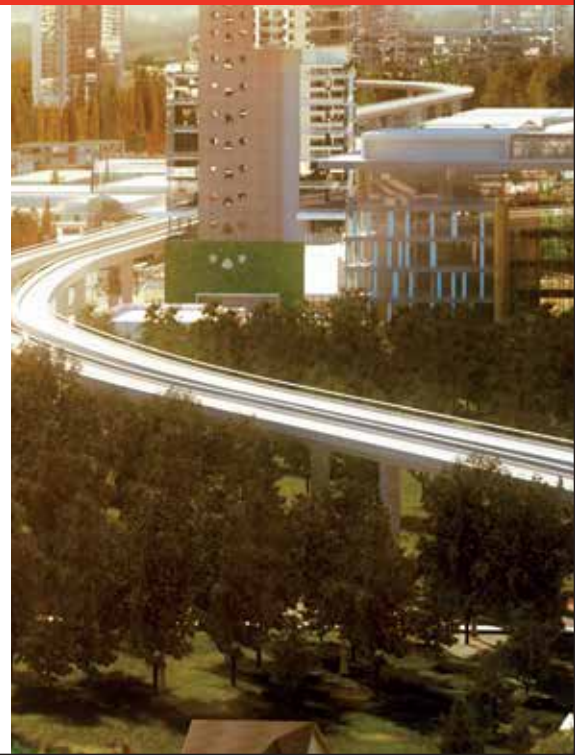


2013

scdc

Potential. Passion. Progress.

SCDC 2013 Annual Report



Potential.
Passion.
Progress.

“We completed yet another highly successful year in 2013 – our third consecutive year of profitability.”

Aubrey Kelly
President & CEO

Surrey City Centre
Surrey
→



Introduction

SCDC was incorporated in 2007 to assist the City of Surrey in making the City a more vibrant and complete community. SCDC is committed to helping Surrey achieve its full potential as a thriving sustainable urban city.

SCDC contributes revenue to the City of Surrey through profits from real estate development projects as well as an income property portfolio. SCDC is passionate in its mandate to help advance the City's financial, social, business and community goals through the development of the City's surplus land holdings, strategic acquisition of properties ripe for development, and the acquisition of income generating properties.

SCDC is wholly-owned by the City of Surrey yet operates under business practices consistent with a private sector discipline. This includes having an expert non-political Board of Directors, an Audit and Finance Committee, as well as a Governance Human Resources and Compensation Committee consisting of independent Directors who are respected external professionals involved in diverse aspects of real estate and urban development.

SCDC has successfully progressed from its start-up phase into being fully operational and profitable. Several projects were completed in 2013, with others currently under construction and nearing stages of finalization. Several new members have been added to strengthen our team and the overall operation of our company.

SCDC is now in its third consecutive year of positive results. We have repaid all of our operating loans from the City of Surrey, and we are well into our second year of paying annual dividends to the City.

SCDC welcomes questions and comments and is committed to transparency. Please feel free to send an email to info@scdc.ca, call (604) 581-8787, or visit www.scdc.ca if you would like to learn more about SCDC.

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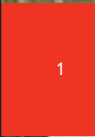
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City-Building and Community Engagement

SCDC is committed to helping to shape the City of Surrey by adding to its vibrancy, sustainability and economic competitiveness. For example, SCDC's role in the "Build Surrey" program approved by Surrey City Council in 2009 is to serve as a catalyst in creating a City Centre which provides a wide range of high-value jobs, services, educational opportunities, along with housing for this growing labour force.

Our flagship 3 Civic Plaza, complete with the Marriott International Autograph Collection Civic Hotel and Kwantlen Polytechnic University's fifth campus, is a future landmark that adds significantly to Surrey City Centre's international standing and business profile. The Civic Plaza, enveloped by Surrey City Hall, 3 Civic Plaza, as well as the Surrey Public Library, will be a significant part of a new sophisticated social hub in Surrey. This venue will provide much-needed business, entertainment, and social functionality for a vibrant and pedestrian-friendly core right in the heart of Surrey City Centre, while also serving as a key focus for public transit.

SCDC's industrial projects, including Bridgeview Industrial and Campbell Heights North, bring vitality and jobs to previously vacant areas in Surrey – thus adding solidly to economic growth.

SCDC is a member of several prestigious business communities including the Urban Development Institute (UDI), the Urban Land Institute (ULI), and the Surrey Board of Trade in which our President & CEO Aubrey Kelly serves as a Director. SCDC holds a public Annual General Meeting as well as Public Information Meetings in different parts of Surrey in order to engage Surrey's citizens in learning more about the corporation and its activities. SCDC is committed to transparency and is enthusiastic about sharing its activities and achievements with the broad Surrey community.

Letter from the Chair

I am honoured once again to be able to contribute to SCDC's 2013 Annual Report in my second year as Chair of the Board. This has been a busy and fruitful year for SCDC, and an excellent one financially as this Report documents.

In 2013, SCDC improved its profitability to \$6.07 million from \$4.3 million in 2012 – a 40% increase. We continue to advance our partnerships with some of the strongest developers in Metro Vancouver. We launched our flagship 3 Civic Plaza development, successfully selling half of the residential units while securing excellent retail and office commercial occupants. Construction will be underway in 2014. Also, in 2013, SCDC successfully completed the Bridgeview Industrial development for tenant Central City Brewing. We were instrumental in getting the new Surrey City Hall completed on budget and we are advancing projects in Surrey City Centre that will further its growth and success.

I will highlight activities relating to Board and staff which we are doing to build a strong, accountable, exemplary and durable SCDC going forward.

In 2013, after an extensive and diligent search, the SCDC Board successfully attracted three new outstanding Directors: Anne Bancroft-Jones, Don Murray, and Denise Turner. We also conducted a competitive and lengthy search for a new President and CEO to replace retiring Jim Cox which engaged candidates from across Canada. This ultimately resulted in the selection of SCDC's COO Aubrey Kelly as the new President and CEO as of January 2014. We are proud and delighted to have him lead SCDC through this next critical phase of its growth and evolution.

In keeping with our commitment to transparency, accountability and accessibility, we conducted an

independent audit of our website which resulted in extensive changes to make it user-friendly and informative. As promised in my letter last year, I have spent considerable time with Surrey Council, senior City management, and local business groups to share SCDC's experience and successes more widely. I look forward to expanding these activities and bringing more knowledge of our activities to Surrey communities through meetings, open houses, and discussions with business leaders.

Before closing, I want to thank Jim Cox, the recently retired President and CEO for his leadership in building SCDC from its early start-up phase to its current status as a successful, profitable and respected development corporation. Jim not only left a profitable SCDC behind, but a well-staffed and widely respected business organization.

Also, two of our retiring directors deserve our thanks and recognition. SCDC Directors serve a maximum of two three-year terms and both Allan Davies and Hugh Matthews stepped down in September 2013 at the end of their second terms. Both Allan and Hugh were original Directors who helped guide SCDC through its risky early years and were vital in providing leadership that allowed SCDC to reach its current stage of evolution and profitability. I enjoyed working with both Allan and Hugh and want to extend my appreciation publicly for their efforts and commitment during these six years.

I look ahead to another busy and fulfilling year in 2014 and to engaging ever more widely with citizens, businesses and leaders of our dynamic and progressive Surrey civic society.

Dr. Michael Goldberg
Chair, SCDC



Letter from Our President & CEO

I am pleased to report that 2013 was another profitable year for SCDC. SCDC paid its first dividend to the City of Surrey in 2013 and will pay its second dividend in 2014.

Many of the projects that were in our development roster in 2011 and 2012 became active construction projects in 2013, giving us six active sites. Other projects continue to work through the planning stages so that new projects will be underway in 2014 – such as 3 Civic Plaza, our 52–storey mixed-use hotel/condominium/office project in Surrey City Centre. The income portfolio side of our operations also saw growth in 2013, with the completion of our build-to-suit industrial building in Bridgeview for Central City Brewers and Distillers.

2013 saw the addition of several key members to our team as we positioned ourselves for growth in 2014 and 2015. I am fully aware that none of our success would be possible without the skill and dedication of our team members – and they are to be thanked.

I am also fully aware as I write this, that I am commenting on an operating year during which the corporation was under the presidency of Jim Cox. His leadership and infectious enthusiasm for what

we do has made this corporation what it is today and not only are we deeply indebted to him but we are the poorer for having lost him to retirement at the end of 2013.

I would like to acknowledge our Board of Directors as their advice and guidance are tremendously helpful and we are thankful for their dedicated service to the corporation. We welcomed three new Directors in 2013: Denise Turner, Anne Bancroft-Jones and Don Murray. We are looking forward to working with them in the coming years. A word of thank you to the two outgoing Directors, Allan Davies and Hugh Matthews, whose sage advice will be sorely missed.

Finally, thanks to Surrey City Council for its continued support and trust as we have together built SCDC into a successful company over the last few years.

We are together, looking forward to another successful year in 2014.

Aubrey Kelly
President & CEO, SCDC



Meet the Board

From left to right



Anne Bancroft-Jones brings 30 years of Real Estate and Development experience in senior management positions in both private and public sectors. Anne is also an LEED Accredited Professional and a member of the Canadian Institute of Planners.

Anne holds a Master of Science in Business Administration and in Urban Land Economics from the University of British Columbia.



Gary Cowan is an executive with extensive real estate and corporate development expertise including residential and commercial, hotel and resource based businesses in Canada and the United States. He brings a wealth of experience in both the private and public sectors. Gary has most recently acted as the CEO of Bear Mountain Resort with responsibility over operations, planning, and the strategic direction of the hotel, golf and residential development in Victoria, BC. Gary also practiced corporate and real estate law for 12 years prior to entering the management of a major real estate company in 1988.

Gary holds a Bachelor of Arts in Economics and a Bachelor of Laws from the University of Alberta.



Dr. Michael Goldberg's academic and public career has spanned over four decades. From 2002 to 2004, he was Associate Vice President International at the University of British Columbia, and the HR Fullerton Professor of Urban Land Policy in the UBC Sauder School of Business where he served as Dean from 1991 to 1997. His research addresses cities, their transportation, housing, land-use systems and their competitive position in the global economy and the policies needed to globally enhance this competitiveness.

Michael has a PhD in Economics from the University of California at Berkeley. He is the Chair of the SCDC Board and a Director of the Canada Pension Plan Investment Board.

Meet the Board

From left to right



Don Murray has been involved in major real estate projects for over thirty years, across Canada and internationally. He has held senior executive positions in Marathon Realty, and in Grosvenor International where he served as Chief Investment Officer.

Don holds a Bachelor of Science degree in Mathematics and Physics from the University of British Columbia, and an MBA from the University of Western Ontario.



Ken Nixon is an executive with over forty years experience in both industrial and real estate development. His past involvements include a variety of firms including Corning Glass Works, Great Northern Capital, Cadillac Fairview, Markborough Properties, and latterly as Vice President of Real Estate at Sears Canada.

Ken holds a BSc. in Civil Engineering from the University of Manitoba and an MBA from the University of Western Ontario.



Denise Turner has a background in Finance and has been the co-principal of several privately- and publicly-owned commercial real estate companies in Canada and the US. She has a long history of board service in the private, public and not-for-profit sectors, and is a recipient of HRH Queen Elizabeth's Golden Jubilee Award for Outstanding Service to British Columbia and to Canada.

Vince Lalonde is the City Manager of the City of Surrey.

Meet the Team

From left to right

Jaret Lang joined SCDC in 2014 as a Development Manager, bringing with him over 12 years of project management, urban planning and urban design experience from the Lower Mainland, New Zealand and the Middle East. Jaret has facilitated a number of development projects ranging from small-scale urban infill to large-scale master plans and infrastructure projects. Jaret holds a BA from Simon Fraser University and completed his graduate studies in urban planning from Dalhousie University.

Emily Taylor joined SCDC in July 2012 as VP Finance and became our Chief Financial Officer in January 2013. Emily brings with her accounting and financial experience in the development sector, most notably as VP Finance for the Whistler Development Corporation.

Doug Avis recently joined SCDC in June 2014 as Vice President, Development & Investment. Doug has over 30 years of experience in the development and asset management industry in Vancouver, Edmonton and Seattle including mixed-use master planned communities, business parks and industrial and office projects. Doug has both his BComm and MBA from UBC.

Aubrey Kelly became the new President & CEO of SCDC as of January 2014. In 2009, Aubrey joined SCDC as VP Construction and Development, and became Chief Operating Officer in

2012 after obtaining his MBA from Simon Fraser University. Aubrey has over twenty years of experience in the development industry, including 5 years building humanitarian projects in Mexico, and his most recent and current undertaking as a principal consultant in the development and construction of the New Surrey City Hall.

Kelsey Bullen joined SCDC in 2013 as Accountant, bringing with her accounting experience in public practice and financial services. Kelsey is currently working towards a Bachelor of Technology in Accounting at BCIT and is in the PACE level of her CGA designation.

Amanda Kennedy joined SCDC in April 2013 as Project Accountant and became our Manager, Accounting in July 2013. Amanda brings with her accounting experience in public practice. She holds a Bachelor of Technology in Accounting from BCIT and is currently in the PACE level of the CGA designation.

Josh Anderson became our new Director, Development in January 2014. Josh joined SCDC in 2012 as Development Manager, bringing over ten years of development experience in Vancouver, Southeast Asia, and the Middle East. Josh has managed the development of a variety of projects including mixed-use master plans and multi-family residential.

Natalia Retandy joined SCDC in 2013 as Office Administrator. Natalia holds a BA from Simon Fraser University, and is currently completing the Business Administration program at the University of Victoria.

Brett Standerwick joined SCDC this year as a Development Coordinator, bringing experience in valuation. Brett holds a Bachelor of Commerce in Real Estate and Finance from UBC, and is currently working towards a Diploma in Urban Land Economics.

Heather Marshall joined SCDC in 2009 as Manager, Finance and Administration, and became our Manager, Corporate Governance in 2013. Heather has over thirty-five years of experience in the development community in both private and public sectors; emphasizing in development consulting, project administration, and business setup and organization. Heather holds a Masters in Education, and a Degree in Business Administration.

Tina Peng (Not Photographed) joined SCDC in 2014 as Real Estate Analyst, bringing with her experience in market and development feasibility analysis. Tina holds a Bachelor of Commerce from the University of British Columbia, and is currently a Level III Candidate for the Chartered Financial Analyst (CFA) Program.



Projects

“SCDC’s projects not only provide positive financial contributions to the City and build partnerships with the private sector, but they are also a vehicle for social and civic development.”

Aubrey Kelly

President & CEO



WHALLEY

Central City Brewing & Distillery

GUILDFORD

Brick/Bright

3 Civic Plaza

New City Hall

Schmidt Berg

SURREY CITY CENTRE

Cedar Hills Shopping Centre

Murray Latta

FLEETWOOD

88 AVE.

80 AVE.

Newton

72 AVE.

FRASER HWY.

72 AVE.

East Newton Business Park

The Grove

Boundary Plaza Shopping Mall

64 AVE.

CLOVERDALE

Gatehouse North

Cloverdale West Village

NEWTON

56 AVE.

SOUTH SURREY

Fire Hall No.17

Southpointe 99

Campbell Heights North

Campbell Heights Phase 1

24 AVE.

Semiahmoo Mixed-Use

KING GEORGE BLVD.

32 AVE.

16 AVE.

WHITE ROCK

8 AVE.

Bridgeview Industrial

SCDC finalized construction on this build-to-suit 65,101 sq.ft. industrial building in August 2013 which has been housing Central City Brewers + Distillers Ltd. since completion. Bridgeview Industrial also represents an important city-building exercise by bringing life and activity to reinvigorate the Bridgeview area of Surrey, while also creating a profitable long-term real estate asset in SCDC's portfolio. In November 2013, this building received an Award of Excellence in the Fraser Valley 2014 Industrial Commercial Building Awards.

Bridgeview Industrial
11411 Bridgeview Drive, Surrey



"A year has almost past since we started brewing, we are well on our way to triple the capacity from one year ago. The careful building design has not only won awards but also has enabled us to grow at the right pace for our equally carefully planned future. The right plan in the right place with the right people."

Darryll Frost

President, Central City Brewers + Distillers Ltd.



CENTRAL CITY
BREWERS + DISTILLERS



Southpointe 99

Southpointe 99
15303 & 15315 31st Avenue, Surrey



SCDC is partnering with KN&V Accountants to develop this 110,000 sq.ft. office park which will elevate the definition of Business Class office space for South Surrey. This state-of-the-art LEED Gold office design comprises two phases of environmentally sustainable buildings as well as employee-friendly health and fitness amenities.



“We’ve had a good working partnership with the SCDC team and together look forward to bringing online in 2014 the 1st LEED GOLD certified office facility to the South Surrey marketplace. As a neighbour to the project, KNV is excited to see this kind of leading edge office facility come to the South Surrey market and we look forward to the continued expansion of commercial tenancies in the area and the opportunities that this type of facility attracts and creates for the area.”

Rob Wesley

Partner, KN&V Accountants

3 Civic Plaza

SCDC is proud to partner with Century Group and Delta West Developments Ltd. on the 3 Civic Plaza project. This 52-storey building includes Kwantlen Polytechnic University's fifth campus, 349 luxurious residential units, sophisticated office and retail levels, and the 144-suite Marriott International Autograph Collection Civic Hotel. This future landmark for Surrey represents one of the most refined mixed-use buildings in Metro Vancouver and one that is sure to be a forerunner for the kind of City Centre that Surrey imagines for its future.

3 Civic Plaza
13483 City Parkway, Surrey



"3 Civic Plaza achieved two important milestones in 2013. The first was the official launch of residential pre-sales in May to tremendous market success in a very competitive market. We were gratified to see most of our exclusive penthouse and 3-bedroom residences bought early in the sales process.

The second was our announcement in October of our partnership with Marriott International Inc. to brand the hotel component within Marriott's Autograph Collection brand. The new Civic Hotel will be one of just over fifty hotels within the Autograph Collection throughout Europe and North America and only the second in Canada. It was a great vote of confidence from Marriott International in the future of Surrey City Centre."

Sean Hodgins

President, Century Group



← display homes

the future KBU is here

THERE IS ONLY **one** CIV

A WORLD-CLASS CITY CENTRE

- 1. **World-Class Amenities**
- 2. **World-Class Amenities**
- 3. **World-Class Amenities**
- 4. **World-Class Amenities**
- 5. **World-Class Amenities**
- 6. **World-Class Amenities**
- 7. **World-Class Amenities**
- 8. **World-Class Amenities**
- 9. **World-Class Amenities**
- 10. **World-Class Amenities**



Campbell Heights North

Campbell Heights North
192nd Street & 32nd Avenue, Surrey



SCDC has undertaken zoning, subdivision, and servicing of this 250-acre business park in Campbell Heights. Colliers International has been retained to market the project. Industrial lots from both Phase I and Phase II are now completely sold out, with building construction well underway. Planning for Phase III is well advanced and a number of lots are under sales agreement. Development permits have been issued, clearing the way for further construction in 2014. This clean, attractively landscaped light industrial business park will create numerous jobs and overall growth for Surrey.



The Grove

SCDC is in partnership with the award-winning Townline Homes in creating The Grove, a family-oriented community located in Clayton Heights. The 141 spacious parkhomes are timelessly designed by Robert Ciccozzi Architecture and surrounded by professionally landscaped lush green space. Each home will have access to The Grove Clubhouse which comprises 4,300 sq.ft. of family-friendly amenities including a theatre and an indoor floor hockey court.

'The Grove'
194th Street & 68th Avenue, Surrey





Boundary Park Plaza

This 54,033 sq.ft. neighborhood retail centre is located in Surrey's Boundary Park area, at the intersection of Scott Road and 64th Avenue. Tenants include: Pharmasave, M&M Meats, Coast Capital Credit Union, and many more.

Boundary Park Plaza
63rd Avenue & 120th Street, Surrey







Cedar Hills Plaza

Cedar Hills Plaza
96th Avenue & 128th Street, Surrey



Cedar Hills Plaza is a 54,507 sq.ft. shopping centre located in Surrey's northwest sector at 96th Avenue and 128th Street. Tenants include: Shoppers Drug Mart, Starbucks, UPS, VanCity Credit Union, and many more.



Thank You

SCDC is proud to be a catalyst and facilitator in helping to accelerate beneficial development throughout the City of Surrey, and unlocking the City's potential in becoming a thriving and sustainable urban city.

We welcome questions and comments and are committed to transparency so please visit our website, send us an email or call us if you would like to learn more about SCDC.

SCDC

1870 - 13450 102 Avenue
Surrey, BC V3T 5X3
Tel. (604) 581-8787
Fax. (604) 582-9379
Email. info@scdc.ca

www.scdc.ca



SCDC

Summarized Financial Statements

Year ended December 31, 2013

Management and Board Responsibilities for Reporting

The 2013 Annual Report, including the summarized consolidated financial statements, were prepared by the management of SCDC. These summarized statements are based on complete consolidated financial statements prepared in accordance with the Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The summarized consolidated financial statements do not contain all the disclosures required by Canadian public sector accounting standards and readers are cautioned these statements may not be appropriate for their specific purposes. Management considers that the basis of presentation is appropriate to summarize financial information for inclusion in the annual report. The complete consolidated financial statements including Auditors' Report are available on request.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls and exercises these responsibilities through the Board and through an Audit Committee. Internal financial reports are reviewed on a quarterly basis and externally audited financial statements are reviewed annually. The Board of Directors has approved this Annual Report.

The external auditors, KPMG, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the statements. The external auditors have full and free access to financial management of SCDC and meet when required. KPMG's report on the summarized consolidated financial statements appears herein.

On behalf of SCDC,



Aubrey Kelly,
President and CEO



Emily Taylor,
Chief Financial Officer



Dr. Michael Goldberg,
Chair of the Board



Don Murray,
Chair of the Audit Committee

Report of the Independent Auditors on the Summary Financial Statements

To the Board of Directors of Surrey City Development Corporation

The accompanying summary consolidated financial statements of Surrey City Development Corporation, which comprise the summary consolidated statement of financial position as at December 31, 2013, the summary consolidated statements of operations, changes in net debt and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements, prepared in accordance with Canadian public sector accounting standards, of Surrey City Development Corporation as at and for the year ended December 31, 2013.

We expressed an unmodified audit opinion on those consolidated financial statements in our report dated May 1, 2014. Those consolidated financial statements, and the summary consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The summary consolidated financial statements do not contain all the disclosures required by Canadian public sector accounting standards applied in the preparation of the audited consolidated financial statements of Surrey City Development Corporation. Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of Surrey City Development Corporation.

Management's Responsibility for the Summary Consolidated Financial Statements

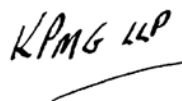
Management is responsible for the preparation of the summary consolidated financial statements in accordance with Canadian public sector accounting standards.

Auditors' Responsibility

Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with Canadian Auditing Standard 810, "Engagements to Report on Summary Financial Statements."

Opinion

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of Surrey City Development Corporation as at and for the year ended December 31, 2013 are a fair summary of those consolidated financial statements, in accordance with Canadian public sector accounting standards.



Chartered Accountants
July 10, 2014
Burnaby, Canada



KPMG LLP Chartered Accountants

Metrotower II
Suite 2400 - 4720 Kingsway
Burnaby BC V5H 4N2
Telephone (604) 527.3600
Fax (604) 527.3636
www.kpmg.ca

Summarized Consolidated Statement of Financial Position

As at December 31, 2013, with comparative figures for 2012

	2013	2012
FINANCIAL ASSETS		
Cash	\$ 931,213	\$ 2,029,541
Due from government and other government organizations	1,010,995	1,781,436
Due from joint venture partners	6,912,815	8,680,738
Accounts receivable	1,595,820	1,897,520
Properties held-for-sale	15,237,059	14,788,247
Investment in partnership	700,000	–
Performance bonds and deposits	253,157	262,076
Tenant inducements	30,348	–
	26,671,407	29,439,558
LIABILITIES		
Accounts payable and accrued liabilities	2,818,341	3,551,633
Loans payable	39,222,670	32,878,191
Deposits payable to income property tenants	542,001	1,146,464
Deferred gains	4,764,721	4,765,147
Due to joint venture partners	4,939,486	4,939,486
Due to City of Surrey – interim project financing (Note 2)	41,567,683	39,828,691
Due to City of Surrey – promissory notes (Note 3)	28,937,707	–
	122,792,609	87,109,612
NET DEBT	(96,121,202)	(57,670,054)
NON-FINANCIAL ASSETS		
Tangible capital assets	109,472,554	109,856,478
Prepaid expenses	119,184	61,835
	109,591,738	109,918,313
Share capital, common shares	100	100
Share capital, preferred shares	7,587,700	47,936,338
Accumulated operating surplus (deficit), opening	4,311,821	(622,419)
Annual surplus current year	6,070,915	4,934,240
Distribution of earnings to shareholder	(4,500,000)	–
ACCUMULATED SURPLUS	\$ 13,470,536	\$ 52,248,259

See accompanying notes to consolidated financial statements.

Summarized Consolidated Statement of Operations

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
PROPERTY AND OTHER INCOME, NET		
Property sales income, net	\$ 8,086,771	\$ 6,099,188
Property lease income, net	382,562	(70,987)
Professional consulting fees and other income	368,219	279,901
	8,837,551	6,308,102
CORPORATE OPERATING EXPENSES		
Administration	186,667	123,546
External consulting services	373,334	395,347
Income properties	186,667	74,128
Real estate development and sales	1,120,001	642,438
	1,866,669	1,235,459
PARTNERSHIP OPERATING EXPENSES	899,967	138,403
	2,766,636	1,373,862
ANNUAL SURPLUS FROM OPERATIONS	6,070,915	4,934,240
Preferred shares issued	842,000	25,112,000
Preferred shares redeemed upon sale of projects	(3,883,137)	(13,303,163)
Preferred shares redeemed upon conversion to promissory notes (Note 3)	(37,307,501)	–
Distribution of earnings to shareholder	(4,500,000)	–
ANNUAL SURPLUS (DEFICIENCY)	(38,777,723)	16,743,077
ACCUMULATED SURPLUS, BEGINNING OF YEAR	52,248,259	35,505,182
ACCUMULATED SURPLUS, END OF YEAR	\$ 13,470,536	\$ 52,248,259

See accompanying notes to consolidated financial statements.

Summarized Consolidated Statement of Changes in Net Debt

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
ANNUAL SURPLUS (DEFICIENCY)	\$ (38,777,723)	\$ 16,743,077
Acquisition of tangible capital assets	(28,517,588)	(93,315,488)
Disposal of tangible capital assets	3,055,785	1,254,667
Amortization of tangible capital assets	840,796	296,423
Capitalization of wages	(807,643)	(436,148)
	(25,428,650)	(92,200,546)
Transfer to due from City of Surrey	–	36,092
Transfer to assets held-for-sale	25,812,574	33,391,040
Change in prepaid assets	(57,349)	(23,291)
	25,755,225	33,403,841
INCREASE IN NET DEBT	(38,451,148)	(42,053,628)
NET DEBT, BEGINNING OF YEAR	(57,670,054)	(15,616,426)
NET DEBT, END OF YEAR	\$ (96,121,202)	\$ (57,670,054)

Summarized Consolidated Statement of Cash Flows

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
CASH PROVIDED BY (USED IN):		
OPERATIONS		
Annual surplus from operations	\$ 6,070,915	\$ 4,934,240
Items not involving cash:		
Amortization	840,796	296,423
Gain on disposal of properties held-for-sale and properties under development	(7,870,406)	(6,099,188)
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	358,534	(1,897,341)
Decrease in performance bonds and deposits	8,919	126,895
Increase in tenant inducement	(30,348)	–
Decrease (increase) in due from government and other government organizations	770,441	(963,777)
Increase (decrease) in accounts payable and accrued liabilities	(733,292)	2,833,853
Increase (decrease) in deposits payable to income property tenants	(604,463)	1,081,029
Increase in prepaid expenses	(57,349)	(23,291)
Net change in cash from operating activities	(1,246,253)	288,843
INVESTING		
Proceeds from disposal of properties held-for-sale and properties under development	36,952,463	33,492,641
Purchase of tangible capital assets	(17,264,056)	(14,608,027)
Investment in partnership	(700,000)	–
Net change in cash from investing activities	18,988,407	18,884,614
FINANCING		
Distribution of earnings to shareholder	(4,500,000)	–
Decrease in due from joint venture partners	1,767,923	–
Issuance of loans payable	7,301,527	3,256,143
Repayment of debt due to City of Surrey	(18,569,691)	(7,278,656)
Repayment on loans payable	(957,104)	(59,202)
Redemption of preferred shares	(3,883,137)	(13,303,163)
Net change in cash from financing activities	(18,840,482)	(17,384,878)
NET CHANGE IN CASH	(1,098,328)	1,788,579
CASH, BEGINNING OF YEAR	2,029,541	240,962
CASH, END OF YEAR	\$ 931,213	\$ 2,029,541

Summarized Consolidated Statement of Cash Flows, Continued

Year ended December 31, 2013, with comparative figures for 2012

SUPPLEMENTARY CASH FLOW INFORMATION:

Non-cash transactions:

Land transfers in exchange for preferred shares	\$ 842,000	\$ 25,112,000
Properties received in exchange for debt with the City	12,017,890	11,306,545
Redemption of preferred shares in exchange for promissory notes to the City	37,307,501	–
Transfer of lands to reduce amounts owing to joint venture partners	–	1,254,667
Development cost charges financed by City of Surrey	–	10,872,165
Acquisition of income properties financed by external mortgages	–	29,681,250
Assets acquired from joint venture partners	–	917,893

Notes to the Summarized Consolidated Financial Statements

Year ended December 31, 2013

1. Summarized consolidated financial statements

The summarized consolidated financial statements are derived from the audited complete consolidated financial statements and notes, prepared in accordance with Canadian PSAS established by the Canadian Public Sector Accounting Board, as at and for the year ended December 31, 2013. Those audited complete financial statements were approved by the Board of Directors on April 17, 2014, and are available on request.

The summarized consolidated financial statements were prepared by management based on the following criteria:

To fairly summarize financial information, extracted from the audited complete financial statements, for inclusion in the 2013 Annual Report, which provides the public with relevant information on the financial performance of SCDC.

2. Due to City of Surrey – interim project financing:

Interim project financing is provided by the City of Surrey to fund development projects in progress and bears interest at market rates. Funds are repaid to the City upon the sale of development projects or as external financing becomes available.

3. Preferred shares redeemed for conversion to promissory notes:

During the year \$37,307,501 of preferred shares that had been issued to the City of Surrey were redeemed and replaced with promissory notes. The purpose of the conversion was to simplify the process of calculating and paying interest on funds expended by the City on behalf of SCDC for the purchase of the associated lands. The conversion resulted in an increase in Net Debt and a decrease in Accumulated Surplus as compared to the previous year.

SCDC

1870 - 13450 102 Avenue
Surrey, BC V3T 5X3
Tel. (604) 581-8787
Fax. (604) 582-9379

scdc.ca

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