follows:

- Held-for-trading: cash and investments
- Available-for-sale: development initiative equity instruments
- Loans and receivables: accounts receivable and development initiative loans
- Other financial liabilities: accounts payable and accrued liabilities

Section 3862 "Financial Instruments - Disclosure" and Section 3863 "Financial Instruments - Presentation" require expanded financial instrument disclosure and presentation standards from those prescribed in Section 3861 "Financial Instruments – Disclosure and Presentation", including increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA announced during the Trust's 2009 fiscal year that not-for-profit organizations, including entities such as the Trust, may elect to continue to apply Section 3861 in place of Sections 3862 and 3863. Accordingly, the Trust has elected to continue to apply the financial instrument disclosure and presentation standards in Section 3861 in its March 31, 2009 financial statements.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements

Year ended March 31, 2009

1. Significant accounting policies (continued):

(h) New accounting pronouncements:

Section 1535 "Capital Disclosures" establishes guidelines for the disclosure of information regarding an entity's capital and how it is managed. The section was applicable for the Trust's fiscal year commencing April 1, 2008. It requires enhanced disclosure with respect to the objectives, policies and processes for managing capital, quantitative data about the entity's capital and disclosures about the entity's compliance with capital requirements and consequences of any non-compliance. The Trust defines capital to be its fund balance. The Trust's objective when managing capital is to ensure its continuation as a going concern. The Statement of Fund Balance summarizes externally restricted net assets and the activity relating to the fund for the year.

Section 1400 "General Standards of Financial Statement Presentation" includes requirements for management to assess and disclose an entity's ability to continue as a going concern. Management has made its assessment and concluded there is no issue regarding the Trust's ability to continue as a going concern based on the assumptions that the Trust will realize on its investments and development initiatives and fund operations in the normal course of operations.

(i) Accounting pronouncements issued but not yet effective:

In September 2008, the CICA made certain amendments to the Handbook Section 4400 "Financial Statement Presentation by Not-for Profit Organizations" and Section 4470 "Disclosure of Allocated Expenses by Not-for-Profit Organizations". The amendments are effective for the Trust's fiscal year commencing April 1, 2009 and include removal of requirements to treat net assets invested in capital assets as a separate component of net assets. The Trust is currently evaluating the impact of these accounting standard amendments on its future financial statements.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements

Year ended March 31, 2009

2. Investments:

	Phillips, Hager & North	Municipal Finance Authority	2009	2008
Money market	\$ 7,793	\$ 22,792,780	\$ 22,800,573	\$ 45,125,340
Bonds	10,545,163	-	10,545,163	4,376,627
Equities	10,609,864	-	10,609,864	3,775,666
	\$ 21,162,820	\$ 22,792,780	\$ 43,955,600	\$ 53,277,633

The annual weighted average rate of return for 2008 was minus 5.88% (2008 - 4.40%).

3. Development initiatives:

	2009	2008
Southern Interior Innovation Fund ("SIIF") equity investment	\$ 1,000,000	\$ -
Term loans	1,578,900	-
Due from WaveTeq Communication Inc. ("WaveTeq")	350,000	350,000
Due from RFind Systems, Inc. ("RFind")	350,000	350,000
Loans made via Community Futures Development Corp. ("CFDC")	490,081	-
	3,768,981	700,000
Less general allowance	(400,000)	-
	\$ 3,368,981	\$ 700,000

(a) SIIF:

The Trust's investment in SIIF is comprised of 1,000,000 Class "B" Voting common shares.

(b) Term loans:

The term loans bear interest rates that range from 10% to 14% per annum. Interest payments commence on various dates beginning April 24, 2010 and the principal amounts are due at various dates between February 20, 2013 and March 27, 2019.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements

Year ended March 31, 2009

3. Development initiatives (continued):

(c) Waveteq and RFind:

The amount due from WaveTeq bears interest at 12.683% per annum (subject to a reduction to 10.471% if certain terms are met). Interest payments commence April 1, 2010 and principal is due June 1, 2011. The loan is convertible to Class "A" common shares of WaveTeq, a non-publicly traded company, at the option of the Trust. At March 31, 2009, the Trust has valued the conversion option to be \$Nil (2008 - \$Nil).7.5%-8.5%

The amount due from RFind bears interest at 14.93% per annum. Interest payments commence May 1, 2010 and principal is due November 1, 2011. The loan is convertible to Class "A" common shares of RFind, a non-publicly traded company, at the option of the Trust. At March 31, 2009, the Trust has valued the conversion option to be \$Nil (2008 - \$Nil).

(d) CFDC:

The loans made via CFDC's Southern Interior Business Investment Fund bear interest rates that range from 7.25% to 8.50% per annum. The principal amounts are at various dates between August 15, 2009 and April 15, 2019.

4. Property and equipment:

			2009		2008	
	Cost	Accumulated amortization	Net book value	Net book value		
Office furniture	\$ 7,747	\$ 2,240	\$ 5,507	\$ 3,458		
Computer	3,234	1,080	2,154	3,077		
Computer software	4,669	2,786	1,883	1,619		
	\$ 15,650	\$ 6,106	\$ 9,544	\$ 8,154		

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements

Year ended March 31, 2009

5. Deferred contributions:

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

	2009	2008
Balance, beginning of year	\$ -	\$ -
Plus amounts received during the year	495,000	-
Less amount recognized as revenue in the year	(45,000)	-
	\$ 450,000	\$ -

6. Financial instruments:

(a) Fair value:

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying value due to the relatively short periods to maturity of the instruments. Investments are recorded at their fair value. The fair value of development initiative loans approximate their carrying value as there are market rates of interest attached to their repayment. The fair value of development initiative equity instruments cannot be determined as they have no quoted market price and are not traded in an active market.

(b) Credit risk:

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

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements

Year ended March 31, 2009

7. Commitments:

As at March 31, 2009, the Trust has committed funding of approximately \$14.0 million as follows:

Project/Recipient	Description	Amount	Anticipated Disbursement Timing
SIIF	Investment in Private Equity Fund (investment agreement pending)	\$1 million	\$1 million, subject to attracting sufficient investment capital
British Columbia Innovation Council	Co-funding of innovation, commercialization and academic awards	\$945,000	\$450,000 during fiscal 2010 a further \$495,000 during fiscal 2011
Trades and Technology Awards delivered through TRU, Okanagan College, Selkirk College and College of the Rockies	Student bursaries at college and secondary school level (contribution agreements pending)	\$2.4 million	\$1.3 million during fiscal 2010 a further \$1.1 million during fiscal 2011
Community Futures Development Corporation	Business loan program	\$333,000	During fiscal 2010
Various projects	Conditionally approved grants	\$1.3 million	During fiscal 2010
Various equity and loan initiatives	Conditionally approved development initiatives	\$8.0 million	During fiscal 2010