

Financial Statements of

**SURREY CITY DEVELOPMENT
CORPORATION**

Period from incorporation on April 24, 2007 to
December 31, 2007



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the balance sheet of Surrey City Development Corporation (the "Corporation") as at December 31, 2007 and the statements of operations and deficit and cash flows for the period from incorporation on April 24, 2007 to December 31, 2007. These financial statements are the responsibility of the Corporation'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 Corporation as December 31, 2007 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Burnaby, Canada

March 28, 2008

SURREY CITY DEVELOPMENT CORPORATION

Balance Sheet

December 31, 2007

Assets

Current assets:

Cash	\$	18,053
Accounts receivable		3,838
GST receivable		17,128
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		39,019

Capital assets (note 3)		373,246
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	\$	412,265
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Liabilities and Shareholder's Deficiency

Current liabilities:

Accounts payable and accrued liabilities	\$	182,119
Due to City of Surrey (note 4)		489,376
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		671,495

Shareholder's deficiency:

Share capital (note 5)		100
Deficit		(259,330)
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		(259,230)

Future operations (note 1)

Commitments (note 6)

	\$	412,265
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See accompanying notes to financial statements.

SURREY CITY DEVELOPMENT CORPORATION

Statement of Operations and Deficit

Period from incorporation on April 24, 2007 to December 31, 2007

Expenses:	
Amortization	\$ 1,069
Consulting	23,376
Communications	3,603
Interest	3,886
Leases and rentals	28,191
Liability insurance	20,998
Memberships	399
Travel	15,762
Salaries and benefits	156,710
Supplies and materials	5,336
	<hr/>
	259,330
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Loss for the period, being deficit, end of period	\$ (259,330)

See accompanying notes to financial statements.

SURREY CITY DEVELOPMENT CORPORATION

Statement of Cash Flows

Period from incorporation on April 24, 2007 to December 31, 2007

Cash provided by (used in):

Operations:

Loss for the period	\$ (259,330)
Amortization, an item not involving cash	1,069
Change in non-cash operating working capital:	
Accounts receivable	(3,838)
GST receivable	(17,128)
Accounts payable and accrued liabilities	182,119
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	(97,108)

Investments:

Purchase of capital assets	(374,315)
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Financing:

Due to City of Surrey	489,376
Cash received on issuance of share capital	100

Increase in cash, being end of period	\$ 18,053
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See accompanying notes to financial statements.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Financial Statements

Period from incorporation on April 24, 2007 to December 31, 2007

The Surrey City Development Corporation (the "Corporation"), which is funded and supported primarily by the City of Surrey ("City"), was incorporated on April 24, 2007 by the City of Surrey with broad powers to advance the commercial, industrial and residential development of the City. The Corporation's Board is appointed by the Council of the City of Surrey. The Corporation is non-taxable as it is owned by the City of Surrey.

1. Future operations:

These financial statements have been prepared on a going concern basis which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Accordingly, these financial statements do not include any adjustments to the specific amounts and classifications of assets and liabilities which might be necessary should the Corporation be unable to continue as a going concern.

The Corporation had net loss and an accumulated deficit of \$259,330 and a working capital deficiency of \$632,476. The Corporation's ability to continue operations is dependent upon future profitable operations, its ability to generate cash to fund its operations, and the continued support by the City of Surrey.

2. Significant accounting policies:

The accounting policies of the Surrey City Development Corporation conform with Canadian generally accepted accounting principles and include the following specific policies:

(a) Revenue and expense recognition:

Revenue and expenses are recorded on an accrual basis.

(b) Capital assets:

Capital assets are stated at cost. Amortization is provided using the straight-line method at rates based on the estimated useful lives of the assets as follows:

Computer equipment	20%
Furniture and fixtures	20%

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of net realizable value of accounts receivable, the net recoverable amount of capital assets and the estimated useful lives of capital assets. Actual results may differ from those estimates.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Period from incorporation on April 24, 2007 to December 31, 2007

2. Significant accounting policies: (continued)

(d) Changes in accounting policies:

Commencing with the fiscal year beginning January 1, 2008, the Corporation will be adopting CICA Handbook Section 1530, *Comprehensive Income*, Section 3251 *Equity*, Section 3855, *Financial Instruments - Recognition and Measurement* and Section 3861, *Financial Instruments - Disclosure and Presentation*.

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles.

Section 3251 establishes standards for the presentation of equity and changes in equity during the period. On adoption of this standard, the Corporation will separately present each of the changes in equity during the period including accumulated other comprehensive income as well as components of equity at the end of the period.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held for trading, held-to-maturity, loans and receivables available-for-sale financial assets or other financial liabilities.

All financial instruments, including derivatives, are measured on the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures will not be restated.

Sections 3862 and 3863, *Financial Instruments – Disclosures and Presentation*, respectively, establish standards for the presentation of financial instruments and non-financial derivatives, and require additional disclosure of the nature and extent of an entity's exposure to risks arising from financial instruments and how the entity manages those risks.

The management is currently evaluating the impact of these accounting standards for the year ending December 31, 2008.

SURREY CITY DEVELOPMENT CORPORATION

Notes to Financial Statements (continued)

Period from incorporation on April 24, 2007 to December 31, 2007

3. Capital assets:

	Cost	Accumulated amortization	Net book value
Land and improvements	\$ 358,817	\$ -	\$ 358,817
Computer equipment	3,514	176	3,338
Furniture and fixtures	11,984	893	11,091
	<u>\$ 374,315</u>	<u>\$ 1,069</u>	<u>\$ 373,246</u>

4. Due to the City of Surrey:

Cash transfers made on behalf of the Corporation by the City, non interest bearing, payable on demand		\$	189,376
Loan payable, interest charged at Bank of Canada prime rate, payable on demand			300,000
		<u>\$</u>	<u>489,376</u>

5. Share capital:

The Corporation was established by the City pursuant to Section 185 of the Community Charter with the intent that until the City Council may otherwise determine all shares will be held by the City. The authorized capital of the Corporation consists of 100 common shares without par value which are issued and outstanding as fully paid and non-assessable to the City.

6. Commitments:

The Corporation is obligated to pay the City all operating costs paid by the City on behalf of the Corporation as well as any loans provided by the City to the Corporation.