

2015
Annual Report



STRONG PARTNERSHIPS
FOR A STRONGER CITY



STRONG PARTNERSHIPS
FOR A STRONGER CITY

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Our Commitment to Surrey

SCDC was created to accelerate the growth of the City of Surrey through strategic real estate development.

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.

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

SCDC's strategic plan has two primary components:

- To generate profitable returns from both real estate development projects and an income portfolio.
- To help advance the City's financial, social and community goals while establishing strong partnerships with private sector companies to encourage development within Surrey.

The City of Surrey is SCDC's sole shareholder. SCDC operates under the 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, as well as having two City appointed Directors. The Board reports to the Shareholder which is the City of Surrey.

Since incorporation, SCDC has repaid all of its operating loans from the City of Surrey, and is into its fourth year of paying an annual dividend of \$4.5 million to the City. In addition, SCDC's efforts are supporting the social, cultural, community and environmental objectives of the City.

SCDC aims to optimize the use and value of City-owned lands through:

- complementary strategic land acquisitions in support of the City's vision for redevelopment
- leveraging civic facility uses, and encouraging private sector development within Surrey

SCDC's industrial projects, including Bridgeview Industrial and Campbell Heights North, bring vitality and jobs to previously vacant areas in Surrey – thus solidly adding to both economic and social growth. SCDC is proud to be a catalyst and facilitator in helping to accelerate beneficial development throughout the City of 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

It is indeed a pleasure to again set out from the Chair's perspective, the major achievements realized by SCDC which are detailed in this 2015 Annual Report. This is my fourth year as Chair of the Board and it is very satisfying to highlight some of our important successes during 2015.

We saw some challenges on the people front in Fiscal 2015. We met these challenges very successfully with a robust team going forward. We are very pleased that Mr. Norman Laube, a well known and highly respected Vancouver real estate executive took over the role of President & CEO in April 2016.

Director Gary Cowan served as Interim President & CEO until a President & CEO was chosen and onboard early in the new year. The Board is very grateful for Gary's service and for moving SCDC forward and I want to thank him here, for his exceptional efforts and achievements in the interim period.

Turning to SCDC's performance in 2015, we see continued building of a solid equity base through strong returns. In 2015 we added to our accumulated surplus which rose to \$18 million (a \$5 million increase over 2014) after setting aside the \$4.5 million annual dividend to the City of

Surrey. Strong sales at Campbell Heights and completing The Grove in East Clayton contributed to these strong results.

Progress was also made in the remediation of the Cloverdale Mall site and in moving forward the acquisition of the remaining parcels by Mosaic Homes. We had very successful Open Houses in Cloverdale and at SFU in Surrey City Centre, which were well attended by strongly engaged Surrey citizens.

As I write this letter in May 2016, I can report that we are already well along in making 2016 highly productive and financially successful. The Board of Directors and entire SCDC Team look ahead to another year of high engagement with citizens, businesses and the leaders of Surrey's vibrant civil society and to continued strong financial results.

Sincerely,



Michael A. Goldberg
Chair of the Board, SCDC

Letter from our President & CEO

I am pleased to report that 2015 was SCDC's fifth consecutive year of delivering a significant profit to its Shareholder. Through our activities we paid the City of Surrey a dividend of \$4.5 million while increasing the equity base of the Corporation. We ended 2015 with an accumulated surplus of \$18 million, a major achievement for a nine year old company. At the same time, SCDC strengthened its community outreach through stakeholder engagement and business partnerships.

The theme of this year's Annual Report is one of partnerships. On the business side of the ledger we continue to partner with leading development companies including: Century Group, Beedie Development Group, Townline Homes and Bosa Properties. On the community side we have developed strong relationships with Kwantlen Polytechnic University, A Rocha Canada, Semiahmoo Fish and Game Club, Simon Fraser University, the Royal Canadian Legion and the Community Housing Land Trust Foundation.

One of our most significant business partnership is with Century Group, our developer of the 52-storey 3 Civic Plaza. The building has now risen 27 storeys and is on-target for a late 2017 completion. We are pleased that the 140-room hotel is now branded a Marriott Autograph Collection, 30,000 sq.ft. of the office space are committed to by Kwantlen Polytechnic University, and the condominiums are substantially presold.

SCDC's strategic acquisition mandate resulted in the purchase of 20 acres of land adjacent to the A Rocha Canada environmental stewardship lands adjoining the Little Campbell River. We are thrilled to be working closely with A Rocha, a not for profit agency, on the future potential of these lands.

Our Campbell Heights Business Park lands continue to successfully attract businesses to Surrey in support of the City's Employment Lands Strategy. Of note, 2015 saw companies including Garaventa Lift, Weir Canada and Starline Windows commit to and/or start construction on their facilities.

SCDC also initiated a comprehensive planning exercise on the 140-acre Campbell Heights East lands in consideration of the City's Biodiversity Conservation Strategy.

The success of the Corporation's efforts over the past year is attributable to a dedicated and professional leadership team including Chief Financial Officer Emily Taylor, Vice President Development & Investment Doug Avis and Director of Development & Planning Jaret Lang. I thank them for their teamwork and can-do attitude.

I would also like to acknowledge that I as I write this that I am commenting on an operating year during which the Corporation was under the presidency of Aubrey Kelly. His leadership and skillful hand helped build the Corporation to what it is today.

I would like to thank our Board of Directors, particularly our Board Chair Michael Goldberg, and Gary Cowan who stepped in as Interim CEO & President who maintained the business momentum of the Corporation in the transition period before I commenced my position.

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 several years.

We look forward to another successful year in 2016.



Norman Laube
President & CEO, SCDC

Meet the Board



Michael Goldberg - *Chair*

Director since 2011
GHRCC

Michael has an academic and public career spanning over four decades. His research addresses cities; their transportation, housing and land-use systems, 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; a Director of the Canada Pension Plan Investment Board; Co-Chair, Investment Committee WorkSafeBC; Chair, Vankic China Fund; and a Director of Resource Works. He is also a Research Fellow at the Asia Pacific Foundation of Canada and a Senior Fellow of the Institute of Asian Research at UBC.



Anne Bancroft-Jones

Director since 2013
GHRCC, Chair

Anne has over 30 years of real estate and development experience and has held senior management positions within 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 an LEED Accredited Professional and a member of the Canadian Institute of Planners. Anne is a Director of the Port of Vancouver, and Chair of the Governance & Human Resources Compensation committee.



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.



Don Murray

Director since 2013
A&FC, Chair

Don has been involved in major real estate development 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.



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 United States. He has most recently acted as CEO of Bear Mountain Resort, 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.



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 that promote 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.



Vincent Lalonde

Vincent is the City Manager of the City of Surrey, and leads an innovative and dynamic Senior Management team to help shape and guide the City's strategic and corporate goals. Through value-based leadership, a commitment to continuous improvement, and a focus on inspiring and empowering his teams, Vincent is committed to working with Mayor and Council to deliver a thriving, green, inclusive city.

Vincent is a Professional Engineer with his Bachelor and Master of Science degrees from McGill University.



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Meet the Team

01 NORMAN LAUBE

Norman joined SCDC as President & Chief Executive Officer and is widely known as a local senior business leader with specialized knowledge of real estate development, construction, infrastructure, monetization and real estate management. He thrives on building partnerships that combine the best of both public and private real estate opportunities. Norman received his Bachelor of Commerce in Urban Land Economics from the University of BC and holds the RI designation from the Real Estate Institute of British Columbia and the CPM designation from the Canadian Institute of Real Estate Management.

02 EMILY TAYLOR

Emily is the Chief Financial Officer and oversees finance, governance, human resources, information technology and risk management for the Company. Emily has significant financial management experience in the development sector, most notably as VP Finance for the Whistler 2020 Development Corporation. Emily holds a CPA, CA designation as well as a BA from the University of British Columbia.

03 JARET LANG

Jaret is the Director Development & Planning and brings with him over 14 years of project management, urban planning and urban design experience from the Lower Mainland, New Zealand and

the United Arab Emirates. 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 Bachelor of Arts from Simon Fraser University and studied Urban Planning at Dalhousie University.

04 AMANDA ZIZEK

Amanda is the Senior Manager, Accounting for SCDC. Amanda's primary focus is on the preparation of SCDC's quarterly and annual financial statements, accounting for asset acquisitions and disposals, and ensuring that project budgets are on track. Prior to completing her CPA, CGA designation in 2014, Amanda graduated with distinction from both the Bachelor of Technology in Accounting and Financial Management Diploma programs through BCIT.

05 MONICA NILES

Monica is the Manager Human Resources & Administration and provides guidance on human resources, policies, procedures, and corporate governance. Monica received her Certified Human Resources Professional designation in 2008.

06 BRETT STANDERWICK

Brett is the Assistant Development Manager. He has a strong background in the management and valuation of commercial properties. Brett holds a Bachelor of Commerce in Real Estate and Finance from the University of British

Columbia (UBC), and has recently completed the Diploma of Urban Land Economics program at UBC.

07 TINA PENG

Tina is the Senior Development Analyst, bringing with her experience in market and financial analysis. Tina holds a Bachelor of Commerce from the University of British Columbia, has earned the Chartered Financial Analyst® designation and is one of the Surrey Board of Trade's Top 25 under 25.

08 JAYME GREIG

Jayme is the Staff Accountant and brings accounting experience within the real estate industry to her role. Jayme holds a Diploma in Accounting, and is currently working towards a Bachelor of Technology in Accounting at BCIT.

09 JENNIFER JANGULA

Jennifer is the Development Assistant. Jennifer holds a Bachelor of Arts from the University of British Columbia, and is currently working towards a Diploma in Urban Land Economics from the University of British Columbia.

10 JULIA ERRIDGE

Julia is the Administrative Assistant, and brings a diversity of experience in customer service. Julia holds a Bachelor of Arts in Psychology from Kwantlen Polytechnic University.

About SCDC

SCDC was incorporated in 2007, to assist in realizing and advancing the transformation of the City of Surrey into a more modern, vibrant, sustainable and complete community. Through its real estate development activities, SCDC enables the City to achieve strategic community objectives by optimizing the use and value of city-owned lands, leveraging civic facilities, and encouraging private sector development in Surrey.

SCDC is a for-profit real estate development company and is an entity separate from the City of Surrey with independent finance, operation, and governance procedures. SCDC is governed by an independent professional Board of Directors, Audit and Finance Committee, and a Governance and Human Resources/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. By virtue of our Shareholder Agreement, SCDC aligns its goals with the City of Surrey.



■ FINANCIAL GOALS

SCDC's financial objective, in line with the Company's strategic plan, is to generate profitable returns from both real estate development projects and an income property portfolio. Generating profitable returns enables the Company to build equity and support continued payment of an annual dividend to the City of Surrey.

SCDC has been generating an annual surplus from operations since 2011 and an annual dividend of \$4.5 million has been paid to the City of Surrey since 2013. The annual dividend is

funded from SCDC's consolidated annual surplus from operations.

In order to sustain and grow its financial success, SCDC's projects are carefully analyzed to ensure maximum 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. Together they evaluate the risks and options associated with a project prior to receiving approvals and engaging with partnerships.

■ COMMUNITY & SOCIAL GOALS

SCDC is committed to helping shape the City of Surrey by adding to its vibrancy, sustainability, and economic competitiveness. Through community relationships, 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 housing options for this growing labour force.

SCDC is working to shape the new Surrey City Centre as dynamic and pedestrian-friendly. This

is a work in progress that includes the new City Hall, Library, and 3 Civic Plaza (a joint venture with Century Group that includes Kwantlen Polytechnic University, a Marriott Signature Collection Hotel, and luxury condominiums). Future projects will include the redevelopment of the Ice Rinks and Pool, and partnerships with cooperative housing foundations. Planning has commenced on the relocation and redevelopment of the North Surrey Recreational Centre lands as well as creating additional housing options on the Co-op housing property.

■ CREATING OPPORTUNITIES

Surrey's growth rate averages nearly 10,000 new residents annually. In support of this growth SCDC is providing land and facilities to encourage businesses to locate here, thereby adding high-value jobs to the community.

SCDC's work in South Surrey at Campbell Heights has brought numerous leading industrial enterprises including Starline Windows, Weir Canada Inc. and Garaventa Lift as long-term investors in Surrey's economy. Their commitment to Surrey adds solidly to economic and social growth, and brings vitality and high-value jobs to these former vacant lands.





“SCDC’s evolution and growth is predicated on strategic partnerships and stakeholder relations that utilize intelligent and market-based decisions to ensure positive outcomes for Surrey’s future”

JARET LANG

Director, Development and Planning

Key Relationships

In addition to being profitable and providing our Shareholder with an annual dividend, SCDC also pursues opportunities which address Surrey's social and community needs. SCDC participates in strategic

development projects that support positive growth in neighbourhoods and communities. Strong relationships with community groups and stakeholders are paramount to the success of our development projects. In 2015 SCDC furthered strategic relationships with the Royal Canadian Legion Branch 6 (Cloverdale), the Semiahmoo Fish & Game Club, A Rocha Canada, and the Community Land Trust Foundation of BC. By discussing ideas and opportunities with the local

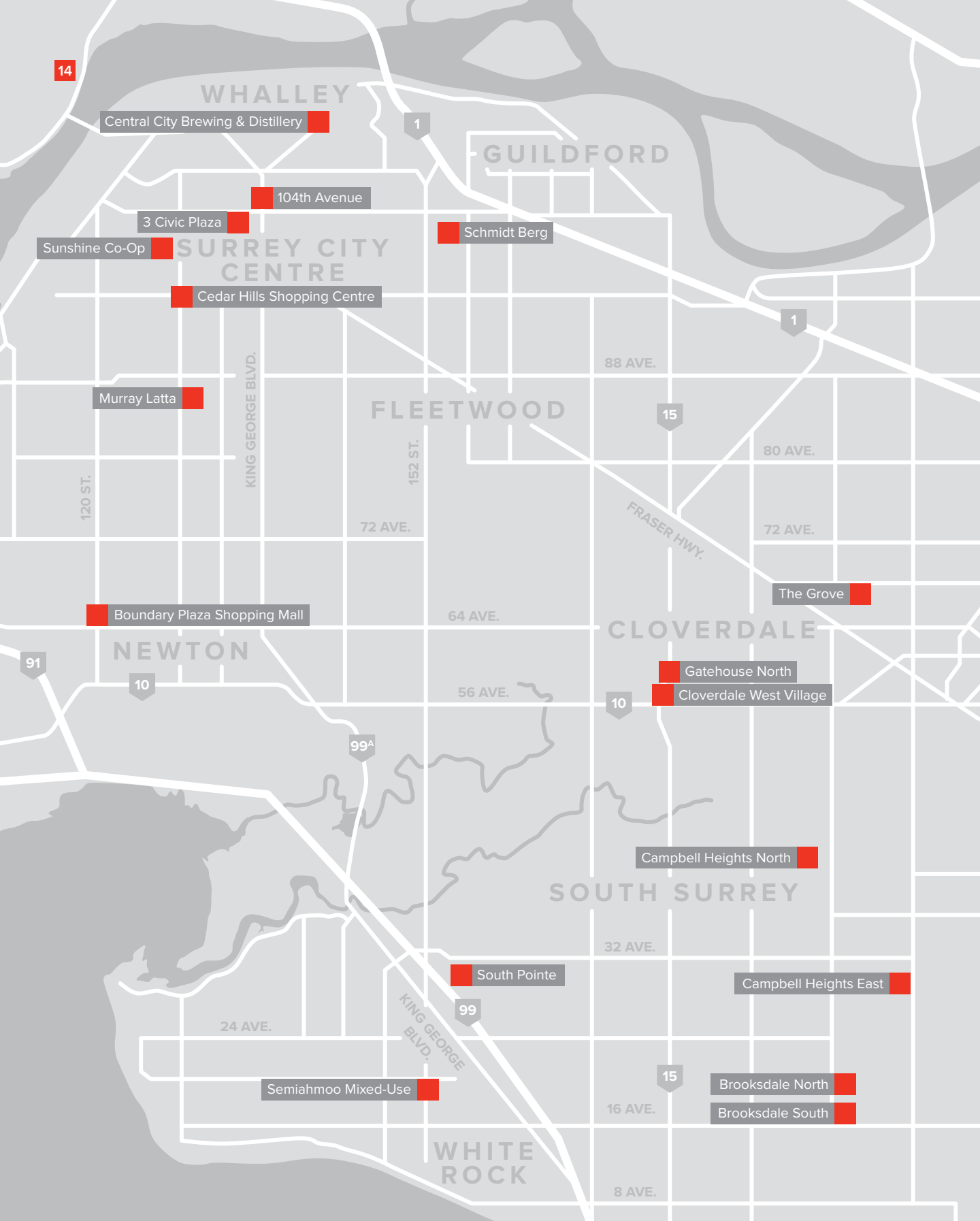
community, SCDC has a deeper appreciation and understanding of stakeholder interests, and can better integrate ideas or address concerns at earlier stages of the development process.

SCDC has also established strong relationships and partnerships with respected and successful private sector developers on many projects. By fostering long-term industry relationships, SCDC encourages and facilitates additional private sector development within Surrey and has helped introduce some of the leading developers to the dynamic opportunities occurring in Surrey.





Projects & Partnerships



“SCDC continues to build partnerships with the development community, not-for-profits and civic groups. We are proud to be a catalyst that is helping real estate projects happen in alignment with Surrey’s city building initiatives.”

NORMAN LAUBE
President & CEO, SCDC



In Partnership with



3 Civic Plaza

3 Civic Plaza is a partnership between SCDC, Century Group, and Delta West Developments who are developing a 52-storey mixed-use building within the heart of the new Surrey City Centre. This landmark will be home to the Marriott Autograph Collection Civic Hotel, Kwantlen Polytechnic University, and new residents excited to experience Surrey's evolving City Centre.

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 spaces for a vibrant and pedestrian-friendly core, while also providing excellent access to public transit. It is focused around the City Plaza which provides a new central social hub by hosting events varying from local farmers' markets to live concerts.

Century Group is a real estate development and property management company committed to building community. In business for more than 50 years, Century Group's vision is to create beautiful, sustainable buildings, public spaces and neighbourhoods where people can access jobs, transportation and local amenities.



Campbell Heights North

SCDC has undertaken zoning, subdivision, and servicing of the 250 acre light industrial business park in Campbell Heights. This development has been very successful and is within close proximity to major transportation routes and the US Border.

In addition to leading the process to bring new industrial land into Surrey, SCDC became involved with Campbell Heights North as a way to create opportunities for new jobs and economic growth for the City. The majority of land sales have been to owner-occupiers who are seeing to either expand their business and/or realize the benefits of the development's strategic location. Sales for lots in Phase 4 are underway and running concurrent to the planning and design work for the final 38-acres (Phase 5) which are being marketed by Colliers International.



In Partnership with

Beedie
Development Group

Weir Facility

SCDC is partnering with Beedie Development Group to develop a 114,000 sq.ft. custom-built facility for Weir Canada Inc. (Weir) on a 5.9-acre site in Phase 3 of Campbell Heights North.

The development is designed to house engineering services and the manufacturing of state-of-the-art resource processing equipment for clientele throughout the world. Weir'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.

Beedie Development Group is one of the largest privately held development companies in western Canada. Established in 1954, Beedie Development Group has traditionally specialized in the development of industrial business parks and build-to-suit industrial facilities. Over the past ten years their growth has led to a natural diversification of an asset base that includes mixed-use development, retail properties and residential development sites.

In Partnership with

 TOWNLINE



The Grove

AT CLAYTON

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

SCDC partnered with award-winning Townline Homes in developing The Grove: a family oriented community of 141 park homes, 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 livability and intelligent design.

"Over the past decade, Townline Homes has been providing innovative and quality homes to many new and existing families in the Clayton area of Surrey, and are thrilled to be able to continue this tradition with a partner like SCDC. Their professional and disciplined approach to the new home industry is consistent with our own values and will help to ensure the long term value to many new home owners at The Grove for years to come."

Rick Ilich, Townline Homes



Income Properties

BRIDGEVIEW INDUSTRIAL

Central City Brewers + Distillers is the long-term tenant of a 65,000 sq.ft. industrial facility developed by SCDC in 2013. The development has brought new jobs and has reinvigorated the Bridgeview industrial area of Surrey. The project received the 2014 Award of Excellence at the Fraser Valley Industrial Commercial Building Awards.

CEDAR HILLS SHOPPING CENTRE

Cedar Hills Shopping Centre is a 55,000 sq.ft. high traffic shopping centre located in Surrey's northwest sector at 96th Avenue and 128th Street. The Centre is shadow anchored by a recently completed No Frills grocery store, which has increased traffic to the site. Major tenants include Shoppers Drug Mart, Starbucks and VanCity.

BOUNDARY PARK PLAZA

This 54,000 sq.ft. neighborhood retail centre is located in Surrey's Boundary Park area, at the intersection of Scott Road and 64th Avenue. It's location allows it to conveniently service both Delta and Surrey residents. Major tenants include Pharmasave, M&M Meat Shops, Coast Capital Savings and Benjamin Moore Paint.

Annual Statement of Governance Practices

The Surrey City Development Corporation is incorporated under the British Columbia Corporations Act. Accordingly, the primary role of the Board of Directors is to provide direction and oversight to the Company's affairs. It has the responsibility to appoint the President & CEO and to oversee the conduct of the Company's business and the management team which has been delegated the responsibility for the day-to-day operation of SCDC.

The Board of Directors is appointed by the City of Surrey who is the sole shareholder. The Board is made up of the City Manager of Surrey along with six independent Directors, who have no direct or indirect material relations with the Company or its subsidiaries and who are independent of management. Each term appointment is for three years, and a Director may serve up to a total of three terms (or nine years) if re-appointment is recommended by the Board and approved by the City of Surrey. Directors are required to affirm annually that they will abide to the Director Code of Conduct and must declare any actual or potential conflicts of interest on an ongoing basis. Experienced Directors are appointed with expertise and competencies in areas such as risk management, finance and real estate development.

The Board is responsible for appointing the Chair, who makes recommendations regarding the composition of Board Committees and the Committee Chairs. The Board is also responsible for appointing and evaluating the performance of the President & CEO of the Company and ensuring a succession plan is in place for the organization. At this time, the Board has established two standing Committees: an Audit and Finance Committee ("A&FC") which advises the Board on the adequacy and effectiveness of the Company's financial reporting, internal controls, information systems/risk management;

and the Governance and Human Resources Compensation Committee ("GHRCC") which advises on the adequacy and effectiveness of the corporate governance practices and procedures and human resources and compensation policies.

A Board evaluation process is completed each year under the guidance of an independent governance professional. Also, time is set aside at each Board or Committee meeting for an in camera discussion.

In 2015, Director Gary Cowan and Board Chair Michael Goldberg were appointed for another three years. No new Directors were appointed to the Board. The Board held a strategic planning session in May with the executive team. To foster continued engagement between the Shareholder and Board, a Letter of Expectations was prepared which outlines the expectations and priorities of the Shareholder for the coming year, thereby guiding the Board in the development of the Company's Business Plan. An ad-hoc committee of the Board Chair, GHRC Chair, and Director Cowan, was formed to assist the Board with the selection process for a new President & CEO, which will continue into next year. Director Gary Cowan was named Interim CEO as the CEO search moves on into 2016.

As ongoing business, the GHRCC was pleased to report completion of the Board Evaluation, review of Director Competencies as well as compliance with various updated Governance and Company policies.



Anne Bancroft-Jones
Chair of the GHRCC Committee

Management's Discussion & Analysis

Fiscal 2015 was a successful and profitable year for SCDC. With an annual surplus from operations of \$10.1M, 2015 has been the most profitable since SCDC's inception in 2007. Significant gains were realized from well-positioned real estate development investments and partnerships that benefited from a low interest rate environment, a strong economy, and well-managed costs. Strong financial returns in 2015 enabled the Corporation to pay a dividend of \$4.5M to the City of Surrey for the third consecutive year.

SCDC focuses its real estate development activities on projects within the boundaries of the City of Surrey with an aim to create profitable returns while stimulating economic activity and helping to create jobs, consistent with the City of Surrey's vision and priorities.

SCDC's development projects and investments can be broadly classified into two categories: development property assets and income producing properties. As at December 31st 2015 SCDC held \$73.4M of real estate development assets (of which \$19.6M were available for sale) and \$60.5M of income producing properties (of which \$24.4M were available for sale).

FINANCIAL PERFORMANCE - 2015

Highlights from the 2015 Consolidated Statement of Operations include the following:

Net income from property sales increased 28% from \$6.8M in 2014 to \$8.7M in 2015.

Sales of income properties in 2015 generated a net gain of \$2.5M (2014: \$133K).

Property lease income in 2015 increased \$151K or 35% over that in 2014.

Consolidated corporate operating expenses increased 2.5% overall to those in 2014.

The Annual Surplus from Operations increased 71% from \$5.9M in 2014 to \$10.1M in 2015. Furthermore, the Annual Surplus from Operations of \$10.1M represents a \$4.6M increase to the budget of \$5.5M. Profits in 2015 were generated from development activities in the Campbell Heights industrial area and from the sale of SCDC's interest in an income property that had been developed through a partnership.

Profits from operations in 2015 helped to strengthen SCDC's Consolidated Statement of Financial Position:

Financial Assets increased from \$40.6M in 2014 to \$48.8M in 2015, an increase of \$8.2M. Financial Assets include assets held-for-sale which, in accordance with Public Sector Accounting Standards, are valued at cost rather than at net realizable value (see Note 5 to the Summarized Consolidated Financial Statements).

Liabilities decreased from \$144.8M in 2014 to \$120.9M in 2015, a decrease of \$23.9M primarily due to a reduction in amounts owing to the City of Surrey. Amounts owing to the City of Surrey bear interest at market rates (see Notes 3 and 4 to the Summarized Consolidated Financial Statements).

Net Debt, which represents the difference between Financial Assets and Liabilities, decreased from \$104.2M in 2014 to \$72.1M in 2015 as a result of strong financial returns. As described in Note 5 to the Summarized Consolidated Financial Statements, the calculation of Net Debt excludes the value of Tangible Capital Assets.

Non-financial Assets decreased from \$117.0M in 2014 to \$90.2M in 2015 as several development projects were completed and were either sold during 2015 or held-for-sale.

The \$10.1M Annual Surplus from Operations in 2015 was used to fund a \$4.5M dividend to the City of Surrey with the remainder increasing Accumulated Surplus, which sits at \$18.2M as at December 31st 2015.

ENTERPRISE RISK MANAGEMENT

SCDC has a well-defined and disciplined approach to Risk Management. The Board of Directors and Management meet on a regular basis to identify current organizational, operational and environmental risks and proactive mitigating strategies.



2015 Financials

Management and Board Responsibilities for Reporting

The 2015 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



NORMAN LAUBE
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 SCDC

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, 2015, 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, 2015.

We expressed an unmodified audit opinion on those consolidated financial statements in our report dated April 12, 2016. 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

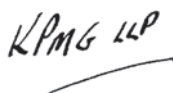
Management is responsible for the preparation of the summary consolidated financial statements in accordance with Canadian public sector accounting standards.

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, 2015 are a fair summary of those consolidated financial statements, in accordance with Canadian public sector accounting standards.



Chartered Accountants
Date September 15, 2016
Burnaby, Canada



KPMG LLP Chartered Accountants

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SCDC

Summarized Consolidated Statement of Financial Position

As at December 31, 2015, with comparative figures for 2014

	2015	2014
FINANCIAL ASSETS		
Cash	\$ 485,983	\$ 2,477,915
Due from government and other government organizations	1,485,348	1,237,258
Due from joint venture partners	1,459,733	3,233,394
Accounts receivable	426,711	679,044
Straight-line rent receivable (Note 2)	498,718	297,903
Properties held-for-sale	43,983,070	31,867,348
Investment in partnership	303,498	303,498
Performance bonds and deposits	123,189	211,087
Tenant inducements	32,343	283,538
	48,798,593	40,590,985
LIABILITIES		
Accounts payable and accrued liabilities	4,228,666	5,136,091
Loans payable	31,601,973	40,541,244
Deposits payable to income property tenants	522,400	397,232
Deferred gains	3,958,213	4,763,743
Due to joint venture partners	1,339,971	3,140,135
Due to City of Surrey – interim project financing (Note 3)	22,962,213	20,029,381
Due to City of Surrey – promissory notes (Note 4)	56,257,172	70,772,058
	120,870,608	144,779,884
NET DEBT (Note 5)	(72,072,015)	(104,188,899)
NON-FINANCIAL ASSETS		
Tangible capital assets	89,954,101	116,811,915
Prepaid expenses	235,161	223,319
	90,189,262	117,035,234
Share capital, common shares	100	100
Share capital, preferred shares	5,274,500	5,594,300
Accumulated operating surplus, opening	7,251,935	5,882,736
Annual surplus current year	10,090,712	5,869,199
Distribution of earnings to shareholder	(4,500,000)	(4,500,000)
ACCUMULATED SURPLUS	\$ 18,117,247	\$ 12,846,335

See accompanying notes to summarized consolidated financial statements.

SCDC

Summarized Consolidated Statement of Operations

Year ended December 31, 2015, with comparative figures for 2014

	BUDGET 2015	2015	2014
PROPERTY AND OTHER INCOME, NET			
Property sales income, net	\$ 7,523,902	\$ 8,687,687	\$ 6,847,928
Gain on sale of income properties, net	53,893	2,523,845	133,191
Property lease income, net	242,685	574,927	424,197
Straight-line income, net (Note 2)	200,815	200,815	297,903
Professional consulting fees and other income	16,264	22,032	38,213
	8,037,559	12,009,306	7,741,432
CORPORATE OPERATING EXPENSES			
Administration	176,292	162,734	153,712
Income properties	528,875	488,203	461,134
Real estate development and sales	1,057,748	976,405	922,269
	1,762,915	1,627,342	1,537,115
PARTNERSHIP OPERATING EXPENSES			
	824,905	291,252	335,118
	2,587,820	1,918,594	1,872,233
ANNUAL SURPLUS FROM OPERATIONS			
	5,449,739	10,090,712	5,869,199
Preferred shares issued	88,947	80,000	-
Preferred shares redeemed	(305,677)	(399,800)	(1,993,400)
Distribution of earnings to shareholder	(4,500,000)	(4,500,000)	(4,500,000)
ANNUAL SURPLUS (DEFICIENCY)	733,009	5,270,912	(624,201)
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
	12,846,335	12,846,335	13,470,536
ACCUMULATED SURPLUS, END OF YEAR			
	\$ 13,579,344	\$ 18,117,247	\$ 12,846,335

See accompanying notes to summarized consolidated financial statements.

SCDC

Summarized Consolidated Statement of Changes in Net Debt

Year ended December 31, 2015, with comparative figures for 2014

	BUDGET 2015	2015	2014
ANNUAL SURPLUS (DEFICIENCY)	\$ 733,009	\$ 5,270,912	\$ (624,201)
Acquisition of tangible capital assets	(69,701,800)	(46,052,583)	(48,754,301)
Disposal of tangible capital assets	680,000	9,097,129	219,793
Amortization of tangible capital assets	1,273,665	1,029,797	1,063,719
Capitalization of wages	(1,073,435)	(1,053,212)	(874,971)
	(68,821,570)	(36,978,869)	(48,345,760)
Transfer to assets held-for-sale	12,824,360	63,836,683	41,006,399
Transfer to Due from City of Surrey	(827,920)	-	-
Change in prepaid assets	(40,000)	(11,842)	(104,135)
	11,956,440	63,824,841	40,902,264
DECREASE (INCREASE) IN NET DEBT	(56,132,121)	32,116,884	(8,067,697)
NET DEBT, BEGINNING OF YEAR	(104,188,899)	(104,188,899)	(96,121,202)
NET DEBT, END OF YEAR (Note 5)	\$ (160,321,020)	\$ (72,072,015)	\$ (104,188,899)

See accompanying notes to summarized consolidated financial statements.

SCDC

Summarized Consolidated Statement of Cash Flows

Year ended December 31, 2015, with comparative figures for 2014

	2015	2014
CASH PROVIDED BY (USED IN):		
OPERATIONS		
Annual surplus from operations	\$ 10,090,712	\$ 5,869,199
Items not involving cash:		
Amortization	1,029,797	1,063,719
Recognition of deferred gains	(1,244,217)	(978)
Gain on disposal of properties held-for-sale, properties under development, and income properties	(11,211,532)	(6,981,119)
Change in non-cash working capital:		
Decrease in accounts receivable	51,518	618,873
Decrease in performance bonds and deposits	87,898	42,070
Decrease (increase) in tenant inducements	251,195	(253,190)
Increase in due from government and other government organizations	(248,090)	(226,263)
Increase (decrease) in accounts payable and accrued liabilities	(907,425)	2,317,750
Increase (decrease) in deposits payable to income property tenants	125,168	(144,769)
Increase in prepaid expenses	(11,842)	(104,135)
Net change in cash from operating activities	(1,986,818)	2,201,157
CAPITAL		
Purchase of tangible capital assets	(49,393,399)	(54,909,309)
INVESTING		
Proceeds from disposal of properties held-for-sale and properties under development	66,189,582	35,722,059
Proceeds from disposal of income properties	8,127,644	1,135,000
Decrease in investment in partnership	-	396,502
Deferred gain on transfer of land to joint venture partners	438,687	-
Net change in cash from investing activities	74,755,913	37,253,561
FINANCING		
Distribution of earnings to shareholder	(4,500,000)	(4,500,000)
Decrease in due from joint venture partners	1,773,661	3,679,421
Decrease in due to joint venture partners	(1,800,164)	(1,799,351)
Issuance of loans payable	2,910,000	2,664,630
Increase in (repayment of) debt due to City of Surrey	(11,582,054)	20,296,049
Repayment on loans payable	(11,849,271)	(1,346,056)
Redemption of preferred shares	(319,800)	(1,993,400)
Net change in cash from financing activities	(25,367,628)	17,001,293
NET CHANGE IN CASH	(1,991,932)	1,546,702
CASH, BEGINNING OF YEAR	2,477,915	931,213
CASH, END OF YEAR	\$ 485,983	\$ 2,477,915

SCDC

Summarized Consolidated Statement of Cash Flows, Continued

Year ended December 31, 2015, with comparative figures for 2014

	2015	2014
SUPPLEMENTARY CASH FLOW INFORMATION:		
Non-cash transactions:		
Properties received in exchange for debt with the City	\$ 21,040,546	\$ 24,183,523
Land transfers in exchange for preferred shares	80,000	-

NOTES TO THE SUMMARIZED CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2015

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, 2015. Those audited complete financial statements were approved by the Board of Directors on April 12, 2016, 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 2015 Annual Report, which provides the public with relevant information on the financial performance of SCDC.

2. Straight-line rent

Straight-line rent receivable includes \$461,291 (2014 – \$263,595) relating to a cumulative adjustment for 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 on a monthly basis and 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, 2015 (and at December 31, 2014) 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, 2015 (and at December 31, 2014) 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.

Thank You

SCDC is proud to partner with community leaders and real estate developers in order to build a stronger Surrey. We will continue to collaborate with others, and excitedly watch the potential unfold.

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

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