



2014
Annual Report

Working together for Surrey's tomorrow.



A 3D rendering of a red ribbon on a red background. The ribbon is a vibrant red color and is shown in a dynamic, flowing pose. It starts as a thin line in the upper left, curves downwards and to the right, then loops back to the left, and finally curves downwards and to the right again, ending in the lower right corner. The lighting creates soft shadows and highlights on the ribbon, giving it a three-dimensional appearance. The background is a solid, slightly darker shade of red.

Working together for
Surrey's tomorrow.

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Our Commitment to Surrey

In 2007, SCDC was incorporated to assist in the transformation of the City of Surrey into a modern, vibrant and complete community.

OUR MANDATE IS THREE-FOLD:

To develop City-owned land as well as other acquired land for financial profits.

To build an income-producing real-estate portfolio through development, as well as the acquisitions of other existing assets.

To help advance the City of Surrey's financial, social, business, and community objectives.

SCDC has successfully progressed from its start-up phase into being fully operational and profitable. We have repaid all of our operating loans from the City of Surrey, and we are well into our third consecutive year of paying annual \$4.5M dividends to the City.

Numerous development projects have been initialized and completed, with others under construction and nearing stages of finalization. Our income property portfolio also continues to grow strategically.

The City of Surrey is SCDC's sole shareholder. However, SCDC fully operates under business

practices consistent with a private sector discipline. This includes having an expert non-political Board consisting of independent Directors who are respected external professionals involved in diverse aspects of real estate and urban development.

In addition to real estate development, SCDC is committed to city-building initiatives and establishing strong partnerships with private sector companies to encourage further valuable development within Surrey.

SCDC welcomes questions 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 us.

Letter from the Chair

I am honoured to once again outline, from the Chair's perspective, the significant accomplishments of SCDC as set out in this 2014 Annual Report. This is my third year as Chair of the Board and I am delighted to be able to report another active and successful year for SCDC. Our financial strength has grown, and our goal of building an increasingly strong, successful and sustainable company for the people of Surrey continues to be achieved.

It is imperative to highlight that while solid annual financial results are important, building long-term financial strength and stability across the spectrum of real estate cycles, is paramount. This long-term view allows us to match the horizon and vision of our shareholder, the City of Surrey. It also allows us to undertake projects with short-term ups and downs but which have demonstrable long-term value. This investment perspective allows us to focus on building enduring growing value in our investment portfolio without having to worry about short-term fluctuations in the real estate market. Thus we can be prudent and effective in both good times and bad, knowing that market dislocations do not force us to plunge in or out of Surrey's real estate market, but rather use these cycles for our benefit over the long run.

Turning to our achievements, 2014 saw SCDC profitability decline slightly to \$5.87M from \$6.07M in 2013; a 3.3% decline, still well above the \$4.5M dividend we pay the City of Surrey annually. We ended 2014 with an accumulated surplus of \$40M, a major achievement for a seven-year-old company and a solid start in our goal of building long-term value for the City of Surrey.

SCDC continued to build out The Grove in Clayton with our partner Townline Homes. We profitably sold our interests in Southpointe 99 and the former Firehall site, both in South Surrey. We also advanced the development of the former Cloverdale Mall site, attracting purchase offers on two parcels within the site.

We were very fortunate to add Mr. Pehlaj Malhotra as a member of our Board of Directors in 2014. Pehlaj brings extensive experience in the financial services industry in Canada, Asia, and the UK – particularly in risk management. Pehlaj replaces retiring and longest serving director Ken Nixon who was SCDC's first Chair from its inception in 2007 through 2012, then subsequently continuing as a director until his retirement in 2014. Ken brought great knowledge of real estate and a steady hand to the fledgling SCDC and is a critical element in our success and our ability to get to where we are today.

We made progress in 2014 in our goal to increase our accessibility and efforts in the Surrey community. I work closely with our CEO Aubrey Kelly to raise SCDC's profile, visibility, and accountability by interacting extensively with Surrey Council, City Management, and local business groups to share SCDC's achievements and progress with our stakeholders.

I look ahead to another productive year in 2015, and to working closely with and engaging citizens, businesses and leaders of Surrey's vibrant civil society.



Michael A. Goldberg
Chair, SCDC

Letter from our President & CEO

I am pleased to report that 2014 was SCDC's fourth consecutive year of profit generation. SCDC paid its second dividend of \$4.5 million to the City in 2014 and is well positioned to pay its third dividend in 2015. A synopsis could be provided here of what is contained in this Annual Report but the results speak for themselves – they are positive and we expect more of the same in 2015.

I would like to use this space to acknowledge the incredibly talented individuals that have made the aforementioned results possible. This report would not be nearly so rosy without the stellar team that I count myself fortunate to work with on a daily basis. Their skill, dedication and support have been of paramount importance to past performance and will continue to be so as we look to the future. The team has been strengthened throughout 2014 with several key additions including: Doug Avis, VP Development & Investment; Jennifer Jangula, Administrative Assistant; Jaret Lang, Development Manager; Alec Page, Construction Manager; Tina Peng, Real Estate Analyst and Brett Standerwick, Development Coordinator. We welcome them, thank them for their contributions last year and look forward to working with them as we move forward.

Secondly, thanks to the contributions of our private sector partners who provide us with expertise, support and investment as we jointly develop projects. We continue to work on projects with Bosa Properties, Townline and Century Group. 2014 saw the addition a new development partner - we are excited to be moving ahead with Beedie Development Group on a new industrial project in Campbell Heights North.

Thirdly, I would like to acknowledge our Board of Directors. The Board is engaged, dedicated and tremendously vital to our success. We were excited to welcome Mr. Pehlaj Malhotra to the Board in 2014 and we look forward to working with him in the coming years. A great debt of gratitude is owed to outgoing Director Ken Nixon who retired from the Board in 2014. Ken was SCDC's first Chair and oversaw the growth of the organization from its inception. His 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 2015.



Aubrey Kelly
President & CEO, SCDC

Meet the Board

The City of Surrey, as sole shareholder, appoints six independent directors and one City employee to the SCDC Board of Directors.

The role of the Board is to provide direction and oversight to the Company's affairs. By employing their expertise and competencies in real estate development, they ensure the alignment of our business ventures with our corporate mandate, and mitigate or prevent any conceivable risks.

The Chair of the Board is appointed by the Board, and is independent without company employment or shareholder interest. The Directors annually affirm their abidance to the Corporate Code of Conduct to avoid any conflicts of interest.



Anne Bancroft-Jones

Director since 2013
GHRCC, Chair

With 30 years of Real Estate and Development experience, Anne has held senior management positions in both private and public sectors. Anne holds a Master of Science in Business Administration and in Urban Land Economics from the University of British Columbia. She is a LEED Accredited Professional and a member of the Canadian Institute of Planners.



Gary Cowan

Director since 2011
A&FC, GHRCC

Gary is an executive with extensive real estate and corporate development expertise including residential and commercial, hotel and resource based businesses in Canada and the US. 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 has a Bachelor of Arts in Economics and a Bachelor of Laws from the University of Alberta.



Michael Goldberg - Chair

Director since 2011
GHRCC

His 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 transportations, housing and 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.

To complement our full Board of Directors, SCDC also has two governing sub-committees: an Audit and Finance Committee (“A&FC”), and a Governance and Human Resources/Compensation Committee (“GHRCC”).

The A&FC ensures the adequacy and effectiveness of the Company’s financial reporting, internal controls, information systems, and risk management.

The GHRCC establishes and ensures the effectiveness of the Company’s corporate governance procedures, and oversees the human resources and compensation policies.



Pehlaj Malhotra

Director since 2014
A&FC

Pehlaj has over twenty-five years of financial services experience; in Canada, Hong Kong, Dubai, India and the UK. He is on the Boards of two non-profit organizations: SUCCESS, providing settlement services and community support for migrants and care for the elderly; and TIE, which promotes financial literacy and youth entrepreneurship.

Pehlaj holds a Bachelor of Science with Honours from Warwick University, an MBA from Aston Business School, and has completed executive management programs at both the Harvard Business School and the London Business School.



Don Murray

Director since 2013
A&FC, Chair

Don 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.



Denise Turner

Director since 2013
A&FC, GHRCC

Denise 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

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



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Who We Are

01 AUBREY KELLY

Aubrey became the President & CEO of SCDC as of January 2014. Aubrey joined SCDC in 2009 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. Aubrey currently also serves as a Director for the Surrey Board of Trade.

02 EMILY TAYLOR

Emily 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.

03 DOUG AVIS

Doug joined SCDC in June 2014 as VP, 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 obtained both his BComm and MBA from UBC.

04 JENNIFER JANGULA

Jennifer Jangula joined SCDC in September 2014 as our Administrative Assistant. Jennifer holds a BA from the University of British Columbia, and is currently working towards a Diploma in Commerce from Thompson Rivers University.

05 AMANDA KENNEDY

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 CPA, CGA designation as well as a Bachelor of Technology in Accounting from BCIT.

06 NATALIA RETANDY

Natalia Retandy joined SCDC in 2013 as Office Administrator and became our Officer Manager in August 2014. Natalia holds a BA from Simon Fraser University and brings experience in administration and systems management. Currently, she is completing the Human Resource Management program at Thompson Rivers University.

07 KELSEY BULLEN

Kelsey 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.

08 BRETT STANDERWICK

Brett Standerwick joined SCDC in May 2014 as 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.

09 JARET LANG

Jaret Lang joined SCDC in June 2014 as 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.

10 TINA PENG

Tina Peng joined SCDC in July 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.

11 ALEC PAGE

Alec Page recently joined SCDC in January 2015 as Construction Manager. Alec brings nearly a decade of construction experience; both as a contractor in Alberta and British Columbia, and as a Project Manager for various projects throughout the Lower Mainland. Alec has primarily managed the construction of feature municipal mixed-use projects, including his role as the Project Manager for the construction of the New Surrey City Hall. Alec holds a Bachelor's Degree in Engineering from the University of Victoria.

City of Surrey's Goals

Financial

Community & Social

Business

→ Why did the City of Surrey set up a separate and independent company to develop real estate?

The City of Surrey created SCDC in the belief that a city-owned corporation, with seasoned real estate expertise, taking a private sector approach, could help achieve strategic community objectives by: optimizing the use and value of city-owned lands, leveraging civic facilities to encourage private sector development in Surrey, and producing long-term financial returns to the City.

SCDC is mandated to pursue multi-level profitability for the City: a separate entity focusing solely on real estate development which is separate from the City's daily operations. A development corporation operating under private-sector practices is better able to allocate the time and resources required to manage productive business relationships, joint ventures, and/or co-ownerships with private sector entities.

Having an arms-length development corporation facilitates nimble, responsive, and accountable decision-making within a well-defined corporate governance structure. This separation allows the establishment of clear corporate goals for the Company, detailed in a business plan annually approved by Council to ensure harmony with the City's objectives.



■ FINANCIAL

SCDC contributes revenue to the City of Surrey through profits from our real estate development projects and income property portfolio.

In 2015, SCDC is now in its fifth consecutive year of positive results. We have repaid all of our operating loans from the City of Surrey, and we are well into our third year of paying an annual dividend of \$4.5M to the City.

In order to continue our financial success, all of SCDC's projects are carefully analyzed to ensure maximal profitability and contribution to the City. We have a team of specialized real estate development professionals, each of whom has a significant amount of accumulated experience within the industry, to evaluate the risks and options associated with a project prior to engagement.

➔ Does SCDC make money?

SCDC is a for-profit real estate development company. Though our sole shareholder is the City of Surrey, SCDC operates under a market-based approach to development opportunities like any other private sector corporation.

SCDC takes on projects that are financially sound, while also supporting Surrey's community objectives and encouraging further growth and development within the city.

SCDC began generating profits in 2011, and profitability has consistently increased each year afterward. Through these profits, SCDC has paid back all of its operating loans from the City of Surrey, as well as providing an annual dividend of \$4.5M to the City.

➔ Where does SCDC get its funding from?

SCDC has an interest-bearing shareholder loan at full cost-recovery interest rates from the City of Surrey to finance the equity required to fund some of our development projects.

For other projects, SCDC secures the balance of its development funding through traditional third party financing.

The City of Surrey assumes no financial risk beyond its direct shareholder loans, as any debts or loans that SCDC incurs are SCDC's responsibility alone.

■ COMMUNITY & SOCIAL

SCDC is committed to helping to shape the City of Surrey by adding to its vibrancy, sustainability, and economic competitiveness. SCDC aims to serve as a catalyst in creating a City Centre which provides a wide range of high-value jobs, services, educational opportunities, along with affordable housing for this growing labour force.

Surrey City Centre

One of the City of Surrey's goals is to encourage development in the Whalley area, which is designated to be the new City Centre as the new downtown core. This area is projected to house a population of 65,000 individuals by the year 2031.

The new Surrey City Hall was the first step in launching this vision. SCDC contributed to this project by conducting the site planning, overseeing the design of the building, and managing the construction process. The building was successfully completed and occupied in early 2014.

3 Civic Plaza

To further facilitate development in the Whalley area, SCDC took the time to seek out and secure the right partnership with Century Group and Delta West Developments in the 3 Civic Plaza project.

SCDC played a pivotal role in establishing a reinforcing urban design for the site and attracting a top-shelf brand for the hotel component - understanding that this project is a vital addition to the new Surrey City Centre.

The result is 3 Civic Plaza: not only a 52-storey residential tower, but a future landmark which aims to bring worldwide citizens and business people through the Marriott Autograph Collection Civic Hotel and the office components; students through the prestigious Kwantlen Polytechnic University; and citizens of Surrey and the Lower Mainland through easy transit access.

Civic Plaza

The Civic Plaza, enveloped by the Library, New City Hall, and future 3 Civic Plaza, aims to serve as a new central social hub by hosting events varying from local farmer's markets to live concerts.

■ BUSINESS

Surrey's growth rate averages nearly 10,000 new residents annually. One of Surrey's over-arching objectives is to increase the number of high-value jobs in the community to harness the value of this growth.

SCDC's projects aspire to increase Surrey's business standing by fostering the entry of prominent contenders into Surrey's business community. 3 Civic Plaza brings the world renowned Marriott International as well as the prestigious Kwantlen Polytechnic University into Surrey City Centre.

SCDC's work in Campbell Heights brings numerous reputable industrial enterprises including Starline Windows and Weir Canada Inc. as long-term investors in Surrey's economy. Their continuous commitment to Surrey adds solidly to economic and social growth, and brings vitality and numerous high-value jobs to a previously vacant area.



Relationship with the City of Surrey

→ Is SCDC a department of the City of Surrey?

No, SCDC is an individual for-profit real estate development company incorporated under the BC Corporations Act. We are an arm's length entity separate from the City of Surrey – this separation applies to our finances, operations, and governance procedures. SCDC is governed by an independent professional Board of Directors, Audit and Finance Committee, and a Governance Human Resources and Compensation Committee.

The City is not involved in the day-to-day management of SCDC; rather, it has indirect control as Shareholder through a Partnering Agreement and Shareholder Agreement outlining the Company's directives and authorities.



➔ How does SCDC add value to the City of Surrey?

SCDC pays its own operating costs, as well as an annual dividend of \$4.5M to the City through its profits. Any loans taken from the City of Surrey for SCDC's development projects are paid back with market-value interest in order to keep the City whole.

In addition to financial contributions, some of SCDC's development projects strategically add community and social benefits to City-owned land which was otherwise stagnant and inactive.

The City of Surrey assumes no financial risk beyond its direct shareholder loans to SCDC. Any debts that SCDC incurs in its operations are SCDC's responsibility alone.

➔ Does SCDC's relationship with the City of Surrey pose a conflict of interest?

SCDC follows the precisely same project approval process as the private sector. SCDC comes to the planning and engineering counters like any other developer. SCDC budgets for and waits the same amount of time for permits and approvals for their projects as do other private sector developers operating in Surrey.

SCDC takes no shortcuts in advancing our projects and operations due to who our shareholder is. We take a number and stand in line, and our projects are put through the rigor of planning principles and existing bylaws like any other developer.

Relationship with the Private Sector

→ What separates SCDC from the private sector?

SCDC is mandated to pursue projects which provide financial returns to the City, while also addressing Surrey's social and community needs.

SCDC often takes on projects which the private sector may not consider, such as challenging endeavors whose primary focus is the revitalization and livability of Surrey's town centres as opposed to purely financial results. SCDC prioritizes community and city-building targets as equally as financial profitability.

→ Does SCDC compete unfairly with the private sector?

SCDC is kept at arm's length from the City of Surrey. SCDC goes through the same steps and must meet the same criteria for its permits and approvals as other private real estate developers operating in Surrey.

Throughout the years, SCDC has established strong partnerships with respected and successful private sector developers on many of our projects and joint ventures. By fostering such long-term industry relationships, SCDC encourages and facilitates private sector developments within Surrey and has helped bring some of the most important developers to Surrey in the process.

JOINT VENTURES

The Grove

Family-friendly 141-unit townhome complex in Clayton Heights, in joint venture with Townline Homes.

3 Civic Plaza

52-storey mixed-use residential, retail, and office in the heart of Surrey City Centre. Bringing Kwantlen Polytechnic University and Marriot International Autograph Collection. In partnership with Century Group and Delta West Developments.

Campbell Heights North

114,000 sq.ft. custom-built facility in Campbell Heights North Phase 3 to house engineering services and the manufacture of processing equipment. In partnership with Beedie Development Group and Weir Canada Inc.

Does SCDC take on/engage in Risky Ventures?

All development projects have measured and calculated risks which must be carefully evaluated. SCDC has a team consisting of real estate development professionals, each of whom has a significant amount of accumulated experience within the industry.

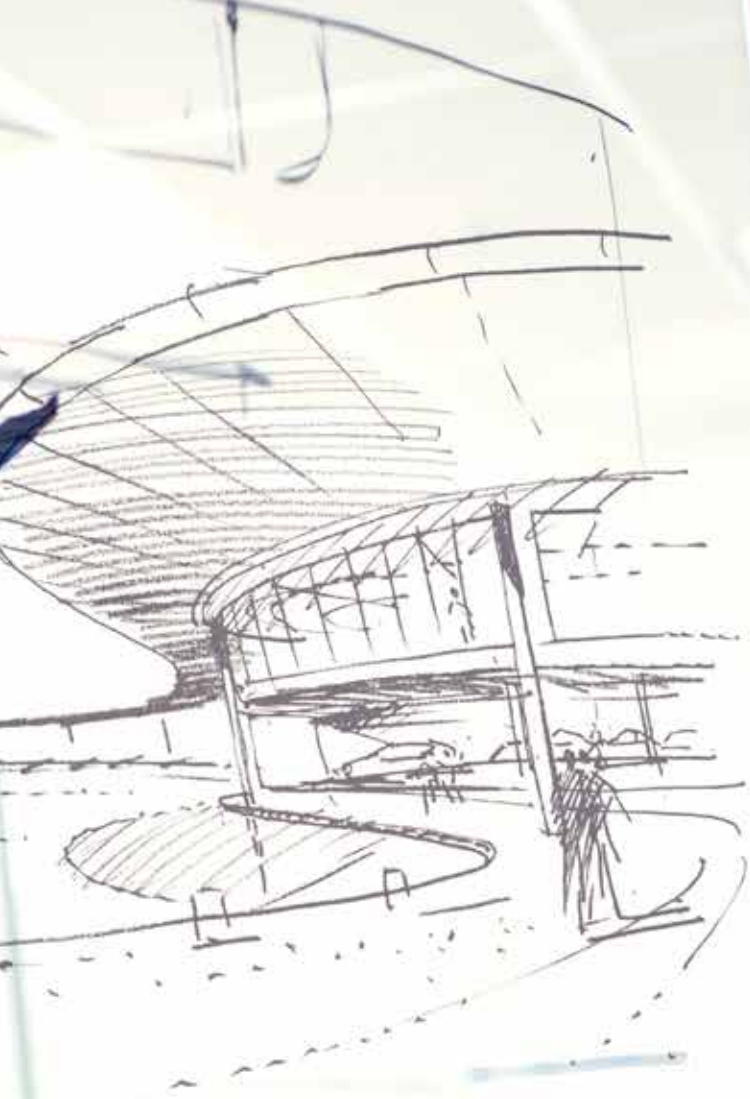
SCDC is unafraid to take innovative and sometimes out-of-the-box ideas to our Board, as we aim to bring more than financial success to Surrey.

Prior to commencing any projects, acquisitions, or partnerships, Management first presents a proposal for approval by its Board. The SCDC Board of Directors consists of 7 members with voting powers: 6 external independent non-political professionals involved in diverse aspects of real estate and urban development, and the City of Surrey City Manager. Their collective skills and expertise greatly assists in the mitigation and/or prevention of any potential risks.

Once authorization from our Board has been achieved, all significant projects must then further obtain approval from Surrey City Council. No potential project will be granted approval without demonstrating that it has been conceived on the foundation of a sound financial pro forma.







“SCDC is committed to ensuring that Surrey achieves its potential as a thriving, livable, and resilient modern city.”

JARET LANG

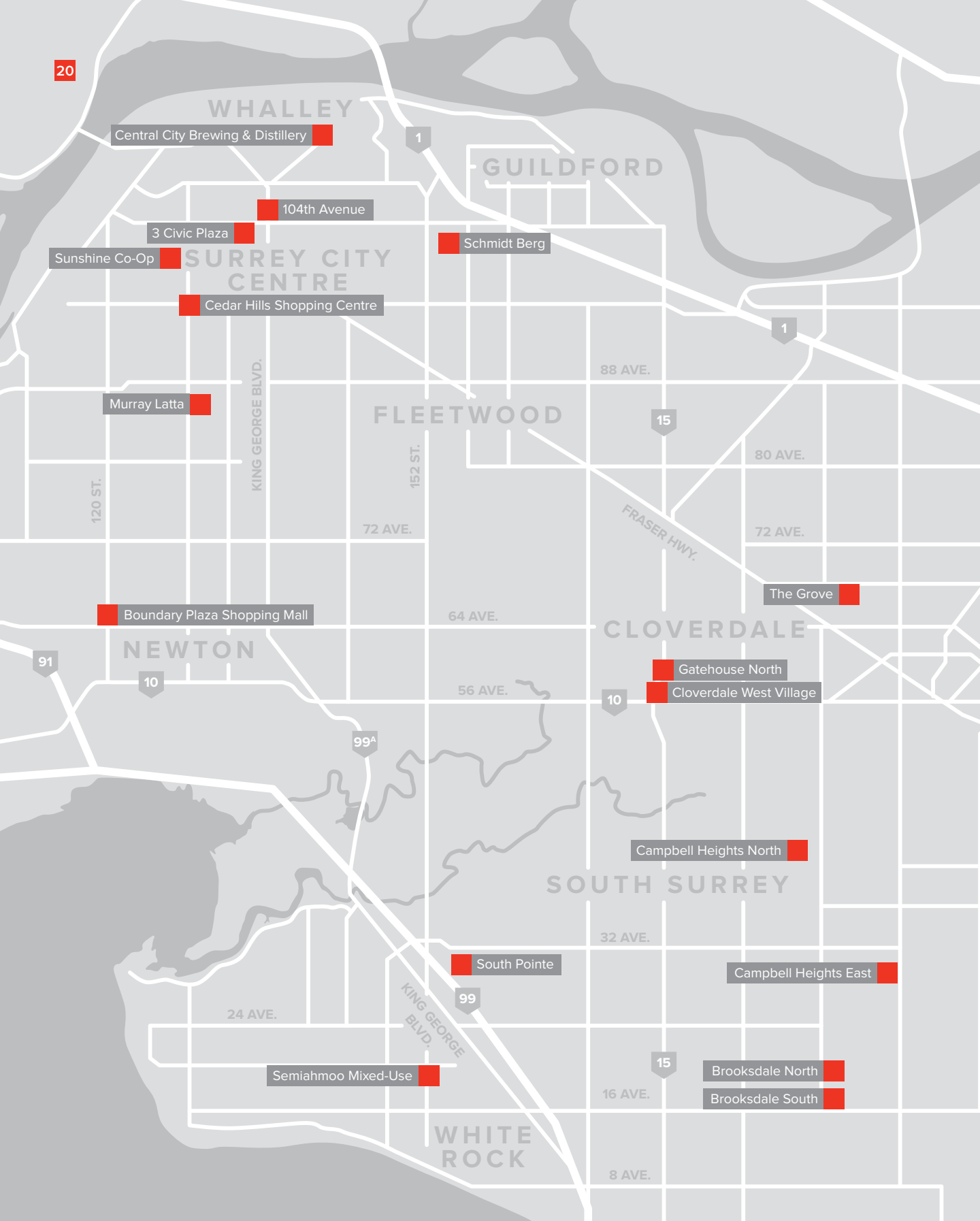
Development Manager







Projects



“SCDC’s projects not only provide financial contributions to the City of Surrey and build partnerships with the private sector – they also serve as a vehicle for social and civic development.”

AUBREY KELLY
President & CEO, SCDC

“It is a privilege to be part of a forward-thinking team committed to create a signature, sustainable landmark for Surrey City Centre. 3 Civic Plaza will play a significant role in shaping the City’s future hub for social, business and transit activities.”


TINA PENG

Real Estate Analyst

3 Civic Plaza

3 Civic Plaza is a partnership between SCDG, Century Group, and Delta West Developments on a major mixed-use building within the heart of the new Surrey City Centre. This future landmark is not only a 52-storey residential tower – it aims to bring worldwide citizens and businesspeople through the Marriott Autograph Collection Civic Hotel and office space, students through the prestigious Kwantlen Polytechnic University, and citizens of Surrey and the Lower Mainland through easy transit access as well as exciting social events in the Civic Plaza hub.

This building, the tallest south of the Fraser River, will add significantly to Surrey City Centre’s sophistication, business profile, and provide much-needed social functionality for a vibrant, pedestrian-friendly core – while also serving as a key focus for public transit.

An aerial photograph of a large industrial development site in Surrey, British Columbia. The site is divided into several large, rectangular plots of land, some of which are under construction or recently cleared. In the foreground, a man with glasses, wearing a light blue button-down shirt and dark trousers, stands with his hands on his hips, smiling. The background shows a mix of industrial buildings, parking lots, and green spaces, with a dense forest of trees in the distance.

“Demand for land in CHN continues to be strong with more than 50% of the entire 250 acres now sold. We are also excited about our partnership with the Beedie Group on a build-to-suit lease for Weir Canada. Construction will commence in 2015 for this facility, which will be jointly owned by SCDC and Beedie Group. All of this activity means more jobs for Surrey.”

DOUG AVIS

VP Development & Investment

Campbell Heights North

SCDC has undertaken zoning, subdivision, and servicing of a 250-acre light industrial business park in the Campbell Heights area of Surrey. Colliers International has been retained to market the project. Servicing for Phase 3 commenced in 2014 and will be completed by mid 2015. Sales for lots within Phase 4 are underway, along with planning for Phase 5.

In 2014, SCDC entered into a partnership with Beedie Development Group and Weir Canada Inc. to develop a 114,000 sq.ft. custom-built facility on a 5.9 acre site in Phase 3 to house engineering services and the manufacture of processing equipment for worldwide distribution. Weir Canada Inc.'s 20-year commitment to Campbell Heights North illustrates the rise in business and economic development in Surrey, which is aligned with one of SCDC's mandates to attract skilled and high-value jobs to the city.

“It has been great to work on such a high-quality townhouse development in Clayton Heights. Together, SCDC and Townline have brought beautiful homes at an affordable price to those looking to downsize or to make their first real estate purchase.”

BRETT STANDERWICK

Development Coordinator



The Grove

AT CLAYTON

SCDC is in partnership with the award-winning Townline Homes in developing The Grove: a family-oriented community of 141 parkhomes, nestled in the heart of the vibrant enclave of Clayton Heights.

The Grove’s unique “two-ringed” site design, with a forested inner courtyard, provides green space for all, maximizing liveability and intelligent design. The location is unbeatable for families at all stages as it is close to new schools, transportation, shopping, recreation and entertainment in this newly established neighbourhood.

“When SCDC was presented with the opportunity to construct a world class brewing and bottling facility for CCB+D, we jumped at the opportunity. Facilitating the growth of local businesses such as CCB+D, from fledgling pioneers to industry leaders, is exactly what SCDC is striving to achieve.”

ALEC PAGE

Construction Manager



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. This project is an example of a city-building initiative which has brought jobs and entertainment to reinvigorate the Bridgeview area of Surrey, while performing as a profitable long-term real estate asset in SCDC's income property portfolio.

In November 2013, this building received an Award of Excellence in the Fraser Valley 2014 Industrial Commercial Building Awards.

"SCDC is building a successful and diverse income property portfolio which will provide sustainable, long-term returns to the City."

EMILY TAYLOR

CFO



Income Properties

CEDAR HILLS PLAZA

Cedar Hills Plaza is a 54,507 sq.ft. shopping centre located in Surrey's northwest sector at 96th Avenue and 128th Street.

Tenancy includes: Shoppers Drug Mart, Starbucks, UPS, Vancity Credit Union, and many more.

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.

Tenancy includes: Pharmasave, M&M Meats, Coast Capital Credit Union, and many more.





“The SCDC team feels privileged to be able to make positive contributions to the evolution of the city of Surrey.”

NATALIA RETANDY
Office Manager

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.

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Financials

Management and Board Responsibilities for Reporting

The 2014 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



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, 2014, 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, 2014.

We expressed an unmodified audit opinion on those consolidated financial statements in our report dated April 14, 2015. 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 Consolidated Financial Statements

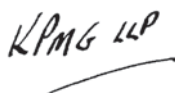
Management is responsible for the preparation of the summary consolidated financial statements in accordance with Canadian public sector accounting standards.

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, 2014 are a fair summary of those consolidated financial statements, in accordance with Canadian public sector accounting standards.



Chartered Accountants
Date June 16, 2015
Burnaby, Canada



KPMG LLP Chartered Accountants

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SCDC

Summarized Consolidated Statement of Financial Position

As at December 31, 2014, with comparative figures for 2013

	2014	2013
FINANCIAL ASSETS		
Cash	\$ 2,477,915	\$ 931,213
Due from government and other government organizations	1,237,258	1,010,995
Due from joint venture partners	3,233,394	6,912,815
Accounts receivable	679,044	1,595,820
Straight-line rent receivable (Note 2)	297,903	-
Properties held-for-sale	31,867,348	15,237,059
Investment in partnership	303,498	700,000
Performance bonds and deposits	211,087	253,157
Tenant inducements	283,538	30,348
	40,590,985	26,671,407
LIABILITIES		
Accounts payable and accrued liabilities	5,136,091	2,818,341
Loans payable	40,541,244	39,222,670
Deposits payable to income property tenants	397,232	542,001
Deferred gains	4,763,743	4,764,721
Due to joint venture partners	3,140,135	4,939,486
Due to City of Surrey – interim project financing (Note 3)	49,334,526	41,567,683
Due to City of Surrey – promissory notes (Note 4)	41,466,913	28,937,707
	144,779,884	122,792,609
NET DEBT (Note 5)	(104,188,899)	(96,121,202)
NON-FINANCIAL ASSETS		
Tangible capital assets	116,811,915	109,472,554
Prepaid expenses	223,319	119,184
	117,035,234	109,591,738
Share capital, common shares	100	100
Share capital, preferred shares	5,594,300	7,587,700
Accumulated operating surplus, opening	5,882,736	4,311,821
Annual surplus current year	5,869,199	6,070,915
Distribution of earnings to shareholder	(4,500,000)	(4,500,000)
ACCUMULATED SURPLUS	\$ 12,846,335	\$ 13,470,536

See accompanying notes to consolidated financial statements.

SCDC

Summarized Consolidated Statement of Operations

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
PROPERTY AND OTHER INCOME, NET		
Property sales income, net	\$ 6,981,119	\$ 8,086,771
Property lease income, net	424,197	382,561
Straight-line income, net (Note 2)	297,903	-
Professional consulting fees and other income	38,213	368,219
	7,741,432	8,837,551
CORPORATE OPERATING EXPENSES		
Administration	153,712	186,667
External consulting services	-	373,334
Income properties	461,134	186,667
Real estate development and sales	922,269	1,120,001
	1,537,115	1,866,669
PARTNERSHIP OPERATING EXPENSES	335,118	899,967
	1,872,233	2,766,636
ANNUAL SURPLUS FROM OPERATIONS	5,869,199	6,070,915
Preferred shares issued	-	842,000
Preferred shares redeemed upon sale of projects	(1,993,400)	(3,883,137)
Preferred shares redeemed upon conversion to promissory notes	-	(37,307,501)
Distribution of earnings to shareholder	(4,500,000)	(4,500,000)
ANNUAL SURPLUS (DEFICIENCY)	(624,201)	(38,777,723)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	13,470,536	52,248,259
ACCUMULATED SURPLUS, END OF YEAR	\$ 12,846,335	\$ 13,470,536

See accompanying notes to consolidated financial statements.

SCDC

Summarized Consolidated Statement of Changes in Net Debt

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
ANNUAL SURPLUS (DEFICIENCY)	\$ (624,201)	\$ (38,777,723)
Acquisition of tangible capital assets	(48,754,301)	(28,517,588)
Disposal of tangible capital assets	219,793	3,055,785
Amortization of tangible capital assets	1,063,719	840,796
Capitalization of wages	(874,971)	(807,643)
	(48,345,760)	(25,428,650)
Transfer to assets held-for-sale	41,006,399	25,812,574
Change in prepaid assets	(104,135)	(57,349)
	40,902,264	25,755,225
INCREASE IN NET DEBT	(8,067,697)	(38,451,148)
NET DEBT, BEGINNING OF YEAR	(96,121,202)	(57,670,054)
NET DEBT, END OF YEAR (Note 5)	\$ (104,188,899)	\$ (96,121,202)

See accompanying notes to consolidated financial statements.

SCDC

Summarized Consolidated Statement of Cash Flows

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
CASH PROVIDED BY (USED IN):		
OPERATIONS		
Annual surplus from operations	\$ 5,869,199	\$ 6,070,915
Items not involving cash:		
Amortization	1,063,719	840,796
Recognition of deferred gains	(978)	-
Gain on disposal of properties held-for-sale and properties under development	(6,981,119)	(7,870,406)
Change in non-cash working capital:		
Decrease in accounts receivable	618,873	358,534
Decrease in performance bonds and deposits	42,070	8,919
Increase in tenant inducement	(253,190)	(30,348)
Decrease (increase) in due from government and other government organizations	(226,263)	770,441
Increase (decrease) in accounts payable and accrued liabilities	2,317,750	(733,292)
Decrease in deposits payable to income property tenants	(144,769)	(604,463)
Increase in prepaid expenses	(104,135)	(57,349)
Net change in cash from operating activities	2,201,157	(1,246,253)
CAPITAL		
Purchase of tangible capital assets	(54,909,309)	(17,264,056)
INVESTING		
Proceeds from disposal of properties held-for-sale and properties under development	36,857,059	36,952,463
Decrease (increase) in investment in partnership	396,502	(700,000)
Net change in cash from investing activities	37,253,561	36,252,463
FINANCING		
Distribution of earnings to shareholder	(4,500,000)	(4,500,000)
Decrease in due from joint venture partners	3,679,421	1,767,923
Decrease in due to joint venture partners	(1,799,351)	-
Issuance of loans payable	2,664,630	7,301,527
Increase in (repayment of) debt due to City of Surrey	20,296,049	(18,569,691)
Repayment on loans payable	(1,346,056)	(957,104)
Redemption of preferred shares	(1,993,400)	(3,883,137)
Net change in cash from financing activities	17,001,293	(18,840,482)
NET CHANGE IN CASH	1,546,702	(1,098,328)
CASH, BEGINNING OF YEAR	931,213	2,029,541
CASH, END OF YEAR	\$ 2,477,915	\$ 931,213

SCDC

Summarized Consolidated Statement of Cash Flows, Continued

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
SUPPLEMENTARY CASH FLOW INFORMATION:		
Non-cash transactions:		
Land transfers in exchange for preferred shares	\$ -	\$ 842,000
Properties received in exchange for debt with the City	24,183,523	12,017,890
Redemption of preferred shares in exchange for promissory notes to the City	-	37,307,501

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2014

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, 2014. Those audited complete financial statements were approved by the Board of Directors on April 14, 2015, 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 2014 Annual Report, which provides the public with relevant information on the financial performance of SCDC.

2. Straight-line rent

Straight-line rent receivable and Property lease income include \$263,595 relating to escalating rent on a twenty year lease, during which time the tenant has purchase options at each five-year anniversary. The first option is available to the tenant in July 2018. Should the tenant choose to exercise the option, the difference between the base rent paid by the tenant and the straight-line revenue booked to the date the option is exercised would be expensed.

3. 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.

4. Due to City of Surrey – promissory notes:

Promissory notes are exchanged for land when the City of Surrey expends funds on behalf of SCDC to purchase the associated lands. The promissory notes bear interest at the Municipal Finance Authority of BC's 10-year lending rate. Promissory notes are repaid to the City upon the sale of the development projects they relate to. The issuance of debt results in an increase in Net Debt, with the offsetting asset included in tangible capital assets, reported below the net debt line.

5. Net Debt:

Consistent with Public Sector Accounting Standards (PSAS) real estate assets are included in one of three categories on the Consolidated Statement of Financial Position:

1. Where investment has been made towards the development of a City-owned property, costs are classified as "Due from government and other government organizations".
2. Where properties are ready and available to be sold they are classified as "Properties held-for-sale". These assets are valued at the lower of cost and net realizable value. As at December 31, 2014 (and at December 31, 2013) the net realizable value of the assets in this category was determined to be higher than the cost; "Properties held-for-sale" as at December 31, 2014 (and at December 31, 2013) is therefore valued at cost.
3. Income properties, properties-under-development and administrative assets are classified as "Tangible capital assets".
 - Income properties represent the cost of properties held with the expectation of earning rental income and include retail or commercial space that the Corporation leases to third parties. Income properties are recorded at cost less accumulated amortization.
 - Properties under development include costs related to projects currently under planning, development or construction that will result in a finished real estate asset at a future date. Interest incurred on the development project is capitalized. Completed assets will either be reclassified as income properties or properties held-for-sale. Costs related to planning, development or construction are capitalized until such time as the property is ready for use or sale.
 - Administrative assets include assets required by the Corporation to operate and manage overhead and administrative activities and include computer equipment and software, furniture and fixtures, tenant improvements and other related assets. Administrative assets are amortized on a straight-line basis over their estimated useful lives.

Under PSAS "Due from government and other government organizations" and "Properties held-for-sale" are considered to be Financial assets. Tangible capital assets are considered to be Non-financial assets.

The calculation of Net Debt Under PSAS represents the difference between Financial assets and Liabilities. Tangible capital assets are therefore specifically excluded in the calculation of Net Debt. Further, Financial assets are recorded at cost and do not represent the potential market value of those properties.





Transforming Surrey
into a complete, vibrant
community.

scdc

SCDC

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