

Management's Discussion and Analysis

Of Financial Condition and Results of Operations
For the Quarter ended September 30, 2020

This management's discussion and analysis ("MD&A"), dated December 2, 2020, should be read in conjunction with the Land Title and Survey Authority of British Columbia ("LTSA") unaudited consolidated interim financial statements and related notes for the quarter ended September 30, 2020, (the "consolidated financial statements"). Unless otherwise noted, the results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in Canadian dollars.

For purposes of this discussion, the LTSA refers to the Land Title and Survey Authority of British Columbia and its wholly-owned subsidiaries, LandSure Systems Limited ("LandSure") and Autoprop Software Limited ("Autoprop").

This report contains forward-looking statements, including statements regarding LTSA business and anticipated financial performance. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made, and represent management's best judgement based on facts and assumptions that management considers reasonable. These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated in the forward-looking statements.

Business Overview

The LTSA was formed in 2005 as a publicly accountable, statutory corporation responsible for operating the land title and survey systems in BC. These systems provide the foundation for all real property business and ownership in the province. The LTSA's services are primarily accessed electronically by legal professionals, land surveyors, certain statutory officers, realtors and other professionals who provide property-related services to their clients.

The Province of BC establishes the mandate, responsibilities and performance standards of the LTSA in the *Land Title and Survey Authority Act*, through an Operating Agreement with the Ministry of Forests, Lands and Natural Resources Operations and through a Master Services Agreement with the Ministry of Finance .

LTSA operations are funded through regulated fee revenue from land title and survey services, myLTSA services, and property information services provided to customers. Regulated fees are established in compliance with the requirements set out in the Operating Agreement. Administrative fees are set by the LTSA's Board of Directors.

Highlights

Total revenue for the quarter was \$11.5 million, \$0.4 million or 3.5% higher than the prior year. The revenue increased primarily from our fee increase which was effective April 1, 2020, as well as the introduction of a new product, property tax deferral automation (“PTD”) for the Ministry of Finance. The expected downturn in the British Columbia real estate market sales volume due to the effects of the novel coronavirus (“COVID-19”) did not occur to the level that was originally forecast for the second quarter. We expect revenue for next quarter to be modestly higher than the same period in 2019 as a result of our fee increase and from the launch of the Land Owner Transparency Registry (“LOTR”).

Cost of revenue was \$6.6 million which was less than prior year by \$0.5 million or 6.7%. This is the result of focusing our efforts on capital projects and the deferral of system related initiatives. Our operating margin was 42.6%, higher than in the same quarter last year of 36.4%.

Total operating expenses for the quarter were \$3.3 million, \$0.3 million or 8.5% higher than in the prior year. Higher spending is attributed to consulting services to support strategic planning and increased office expense due to COVID-19. We will continue to control operating expenses to ensure that their growth is in line with our revenues.

Net income and comprehensive income was \$2.2 million, an increase of \$1.1 million or 101.6% from the same period last year. This increase was primarily due to the increase in operating income, and a \$0.4 million increase in investment income.

We spent \$2.3 million in the quarter on capital projects which includes \$0.4 million on the Web Filing system which was completed in this quarter at a total cost of \$10.3 million. Development continues on the LOTR system with a capital cost of \$0.8 million this quarter. Filings to the LOTR system will begin on November 30, 2020. We incurred \$0.5 million on the ASTRA modernization project which will continue until 2022, \$0.3 million on technical equipment to enable our employees to work from home throughout the COVID-19 pandemic and \$0.3 million on leasehold improvements and miscellaneous software development projects.

Results

The following table sets forth certain consolidated statement of operations data, as well as consolidated statement of financial position data, expressed in dollars, as at September 30, 2020 and 2019.

Quarter ended September 30	2020	2019
Revenue:		
Examination services	\$5,399,677	\$5,449,268
Information products and subscriptions	4,260,996	4,027,841
Service fees	1,819,044	1,615,090
	<u>11,479,717</u>	<u>11,092,199</u>
Cost of revenue:		
Cost of examination services	4,584,714	4,368,559
Cost of information products and subscriptions	1,303,464	1,723,263
Cost of service fees	699,964	967,009
	<u>6,588,142</u>	<u>7,058,831</u>
Gross income	<u>4,891,575</u>	<u>4,033,368</u>
Operating expenses:		
Research and development	810,836	757,227
Policy and regulation	881,018	1,037,984
General and administrative	1,642,047	1,276,531
	<u>3,333,901</u>	<u>3,071,742</u>
Operating income	<u>1,557,674</u>	<u>961,626</u>
Other income (expenses):		
Lease interest	(126,690)	(142,072)
Bank charges and investment fees	(39,519)	(35,262)
Investment income	781,969	367,601
(Loss) on disposal of property and equipment	-	(4,023)
	<u>615,760</u>	<u>186,244</u>
Income and comprehensive income before income taxes	<u>2,173,434</u>	<u>1,147,780</u>
Income tax expense (recovery)	<u>(6,064)</u>	<u>66,965</u>
Net income and comprehensive income	<u>\$2,179,498</u>	<u>\$1,080,905</u>
	September 30, 2020	March 31, 2020
Total assets	\$117,067,288	\$115,533,302
Total liabilities	\$23,938,259	\$25,746,189
Total non-current liabilities	\$11,125,278	\$11,867,101
Total equity	\$93,129,029	\$89,787,113

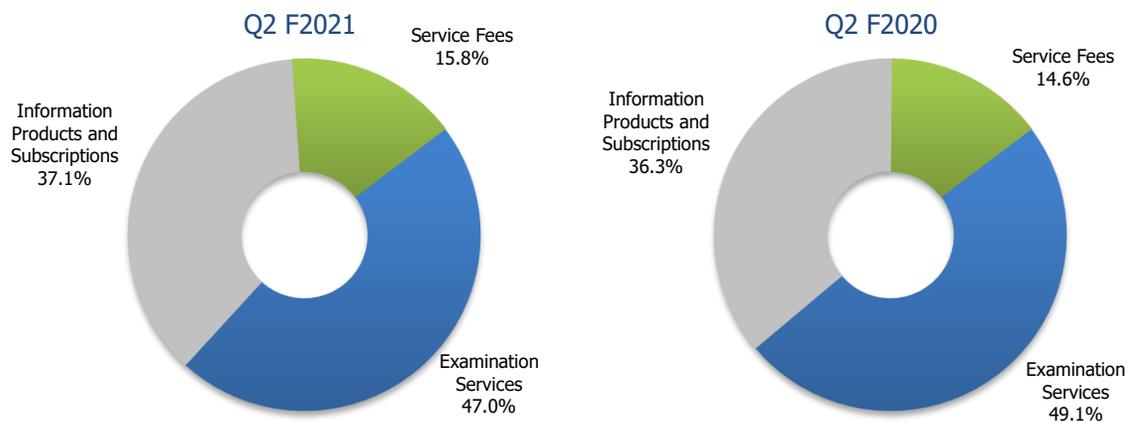
The following table sets forth certain consolidated statement of operations data expressed as a percentage of revenue for the same fiscal periods.

Quarter ended September 30	2020	2019
Revenue:		
Examination services	47.1%	49.1%
Information products and subscriptions	37.1%	36.3%
Service fees	15.8%	14.6%
	100.0%	100.0%
Cost of revenue:		
Cost of examination services	39.9%	39.4%
Cost of information products and subscriptions	11.4%	15.5%
Cost of service fees	6.1%	8.7%
	57.4%	63.6%
Gross income	42.6%	36.4%
Operating expenses:		
Research and development	7.1%	6.8%
Policy and regulation	7.7%	9.4%
General and administrative	14.3%	11.5%
	29.1%	27.7%
Operating income	13.5%	8.7%
Other income (expenses):		
Lease interest	(1.1%)	(1.3%)
Bank charges and investment fees	(0.3%)	(0.3%)
Investment income	6.8%	3.3%
(Loss) on disposal of property and equipment	0.0%	(0.1%)
	5.4%	1.6%
Income and comprehensive income before income taxes	18.9%	10.3%
Income tax expense (recovery)	(0.1%)	0.6%
Net income and comprehensive income	19.0%	9.7%

Revenue

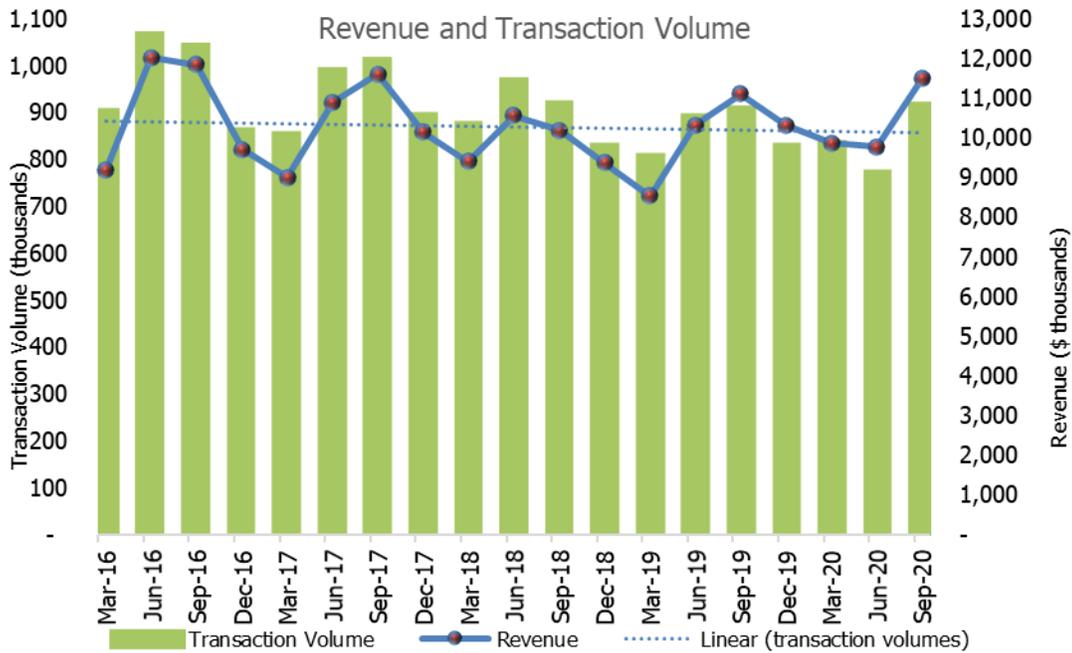
LTSA revenue sources consist of examination services to ensure that applications and plans are submitted in accordance with the rules and regulations of various provincial statutes and acts; information products which include title, document and plan images, certifications, document scanning, and subscription services and service fees which are for electronic processing of land title and survey transactions through the myLTSA electronic portal.

Revenue by Source



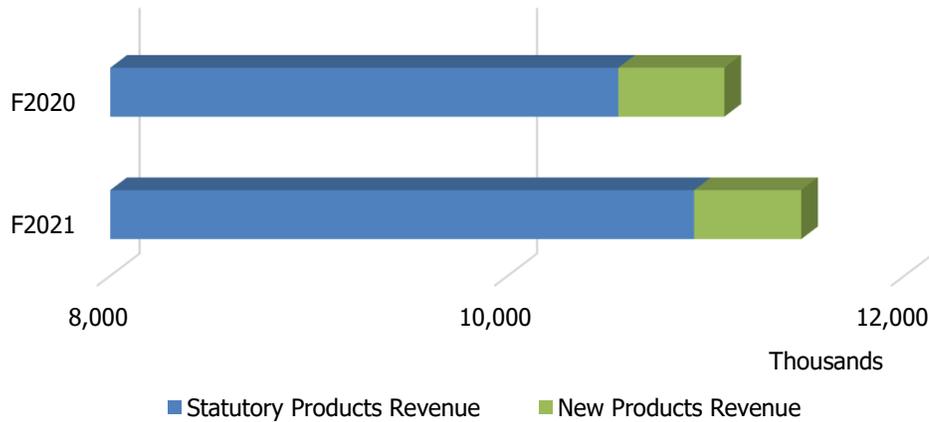
Total consolidated revenue for the quarter was \$11.5 million, higher than the same period last year by \$0.4 million or 3.5% due to the introduction of the property tax deferral product and the fee increase. Volumes this quarter are approximately the same as last year as a result of some transaction activity shifting from the first quarter to the second quarter.

Revenues for the quarter reflect the continued downward trend in statutory transaction volumes we have seen since 2016. The chart shows revenue and transaction volumes over the past four years. The impact of seasonality can also be seen with the June and September quarters being much busier than the fall and winter.



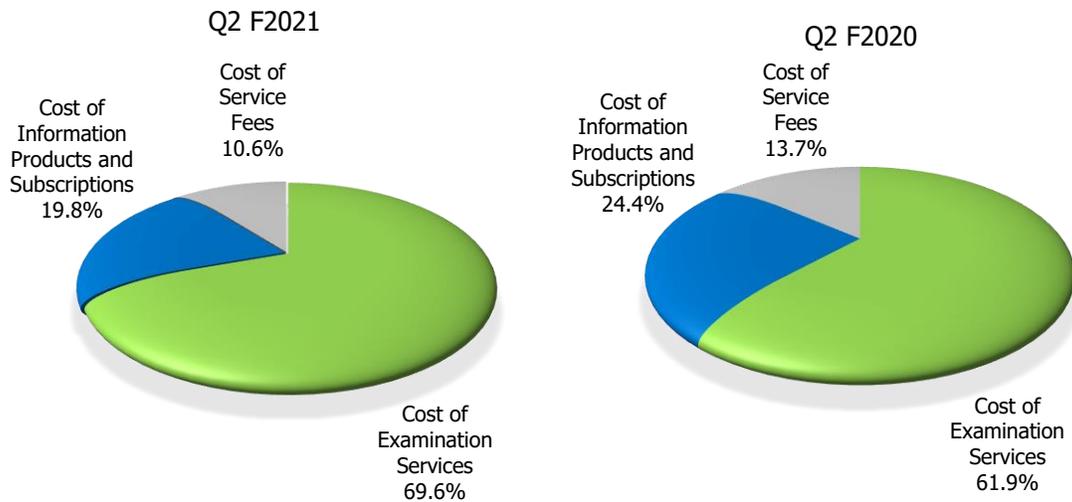
The LTSA’s strategy of developing new sources of revenue to support customers with interests in land information continues to be successful with three new products launched over the last 24 months. Autoprop, acquired in October 2018, earned \$0.3 million of revenue this quarter. The Condo and Strata Assignment Integrity Register (“CSAIR”), released in February 2019, earned revenue of \$0.1 million and the PTD service launched in May 2020 had revenue of \$0.1 million. Total new product revenue for this quarter was \$0.5 million, slightly higher than the same period last year.

Statutory and New Products Revenue



Cost of Revenue

Cost of revenue for the quarter was \$6.6 million, \$0.5 million or 6.7% less than the same period last year. The decrease reflects continued savings on the deferral of information technology initiatives and hiring activities, lower office and business expenses and lower travel expenses as a result of COVID-19.



Gross Income

LTSA's gross income for the quarter was \$4.9 million representing a 42.6% operating margin, higher than the margin of 36.4% earned in the same period last year. The gross margin by revenue category was as follows:

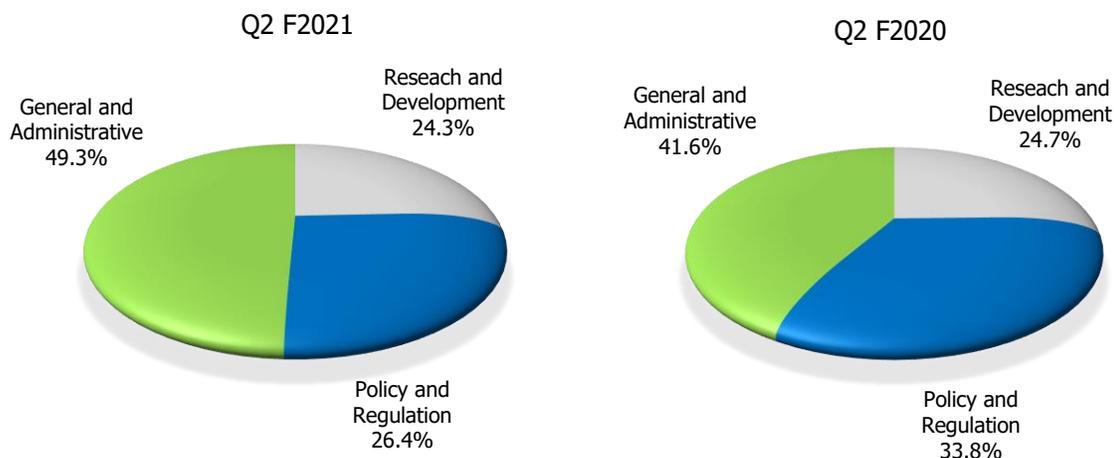
Gross Margins by Revenue Type

Quarter ended September 30	2020	2019
Total LTSA	42.6%	36.4%
Examination services	15.1%	19.8%
Information products and subscriptions	69.4%	57.2%
Service fees	61.5%	40.1%

Examination services margins decreased due to an increase in amortization for the Web Filing system, with its initial release in November 2019. Information products and subscriptions margin increased due to increased capitalized wages and the 2% fee increase effective on April 1, 2020. Service fees margin increased due to a reduction in amortization as the myLTSA portal software was fully amortized as of April 2020.

Operating Expenses

Operating expenses for the quarter were \$3.3 million, \$0.3 million or 8.5% greater than the same period last year. This was due to increased consulting expenses and higher office costs, partially offset by lower policy and regulation costs.



Research and development costs were \$0.8 million, \$0.1 million or 7.1% higher than the same period last year. The increase was due to our strategic initiative to invest in research and development to develop new products and services and to improve operational efficiency.

Policy and regulation costs were \$0.9 million, \$0.2 million or 15.1% less than the same period last year. This decrease was primarily due to decreased office and travel expenses.

General and administrative expenses were \$1.6 million, \$0.4 million or 28.6% greater than the same period last year. The increase reflects work we have underway to update our strategic plan, and increased costs for long-term forecasting that incorporates the impact of the novel coronavirus ("COVID-19").

Other Income (Expenses)

Investment income was \$0.8 million, \$0.4 million or 112.7% higher than the same period last year. This was due to a rebound in global market conditions from the prior quarter. Our investment portfolio is conservative with 87% of our investments held in fixed income securities and money market funds.

Net Income and Comprehensive Income

Overall, net income and comprehensive income totalled \$2.2 million or 19.0% of revenue, up \$1.1 million or 101.6% from the same period last year. This was due to \$0.6 million higher operating income and \$0.4 million higher investment income.

Liquidity and Capital Resources

Sources and Uses of Cash

Cash, cash equivalents, and short-term investments balances were \$67.4 million on September 30, 2020 (March 31, 2020: \$67.4 million), of which \$0.3 million (March 31, 2020: \$0.2 million) consisted of cash collected on behalf of the Province of BC and other parties. The cash owing to these parties was remitted the following business day.

The remaining \$67.1 million (March 31, 2020: \$67.2 million) represents cash, cash equivalents, and short-term investments readily available to the LTSA. Net LTSA current liabilities (total current liabilities less funds held for customers, trade and other receivables and prepaid expenses) totalled \$8.0 million (March 31, 2020: \$9.0 million), which, when combined with the \$6.0 million (March 31, 2020: \$6.0 million) allocated to the Assurance

Fund, leaves \$53.1 million (March 31, 2020: \$52.2 million) of cash available for reinvestment in LTSA's business.

Cash Flow from Operating Activities

The LTSA's primary source of cash derives from operating activities. Cash from operations for this quarter totalled \$4.2 million, \$0.4 million higher than the same quarter last year.

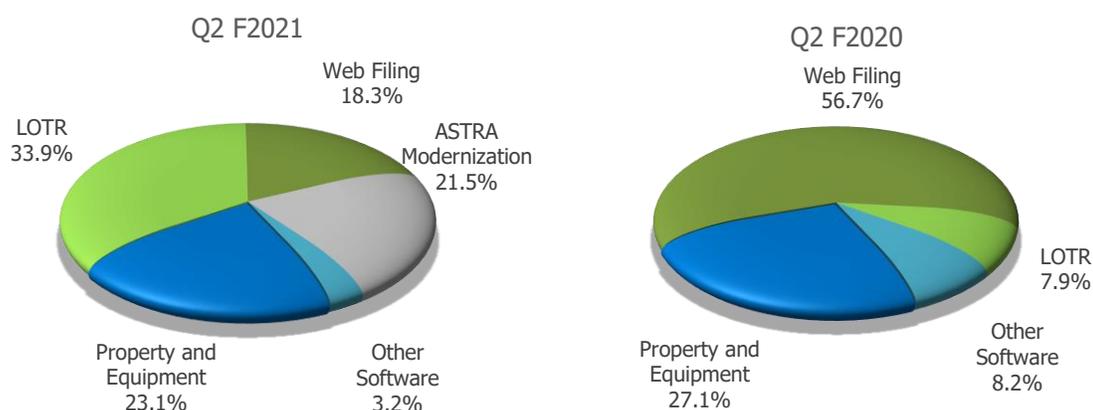
Cash Flow from Financing Activities

LTSA repaid \$0.5 million this quarter for lease obligations and incurred \$0.1 million of related lease interest. The repayment of lease obligations and lease interest are consistent with the prior year.

Cash Flow from Investing Activities

LTSA transfers excess cash into an investment portfolio that is governed by our investment policy. We invested net \$0.9 million of cash in marketable securities during the quarter. Cash was also used to purchase property and equipment and invest in software systems that will either enhance operations or provide additional service offerings to our customers. \$3.4 million of cash was invested in capital projects during the quarter.

Capital Investments



Quarter ended September 30 (in millions)	2020	2019
LOTR	\$0.8	\$0.2
Property and equipment	0.5	0.6
ASTRA Modernization	0.5	-
Web Filing	0.4	1.3
Other software	0.1	0.2
	<u>\$2.3</u>	<u>\$2.3</u>

The Web Filing project has modernized the customer interface to the land title system and was completed in July 2020. We are continuing with the development of the LOTR system which is a major project to build and operate a registry under the *Land Owner Transparency Act* on behalf of the province. Filing services to the registry will be available in November 2020 with search services becoming available in 2021. Total cost to build the LOTR system is estimated to be approximately \$7.5 million.

Assurance Fund

The Assurance Fund has remained at \$6.0 million since March 31, 2013 by resolution of the Board of Directors. The result of an independent actuarial analysis of the program in 2017 and the small number of Assurance Fund claims supports the LTSA's belief that this continues to be an appropriate fund balance. The fund is assessed on an annual basis and adjusted to reflect changing market conditions as well as transaction volumes.

Off-Balance Sheet Arrangements

The LTSA has no off-balance sheet arrangements.

Outlook

We continue with our strategy of developing new products and services for our customers with interests in land information and will introduce at least two new products this fiscal year for the Province of British Columbia: the automation of the Property Tax Deferral system which was launched in May 2020 and the LOTR filing service, which will launch in November 2020. In addition, we will continue with Autoprop's marketing of enhanced products and services for real estate professionals. We are also expecting to launch Electronic Video Verification in the third quarter of 2020.

Since March 2020 the LTSA, along with the Province of British Columbia, has invoked provincial guidelines for remote working and social distancing in response to the global pandemic of the outbreak of COVID-19. Land registry has been designated as an essential service by the province and we are continuing to operate with full capacity.

These safety guidelines negatively impacted revenue in the first quarter as we experienced a 13.7% decline in the transaction volumes of our statutory products and services. However, we experienced essentially flat transaction volumes in the second quarter over the same period last year, as some of the decreased activity in the first quarter shifted to the second quarter. Despite this improvement in the second quarter the market outlook remains highly uncertain for the remainder of 2020 and 2021 as it is difficult to assess the continuing impact of COVID-19 on the housing market.

The LTSA is in a strong financial position with available cash totaling \$67.4 million at September 30, 2020. We are of the opinion that our cash reserves are sufficient to manage the COVID-19 financial risk in the 2020 – 2021 fiscal year.

Risk and Uncertainty

Critical Accounting Estimates

LTSA's financial statements are prepared in accordance with IFRS. These accounting principles require management to make certain estimates, assumptions and judgements. Management believes that these estimates, assumptions and judgements upon which we rely are reasonable based upon information available to us at the time. The estimates, assumptions and judgements made can affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and

expenses during the periods presented. To the extent there are material differences between these estimates and actual results, the financial statements of the LTSA would be affected.

Public Service Pension Plan

LTSA employees are members of the Public Service Pension Plan (the "Plan"), a defined benefit, multi-employer pension plan. The most recent Plan valuation, as at March 31, 2017, indicated a funding surplus of \$1,896 million in the Basic Account. The plan underwent a valuation assessment on March 31, 2020 and results will be available in early 2021.

LandSure Systems and Autoprop employees are members of a group registered retirement savings plan to which the company contributes.

Impairment of Long Lived Assets

The LTSA regularly reviews the carrying value of property, equipment and intangible assets, and continually makes estimates regarding future cash flows and other factors to determine the fair value of the respective assets. If these estimates or their related assumptions change in the future, the LTSA may be required to record impairment charges for these assets. There are no impairment adjustments at this time.

Please refer to the consolidated financial statements which contain additional information regarding our accounting policies and other disclosures required under IFRS.