

Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

**LAND TITLE AND SURVEY AUTHORITY
OF BRITISH COLUMBIA**

Three and nine months ended December 31, 2018 and 2017
(Unaudited)

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Consolidated Statement of Comprehensive Income

(Unaudited)

(Expressed in Canadian dollars)

Three and nine months ended December 31, 2018, with comparative information for 2017

	Three Months		Nine Months	
	2018	2017	2018	2017
Revenue (note 4)	\$ 9,358,417	\$ 11,135,448	\$ 30,095,004	\$ 33,619,470
Expenses:				
Salaries and benefits	4,219,263	3,699,332	12,638,555	11,106,760
Information services	734,318	1,000,411	2,990,017	2,702,527
Office and business expenses	592,213	574,284	1,887,045	1,521,306
Building occupancy	882,083	813,151	2,490,121	2,443,460
Professional fees	898,980	735,619	2,452,229	1,450,777
Amortization	1,324,538	1,844,854	4,925,839	5,465,443
	8,651,395	8,667,651	27,383,806	24,690,273
Operating income	707,022	2,467,797	2,711,198	8,929,197
Other income (expenses):				
Bank charges, interest and investment fees	(39,741)	(28,252)	(104,352)	(84,957)
Investment income (note 5)	424,743	257,280	1,054,379	485,330
Gain (loss) on disposal of property and equipment	25	1,055	(24,978)	1,180
	385,027	230,083	925,049	401,553
Income and comprehensive income before income taxes	1,094,611	2,697,880	3,636,247	9,330,750
Income tax expense (recovery) (note 11):				
Current	113,767	138,571	394,439	530,764
Deferred	(87,508)	(38,555)	(195,116)	(121,854)
	26,259	100,016	199,323	408,910
Net income and comprehensive income	\$ 1,065,790	\$ 2,597,864	\$ 3,436,924	\$ 8,921,840

See accompanying notes to the consolidated interim financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Consolidated Statement of Financial Position

(Unaudited)

(Expressed in Canadian dollars)

	December 31, 2018	March 31, 2018
Assets		
Current assets:		
Cash and cash equivalents (note 6)	\$ 49,165,288	\$ 44,941,338
Investments (note 7)	19,235,032	23,009,696
Funds held for customers (note 8)	3,659,418	3,467,975
Trade and other receivables	212,501	76,781
Prepaid expenses	843,551	662,559
	73,115,790	72,158,349
Property and equipment (note 9)	5,586,782	3,534,270
Intangible assets (note 10)	22,673,659	22,924,128
Deferred tax asset (note 11)	81,810	1,689
	28,342,251	26,460,087
	\$ 101,458,041	\$ 98,618,436
Liabilities and Equity		
Current liabilities:		
Trade and other payables	\$ 2,535,148	\$ 4,824,838
Customer deposits held (note 8)	3,659,418	3,467,975
Provisions	254,419	224,419
Employee benefits (note 12)	2,662,736	2,506,879
Deferred revenue	976,987	554,729
Income taxes payable	-	68,710
Deferred tax liability (note 11)	28,237	-
	10,116,945	11,647,550
Deferred tax liabilities (note 11)	443,474	473,502
Other non-current liabilities (note 13)	2,066,633	1,103,319
	2,510,107	1,576,821
	12,627,052	13,224,371
Equity:		
Retained earnings	88,830,989	85,394,065
	\$ 101,458,041	\$ 98,618,436

See accompanying notes to the consolidated interim financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Consolidated Statement of Changes in Equity
(Unaudited)
(Expressed in Canadian dollars)

Nine months ended December 31, 2018, with comparative information for 2017

	Unappropriated retained earnings	Assurance Fund Reserve	Total retained earnings
Balance, April 1, 2017	\$ 70,809,862	\$ 6,000,000	\$ 76,809,862
Net income and comprehensive income	8,921,840	-	8,921,840
Balance, December 31, 2017	\$ 79,731,702	\$ 6,000,000	\$ 85,731,702
Balance, April 1, 2018	\$ 79,394,065	\$ 6,000,000	\$ 85,394,065
Net income and comprehensive income	3,436,924	-	3,436,924
Balance, December 31, 2018	\$ 82,830,989	\$ 6,000,000	\$ 88,830,989

See accompanying notes to the consolidated interim financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Consolidated Statement of Cash Flows
(Unaudited)
(Expressed in Canadian dollars)

Three and nine months ended December 31, 2018, with comparative information for 2017

	Three Months		Nine Months	
	2018	2017	2018	2017
Cash flow from operating activities:				
Cash received for:				
Fees	\$ 9,344,555	\$ 11,044,922	\$ 30,206,804	\$ 33,651,582
Fees collected on behalf of the Province of BC	8,941,891	9,909,006	29,377,713	32,210,710
Fees collected on behalf of other parties	1,737,734	1,924,427	6,152,507	6,720,729
Interest	409,073	249,226	1,036,658	482,497
	20,433,253	23,127,581	66,773,682	73,065,518
Cash paid for:				
Salaries and benefits	(4,086,601)	(3,708,325)	(12,501,870)	(11,435,967)
Goods and services	(4,758,262)	(4,155,062)	(11,015,886)	(9,926,269)
Sales and income taxes	(330,106)	(243,361)	(859,603)	(993,700)
Interest	(1,338)	(564)	(3,200)	(1,927)
Fees submitted to the Province of BC	(9,123,043)	(10,100,173)	(29,605,032)	(32,357,379)
Fees submitted to other parties	(1,753,729)	(1,937,493)	(6,171,370)	(6,724,518)
	(20,053,079)	(20,144,978)	(60,156,961)	(61,439,754)
Total cash flow from operating activities	380,174	2,982,603	6,616,721	11,625,764
Cash flow from financing activities:				
Repayment of finance lease obligation	(6,070)	(5,693)	(24,472)	(20,511)
Tenant improvement inducement	904,973	-	904,973	-
	898,903	(5,693)	880,501	(20,511)
Cash flow from investing activities:				
Purchase of investments	(845,458)	(155,563)	(2,298,055)	(5,139,043)
Proceeds from sale or maturity of investments	917,930	5,127,150	6,072,720	6,895,842
Purchase of property and equipment	(87,939)	(43,604)	(2,807,935)	(329,534)
Proceeds from disposal of property and equipment	25	1,055	675	1,455
Purchase of intangible assets	(3,493,264)	(169,715)	(4,240,677)	(1,675,387)
	(3,508,706)	4,759,323	(3,273,272)	(246,667)
Net (decrease) increase in cash and cash equivalents	(2,229,629)	7,736,233	4,223,950	11,358,586
Cash and cash equivalents, beginning of period	51,394,917	37,973,335	44,941,338	34,350,982
Cash and cash equivalents, end of period	\$ 49,165,288	\$ 45,709,568	\$ 49,165,288	\$ 45,709,568

See accompanying notes to the consolidated interim financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

(Unaudited)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Three and nine months ended December 31, 2018, with comparative information for 2017

1. Nature of operations:

The Land Title and Survey Authority of British Columbia (the "LTSA") is an independent, not-for-profit corporation without share capital. It is established under the *Land Title and Survey Authority Act* and has responsibility for managing, operating and maintaining British Columbia's land title and land survey systems. Our corporate head office is located at Suite 200, 1321 Blanshard Street, Victoria, British Columbia. The LTSA's primary customers are lawyers, notaries public and land surveyors who act on behalf of those who have an interest in conducting land-related transactions. Other stakeholders include all levels of government and First Nations, real estate professionals, financial institutions, historians, registry agents and other organizations, and the general public.

The LTSA operates independently from the provincial government, but must meet obligations and targets that the provincial government has established for it, both in legislation and in a written Operating Agreement. The Operating Agreement has a term of 60 years, with the provision to renegotiate the revenue arrangement between the Province and the LTSA every 10 years.

2. Basis of presentation and statement of compliance:

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard 34, *Interim Financial Reporting*, on a basis consistent with those followed in the most recent annual consolidated financial statements except for the adoption of IFRS 9 and 15 as described in our consolidated interim financial statements for the three months ended June 30, 2018. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed. These consolidated interim financial statements should be read in conjunction with the LTSA's consolidated financial statements for the year ended March 31, 2018, which are included in the LTSA's 2018 financial report. The consolidated financial statements were authorized for issue on June 8, 2018, by the LTSA's Board of Directors. Certain comparative balances have been reclassified in the prior year statement of financial position to conform with the current year presentation.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

(Unaudited)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Three and nine months ended December 31, 2018, with comparative information for 2017

3. Segment information:

The LTSA has three reportable segments:

- Core Business, comprising the operations of the land title and surveyor general divisions;
- myLTSA, a simple electronic and communications portal to LTSA information and services; and
- ParcelMap BC (“PMBC”), a single, complete, trusted and sustainable electronic map of all titled parcels and surveyed provincial Crown land parcels.

The following tables summarize the operating performance of the reportable segments:

Three months ended December 31, 2018	Core Business	myLTSA	PMBC	Total
Revenue	\$ 6,903,785	\$ 1,599,025	\$ 855,607	\$ 9,358,417
Expenses:				
Salaries and benefits	3,217,256	698,351	303,656	4,219,263
Information services	409,262	224,323	100,733	734,381
Office and business	526,993	59,102	6,118	592,213
Building occupancy	780,663	71,123	30,297	882,083
Professional fees	808,969	72,638	17,373	898,980
Amortization	438,368	318,421	567,749	1,324,538
Total expenses	6,181,511	1,443,958	1,025,926	8,651,395
Other income net of expenses	380,756	4,271	-	385,027
Income (loss) and comprehensive income (loss) before income taxes	1,103,030	159,338	(170,319)	1,092,049
Income tax expense (recovery):				
Current	10,602	97,565	5,600	113,767
Deferred	(11,525)	(75,810)	(173)	(87,508)
	(923)	21,755	5,427	26,259
Net income (loss) and comprehensive income (loss)	\$ 1,103,953	\$ 137,583	\$ (175,746)	\$ 1,065,790

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

(Unaudited)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Three and nine months ended December 31, 2018, with comparative information for 2017

3. Segment information (continued):

Nine months ended December 31, 2018	Core Business	myLTSA	PMBC	Total
Revenue	\$ 22,372,477	\$ 4,948,018	\$ 2,774,509	\$ 30,095,004
Expenses:				
Salaries and benefits	9,854,764	1,941,423	842,368	12,638,555
Information services	1,738,336	802,129	449,552	2,990,017
Office and business	1,686,891	172,680	27,474	1,887,045
Building occupancy	2,199,622	198,940	91,559	2,490,121
Professional fees	2,229,896	173,220	49,113	2,452,229
Amortization	2,375,993	847,792	1,702,054	4,925,839
Total expenses	20,085,502	4,136,184	3,162,120	27,383,806
	2,286,975	811,834	(387,611)	2,711,198
Other income and expenses	906,326	18,713	-	925,049
Income (loss) and comprehensive income (loss) before income taxes	3,193,301	830,557	(387,611)	3,636,247
Income tax expense (recovery):				
Current	15,229	363,505	15,705	394,439
Deferred	(18,477)	(176,389)	(250)	(195,116)
	(3,248)	187,116	15,455	199,323
Net income (loss) and comprehensive income (loss)	\$ 3,196,549	\$ 643,441	\$ (403,066)	\$ 3,436,924
Assets	\$ 76,479,198	\$ 11,114,745	\$ 13,855,682	\$ 101,449,625
Liabilities	\$ 7,274,246	\$ 4,921,805	\$ 427,514	\$ 12,618,636

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Notes to Consolidated Interim Financial Statements

(Unaudited)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Three and nine months ended December 31, 2018, with comparative information for 2017

3. Segment information (continued):

Three months ended December 31, 2017	Core Business	myLTSA	PMBC	Total
Revenue	\$ 8,606,138	\$ 1,586,427	\$ 942,883	\$ 11,135,448
Expenses:				
Salaries and benefits	2,827,578	625,713	246,041	3,699,332
Information services	549,024	168,512	282,875	1,000,411
Office and business	499,508	59,499	15,277	574,284
Building occupancy	708,604	65,025	39,522	813,151
Professional fees	650,271	40,140	45,208	735,619
Amortization	1,027,166	264,848	552,840	1,844,854
Total expenses	6,262,151	1,223,737	1,181,763	8,667,651
	2,343,987	362,690	(238,880)	2,467,797
Other income and expenses	223,350	6,733	-	230,083
Income (loss) and comprehensive income (loss) before income taxes	2,567,337	369,423	(238,880)	2,697,880
Income tax expense (recovery):				
Current	13,732	120,487	4,352	138,571
Deferred	(287)	(38,310)	42	(38,555)
	13,445	82,177	4,394	100,016
Net income (loss) and comprehensive income (loss)	\$ 2,553,892	\$ 287,246	\$ (243,274)	\$ 2,597,864

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Notes to Consolidated Interim Financial Statements

(Unaudited)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Three and nine months ended December 31, 2018, with comparative information for 2017

3. Segment information (continued):

Nine months ended December 31, 2017	Core Business	myLTSA	PMBC	Total
Revenue	\$ 25,437,573	\$ 5,149,686	\$ 3,032,211	\$ 33,619,470
Expenses:				
Salaries and benefits	8,579,236	1,907,052	620,472	11,106,760
Information services	1,338,362	435,060	929,105	2,702,527
Office and business	1,324,143	161,025	36,138	1,521,306
Building occupancy	2,130,430	194,656	118,374	2,443,460
Professional fees	1,230,271	144,696	75,810	1,450,777
Amortization	3,036,130	804,788	1,624,525	5,465,443
Total expenses	17,638,572	3,647,277	3,404,424	24,690,273
	7,799,001	1,502,409	(372,213)	8,929,197
Other income and expenses	387,661	13,892	-	401,553
Income (loss) and comprehensive income (loss) before income taxes	8,186,662	1,516,301	(372,213)	9,330,750
Income tax expense (recovery):				
Current	37,313	480,114	13,337	530,764
Deferred	(7,578)	(114,793)	517	(121,854)
	29,735	365,321	13,854	408,910
Net income (loss) and comprehensive income (loss)	\$ 8,156,927	\$ 1,150,980	\$ (386,067)	\$ 8,921,840
Assets	\$ 78,125,880	\$ 6,105,492	\$ 15,624,049	\$ 99,855,421
Liabilities	\$ 5,701,689	\$ 4,599,578	\$ 3,822,452	\$ 14,123,719

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

(Unaudited)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Three and nine months ended December 31, 2018, with comparative information for 2017

4. Revenue:

The LTSA's sources of revenue from operations are as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Examination services	\$ 4,648,727	\$ 6,179,763	\$ 14,794,815	\$ 17,491,312
Information products	3,255,380	3,369,258	10,496,885	10,978,472
Service fees	1,454,310	1,586,427	4,803,304	5,149,686
	\$ 9,358,417	\$ 11,135,448	\$ 30,095,004	\$ 33,619,470

During the nine months ended December 31, 2018, the LTSA recognized \$544,666 (2017: \$514,093) of revenue from opening deferred revenue.

5. Investment income:

The LTSA's investment income is comprised as follows:

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Interest income	\$ 443,346	\$ 320,980	\$ 1,222,397	\$ 805,288
Change in fair value of investments	45,033	(7,187)	(27,699)	(246,909)
Loss on disposal of investments	(63,636)	(56,513)	(140,319)	(73,049)
	\$ 424,743	\$ 257,280	\$ 1,054,379	\$ 485,330

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

(Unaudited)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Three and nine months ended December 31, 2018, with comparative information for 2017

6. Cash and cash equivalents:

	December 31, 2018	March 31, 2018
Cash in bank and on hand	\$ 39,471,474	\$ 39,450,939
Cash equivalents	9,693,814	5,490,399
	\$ 49,165,288	\$ 44,941,338

Included in cash in bank and on hand are fees payable to the Province of British Columbia of \$39,308 (March 31, 2018: \$266,627) and other fees payable of \$8,296 (March 31, 2018: \$27,159).

Under the terms of the Operating Agreement with the Province of British Columbia, the province's share of fees are collected on behalf of the province and must be remitted within one business day of collection. These amounts payable to the province are included in trade and other payables.

7. Investments:

	December 31, 2018	March 31, 2018
Short-term notes	\$ 1,540,405	\$ 504,829
Bonds	17,694,627	22,504,867
	\$ 19,235,032	\$ 23,009,696

Short-term notes consist of term deposits and commercial paper with maturities extending to one year.

8. Funds held for customers:

At December 31, 2018, LTSA held funds due to customers in the amount of \$3,659,418 (March 31, 2018: \$3,467,975). The funds held for customers are comprised of cash transferred by customers to the LTSA and held in trust.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

(Unaudited)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Three and nine months ended December 31, 2018, with comparative information for 2017

9. Property and equipment:

	Vault storage systems	Technical equipment	Office furniture and equipment	Leasehold improvements	Total
Cost					
Balance, April 1, 2017	\$ 443,989	\$ 2,815,956	\$ 2,206,163	\$ 5,112,657	\$ 10,578,765
Additions	12,811	126,061	53,180	164,871	356,923
Disposals	(816)	(179,119)	(35,303)	(5,538)	(220,776)
Balance, December 31, 2017	\$ 455,984	\$ 2,762,898	\$ 2,224,040	\$ 5,271,990	\$ 10,714,912
Balance, April 1, 2018	\$ 460,706	\$ 2,586,026	\$ 2,229,789	\$ 5,321,285	\$ 10,597,806
Additions	286,420	371,994	210,985	2,198,840	3,068,239
Disposals	(13,761)	(383,372)	(24,566)	(1,099,107)	(1,520,806)
Balance, December 31, 2018	\$ 733,365	\$ 2,574,648	\$ 2,416,208	\$ 6,421,018	\$ 12,145,239
Amortization					
Balance, April 1, 2017	\$ (288,377)	\$ (2,298,202)	\$ (1,073,311)	\$ (2,525,563)	\$ (6,185,453)
Amortization	(36,939)	(203,159)	(204,940)	(521,474)	(966,512)
Disposals	816	178,844	35,303	5,538	220,501
Balance, December 31, 2017	\$ (324,500)	\$ (2,322,517)	\$ (1,242,948)	\$ (3,041,499)	\$ (6,931,464)
Balance, April 1, 2018	\$ (337,527)	\$ (2,177,842)	\$ (1,311,657)	\$ (3,236,510)	\$ (7,063,536)
Amortization	(49,057)	(171,169)	(195,021)	(533,882)	(949,129)
Disposals	13,761	339,006	11,396	1,090,045	1,454,208
Balance, December 31, 2018	\$ (372,823)	\$ (2,010,005)	\$ (1,495,282)	\$ (2,680,347)	\$ (6,558,457)
Net book value					
December 31, 2017	\$ 131,484	\$ 440,381	\$ 981,092	\$ 2,230,491	\$ 3,783,448
December 31, 2018	\$ 360,542	\$ 564,643	\$ 920,926	\$ 3,740,671	\$ 5,586,782

Included in technical equipment at December 31, 2018, is \$133,670 (March 31, 2018: \$133,140) of equipment held under a finance lease and related accumulated amortization of \$13,813 (March 31, 2018: \$87,234).

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Notes to Consolidated Interim Financial Statements

(Unaudited)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Three and nine months ended December 31, 2018, with comparative information for 2017

10. Intangible assets:

	Software systems	Software systems under development	Cadastral fabric	Cadastral fabric under development	Total
Cost					
Balance, April 1, 2017	\$ 40,737,486	\$ 489,906	\$ 8,377,047	\$ 1,626,776	\$ 51,231,215
Additions	93,832	3,137,898	-	211,277	3,443,007
Transfers	784,503	(784,503)	1,838,053	(1,838,053)	-
Disposals	(39,222)	(129,348)	-	-	(168,570)
Balance, December 31, 2017	\$ 41,576,599	\$ 2,713,953	\$ 10,215,100	\$ -	\$ 54,505,652
Balance, April 1, 2018	\$ 41,592,845	\$ 3,187,382	\$ 10,215,100	\$ -	\$ 54,995,327
Acquisition	1,685,187	-	-	-	1,685,187
Additions	134,178	1,906,873	-	-	2,041,051
Transfers	502,834	(502,834)	-	-	-
Balance, December 31, 2018	\$ 43,915,044	\$ 4,591,421	\$ 10,215,100	\$ -	\$ 58,721,565
Amortization					
Balance, April 1, 2017	\$ (25,668,972)	\$ -	\$ (413,876)	\$ -	\$ (26,082,848)
Amortization	(4,002,765)	-	(496,166)	-	(4,498,931)
Disposals	39,222	-	-	-	39,222
Balance, December 31, 2017	\$ (29,632,515)	\$ -	\$ (910,042)	\$ -	\$ (30,542,557)
Balance, April 1, 2018	\$ (30,990,906)	\$ -	\$ (1,080,293)	\$ -	\$ (32,071,199)
Amortization	(3,465,952)	-	(510,755)	-	(3,976,707)
Balance, December 31, 2018	\$ (34,456,858)	\$ -	\$ (1,591,048)	\$ -	\$ (36,047,906)
Net book value					
December 31, 2017	\$ 11,944,084	\$ 2,713,953	\$ 9,305,058	\$ -	\$ 23,963,095
December 31, 2018	\$ 9,458,186	\$ 4,591,421	\$ 8,624,052	\$ -	\$ 22,673,659

Software systems under development are primarily costs to design, build and implement LTSA's Web Filing system. Cadastral fabric under development is for the costs to design, build and implement PMBC.

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Notes to Consolidated Interim Financial Statements

(Unaudited)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Three and nine months ended December 31, 2018, with comparative information for 2017

11. Income taxes:

	December 31, 2018	March 31, 2018
Deferred tax assets:		
Non-current:		
Non-capital losses carryforward	\$ 73,394	\$ -
Leasehold improvements	8,416	1,689
	\$ 81,810	\$ 1,689
Deferred tax liabilities:		
Current:		
Deferred revenue	\$ 28,237	\$ -
Non-current:		
Technical equipment	\$ 6,268	\$ 4,238
Office furniture and equipment	3,190	6,403
Software systems	434,016	462,861
	\$ 443,474	\$ 473,502

The LTSA's income tax expense varies from the amount that would otherwise result from the application of the statutory income tax rates as set out below:

	Three months ended December 31,		Nine months ended December 31,	
	2018	2017	2018	2017
Net earnings before income taxes	\$ 1,092,048	\$ 2,697,880	\$ 3,636,246	\$ 9,330,751
Net tax exempt earnings	(919,197)	(2,315,036)	(2,817,037)	(7,737,907)
Net earnings subject to income taxes	\$ 172,851	\$ 382,844	\$ 819,209	\$ 1,592,844
Expected income tax expense at the combined tax rate of 27% (2017: 26%)	\$ 46,670	\$ 99,539	\$ 221,186	\$ 414,139
(Decrease) increase in income tax expense resulting from:				
Tax effect of acquired deferred revenue	(20,047)	-	(20,047)	-
Current tax refunds for prior years	-	-	-	(13,246)
Other	(94)	477	(1,816)	8,017
	(20,141)	477	(21,863)	(5,229)
Income tax expense	\$ 26,529	\$ 100,016	\$ 199,323	\$ 408,910

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

(Unaudited)

(Tabular amounts expressed in Canadian dollars, unless otherwise indicated)

Three and nine months ended December 31, 2018, with comparative information for 2017

12. Employee benefits:

The following amounts represent the LTSA's obligations to its current and former employees that are expected to be settled during the next twelve months:

	December 31, 2018	March 31, 2018
Current:		
Salaries payable	\$ 1,768,889	\$ 1,650,959
Employee leave liability	761,847	692,765
Superannuation and group RRSP benefits	132,000	163,155
	\$ 2,662,736	\$ 2,506,879

Public service pension plan:

The LTSA paid \$200,472 and \$593,013 for employer contributions to the plan during the three and nine months ended December 31, 2018 (2017: \$213,955 and \$619,260).

LandSure retirement benefit:

LandSure contributes 6.0% of employees' base salaries to a group registered retirement savings plan. The amount recognized as an expense for the three and nine months ended December 31, 2018 was \$60,775 and \$171,536 (2017: \$46,447 and \$134,943).

13. Other non-current liabilities:

	December 31, 2018	March 31, 2018
Deferred leasehold inducements	\$ 824,423	\$ -
Deferred rent averaging	692,908	715,737
Holdbacks payable	459,340	362,088
Capital lease obligation	89,962	25,494
	\$ 2,066,633	\$ 1,103,319

Deferred leasehold inducements relate to leasehold improvements in the New Westminster and LandSure offices. The LTSA also recognizes a deferred rent averaging benefit over the lease terms of the Victoria and LandSure offices. The non-current portion of holdbacks payables are to MacDonald Dettweiler and Associates Ltd. for the Web Filing system.

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Three and nine months ended December 31, 2018, with comparative information for 2017

14. Related party transactions:

Province of British Columbia:

The Province of British Columbia provincial ministries, central agencies and certain other organizations are exempt from the payment of LTSA fees. During the three and nine months ended December 31, 2018, the LTSA provided services to these organizations which, if assessed fees at the usual rates applicable to other entities, would have resulted in additional revenues of \$1,746,105 and \$5,257,115 (2017: \$1,154,976 and \$3,058,273).

Products and services acquired from the province for the three and nine months ended December 31, 2018 totalled \$152,084 and \$412,954 (2017: \$176,501 and \$440,788).

Real property taxation authorities:

Various real property taxation authorities are entitled to use the land title system free of charge for the administration of the taxation of real property. During the three and nine months ended December 31, 2018, the LTSA provided services to these authorities which, if assessed fees at the usual rates applicable to other entities, would have resulted in additional revenues of \$149,570 and \$477,152 (2017: \$158,896 and \$512,273).

15. Business acquisition:

On October 23, 2018, the LTSA completed an acquisition for total expected cash consideration of \$1,500,000 which includes a \$500,000 holdback payable on April 23, 2019. The LTSA acquired 100% of the shares of a technology company, Autoprop Software Ltd. that provides data automation solutions for real estate professionals. The acquisition has been accounted for using the acquisition method with the results of operations included in these consolidated financial statements from the date of acquisition.

Autoprop's main asset is their internally developed software that is used to prepare their customized reports for their clients. In addition to the acquired software, there is also \$287,470 of cash which arose from their subscription sales. The largest assumed liability is for prepaid subscriptions where services are to be provided over time to the subscribers. The fair value of this obligation has been estimated at \$310,457. This obligation will be completed within twelve months after acquisition.

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(Unaudited)

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Three and nine months ended December 31, 2018, with comparative information for 2017

The impact of acquisition accounting in the period ending December 31, 2018 is as follows:

	October 23, 2018
Assets acquired:	
Cash	\$ 287,470
Accounts receivable	21,330
Other current assets	9,569
Technology assets	1,685,186
	\$ 2,003,555
Current liabilities	\$ 79,895
Deferred revenue	310,457
Deferred income taxes (net)	113,203
	503,555
Total consideration	\$ 1,500,000

If the acquisition had occurred on April 1, 2018, management estimates that consolidated revenue for the nine months ended December 31, 2018 would have been \$800,000 and consolidated profit for the nine months ended December 31, 2018 would have been break-even. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same as if the acquisition had occurred on April 1, 2018.