

Management's Discussion and Analysis

Of Financial Condition and Results of Operations
For the Quarter ended September 30, 2022

This management's discussion and analysis ("MD&A"), dated December 6, 2022, 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, 2022, (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 thousands of 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 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. 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. Fees for Land Owner Transparency Registry ("LOTR") filings and searches and Condo and Strata Assignment Integrity Register fees are set by the Board of Directors in consultation with the

Ministry of Finance. Product fees for Autoprop, Tax Certificates Online, Identity Verification and eStrataHub are market based. Consulting services provided to the Ministry of Transportation and the Land Advisory Board are based on time incurred at set rates.

Highlights

Total revenue for the quarter was \$14.1 million, \$1.3 million or 8% lower than the prior year. Revenue decreased primarily due to 13% lower land title transaction volumes in the quarter offset by fee increases effective April 1 and May 1, 2022 and increased new business revenue.

Cost of revenue was \$8.2 million which was \$0.4 million or 5% higher than the prior year driven by higher product technology sustainment costs as well as new costs to support additional new business revenues. Our operating margin for the quarter was 41.9%, lower than the prior year margin of 49.4% driven mainly by lower revenue.

Total operating expenses for the quarter were \$4.2 million, \$0.1 million or 2% lower than the prior year. Operating expenses decreased as a result of lower research and development costs. We will maintain operating expenses at their current levels to control their rise as a percentage of revenue as transaction volumes and revenues continue to decline.

Net income and comprehensive income was \$1.5 million, a decrease of \$1.8 million from the same period last year. This decrease was due to \$1.6 million lower operating income and \$0.2 million lower investment income due to market performance in the quarter. The fixed nature of our costs allows operating and net income to increase with increases in revenue and similarly causes lower net income in lower revenue years.

We spent \$1.3 million on capital projects in the quarter, including \$0.3 million on Project Echo, an internal project to increase automation and filing quality, \$0.5 million on the Survey Plan Services Modernization project, a new platform that will streamline the submission of survey plans, \$0.4 million on the Application Platform Modernization project which will modernize the technology foundation and leverage the recent transition to cloud-based services and infrastructure and \$0.1 million on facilities improvements. During the quarter LandSure invested \$3.0 million in the R-LABS Limited Partnership, which is a venture builder partnership focused exclusively on the real estate and housing industry. This investment supports our goal of innovating in new technologies to solve problems in real estate in British Columbia.

Results

The following table sets forth certain consolidated statement of operations data, as well as consolidated statement of financial position data, expressed in thousands of dollars, for the three months ended September 30, 2022 and 2021.

Quarter ended September 30	2022	2021
Revenue:		
Examination services	\$ 7,207	\$ 8,105
Information products and subscriptions	4,568	4,916
Service fees	2,359	2,426
	<u>14,134</u>	<u>15,447</u>
Cost of revenue:		
Cost of examination services	5,830	5,542
Cost of information products and subscriptions	1,437	1,373
Cost of service fees	944	896
	<u>8,211</u>	<u>7,811</u>
Gross income	<u>5,923</u>	<u>7,636</u>
Operating expenses:		
Research and development	967	1,196
Policy and regulation	1,024	1,086
General and administrative	2,180	1,963
	<u>4,171</u>	<u>4,245</u>
Operating income	<u>1,752</u>	<u>3,391</u>
Other income (expenses):		
Lease interest	(90)	(106)
Bank charges and investment fees	(66)	(63)
Investment income	162	320
Gain on disposal of property and equipment	3	-
	<u>9</u>	<u>151</u>
Income before income taxes	<u>1,761</u>	<u>3,542</u>
Income tax expense	<u>277</u>	<u>289</u>
Net income and comprehensive income	<u>\$ 1,484</u>	<u>\$ 3,253</u>
	September 30, 2022	March 31, 2022
Total assets	\$132,992	\$133,734
Total liabilities	\$20,676	\$22,834
Total non-current liabilities	\$7,381	\$8,471
Total equity	\$112,316	\$110,900

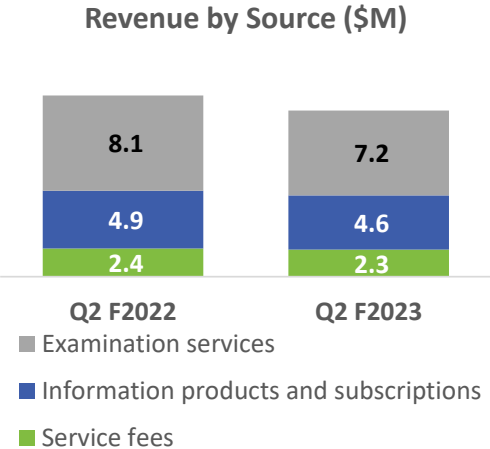
The following table sets forth certain consolidated statement of operations data expressed as a percentage of revenue for the same fiscal periods.

Quarter ended September 30	2022	2021
Revenue:		
Examination services	51.0%	52.5%
Information products and subscriptions	32.3%	31.8%
Service fees	16.7%	15.7%
	100.0%	100.0%
Cost of revenue:		
Cost of examination services	41.2%	35.9%
Cost of information products and subscriptions	10.2%	8.9%
Cost of service fees	6.7%	5.8%
	58.1%	50.6%
Gross income	41.9%	49.4%
Operating expenses:		
Research and development	6.8%	7.7%
Policy and regulation	7.2%	7.0%
General and administrative	15.4%	12.7%
	29.4%	27.4%
Operating income	12.5%	22.0%
Other income (expenses):		
Lease interest	(0.6%)	(0.7%)
Bank charges and investment fees	(0.5%)	(0.4%)
Investment income	1.1%	2.1%
Gain on disposal of property and equipment	0.0%	0.0%
	0.0%	1.0%
Income and comprehensive income before income taxes	12.5%	23.0%
Income tax expense	2.0%	1.9%
Net income and comprehensive income	10.5%	21.1%

Revenue

LTSA revenue sources consist of examination services to ensure that applications and plans and LOTR filings 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, LOTR search fees, and property information subscription services and service fees which are for electronic processing of land title and survey transactions through the myLTSA electronic portal, subscription revenue from the Property Tax Deferral service as well as consulting fees for developing the First Nations National Land Registry, and consulting fees with the Ministry of Transportation.

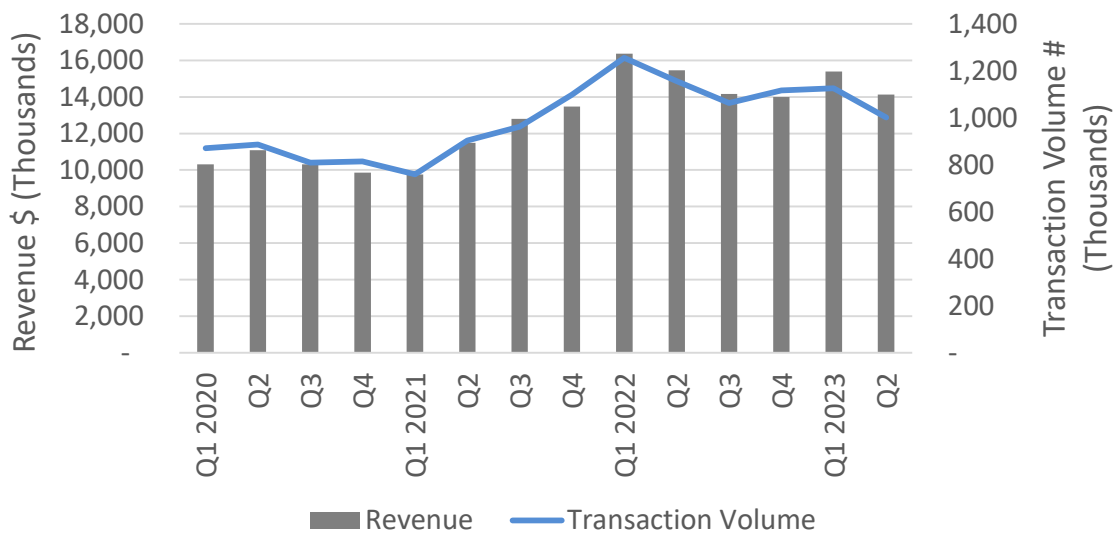
Revenue by Source



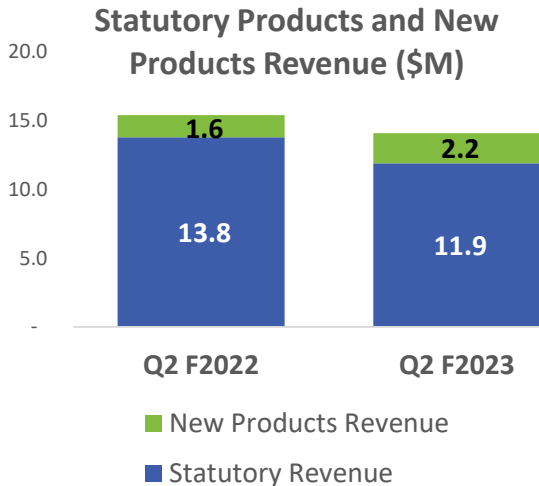
Total consolidated revenue for the quarter was \$14.1 million, \$1.3 million or 8% lower than last year due to lower land title volumes offset by the 3% land title fee increase effective April 1, 2022, LOTR fee increases effective May 1, 2022 and revenue from new products and services. Land title transaction volumes were 13% lower than last year.

Our second quarter revenue was our fifth highest quarter ever and our 2022 fiscal year revenue was our highest annual revenue recorded since inception. Despite record volumes in the last two years, we have maintained processing time targets outlined in the Operating Agreement with the province. Our work done through Project Echo to increase automation and reduce application defects has helped us to reduce both costs and processing times. Our investments in the ASTRA modernization project in the last year has allowed us to scale our web filing and other processing systems to manage these record volumes, resulting in 99.92% system availability for the quarter. Prior to moving our systems to the cloud environment, the load caused by these record volumes could have caused systems interruptions.

The chart below shows revenue and transaction volumes since April 2019. On a historical basis, the impact of seasonality can be seen with the June and September quarters normally being much busier than the fall and winter, up until the 2020-2021 fiscal year. Prior to the 2020-2021 fiscal year and the market impacts from COVID-19, we had experienced a continued decline in transaction volumes since 2016. While the current market conditions continue to show strong transaction volumes, we do expect volumes to return to a long-term declining pattern, and have noted returning historical seasonality patterns in the last 9 months.



The LTSA’s strategy of developing new sources of revenue to support customers with interests in land information continues to be successful with eight new products or services launched over the last 48 months.

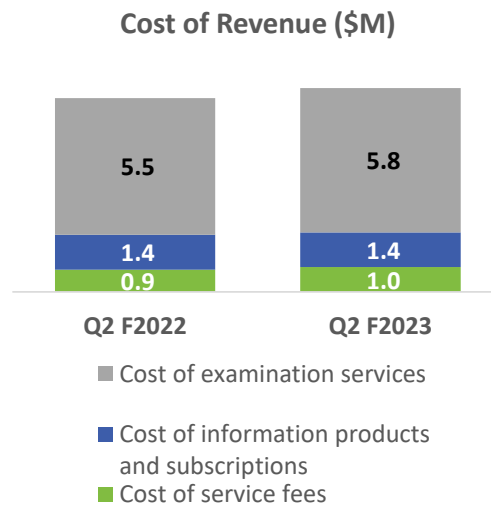


The filing module of LOTR launched in November 2020 and the search module launched in April 2021. LOTR filing and search revenue as well as associated fees earned \$1.3 million of revenue in the quarter. Autoprop, acquired in October 2018, earned \$0.4 million of revenue. The Condo and Strata Assignment Integrity Register (“CSAIR”), released in February 2019, earned revenue of \$0.2 million, the Property Tax Deferral service launched in May 2020 had revenue of \$0.1 million and Identity Verification and eStrataHub which launched in June 2021 also generated revenue in the quarter.

Service revenue for assistance in developing the First Nations National Land Registry, which began in April 2022 totaled \$0.2 million in the quarter. Total new product revenue for the quarter was \$2.2 million, 43% higher than the prior year and represents 16% of total revenues.

Cost of Revenue

Cost of revenue was \$8.2 million, \$0.4 million or 5% higher than the prior year. The increase is driven by higher product sustainment costs to support existing and new products and services.



Gross Income

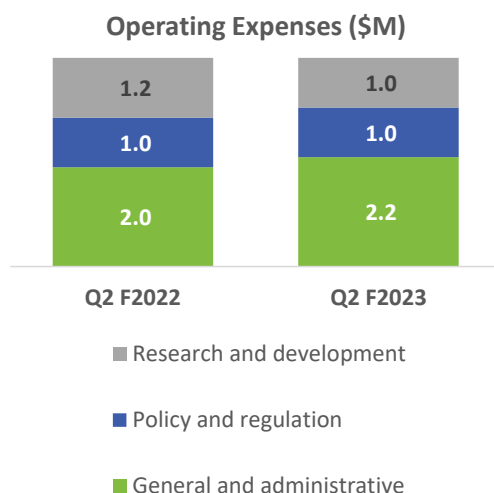
LTSA's gross income for the quarter was \$5.9 million representing a 41.9% operating margin, lower than the prior year margin of 49.4%. The gross margin by revenue category was as follows:

Gross Margins by Revenue Type

Quarter ended September 30	2022	2021
Total LTSA	41.9%	49.4%
Examination services	19.1%	31.6%
Information products and subscriptions	68.5%	72.1%
Service fees	60.0%	63.1%

Examination services and information services margin decreased due to lower land title transaction volumes compared to the prior year. Service fees margin decreased at a lower rate due to new services revenue in the year. Automated examination of applications was 64.7% in the quarter, compared to 59.1% in the prior year. The increase is a result of automation improvements brought on by Project Echo, which has also helped reduce the 3 month defect rate to 4.3% from 6.1% in the second quarter of the prior year.

Operating Expenses



Operating expenses for the quarter were \$4.2 million, \$0.1 million or 2% lower than the prior year. This was due to lower research and development costs offset by slightly higher professional service costs, travel costs and Board of Directors fees.

Research and development costs were \$0.1 million, \$0.2 million or 19% lower than the same period last year. The decrease was due to additional product costs moving to cost of revenue to support product sustainment efforts, including First Nations National Land Registry costs, which are now associated with service revenues.

Policy and regulation costs were \$1.0 million, \$0.1 million or 6% lower than the prior year. The decrease was primarily due a small amount of one-time moving costs incurred in the prior year.

General and administrative expenses were \$2.2 million, \$0.2 million or 11% higher than the same period last year. The increase is due to higher professional service costs, travel costs and Board of Directors fees.

<u>Operating Expenses as a % of Revenue</u>	2022	2021
Total Operating Expenses	29.5%	27.5%
Research and development	6.8%	7.7%
Policy and regulation	7.2%	7.0%
General and administrative	15.4%	12.7%

Other Income (Expenses)

Investment income was \$0.2 million compared to \$0.3 million in the prior year. Our investment portfolio is conservative with 70% of our investments held in fixed income securities and money market funds at September 30, 2022 and earned a rate of return of 0.1% in the quarter compared to a return of 0.5% in the prior year.

Net Income and Comprehensive Income

Overall, net income and comprehensive income totalled of \$1.5 million or 10.5% of revenue, \$1.8 million lower than the prior year. The decrease was due to \$1.6 million lower operating income as well as by \$0.2 million lower investment income. The fixed nature of our costs allow operating and net income to increase with increases in revenue and similarly causes lower net income in lower revenue years.

Liquidity and Capital Resources

Sources and Uses of Cash

Cash, cash equivalents, and short-term investments balances were \$86.0 million on September 30, 2022 (March 31, 2022: \$88.6 million), of which \$0.3 million (March 31, 2022: \$0.4 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 \$85.7 million (March 31, 2022: \$88.2 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 \$6.9 million (March 31, 2022: \$8.4 million), which, when combined with the \$6.0 million (March 31, 2022: \$6.0 million) allocated to the Assurance Fund, leaves \$72.8 million (March 31, 2022: \$73.8 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 the quarter totalled \$3.2 million, \$1.8 million lower due to a 8% decline in revenue as well as higher cost of revenue and operating expenses in the quarter.

Cash Flow from Financing Activities

LTSA repaid \$0.5 million for lease obligations and incurred \$0.1 million of related lease interest in the quarter. 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 \$0.3 million of cash in marketable securities during the quarter, and invested an additional \$3 million into a long-term investment in the R-LABS Limited Partnership. 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. \$1.3 million of cash was invested in capital projects.

Capital Investments



Project Echo is an internal project to increase automation and reduce defects, Application Platform Modernization is a new project to build a new underlying application platform and Survey Plan Services Modernization is a new project that will streamline the submission of survey plans.

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. An independent actuarial analysis of the fund balance is performed every five years and is currently underway.

Off-Balance Sheet Arrangements

The LTSA has no off-balance sheet arrangements.

Outlook

We continue to execute on our strategy of developing new products and services for our customers with interests in land information and as a result we have started one new service in the year: assisting the First Nations Land Advisory Board with designing the First Nations National Land Registry. We also intend to improve the Autoprop service for increasing numbers of real estate professionals in British Columbia and will continue to develop additional new lines of business.

We are continuing to look at adding new offerings and services, either through internal development or through looking at external opportunities. We are also focusing resources in fiscal year 2023 towards updating a number of our legacy systems to allow for increased resiliency and more flexibility when making updates or adding new modules, will continue to look at system and other changes that will increase automation and reduce defects and will also modernize our Survey Plan systems, creating a unified platform for survey plan submissions, plans, forms and datasets which will also reduce defects and errors in plans.

We continued to experience volume and revenue declines in the second quarter, and anticipate a further slowdown of real estate activity as interest rates rise and the British Columbia economy slows down. We are currently expecting our third and fourth quarter land title volumes to experience double-digit declines from the prior year, but will still be above historical volumes. At this time we anticipate that these drop in volumes will continue into our fiscal 2023/2024 year as well.

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, 2020, indicated a funding surplus of \$2.7 billion in the Basic Account. The next plan valuation will be assessed at March 31, 2023 with results available in early 2024.

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

Impairment of Long Lived Assets and Goodwill

The LTSA regularly reviews the carrying value of property, equipment, intangible assets and goodwill, 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.