

Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

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

Three and nine months ended December 31, 2019 and 2018
(Unaudited)

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Consolidated Interim Statement of Comprehensive Income (unaudited)
(Expressed in Canadian dollars)

Three and nine months ended December 31, 2019, with comparative information for 2018

	Three Months		Nine Months	
	2019	2018 (Restated – note 5)	2019	2018 (Restated – note 5)
Revenue (note 4):				
Examination services	\$ 5,128,394	\$ 4,648,726	\$ 15,367,401	\$ 14,794,814
Information products and subscriptions	3,713,385	3,255,380	11,695,271	10,496,886
Service fees	1,475,547	1,454,311	4,661,413	4,803,304
	10,317,326	9,358,417	31,724,085	30,095,004
Cost of revenue:				
Cost of examination services	4,400,041	4,096,755	13,133,996	12,960,372
Cost of information products and subscriptions	1,354,654	1,389,065	4,620,199	4,516,745
Cost of service fees	840,911	761,319	2,686,718	2,590,465
	6,595,607	6,247,139	20,440,912	20,067,582
Gross income	3,721,719	3,111,278	11,283,173	10,027,422
Operating expenses:				
Research and development	725,505	848,818	2,198,602	1,414,171
Policy and regulation	1,051,214	254,993	3,144,708	1,659,060
General and administrative	1,311,158	1,300,445	3,943,324	4,242,993
	3,087,877	2,404,256	9,286,634	7,316,224
Operating income	633,842	707,022	1,996,539	2,711,198
Other income (expenses)				
Lease interest	(138,831)	(1,338)	(420,523)	(3,200)
Bank charges, interest and investment fees	(39,892)	(38,403)	(109,568)	(101,152)
Investment income (note 6)	414,145	424,743	1,170,893	1,054,379
(Loss)/gain on disposal of property and equipment	(908)	25	(4,780)	(24,978)
	234,514	385,027	636,022	925,049
Income and comprehensive income before income taxes	868,356	1,092,049	2,632,561	3,636,247
Income taxes (recovery):				
Current	119,207	113,767	352,094	394,439
Deferred	(56,777)	(87,508)	(178,867)	(195,116)
	62,430	26,259	173,227	199,323
Net income and comprehensive income	\$ 805,926	\$ 1,065,790	\$ 2,459,334	\$ 3,436,924

See accompanying notes to the consolidated interim financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Consolidated Interim Statement of Financial Position (unaudited)
(Expressed in Canadian dollars)

	December 31, 2019	March 31, 2019
Assets		
Current assets:		
Cash and cash equivalents (note 7)	\$ 27,618,100	\$ 53,328,397
Investments	41,082,924	16,659,897
Funds held for customers	3,751,472	3,609,922
Trade and other receivables	138,073	234,405
Prepaid expenses	875,621	812,851
	73,466,190	74,645,472
Property and equipment (note 8)	19,774,456	5,545,289
Intangible assets (note 9)	23,084,459	22,525,684
Deferred income tax assets	72,927	83,732
	42,931,842	28,154,705
	\$ 116,398,032	\$ 102,800,177
Liabilities and Equity		
Current liabilities:		
Trade and other payables	\$ 3,010,503	\$ 3,654,888
Customer deposits held	3,751,472	3,609,922
Provisions	527,311	526,594
Employee benefits (note 10)	2,172,822	2,715,457
Contract liabilities	980,749	774,679
Income taxes payable	13,569	35,580
Lease liability – current portion	1,796,978	-
Other current liabilities (note 11)	900,201	1,054,053
	13,153,605	12,371,173
Deferred tax liabilities	195,195	373,932
Lease liability – long-term portion	12,121,924	-
Other non-current liabilities (note 12)	-	1,587,098
	12,317,119	1,961,030
	25,470,724	14,332,203
Equity		
Retained earnings	90,927,308	88,467,974
	\$ 116,398,032	\$ 102,800,177

See accompanying notes to the consolidated interim financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Consolidated Interim Statement of Changes in Equity (unaudited)
(Expressed in Canadian dollars)

Nine months ended December 31, 2019, with comparative information for 2018

	Unappropriated Retained earnings	Assurance Fund reserve	Total retained earnings
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
Balance, April 1, 2019	82,467,974	6,000,000	88,467,974
Net income and comprehensive income	2,459,334	-	2,459,334
Balance, December 31, 2019	\$ 84,927,308	\$ 6,000,000	\$ 90,927,308

See accompanying notes to the consolidated interim financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Consolidated Interim Statement of Cash Flows (unaudited)
(Expressed in Canadian dollars)

Three and nine months ended December 31, 2019, with comparative information for 2018

	Three Months		Nine Months	
	2019	2018	2019	2018
Cash flow from operating activities:				
Cash received for:				
Fees	\$ 10,465,780	\$ 9,344,555	\$ 32,136,419	\$ 30,208,804
Fees collected on behalf of the Province of BC	9,016,051	8,941,891	28,142,370	29,377,713
Fees collected on behalf of other parties	2,056,216	1,737,734	6,752,997	6,152,507
Interest	425,173	409,073	1,211,240	1,030,658
Tenant improvement inducement	-	904,973	-	904,973
	21,963,220	21,338,226	68,243,023	67,678,655
Cash paid for:				
Salaries and benefits	(4,825,912)	(4,086,601)	(14,540,196)	(12,501,870)
Goods and services	(4,124,214)	(4,758,262)	(10,228,344)	(11,015,886)
Sales and income taxes	(276,787)	(330,106)	(715,278)	(859,603)
Fees submitted to the Province of BC	(9,207,070)	(9,123,043)	(28,274,324)	(29,605,032)
Fees submitted to other parties	(2,075,276)	(1,753,729)	(6,768,333)	(6,171,370)
	(20,509,259)	(20,051,741)	(60,526,475)	(60,153,761)
Total cash flow from operating activities	1,453,961	1,286,485	7,716,548	7,524,894
Cash flow from financing activities:				
Repayment of finance lease obligation	(464,305)	(6,070)	(1,340,723)	(24,472)
Lease interest	(138,831)	(1,338)	(420,674)	(3,200)
	(603,136)	(7,408)	(1,761,397)	(27,672)
Cash flow from investing activities:				
(Purchase of) proceeds from investments, net	(7,772,290)	72,472	(24,423,028)	3,774,665
Purchase of property and equipment, net	(669,196)	(87,914)	(2,410,244)	(2,807,260)
Purchase of intangible assets	(3,710,952)	(3,493,264)	(4,832,176)	(4,240,677)
	(12,152,438)	(3,508,706)	(31,665,448)	(3,273,272)
Net (decrease) increase in cash and cash equivalents	(11,301,613)	(2,229,629)	(25,710,297)	4,223,950
Cash and cash equivalents, beginning of period	38,919,713	51,394,917	53,328,397	44,941,338
Cash and cash equivalents, end of period	\$ 27,618,100	\$ 49,165,288	\$ 27,618,100	\$ 49,165,288

See accompanying notes to the consolidated interim financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

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

Three and nine months ended December 31, 2019, with comparative information for 2018

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 legal professionals, land surveyors, certain statutory officers and other professionals 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 interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim consolidated financial statements should be read in conjunction with the LTSA's consolidated financial statements for the year ended March 31, 2019 which are included in the LTSA's 2019 financial report. The consolidated interim financial statements were authorized for issue on February 25, 2020 by the LTSA's Board of Directors.

3. Summary of significant accounting policies:

The significant accounting policies that have been applied, on a consistent basis, in the preparation of these interim consolidated financial statements are included in the LTSA's audited consolidated financial statements for the year ended March 31, 2019. Those accounting policies have been used throughout all periods presented in the interim consolidated financial statements, except as noted below:

(a) Presentation of Statement of Comprehensive Income

The LTSA adopted the practice of reporting operating revenue and expenses by function as of April 1, 2019. A reconciliation to the former method of reporting is provided in note 5.

(b) IFRS 16 - Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases*, which replaced IAS 17 *Leases*. The standard introduced a single lessee accounting model and requires a lessee to recognize assets

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

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

Three and nine months ended December 31, 2019, with comparative information for 2018

3. Summary of significant accounting policies (continued):

and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard is effective for annual reporting periods beginning on or after January 1, 2019. Accordingly, management has adopted this standard effective April 1, 2019.

The LTSA recognizes a right of use asset ("ROU") and a lease liability at the lease commencement date. The right of use asset is initially measured based on the amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any lease incentives received. Right of use assets are subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. The lease term includes consideration of an option to renew or to terminate if the LTSA is reasonably certain to exercise the option. The right of use asset is reviewed for impairment on a periodic basis and any adjustments are made at that time.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the LTSA's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising mainly from a change in an index or rate or if the LTSA changes its assessment of whether it will exercise a purchase, renewal or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying value of the ROU asset or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero. On transition to IFRS 16, the LTSA recognized a ROU asset of \$13.4 million and a lease liability of \$15.2 million. The recognition of the ROU asset and lease liability are considered non-cash items within the statement of cash flows. When measuring operating lease commitments, the LTSA discounted lease payments using its incremental borrowing rate at April 1, 2019. The discount rate applied is 3.95%.

The following table reconciles the LTSA's operating lease commitments as at March 31, 2019 as previously disclosed in the LTSA's annual audited financial statements, to the lease obligations recognized on initial application of IFRS 16 on April 1, 2019.

Operating lease commitments as of March 31, 2019	\$ 28,805,484
Effect of discounting using the incremental borrowing rate at April 1, 2019	(3,747,731)
New commitment recognized as part of transition	812,606
Non-lease components included within operating lease commitments	(10,718,779)
Lease liability recognized as at April 1, 2019	\$ 15,151,579

The current portion of the lease liability recognized at April 1, 2019 is \$2.3 million.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

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

Three and nine months ended December 31, 2019, with comparative information for 2018

3. Summary of significant accounting policies (continued):

(c) IFRIC Interpretation 23 - *Uncertainty over Income Tax Treatments*

The IASB issued IFRIC Interpretation 23 – *Uncertainty over Income Tax Treatments* (“IFRIC 23”) in 2017. The Interpretation provides guidance on the accounting treatment for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments.

The Interpretation is effective for annual periods beginning on or after January 1, 2019. LTSA has reviewed the impact of this interpretation and has determined its impact to be not material.

4. Revenue:

During the nine months ended December 31, 2019, the LTSA recognized \$728,498 (2018: \$544,666) of revenue from opening contract liabilities.

5. Expenses:

The LTSA has determined presentation of expenses by function within the Statement of Comprehensive Income provides the most relevant information to the financial statement users. We will continue to present expenses by nature within the notes to the financial statements.

	Three Months		Nine Months	
	2019	2018	2019	2018
Expenses by nature:				
Salaries and benefits	\$ 4,702,877	\$ 4,219,263	\$ 13,794,301	\$ 12,638,555
Information services	940,969	734,318	3,923,121	2,990,017
Office and business expenses	659,259	592,213	2,068,457	1,887,045
Building occupancy	371,067	882,083	1,125,562	2,490,121
Professional fees	889,394	898,980	2,921,923	2,452,229
Amortization of assets	2,119,918	1,324,538	5,894,182	4,925,839
	\$ 9,683,484	\$ 8,651,395	\$ 29,727,546	\$ 27,383,806
Expenses by function:				
Cost of revenue	\$ 6,595,607	\$ 6,247,139	\$ 20,440,912	\$ 20,067,582
Operating expenses	3,087,877	2,404,256	9,286,634	7,316,224
	\$ 9,683,484	\$ 8,651,395	\$ 29,727,546	\$ 27,383,806

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

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

Three and nine months ended December 31, 2019, with comparative information for 2018

6. Investment income:

The LTSA's investment income is comprised as follows:

	Three Months		Nine Months	
	2019	2018	2019	2018
Interest income	\$ 469,250	\$ 443,346	\$ 1,423,866	\$ 1,222,397
Change in fair value of investments	(55,105)	(18,603)	(252,973)	(168,018)
	\$ 414,145	\$ 424,743	\$ 1,170,893	\$ 1,054,379

7. Cash and cash equivalents:

	December 31, 2019	March 31, 2019
Cash in bank and on hand	\$ 15,991,442	\$ 40,851,829
Cash equivalent	11,626,658	12,476,568
	\$ 27,618,100	\$ 53,328,397

Included in cash in bank and on hand are fees payable to the Province of British Columbia of \$60,932 (March 31, 2019: \$192,887) and other fees payable of \$11,275 (March 31, 2019: \$26,611).

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.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

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

Three and nine months ended December 31, 2019, with comparative information for 2018

8. Property and equipment:

	Vault storage systems	Technical equipment	Office furniture and equipment	Leasehold improvements	Right of Use Asset	Total
Cost:						
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)	-	-	(1,520,806)
Balance, Dec 31, 2018	\$ 733,365	\$ -	\$ 2,416,208	\$6,421,018	\$ -	\$ 12,145,239
Balance, April 1, 2019	\$ 743,268	\$ -	\$ 2,426,151	\$6,599,166	\$ -	\$ 12,370,277
Adoption of IFRS 16	-	(133,670)	-	106,243	13,516,071	13,488,644
Additions	298,332	332,250	533,193	2,035,001	-	3,198,776
Disposals	-	-	-	-	-	(409,499)
Balance, Dec 31, 2019	\$ -	\$ -	\$ 2,904,003	\$8,740,410	\$ 13,516,071	\$ 28,648,198
Amortization:						
Balance, April 1, 2018	\$ -	\$(2,177,842)	\$(1,311,657)	\$(3,236,510)	\$ -	\$(7,063,536)
Amortization	(49,057)	(171,169)	(137,822)	(533,882)	-	(949,129)
Disposals	13,761	339,006	11,396	1,090,045	-	1,454,208
Balance, Dec 31, 2018	\$ -	\$(1,949,927)	\$(2,010,055)	\$(2,680,347)	\$ -	\$(6,558,457)
Balance, April 1, 2019	\$ -	\$(2,061,738)	\$(1,551,590)	\$(2,822,356)	\$ -	\$(6,824,987)
Adoption of IFRS 16	-	-	-	-	-	-
Disposals	-	-	-	-	-	400,838
Amortization	(61,137)	(169,421)	(195,695)	(562,725)	(1,460,615)	(2,449,593)
Balance, Dec 31, 2019	\$ -	\$(1,891,613)	\$(1,700,605)	\$(3,385,081)	\$(1,481,203)	\$(8,873,742)
Net book value:						
December 31, 2018	\$ 360,542	\$ 564,643	\$ 920,926	\$3,740,671	\$ -	\$ 5,586,782
December 31, 2019	\$ 591,160	\$ 589,701	\$ 1,203,398	\$5,355,329	\$ 12,034,868	\$ 19,774,456

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

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

Three and nine months ended December 31, 2019, with comparative information for 2018

9. Intangible assets:

	Software systems	Software systems under development	Cadastral fabric	Cadastral fabric under development	Total
Cost:					
Balance, April 1, 2018	\$ 41,592,845	\$ 3,187,382	\$ 10,215,100	\$ -	\$ 54,995,327
Additions	1,819,365	1,906,873	-	-	3,726,238
Transfers	502,834	(502,834)	-	-	-
Balance, Dec 31, 2018	\$ 43,915,044	\$ 4,591,421	\$ 10,215,100	\$ -	\$ 58,721,565
Balance, April 1, 2019	\$ 45,623,333	\$ 3,780,068	\$ 10,215,100	\$ 83,541	\$ 59,702,042
Additions	120,416	3,738,899	-	144,058	4,003,373
Transfers	5,815,080	(5,815,080)	112,190	(112,190)	-
Disposals	(195,728)	-	-	-	(195,728)
Balance, Dec 31, 2019	\$ 51,363,101	\$ 1,703,887	\$ 10,327,290	\$ 115,409	\$ 63,509,687
Amortization:					
Balance, April 1, 2018	\$ (30,990,906)	\$ -	\$ (1,080,293)	\$ -	\$ (32,071,199)
Amortization	(3,465,952)	-	(510,755)	-	(3,976,707)
Balance, Dec 31, 2018	\$ (34,456,858)	\$ -	\$ (1,591,048)	\$ -	\$ (36,047,906)
Balance, April 1, 2019	\$ (35,415,062)	\$ -	\$ (1,761,300)	\$ -	\$ (37,176,362)
Amortization	(2,928,229)	-	(516,365)	-	(3,444,594)
Disposals	195,728	-	-	-	195,728
Balance, Dec 31, 2019	\$ (38,147,563)	\$ -	\$ (2,277,665)	\$ -	\$ (40,425,228)
Net book value:					
December 31, 2018	\$ 9,458,186	\$ 4,591,421	\$ 8,624,052	\$ -	\$ 22,673,659
December 31, 2019	\$ 13,215,538	\$ 1,703,887	\$ 8,049,625	\$ 115,409	\$ 23,084,459

Software systems under development are primarily costs to design, build and implement LTSA's Web Filing system, the Land Ownership Transparency Registry, and enhancements to the ParcelMap BC system. Cadastral fabric under development are costs to improve the cadastral fabric.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

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

Three and nine months ended December 31, 2019, with comparative information for 2018

10. 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, 2019	March 31, 2019
Current:		
Salaries payable	\$ 1,385,598	\$ 1,923,152
Employee leave liability	639,155	633,394
Superannuation and group RRSP benefits	147,069	158,911
	\$ 2,172,822	\$ 2,715,457

Public service pension plan:

The LTSA paid \$217,163 and \$633,380 for employer contributions to the plan during the three and nine months ended December 31, 2019 (2018: \$200,472 and \$593,013).

Retirement benefit:

LandSure and Autoprop contributed up to 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, 2019 was \$72,286 and \$207,123 (2018: \$60,775 and \$171,536).

11. Other current liabilities:

The LTSA has a contract with MacDonald Dettwiler and Associates Ltd. ("MDA") to build Web Filing. The LTSA is entitled to hold back 15% from each milestone payment which will be released and paid upon successful completion of the work.

	December 31, 2019	March 31, 2019
PMBC fabric improvements	\$ -	\$ 12,020
Web Filing	900,201	534,066
LandSure office improvements	-	7,967
Autoprop final payment	-	500,000
	\$ 900,201	\$ 1,054,053

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

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

Three and nine months ended December 31, 2019, with comparative information for 2018

12. Other non-current liabilities:

	December 31, 2019	March 31, 2019
Lease obligation	\$ -	\$ 82,800
Deferred leasehold inducements	-	808,553
Deferred rent averaging	-	695,745
	\$ -	\$ 1,587,098

Finance lease obligations, deferred leasehold inducements and deferred rent averaging were reclassified as a result of the adoption of IFRS 16.

13. 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, 2019, 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 \$1,942,434 and \$5,580,153 respectively (2018: \$1,746,105 and \$5,257,115).

Products and services acquired from the province for the three and nine months ended December 31, 2019 totaled \$148,758 and \$516,003 (2018: \$152,084 and \$412,954).

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, 2019, 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 \$164,588 and \$519,863 respectively (2018: \$149,570 and \$477,152).