

Southern Interior
DEVELOPMENT INITIATIVE TRUST

2006 Annual Report

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Strategic Planning Participants including Directors and Regional Advisors - Cranbrook, January 2007

Message from the Chair



A great deal of progress was made by SIDIT in 2006 as we developed an idea into a formal organization. We started at ground zero and are now within weeks of opening for business and accepting funding applications. Major obstacles were overcome, policies and procedures were established, and a three year strategic plan was created and adopted. We have now created the web site, application forms, guidelines, an evaluation mechanism and an approval process that will enable proponents to access the Trust's funds by the expected August commencement date. While much has been accomplished there is still much to do.

SIDIT encompasses a massive and diverse geographic and demographic area and I think it is fair to say that representatives of the various regions initially had equally as diverse preconceptions for the role of the trust. Reaching a common consensus on a vision presented a challenge and I am pleased to report that the board was able to focus on common values and bonds rather than differences and a consensus was unanimously agreed to at the conclusion of our Strategic planning session held in Cranbrook in early 2007. Since then we have adopted a framework for accepting and reviewing funding applications which is transparent and accountable and in line with the common vision.

As with any new enterprise there were countless housekeeping issues to be attended to such as, establishing a framework for Governance and Management, setting up accounts, appointing investment managers, procuring insurance coverage, appointing auditors and lawyers, establishing and adopting bylaws and procedures, obtaining office space and equipment and not the least of which was recruiting and hiring a CEO, Mr. Ron Baker who joined us in October 2006.

I am pleased to report that a common reoccurring theme which became somewhat of a bond among all Directors was that the Trust's resources be put to the highest and best possible use and that resources not be squandered on administration or excess overhead. The budget passed at our recent board meeting reflects this. To the greatest extent possible we plan to utilize the Web to enable us to conduct our business as efficiently as possible. The Board unanimously agreed that projects should be evaluated first on merit and value added and that we operate with the least amount of overhead cost to the trust. We are intent on ensuring that the money is invested in worthwhile, value added economic development initiatives throughout the Southern Interior.

I would like to take this opportunity to thank the other Development Trusts, particularly the Northern Development Initiative Trust and the Island Coastal Economic Trust for their assistance and sharing with us their start-up experiences. This has proven invaluable in getting us up and running. I invite you to visit our website at www.sidit-bc.ca and to review our Strategic Plan. It is with great optimism that we move forward and open our doors for business.

An Overview of the Southern Interior Development Initiative Trust

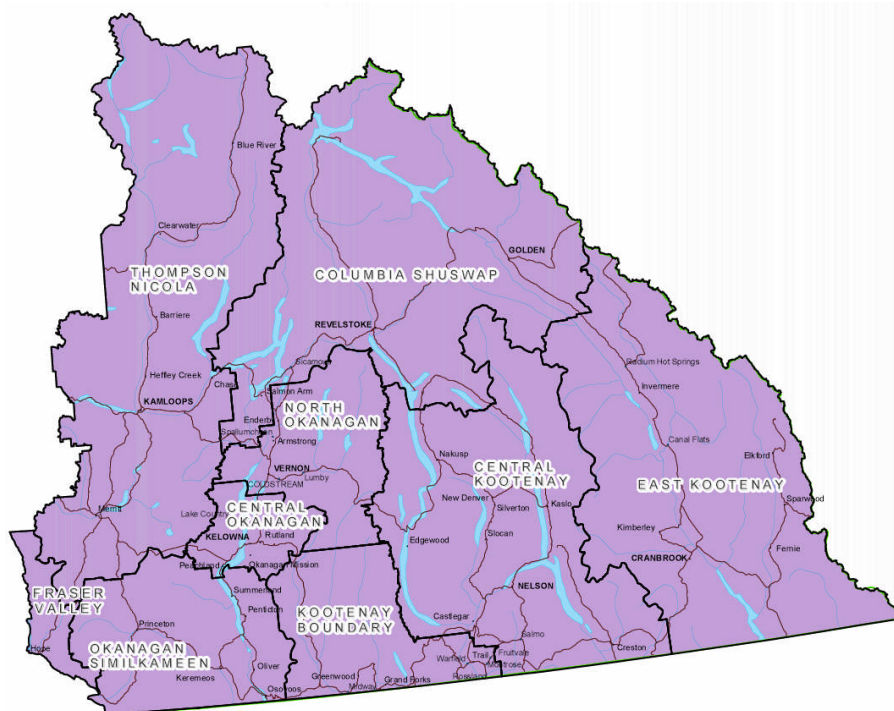
The Southern Interior Development Initiative Trust (SIDIT) was created by an Act of the BC Legislation, Bill 8- 2005, which came into regulation on February 27, 2006 with a one time allocation of \$50 million designated for strategic investments in sustainable economic development initiatives in key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

The Trust is not an agent of the Government and as a Public Trust comes under 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 3 year Strategic Plan, SIDIT's Board of Directors formulated 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 throughout

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.

2006 Board of Directors

Jim Thomson, Kamloops, Board Chair, SIDIT

Marty Bootsma, Mayor, City of Salmon Arm

Greg Deck, Mayor, Town of Radium Hot Springs

John Dooley, Mayor, City of Nelson

Shane Gottfriedson, Chief, Kamloops Indian Band

Jake Kimberley, Mayor, City of Penticton

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

Clarence Louie, Chief, Osoyoos Indian Band

Christa-Lee McWatters Bond, Summerland

Cindy Popescul, Cranbrook

Ross Priest, Mayor, City of Cranbrook

Sharon Shepherd, Mayor, City of Kelowna

Josh Smienk, Area E Director, RDCK

*Mayors Randy McLean, Princeton; Lawrence Chernoff, Castlegar; Neil Krog, Grand Forks; and Jim Doyle, Golden served as first directors of SIDIT in 2006. Replacement directors were appointed by their respective Regional Advisory Committees.

Staff

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

phone: (250) 545-6829

Address

Southern Interior Development Initiative Trust

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

Regional Advisory Committees

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

Members:

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

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

Members:

Terry Lake; Mayor, City of Kamloops (RAC Chair)
Sharon Shepherd; Mayor, City of Kelowna
Jake Kimberley; Mayor, City of Penticton
Marty Bootsma; Mayor, City of Salmon Arm and Chair of Columbia Shuswap R.D.
Wayne Lippert; Mayor, City of Vernon
Jerry Oglow; Mayor, City of Armstrong and Chair of NORD
Sue Phillips; Mayor, City of Enderby
David Laird; Mayor, City of Merritt
Gary Corner; Mayor, District of Coldstream

Members - Thompson Okanagan Regional Advisory Committee, continued

Wilfried Vicktor; Mayor, District of Hope
James Baker; Mayor, District of Lake Country
Graham Reid; Mayor, District of Peachland
Lorraine March; Mayor, District of Sicamous
David Gregory; Mayor, District of Summerland
Robert Hobson; Chair, Central Okanagan Regional District
Clint Hames; Chair, Fraser Valley R.D.
Dan Ashton; Chair, Okanagan-Similkameen R.D
Steve Quinn; Chair, Thompson-Nicola R.D.
Ron Hovanes; Mayor, Town of Oliver
John Slater; Mayor, Town of Osoyoos
Randy McLean; Mayor, Town of Princeton
Will Hansma; Mayor, Town of Spallumcheen
Harry Danyluk; Mayor, Village of Chase
Walter Despot; Mayor, Village of Keremeos
Eric Foster; Mayor, Village of Lumby
MLA Hon. Bill Barisoff
MLA Hon. Rick Thorpe
MLA Sindi Hawkins
MLA Al Horning
MLA Hon. Tom Christensen
MLA Hon. George Abbott
MLA Kevin Krueger
MLA Hon. Claude Richmond
MLA Harry Lali

2006 – A Year in Review

In its first year since Bill 2005-8 was passed creating the Southern Interior Development Initiative Trust, the Board of Directors held five board meetings and established Recruitment, Finance, Audit and Management Committees to oversee key activities of the Trust.

Upon receiving its one time allocation of \$50 million into the Regional Account, the Board invested the proceeds with the Municipal Finance Authority in a money market account which at the end of its first fiscal year, March 31, 2007 had grown to approximately \$52 million.

After hiring a Chief Executive Officer, effective October 10, 2006, SIDIT established an office in Vernon and began preparations for development of its strategic plan.

Following a call for proposals SIDIT engaged Whalebone Productions to facilitate its strategic planning process. Director and Regional Advisor input were solicited by way of a written survey accompanied by select interviews. Additionally 8 Regional Advisors were invited to participate with Directors in a two day strategic planning session held January 19-20, 2007 in Cranbrook. The Board released its first 3 Year Strategic Plan on February 27, 2007. Copies were subsequently distributed to the Regional Advisory Committees. Through press releases and notices in community newspapers interested parties were invited to request a copy of the strategic plan.

The Strategic Plan identifies the planned rate of fund disbursement as \$7.5 million in each of SIDIT's first four years of operation with distributions taking the form of grants, loans or equity participation. Through investment gain and return of principle it is anticipated that at the end of four years, a potential endowment of \$30 million will be created.

In preparation for a target date of mid 2007 to begin project funding, website design began in March with a launch anticipated in early May 2007. From discussions with other funding agencies and with input from Regional Advisors, the application guidelines, forms and evaluation criteria were developed. These will be available on the website shortly after its launch. The website is intended to be the Trust's primary form of communication with applicants, the public and Regional Advisors. SIDIT's web site address is: www.sidit-bc.ca

The Trust undertook selection of its Auditor through a Request for Proposal process and in March, 2007 awarded the audit services contract to KPMG covering fiscal years, 2006 and 2007. SIDIT's 2006 Audited Financial Statements and Auditors' Report are included in this report.

With the groundwork established in 2006, the Southern Interior Development Initiative Trust is now well positioned to begin delivering on its mandate to support economic development initiatives throughout the southern interior in fiscal 2007.

Financial Statements of

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

From incorporation on February 28, 2006 to March 31, 2007



KPMG LLP
Chartered Accountants
3rd Floor
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Vernon, BC V1T 9A2
Canada

Telephone (250) 503-5300
Telefax (250) 545-6440
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, 2007 and the statements of operations and fund balance and cash flows from incorporation on February 28, 2006 to March 31, 2007. 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, 2007 and the results of its operations and its cash flows from incorporation on February 28, 2006 to March 31, 2007 in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, flowing style.

Chartered Accountants

Vernon, Canada
May 1, 2007

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Statement of Financial Position

As at March 31, 2007

Assets

Current assets:		
Cash and cash equivalents	\$	20,084
Prepaid expenses		7,500
		<u>27,584</u>
Investments (note 3)		51,941,373
Property and equipment (note 4)		4,711
		<u>\$ 51,973,668</u>

Liabilities and Fund Balance

Current liabilities:		
Accounts payable and accrued liabilities	\$	15,534
Fund balance:		
Regional account		51,953,423
Externally restricted		4,711
Invested in property and equipment		<u>51,958,134</u>
		<u>\$ 51,973,668</u>

See accompanying notes to financial statements.

Approved by the Board:

Jim A. Thomson, Chairman of the Board

Cindy Popescu, Audit Committee Chair




SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Statement of Operations and Fund Balances

From incorporation on February 28, 2006 to March 31, 2007

Revenue	
Province of British Columbia contribution	\$ 50,000,000
Investment income	2,091,372
	<hr/> 52,091,372
Expenditures	
Amortization	652
Board costs	23,241
Communications	1,970
Consulting	19,601
Insurance	7,500
Office and administration	20,779
Professional fees	10,000
Salaries and benefits	49,495
	<hr/> 133,238
Excess of revenue over expenditures	<hr/> 51,958,134
Net change in invested in property and equipment	(4,711)
Externally restricted fund balance, end of period	<hr/> \$ 51,953,423

See accompanying notes to financial statements.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Statement of Cash Flows

From incorporation on February 28, 2006 to March 31, 2007

Cash provided by (used in):

Cash flows from operating activities:

Excess of revenue over expenditures	\$ 51,958,134
Amortization, which does not involve cash	652
Changes in non-cash operating working capital:	
Increase in prepaid expenses	(7,500)
<u>Increase in accounts payable and accrued liabilities</u>	<u>15,534</u>
	51,966,820

Cash flows from investing activities:

Acquisition of investments	(51,941,373)
<u>Acquisition of property and equipment</u>	<u>(5,363)</u>
	(51,946,736)

Cash and cash equivalents, end of period	\$ 20,084
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See accompanying notes to financial statements.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements

From incorporation on February 28, 2006 to March 31, 2007

The Southern Interior Development Initiative Trust (the “Trust”) incorporated 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 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.

b) Revenue recognition

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

c) Cash and cash equivalents

The Trust considers investments in any liquid debt instrument with an original maturity of three months or less to be cash equivalents.

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements, page 2

From incorporation on February 28, 2006 to March 31, 2007

2. Significant accounting policies (continued):

d) Property and equipment:

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

Asset	Rate
Office furniture	20%
Computers and equipment	30%

e) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

3. Investments:

The Trust's investments are held with the Municipal Finance Authority in the M.F.A. Money Market Fund. The annual weighted average rate of return for 2007 was 4.15%.

4. Property and equipment:

	Cost	Accumulated amortization	Net book value
Office furniture	\$ 3,040	\$ 304	\$ 2,736
Computers and equipment	2,323	348	1,975
	\$ 5,363	\$ 652	\$ 4,711

SOUTHERN INTERIOR DEVELOPMENT INITIATIVE TRUST

Notes to Financial Statements, page 3

From incorporation on February 28, 2006 to March 31, 2007

5. Financial instruments:

The fair values of cash and cash equivalents and accounts payable and accrued liabilities approximate their carrying values due to the relatively short periods to maturity of the instruments. The fair value of investments approximates its carrying value due to the interest rate of the instruments closely approximating market rates for similar instruments. The maximum credit risk exposure for all financial instruments is the carrying value of that instrument.