

Management's Discussion and Analysis

Of Financial Condition and Results of Operations
For the Year ended March 31, 2024

This management's discussion and analysis ("MD&A"), dated June 26, 2024, should be read in conjunction with the Land Title and Survey Authority of British Columbia ("LTSA") audited consolidated financial statements and related notes for the year ended March 31, 2024, (the "consolidated financial statements"). Unless otherwise noted, the results reported herein have been prepared in accordance with IFRS Accounting 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 and 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 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 First Nations Lands Advisory Board are based on time incurred at contracted rates. The Property Tax Deferment service provided to the Ministry of Finance is based on an annual subscription fee.

Highlights

Total revenue for the year was \$50.8 million, \$2.9 million or 5% lower than the prior year. Revenue decreased primarily due to one-time LOTR Section 15 Transparency Report filing revenue earned in the prior year, as well as 5% lower land title transaction volumes.

Cost of revenue was \$32.1 million which was \$1.2 million or 3% lower than the prior year driven by lower product technology sustainment costs, lower operation costs and lower hosting and other information technology costs. Our operating margin for the year was 36.9%, lower than the prior year margin of 38.2% driven mainly by lower revenues.

Total operating expenses for the year were \$18.8 million, \$0.1 million or less than 1% lower than the prior year. Operating expenses decreased as a result of lower general and administrative costs.

Net income and comprehensive income was \$5.2 million, \$3.1 million or 149% higher than the prior year. The increase was due to \$1.7 million lower operating income, offset by \$4.7 million higher investment income and \$0.1 million lower income tax expense. The fixed nature of our costs allows operating income to increase with revenue and similarly causes lower operating income in lower revenue years.

We spent \$11.6 million on capital projects in the year, including \$1.1 million on Project Echo, an internal project to increase automation and filing quality, \$2.4 million on the SurveyHub project, a new platform that will streamline the submission of survey plans, \$0.3 million on improvements to the Land Owner Transparency Registry, and \$0.3 million on technical equipment and facilities improvements. During the fiscal year we kicked off Project Bluebird, a multi-year project that intends to modernize our systems, resulting in a more adaptable and extendable set of systems that will improve the customer experience. The platform will be flexible to customers' needs and will offer a range of services dependent on customer type. During the year, we capitalized \$5.1 million related to Project Bluebird activities. As part of our work building the First Nations Land Governance Registry, we acquired software rights for \$2.4 million, which will be used in the registry.

We also spent \$1.5 million on a long-term investment in RIOS Inc., a real estate platform company improving efficiency in the building and development process.

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 year ended March 31, 2024 and 2023.

| Year ended March 31 | 2024 | 2023 |
|--|-----------------------|-----------------|
| Revenue: | | |
| Examination services | \$ 22,583 | \$ 26,920 |
| Information products and subscriptions | 18,053 | 17,851 |
| Service fees | 10,175 | 8,976 |
| | <u>50,811</u> | <u>53,747</u> |
| Cost of revenue: | | |
| Cost of examination services | 21,543 | 23,597 |
| Cost of information products and subscriptions | 5,310 | 5,816 |
| Cost of service fees | 5,227 | 3,822 |
| | <u>32,080</u> | <u>33,235</u> |
| Gross income | <u>18,731</u> | <u>20,512</u> |
| Operating expenses: | | |
| Research and development | 5,177 | 4,955 |
| Policy and regulation | 4,748 | 4,533 |
| General and administrative | 8,837 | 9,325 |
| | <u>18,762</u> | <u>18,813</u> |
| Operating income (loss) | <u>(31)</u> | <u>1,699</u> |
| Other income (expenses): | | |
| Lease interest | (269) | (349) |
| Bank charges and investment fees | (267) | (274) |
| Investment income | 6,730 | 2,043 |
| Loss on disposal of property and equipment | (44) | (23) |
| | <u>6,150</u> | <u>1,397</u> |
| Income before income taxes | <u>6,119</u> | <u>3,096</u> |
| Income tax expense | <u>934</u> | <u>990</u> |
| Net income and comprehensive income | <u>\$ 5,185</u> | <u>\$ 2,106</u> |
| | March 31, 2024 | March 31, 2023 |
| Total assets | \$145,166 | \$133,774 |
| Total liabilities | \$26,975 | \$20,768 |
| Total non-current liabilities | \$10,103 | \$6,315 |
| Total equity | \$118,191 | \$113,006 |

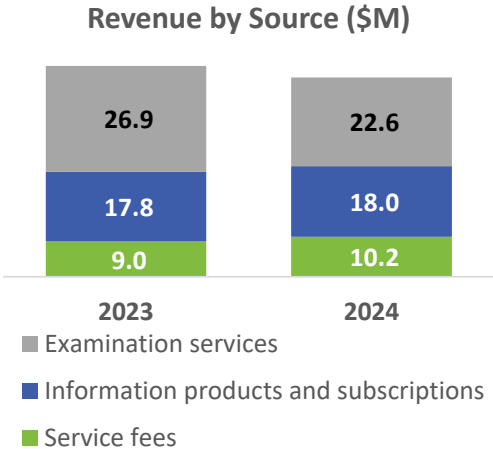
The following table sets forth certain consolidated statement of operations data expressed as a percentage of revenue for the same fiscal periods.

| Year ended March 31 | 2024 | 2023 |
|---|---------------|--------|
| Revenue: | | |
| Examination services | 44.5% | 50.1% |
| Information products and subscriptions | 35.5% | 33.2% |
| Service fees | 20.0% | 16.7% |
| | 100.0% | 100.0% |
| Cost of revenue: | | |
| Cost of examination services | 42.4% | 43.9% |
| Cost of information products and subscriptions | 10.4% | 10.8% |
| Cost of service fees | 10.3% | 7.1% |
| | 63.1% | 61.8% |
| Gross income | 36.9% | 38.2% |
| Operating expenses: | | |
| Research and development | 10.2% | 9.2% |
| Policy and regulation | 9.4% | 8.4% |
| General and administrative | 17.4% | 17.4% |
| | 37.0% | 35.0% |
| Operating income (loss) | (0.1%) | 3.2% |
| Other income (expenses): | | |
| Lease interest | (0.5%) | (0.6%) |
| Bank charges and investment fees | (0.5%) | (0.5%) |
| Investment income | 13.2% | 3.8% |
| Loss on disposal of property and equipment | (0.1%) | (0.2%) |
| | 12.1% | 2.5% |
| Income and comprehensive income before income taxes | 12.0% | 5.7% |
| Income tax expense | 1.7% | 1.8% |
| Net income and comprehensive income | 10.3% | 3.9% |

Revenue

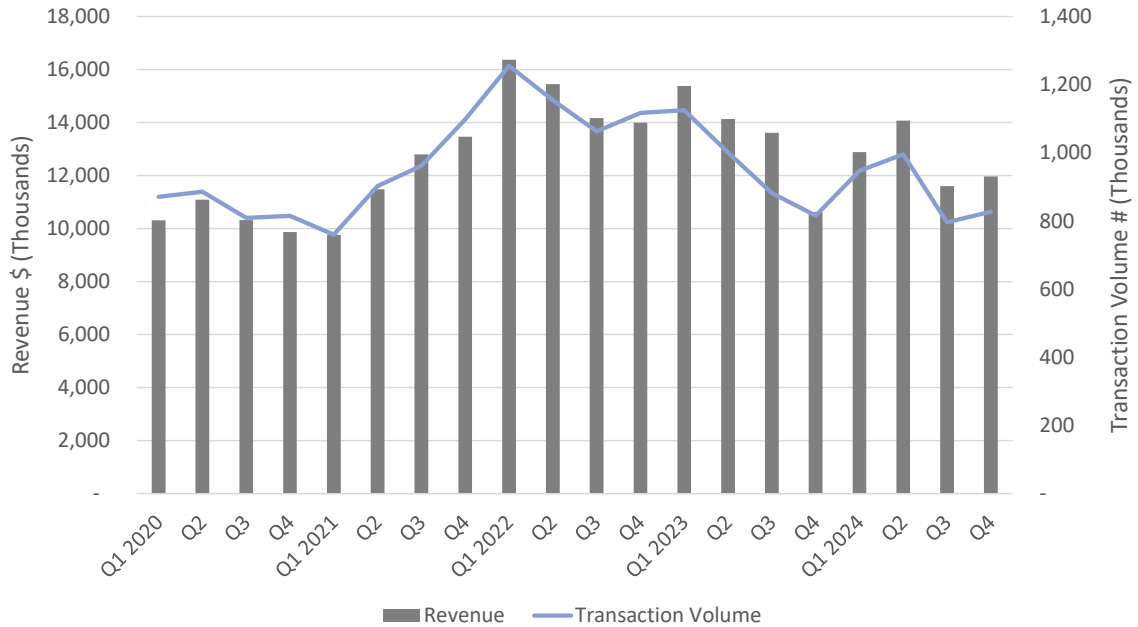
LTSA revenue sources consist of examination services to ensure that applications and plans and filings are submitted in accordance with the rules and regulations of various provincial statutes and acts; information products which include title, document and plan images, certifications, document scanning, 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 as well as consulting, software development and license fees for developing the First Nations Land Governance Registry, and consulting fees with the Ministry of Transportation.

Revenue by Source

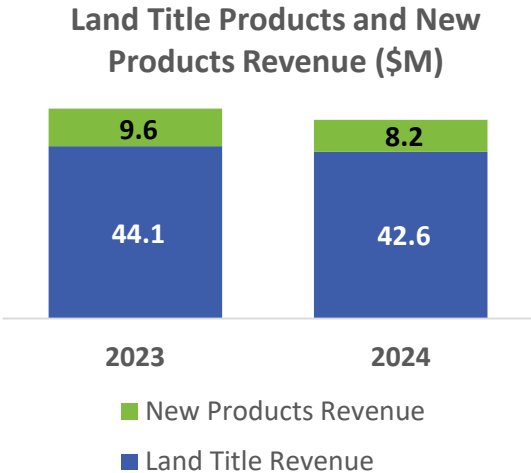


Total consolidated revenue for the year was \$50.8 million, \$2.9 million or 5% lower than last year due to one-time LOTR Transparency Report Revenue earned in the prior year, as well as 5% lower land title volumes. These decreases were offset by the 5% land title fee increase effective April 1, 2023, as well as higher service revenue in assistance with building the First Nations Land Governance Registry.

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, except during the 2020-2021 fiscal year. Transaction volumes in the 2023 - 2024 fiscal year returned to the long-term averages that we saw in the 2019 - 2020 fiscal year and prior.



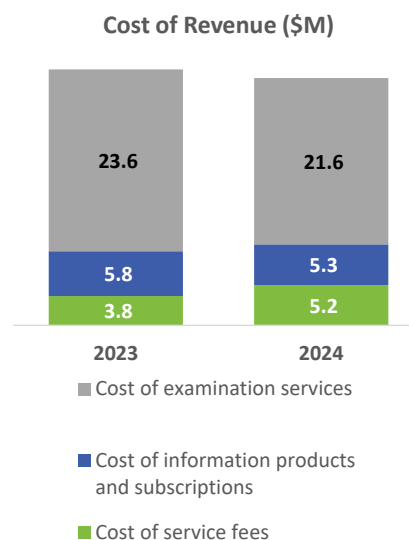
The LTSA’s strategy of developing new sources of revenue to support customers with interests in land information continues to be successful with eight new products or services launched by LTSA. The revenue from these new products also helps to reduce LTSA’s exposure to the cyclical nature of the real estate market.



Total new product revenue for the year was \$8.2 million, 14% lower than the prior year and represents 16% of total revenues. New product revenues were lower as a result of one-time LOTR revenue in the prior year from Section 15 Transparency Report filings. This was offset by higher Service revenue in the current year for assistance in developing and building the First Nations Land Governance Registry.

Cost of Revenue

Cost of revenue was \$32.1 million, \$1.2 million or 3% lower than the prior year. The decrease is due to lower sustainment of information technology systems costs to support existing and new products and services, as we focus on rebuilding our systems as part of Project Bluebird, as well as lower operations and information technology costs. In response to a quieter real property market in the current year we looked at costs across the company and achieved significant savings in operations costs, software hosting and other information technology costs. We also shifted efforts from sustaining existing products to an increase in new product development work, reducing product sustainment costs.



Gross Income

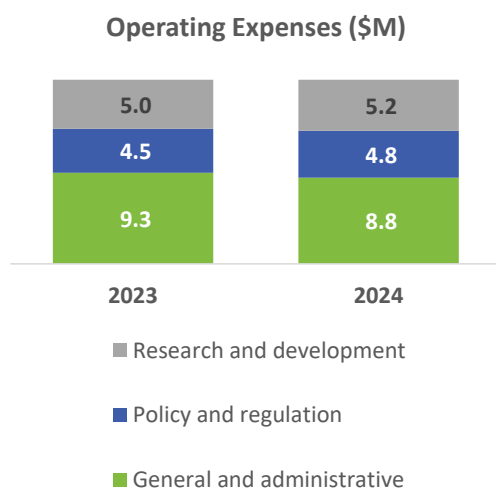
LTSA's gross income for the year was \$18.7 million representing a 36.9% operating margin, lower than the prior year margin of 38.2%. The gross margin by revenue category was as follows:

Gross Margins by Revenue Type

| Year ended March 31 | 2024 | 2023 |
|--|--------------|-------|
| Total LTSA | 36.9% | 38.2% |
| Examination services | 4.6% | 12.3% |
| Information products and subscriptions | 70.6% | 67.4% |
| Service fees | 48.6% | 57.4% |

Examination services margin decreased due to higher LOTR revenue earned in the prior year. Information services margin increased due to lower cost of revenue compared to the prior year, and service fees margin decreased due to lower margins earned on the FNLGR project. Automated examination of applications was 64.8% in the year, compared to 61.1% in the prior year. The increase is a result of automation improvements achieved by Project Echo, which has also helped reduce the 3-month defect rate to 3.6% from 4.5% in the prior year.

Operating Expenses



Operating expenses for the year were \$18.8 million, \$0.1 million or less than 1% lower than the prior year. This was primarily due to lower general and administrative costs in the prior year.

Research and development costs were \$5.2 million, \$0.2 million or 4% higher than the same period last year. The increase was due to higher new product prototype and pilot research and development costs.

Policy and regulation costs were \$4.7 million, \$0.2 million or 5% higher than the prior year. The increase was due to slightly higher salaries and benefits costs to support preserving and digitizing historic records.

General and administrative expenses were \$8.8 million, \$0.5 million or 5% lower than the prior year due to lower professional service costs, as we looked to reduce discretionary spending in a lower transaction volume and revenue environment.

| Operating Expenses as a % of Revenue | 2024 | 2023 |
|--------------------------------------|--------------|-------|
| Total Operating Expenses | 37.0% | 35.0% |
| Research and development | 10.2% | 9.2% |
| Policy and regulation | 9.4% | 8.4% |
| General and administrative | 17.4% | 17.4% |

Other Income (Expenses)

Investment income was \$6.7 million compared to \$2.0 million in the prior year. Our investment portfolio is conservative with 68% of our investments held in fixed income securities and money market funds at March 31, 2024 and earned a rate of return of 7.7% in the year compared to 2.1% in the prior year.

Net Income and Comprehensive Income

Overall, net income and comprehensive income totalled \$5.2 million or 10.3% of revenue, \$3.1 million or 149% higher than the prior year.

Operating income was \$1.7 million lower operating income, mainly due to lower LOTR revenue and lower land title transaction volumes. This reduced revenue was offset by cost reduction efforts, leading to lower cost of revenues and lower operating expenses.

The lower operating income was offset by \$4.7 million higher investment income and \$0.1 million lower income tax expense.

The fixed nature of our costs allows operating income to increase with increases in revenue and similarly causes lower operating income in lower revenue years.

Liquidity and Capital Resources

Sources and Uses of Cash

Cash, cash equivalents, and short-term investments balances were \$91.3 million on March 31, 2024 (March 31, 2023: \$88.4 million), of which \$0.2 million (March 31, 2023: \$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 \$91.1 million (March 31, 2023: \$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 \$9.5 million (March 31, 2023: \$8.0 million), which, when combined with the \$6.0 million (March 31, 2023: \$6.0 million) allocated to the Assurance Fund, leaves \$75.6 million (March 31, 2023: \$74.2 million) of cash available for reinvestment in LTSA's business. While cash balances are expected to decline in the 2024-2025 fiscal year with continued intangible asset expenditures, current cash reserves are sufficient to cover such costs.

Cash Flow from Operating Activities

Historically, the LTSA's primary source of cash derives from operating activities. Cash from operations for the year totalled \$11.8 million, \$4.1 million higher than the prior year due to lower cost of revenue and operating expense disbursements.

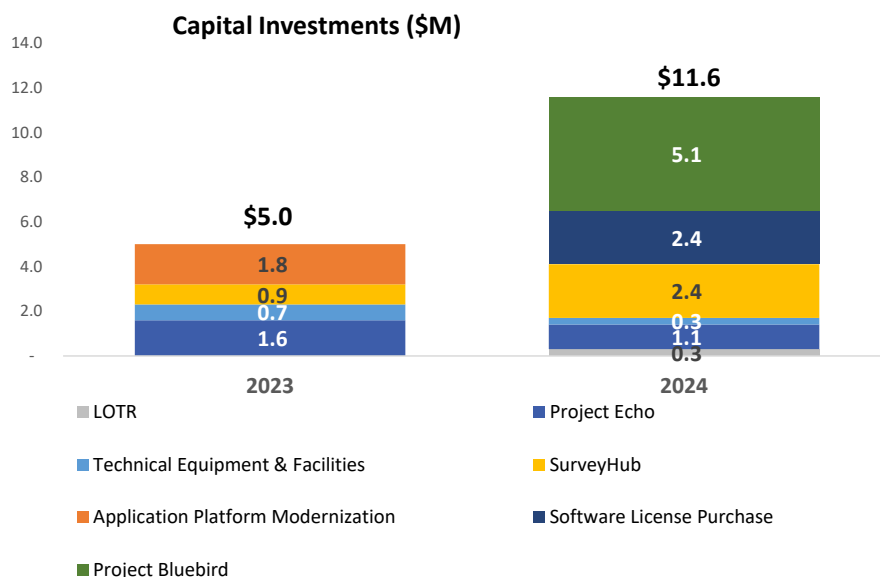
Cash Flow from Financing Activities

LTSA repaid \$2.1 million for lease obligations and incurred \$0.3 million of related lease interest in the year. 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 \$2.5 million of cash in marketable securities during the year and invested \$1.5 million into a long-term investment in RIOS Inc. We also earned interest and dividend proceeds of \$2.4 million. 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. \$11.6 million was invested in intangible asset projects in the year.

Capital Investments



Project Echo is an internal project to increase automation and reduce defects, Application Platform Modernization was a project to rebuild our existing underlying application platform and SurveyHub is a project that will streamline the submission of survey plans. Project Bluebird, launched in April 2023, is a multi-year project to rebuild our systems, allowing for a more flexible and customer-centric platform. Project Echo and SurveyHub are now substantially completed.

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 2022 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, with the next review scheduled for 2027.

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 Lands Advisory Board with designing and building a First Nations Land Governance Registry, which has received funding approval from the Government of Canada. We have also improved the Autoprop service for real estate professionals in British Columbia, adding the comparative market analysis tool in 2022, and transit oriented mapping features in the current year. We intend to continue to investigate and develop potential new service offerings in fiscal 2024-2025 and beyond, either through internal development or through looking at external opportunities. Our investments in R-Labs and RIOS allow us to investigate and evaluate new early stage companies that may have offerings that would be beneficial to our stakeholders.

We have launched a significant redesign of our legacy systems in the year, which will result in a modern real property platform on completion of the multi-year build project. The new platform is intended to enable delivery of more adaptable and extendable systems that will improve the customer experience by integrating capabilities and making systems easier to use. The platform will be flexible to customers' needs and will offer a range of services dependent on customer type. We will also continue to look at system and other changes that will increase automation and reduce defects and will also continue to 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 are expecting a moderate increase in land title volumes in fiscal 2024-2025, likely in the third or fourth quarters, in line with an expected easing of interest rates. With lower land title volumes compared to historical averages, we are continuing to monitor our expenses through focusing on project work and reducing product sustainment spending, reducing

discretionary spend both within cost of revenues and operating expenses, while still looking at opportunities to add new products and services.

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, 2023, indicated a funding surplus of \$4.5 billion in the Basic Account. The next plan valuation will be assessed at March 31, 2026 with results available in early 2027.

LandSure Systems 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.

Consolidated Financial Statements
(Expressed in thousands of Canadian dollars)

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

Year ended March 31, 2024

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

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KPMG LLP

St. Andrew's Square II
800-730 View Street
Victoria BC V8W 3Y7
Canada
Telephone 250 480 3500
Fax 250 480 3539

INDEPENDENT AUDITOR'S REPORT

To Directors of the Land Title and Survey Authority of British Columbia

Opinion

We have audited the consolidated financial statements of the Land Title and Survey Authority of British Columbia (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2024
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of material accounting policies

(Hereinafter referred to as the "consolidated financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis
- the information included in Annual Report

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis and Annual Report as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the Auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Victoria, Canada
June 26, 2024

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA


Consolidated Statement of Financial Position
(Expressed in thousands of Canadian dollars)

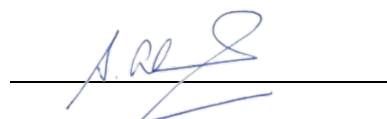
Year ended March 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|-------------------------------------|-------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (note 7) | \$ 15,350 | \$ 18,095 |
| Investments (note 3) | 75,996 | 70,342 |
| Funds held for customers | 4,823 | 4,764 |
| Trade and other receivables | 1,323 | 445 |
| Prepaid expenses | 1,212 | 1,237 |
| | 98,704 | 94,883 |
| Property and equipment (note 8) | 12,631 | 12,379 |
| Intangible assets (note 9) | 27,421 | 21,602 |
| Long-term investment (note 3) | 4,500 | 3,000 |
| Goodwill (note 10) | 1,910 | 1,910 |
| | 46,462 | 38,891 |
| | \$ 145,166 | \$ 133,774 |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Trade and other payables | \$ 2,755 | \$ 1,933 |
| Customer deposits held | 4,823 | 4,764 |
| Provisions (note 11) | 487 | 473 |
| Employee benefits (note 12) | 4,882 | 4,120 |
| Contract liabilities (note 13) | 1,861 | 1,048 |
| Current lease liabilities (note 15) | 2,064 | 2,115 |
| | 16,872 | 14,453 |
| Deferred tax liabilities (note 14) | 801 | 277 |
| Contract liabilities (note 13) | 1,337 | - |
| Lease liabilities (note 15) | 7,965 | 6,038 |
| | 10,103 | 6,315 |
| | 26,975 | 20,768 |
| Equity: | | |
| Retained earnings | 118,191 | 113,006 |
| | \$ 145,166 | \$ 133,774 |

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of directors:

 Director

 Director

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Consolidated Statement of Comprehensive Income
(Expressed in thousands of Canadian dollars)

Year ended March 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|--|-----------------|-----------------|
| Revenue: | | |
| Examination services | \$ 22,583 | \$ 26,920 |
| Information products and subscriptions | 18,053 | 17,851 |
| Service fees | 10,175 | 8,976 |
| | <u>50,811</u> | <u>53,747</u> |
| Cost of revenue (note 5): | | |
| Cost of examination services | 21,543 | 23,597 |
| Cost of information products and subscriptions | 5,310 | 5,816 |
| Cost of service fees | 5,227 | 3,822 |
| | <u>32,080</u> | <u>33,235</u> |
| Gross income | 18,731 | 20,512 |
| Operating expenses (note 5): | | |
| Research and development | 5,177 | 4,955 |
| Policy and regulation | 4,748 | 4,533 |
| General and administrative | 8,837 | 9,325 |
| | <u>18,762</u> | <u>18,813</u> |
| Operating income (loss) | (31) | 1,699 |
| Other income (expenses): | | |
| Lease interest | (269) | (349) |
| Bank charges and investment fees | (267) | (274) |
| Investment income (note 6) | 6,730 | 2,043 |
| Loss on disposal of property and equipment | (44) | (23) |
| | <u>6,150</u> | <u>1,397</u> |
| Income before income taxes | 6,119 | 3,096 |
| Income tax expense (recovery) (note 14): | | |
| Current | 410 | 1,031 |
| Deferred | 524 | (41) |
| | <u>934</u> | <u>990</u> |
| Net income and comprehensive income | <u>\$ 5,185</u> | <u>\$ 2,106</u> |

See accompanying notes to the consolidated financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

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

Year ended March 31, 2024, with comparative information for 2023

| | Unappropriated retained earnings | Assurance Fund reserve (note 16) | Total retained earnings |
|-------------------------------------|-------------------------------------|--|----------------------------|
| Balance, March 31, 2022 | \$ 104,900 | \$ 6,000 | \$ 110,900 |
| Net income and comprehensive income | 2,106 | - | 2,106 |
| Balance, March 31, 2023 | 107,006 | 6,000 | 113,006 |
| Net income and comprehensive income | 5,185 | - | 5,185 |
| Balance, March 31, 2024 | \$ 112,191 | \$ 6,000 | \$ 118,191 |

See accompanying notes to the consolidated financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

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

Year ended March 31, 2024, with comparative information for 2023

| | 2024 | 2023 |
|--|------------------|-----------|
| Cash flow from operating activities: | | |
| Cash received for: | | |
| Fees | \$ 52,693 | \$ 53,396 |
| Fees collected on behalf of the Province of BC | 34,645 | 37,581 |
| Fees collected on behalf of other parties | 15,100 | 13,947 |
| Interest | 1,050 | 524 |
| | 103,488 | 105,448 |
| Cash paid for: | | |
| Salaries and benefits | (25,833) | (25,672) |
| Goods and services | (13,909) | (17,165) |
| Sales and income taxes | (2,226) | (3,174) |
| Fees submitted to the Province of BC | (34,593) | (37,737) |
| Fees submitted to other parties | (15,079) | (13,972) |
| | (91,640) | (97,720) |
| Total cash flow from operating activities | 11,848 | 7,728 |
| Cash flow from financing activities: | | |
| Repayment of lease liabilities | (2,096) | (2,056) |
| Lease interest | (269) | (349) |
| | (2,365) | (2,405) |
| Cash flow from investing activities: | | |
| Purchase of investments | (62,314) | (35,738) |
| Proceeds from sale or maturity of investments | 58,250 | 24,397 |
| Interest and dividends received | 2,409 | 2,299 |
| Purchase of property and equipment, net | (309) | (673) |
| Purchase of intangible assets | (10,264) | (3,980) |
| | (12,228) | (13,695) |
| Net decrease in cash and cash equivalents | (2,745) | (8,372) |
| Cash and cash equivalents, beginning of year | 18,095 | 26,467 |
| Cash and cash equivalents, end of year | \$ 15,350 | \$ 18,095 |

See accompanying notes to the consolidated financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

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

Year ended March 31, 2024

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 beginning in 2005, with the provision to renegotiate the revenue arrangement between the province and the LTSA every 10 years. The last operating review was performed in 2015.

2. Material accounting policies:

(a) Basis of presentation and statement of compliance:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards ("IFRS"). The consolidated financial statements were authorized for issue on June 26, 2024 by the LTSA's Board of Directors.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

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

Year ended March 31, 2024

2. Material accounting policies (continued):

(b) Basis of consolidation:

The financial statements have been prepared on a consolidated basis which includes the assets, liabilities, revenues and expenses of the LTSA and its wholly-owned subsidiaries, LandSure Systems Limited ("LandSure") and Autoprop Software Limited ("Autoprop"), herein after collectively referred to as LTSA. All significant inter-company transactions and balances have been eliminated upon consolidation.

(c) Functional currency:

The consolidated financial statements are presented in thousands of Canadian dollars, which is also the functional currency of the LTSA and its subsidiaries.

Transactions denominated in foreign currencies have been translated and presented into Canadian dollars at the approximate rate of exchange prevailing at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the year-end exchange rate. Exchange gains and losses are included in the statement of comprehensive income.

(d) Estimates and judgements:

When preparing the consolidated financial statements, management makes a number of judgements, estimates and assumptions that affect the amounts recognized in the financial statements. These estimates and the underlying assumptions are reviewed continuously on the basis of past experience and other factors considered reasonable in the circumstances.

Significant estimates relate to:

Fair value of financial instruments:

The fair value of financial instruments is estimated using period end market rates or observable market transactions for similar instruments. Actual market transactions may be more volatile and therefore the actual realized value may differ from management's estimates.

Useful lives of and impairment of property, equipment and intangible assets:

Management assesses indicators of impairment at each reporting date and performs a quantitative impairment test for goodwill at least annually or whenever events or circumstances indicate the carrying amount may not be recoverable. The assessment of potential impairment requires assumptions about the amount and timing of future cash flows and selection of appropriate discount rates.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

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

Year ended March 31, 2024

2. Material accounting policies (continued):

(d) Estimates and judgements (continued):

Capitalization of development costs as intangible assets:

The LTSA applies judgement to determine expenditures eligible for capitalization and considers the future economic benefits of these expenditures in making this assessment. The allocation of costs between the research and development phases of technology projects involves judgement and impacts the amounts capitalized as intangible assets.

Provisions:

Individual Assurance Fund and other legal claims are examined to determine whether a liability has been created. Assessing the likelihood that a particular claim has resulted in the creation of an obligation and estimating the amount of any such obligation is inherently uncertain.

(e) Cash and cash equivalents:

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. The LTSA considers all highly liquid financial assets purchased with a maturity at inception of three months or less to be cash equivalents.

(f) Property and equipment:

Property and equipment is measured at cost less accumulated amortization and impairment losses. Cost includes the purchase price and any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management. Asset residual values and amortization rates are reviewed at each reporting date. Amortization is calculated using the straight-line method over the estimated useful lives of the assets, which range from four to eight years as follows:

| | Years |
|--------------------------------|--------|
| Office furniture and equipment | 8 |
| Vault storage systems | 8 |
| Technical equipment | 4 to 5 |

Leasehold improvements are amortized over the lesser of the useful life of the leasehold improvement or the lease term, which includes renewal periods if renewal is reasonably assured. Residual values and useful lives are reviewed at each reporting date. Subsequent leasehold expenditures are capitalized at the time of expenditure if it is determined that there will be future economic benefits to LTSA.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

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

Year ended March 31, 2024

2. Material accounting policies (continued):

(g) Intangible assets:

Intangible assets are measured at cost less accumulated amortization and impairment losses. Amortization for intangible assets is calculated using the straight-line method over the estimated useful lives of the assets. Residual values and useful lives are reviewed at each reporting date.

| | Years |
|---------------------------------------|--------|
| Acquired software | 3 to 4 |
| Internally-developed software | 6 |
| Internally-developed cadastral fabric | 15 |

Acquired software:

Acquired computer software is capitalized on the basis of the costs incurred to acquire and install the specific software.

Internally-developed software and cadastral fabric:

The LTSA develops software and cadastral fabric for internal use. Costs that relate to the conceptual formulation and design of internally-developed software and cadastral fabric prior to establishing technological feasibility or at the beginning of the application development stage are expensed in the period incurred. Direct costs attributable to the software and cadastral fabric under development are capitalized after technological feasibility is established and up until the software and cadastral fabric are available for use. Costs to support or service internally-developed software and cadastral fabric are expensed in the period incurred. Amortization commences when an asset is available for use. Research costs are expensed in the period incurred.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

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

Year ended March 31, 2024

2. Material accounting policies (continued):

(h) Impairment of property and equipment and intangible assets:

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows from continuing use which are defined as cash-generating units. At each reporting date, LTSA reviews the carrying amounts of property and equipment and intangible assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

When indicators of impairment are identified, the impairment charged to the statement of comprehensive income is management's estimate of the excess of the carrying value over the recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use.

Impairment losses are evaluated for potential reversals when events or changes warrant such consideration. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized. A reversal of impairment is recognized in the statement of comprehensive income.

(i) Business combinations:

Business combinations are accounted for using the acquisition method. The purchase price is determined based on the fair value of the consideration transferred measured at the acquisition date. The LTSA allocates the aggregate of the fair value of the purchase consideration transferred to the tangible and intangible assets acquired and the liabilities assumed on the basis of their fair values at the date of acquisition, with any excess recorded as goodwill. The fair value determinations require judgement and may involve the use of significant estimates and assumptions, especially with respect to intangible assets and contingent liabilities. The purchase price allocation may be provisional during a measurement period of up to one year to provide reasonable time to obtain the information necessary to identify and measure the assets acquired and liabilities assumed. Any such measurement period adjustments are retrospectively recognized to the assets and liabilities assumed, with the corresponding offset to goodwill, in the period in which the adjustment amounts are determined. Acquisition-related costs are expensed as incurred.

(j) Goodwill:

Goodwill represents the excess of the purchase price of an acquired business over the fair value assigned to assets acquired and liabilities assumed in a business combination. Goodwill is measured at cost less any accumulated impairment losses, and is reviewed for impairment annually or more frequently if impairment indicators arise.

The impairment test methodology is based on a comparison between the higher of fair value less costs to sell and value-in-use of LTSA's cash generating unit ("CGU") and the net asset carrying values, including goodwill, of the LTSA's CGU. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. An impairment loss is recognized if the carrying amount of a CGU exceeds its estimated recoverable amount.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

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

Year ended March 31, 2024

2. Material accounting policies (continued):

(k) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

(l) Employee benefits:

Employee benefits, including employee leave entitlement and short-term termination benefits are measured at the undiscounted amount that the LTSA expects to pay to discharge the liability.

The LTSA also contributes through its payroll system for specific health care and other short-term benefits as provided for under the collective agreement with unionized employees and terms and conditions of employment for excluded employees.

(m) Post-employment benefits:

Public service pension plan:

The LTSA and some of its employees contribute to the Public Service Pension Plan ("PSPP"), a jointly trustee pension plan overseen by The Public Service Pension Board of Trustees.

Every three years an actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method. This method produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate is then adjusted for the amortization of any funding surplus or deficit.

The latest actuarial valuation as at March 31, 2023 indicated a funding surplus of \$4.5 billion for basic pension benefits on a going concern basis. The next valuation will be as at March 31, 2026, with results available in early 2027.

Due to insufficient information relating to the LTSA's share of the plan's assets and liabilities, the LTSA accounts for the plan as if it were a defined contribution plan. The LTSA's annual cost is represented by contributions required for the respective year, and obligations for contributions to the plan are expensed as the related service is provided.

LandSure retirement benefit:

LandSure contributes to group registered retirement savings plans. These contributions are recognized as an expense in the period that the contributions are paid.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

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

Year ended March 31, 2024

2. Material accounting policies (continued):

(n) Lease liability:

At inception of a contract, LTSA assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee, for contracts that contain a lease, LTSA recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial 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. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment and intangible assets. In addition, the right-of-use asset is assessed for impairment losses, should a trigger be identified and adjusted for impairment if required. Lease terms range up to 15 years for office premises and equipment and right of use assets have been recognized within Property and Equipment.

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 from a change in an index or rate, if there is a change in LTSA's estimate of the amount expected to be payable under a residual value guarantee or if the LTSA changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. In determining the lease term, LTSA considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed upon a trigger by an event or a significant change in circumstances.

Certain leases contain non-lease components, excluded from the right-of-use asset and lease liability, related to operating charges. LTSA has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. LTSA recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

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

Year ended March 31, 2024

2. Material accounting policies (continued):

(o) Revenue recognition:

The LTSA provides examination services, information products and subscriptions, and service fees. While customers may purchase multiple products in one transaction, each of these products or services have been determined to be distinct performance obligations. The services are provided based upon contracts with customers that include fixed or determinable prices and are based upon published rates. Contract terms do not include the provision of post-service obligations. The LTSA recognizes the amount of revenue to which it expects to be entitled for the transfer of promised services or products to customers. Revenue is measured based on the consideration specified in a contract with a customer on either an “over time” or “point in time” basis.

Examination services:

The LTSA provides examination services to ensure that applications and plans are submitted in accordance with the rules and regulations as defined by various provincial statutes and acts. Recognition of revenue occurs on the day the transaction is completed as we consider registration as a distinct performance obligation. Transactions which are in progress and not yet completed at the reporting date are recorded as contract liabilities, as payment has been received. Examination services revenue is recognized using the “point in time” method.

The LTSA is responsible for developing and operating the Land Owner Transparency Registry (“LOTR”), which is governed by various provincial statutes and acts. Revenue from LOTR filings are recognized at a point in time when the performance obligation is satisfied, which is when individuals have submitted and electronically filed their report or declaration. This occurs concurrently with receipt of payment.

Information products and subscriptions:

The LTSA provides information products such as title searches, document and plan images, title certificates, LOTR search fees and document copies. Revenue is recognized at the time a customer receives the information product as we consider the transfer of the product as a distinct performance obligation. This revenue is recognized using the “point in time” method.

The LTSA also provides subscription services for parcel activity and property information. Subscription fee revenue is recognized proportionately over the subscription period with the outstanding balance recorded as contract liabilities. Unrecognized revenue is recognized immediately upon early cancellation of a subscription. Subscription fee revenue is recognized using the “over time” method.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

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

Year ended March 31, 2024

2. Material accounting policies (continued):

(o) Revenue recognition (continued):

Service fees:

The LTSA provides electronic processing services of land title and survey transactions through its electronic portal, myLTSA. Revenue is recognized at the time the customer either submits an application or plan, or receives an information product, as we consider this to be when the distinct performance obligation is satisfied. Service fees revenue is recognized using the “point in time” method. LTSA also provides consulting services which are billed based on time incurred at contracted rates. Software license fees charged to customers are recorded based on costs incurred to date over the total estimated costs to complete the project.

(p) Taxes:

The LTSA is a “Tax Exempt Corporation” as described in the *Income Tax Act* and as such, is exempt from federal and provincial income taxes. The operations of its subsidiaries, LandSure and Autoprop, are subject to income tax.

For LandSure and Autoprop, deferred tax assets and liabilities are recognized on temporary differences between the tax basis of assets and liabilities and their respective carrying amounts. These deferred tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. Deferred tax assets are recognized only to the extent it is considered probable that future taxable profit will be available against which the benefits of deductible temporary differences and available tax loss carry forwards can be utilized.

The provision of registration services is an exempt supply under the *Excise Tax Act* for Goods and Services Tax (“GST”) purposes, where registration services include both examination services and information products. Service fees and subscription services to access property databases are subject to GST. Subscription services to access property databases are also subject to Provincial Sales Tax.

(q) Investment tax credits:

LandSure receives payments from the Government of Canada as investment tax credits for scientific research and experimental development expenditures. The benefits of investment tax credits are recognized in the year the qualifying expenditure is made providing there is reasonable assurance of recoverability. The LTSA records the investment tax credits based on its estimates of amounts expected to be recovered as reductions to research and development expenditures.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

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

Year ended March 31, 2024

2. Material accounting policies (continued):

(r) Financial instruments:

Recognition and initial measurement:

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the LTSA becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement:

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – equity investment; or fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the LTSA changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, LTSA may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in the statement of comprehensive income.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

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

Year ended March 31, 2024

2. Material accounting policies (continued):

(r) Financial instruments (continued):

Measurement of fair values:

A number of LTSA's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, LTSA uses observable market data where such data exists. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

LTSA recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Derecognition

Financial assets

LTSA derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
 - LTSA neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

LTSA enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

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

Year ended March 31, 2024

2. Material accounting policies (continued):

(r) Financial instruments (continued):

Financial liabilities

LTSA derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. LTSA also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(s) Funds held for customers:

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 Financial Statements

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

Year ended March 31, 2024

3. Financial risk management:

The following tables present the financial instruments recorded at fair value in the consolidated statements of financial position classified using the fair value hierarchy:

| Financial assets | Level 1 | Level 2 | Level 3 | March 31, 2024 |
|-----------------------|-----------|-----------|---------|----------------|
| Investments: | | | | |
| Pooled equity funds | \$ 24,264 | \$ - | \$ - | \$ 24,264 |
| Bonds | - | 51,732 | - | 51,732 |
| | 24,264 | 51,732 | - | 75,996 |
| Long-term investments | - | 4,500 | - | 4,500 |
| | \$ 24,264 | \$ 56,232 | \$ - | \$ 80,496 |

| Financial assets | Level 1 | Level 2 | Level 3 | March 31, 2023 |
|----------------------|-----------|-----------|---------|----------------|
| Investments: | | | | |
| Pooled equity funds | \$ 22,283 | \$ - | \$ - | \$ 22,283 |
| Bonds | - | 48,059 | - | 48,059 |
| | 22,283 | 48,059 | - | 70,342 |
| Long-term investment | - | 3,000 | - | 3,000 |
| | \$ 22,283 | \$ 51,059 | \$ - | \$ 73,342 |

During the year, no transfers occurred between levels.

Pooled equity funds are traded on an over-the-counter market and are valued at their closing bid price on the valuation date. Where a bid price is not available, they are valued at the closing sale price on the valuation date. Short-term notes and bonds which have quoted prices available but are not traded in an active market have been classified as Level 2 in the fair value hierarchy.

The long-term investments are comprised of an equity investment in a real estate venture builder partnership, as well as an equity investment in a building and development software company by LandSure. The investments have been classified as Level 2 investments in the fair value hierarchy using recent observable market transactions for the same securities. LandSure intends to hold these investments for an indeterminate period.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

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

Year ended March 31, 2024

3. Financial risk management (continued):

Due to their short-term nature, the carrying amount of the following financial assets and liabilities is considered a reasonable approximation of fair value: cash and cash equivalents, funds held for customers, trade and other receivables, trade and other payables and other liabilities and provisions. These financial assets and liabilities are measured at amortized cost in the consolidated financial statements.

LTSA's Board of Directors has overall responsibility for the establishment and oversight of the LTSA's risk management framework.

LTSA's risk management policies are established to identify and analyse the risks faced by the LTSA, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the LTSA's activities.

Liquidity risk:

Liquidity risk is the risk that the LTSA will not be able to meet its obligations as they fall due. The LTSA manages its liquidity risk through cash management including monitoring its investment portfolio.

The LTSA has access at March 31, 2024 to a \$2.0 million (2023 – \$2.0 million) revolving unsecured line of credit with CIBC with interest at the bank's prime rate less 0.5% payable monthly. There were no borrowings under the line of credit at March 31, 2024 (2023 - nil).

Market risk:

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices will impact LTSA's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

LTSA's investments are exposed to changing market conditions. LTSA manages the market risk associated with these changing conditions by establishing and monitoring asset allocation strategies and by diversifying investments within the various asset classes.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Financial Statements

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

Year ended March 31, 2024

3. Financial risk management (continued):

Credit risk:

Credit risk relates to cash and cash equivalents, trade and other receivables and investments and arises from the possibility that a counterparty to an instrument may fail to perform.

The LTSA invests cash that is not immediately required for operations for periods of up to three years in fixed income investment grade securities with ratings of BBB or higher for bonds and short-term instruments. Accordingly, minimal credit risk exists with respect to these investments.

As at March 31, 2024, the LTSA's maximum exposure to credit risk was the carrying value of cash and cash equivalents, funds held for customers, trade and other receivables and investments.

The following shows the percentage of fixed income holdings in the LTSA's investment portfolio by short-term credit rating:

| | 2024 | 2023 |
|-----|--------|--------|
| AAA | 21.1% | 6.7% |
| AA | 17.6% | 39.5% |
| A | 47.4% | 40.3% |
| BBB | 13.9% | 13.5% |
| | 100.0% | 100.0% |

The LTSA has no off-balance sheet concentrations of credit risk, such as foreign exchange contracts, option contracts or hedging arrangements.

Interest rate risk:

Interest rate risk relates to the possibility that the fair value of cash flows associated with the LTSA's investments will change due to future fluctuations in market interest rates.

A 1% increase in interest rates would result in a \$475 decrease (2023 - \$403) in the fair value of the outstanding bonds. The short-term notes have significantly shorter duration and accordingly are not subject to significant changes in fair market value as a result of interest rate fluctuations.

Investments:

The outstanding bonds have a weighted average interest rate of 4.8% (2023 - 4.8%) and a weighted average term to maturity of 926 days (2023 - 327 days).

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Year ended March 31, 2024

4. Capital management:

The LTSA's financial strategy is designed to maintain a flexible capital structure to respond to changes in economic conditions and capital investment opportunities.

The LTSA's objectives, when managing capital, are to maintain an Assurance Fund cash reserve sufficient to cover expected claims against the fund at a greater than 95% statistical confidence level and to maintain a contingency cash reserve of at least 25% of annual cash operating costs. In the definition of capital, the LTSA includes equity and long-term debt. There has been no change in the capital management policy since the prior year.

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. Expenses by nature, as required by IFRS are outlined below:

| | 2024 | 2023 |
|--|------------------|------------------|
| Expenses by nature: | | |
| Salaries and benefits | \$ 26,519 | \$ 26,156 |
| Information services | 5,956 | 7,638 |
| Office and business expenses | 3,003 | 3,488 |
| Building occupancy | 1,618 | 1,479 |
| Professional fees | 4,588 | 4,979 |
| Amortization of assets | 9,158 | 8,308 |
| | \$ 50,842 | \$ 52,048 |
| Expenses per Statement of Comprehensive Income: | | |
| Cost of revenue | \$ 32,080 | \$ 33,235 |
| Operating expenses | 18,762 | 18,813 |
| | \$ 50,842 | \$ 52,048 |

6. Investment income:

The LTSA's investment income is comprised as follows:

| | 2024 | 2023 |
|--|-----------------|-----------------|
| Interest and dividend income | \$ 3,467 | \$ 2,893 |
| Change in fair value of investments | 2,838 | (739) |
| Gain (loss) on disposal of investments | 425 | (111) |
| | \$ 6,730 | \$ 2,043 |

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7. Cash and cash equivalents:

| | 2024 | 2023 |
|--------------------------|------------------|------------------|
| Cash in bank and on hand | \$ 15,176 | \$ 18,095 |
| Cash equivalents | 174 | - |
| | \$ 15,350 | \$ 18,095 |

Included in cash in bank and on hand are fees payable to the Province of British Columbia of \$211 (2023 - \$159) and other fees payable of \$64 (2023 - \$43).

Under the terms of the Operating Agreement with the Province of British Columbia, the province's share of fees is 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.

8. Property and equipment:

| | Vault storage systems | Technical equipment | Office furniture and equipment | Leasehold improvements | Right of use asset | Total |
|--------------------------------|-----------------------|---------------------|--------------------------------|------------------------|--------------------|--------------------|
| Cost: | | | | | | |
| Balance, March 31, 2022 | \$ 1,239 | \$ 3,170 | \$ 3,336 | \$ 9,291 | \$ 13,859 | \$ 30,895 |
| Additions | 9 | 485 | 32 | 160 | - | 686 |
| Disposals | (25) | (296) | (543) | - | - | (864) |
| Balance, March 31, 2023 | 1,223 | 3,359 | 2,825 | 9,451 | 13,859 | 30,717 |
| Additions | 31 | 280 | 4 | 4 | 3,722 | 4,041 |
| Disposals | (14) | (134) | (101) | (351) | (308) | (908) |
| Balance, March 31, 2024 | \$ 1,240 | \$ 3,505 | \$ 2,728 | \$ 9,104 | \$ 17,273 | \$ 33,850 |
| Amortization: | | | | | | |
| Balance, March 31, 2022 | \$ (639) | \$ (2,387) | \$ (2,237) | \$ (4,725) | \$ (5,455) | \$ (15,443) |
| Amortization | (114) | (405) | (274) | (1,092) | (1,868) | (3,753) |
| Disposals | 25 | 290 | 543 | - | - | 858 |
| Balance, March 31, 2023 | (728) | (2,502) | (1,968) | (5,817) | \$ (7,323) | \$ (18,338) |
| Amortization | (111) | (409) | (230) | (1,099) | (1,835) | (3,684) |
| Disposals | 10 | 129 | 72 | 327 | 265 | 803 |
| Balance, March 31, 2024 | \$ (829) | \$ (2,782) | \$ (2,126) | \$ (6,589) | \$ (8,893) | \$ (21,219) |
| Net book value: | | | | | | |
| March 31, 2023 | \$ 495 | \$ 857 | \$ 857 | \$ 3,634 | \$ 6,536 | \$ 12,379 |
| March 31, 2024 | \$ 411 | \$ 723 | \$ 602 | \$ 2,515 | \$ 8,380 | \$ 12,631 |

There were \$0 (2023 - \$7) in non-cash leasehold improvement additions in 2024.

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Year ended March 31, 2024

9. Intangible assets:

| | Software systems | Software systems under development | Cadastral fabric | Total |
|--------------------------------|--------------------|------------------------------------|-------------------|--------------------|
| Cost: | | | | |
| Balance, March 31, 2022 | \$ 62,635 | \$ 642 | \$ 10,554 | \$ 73,831 |
| Additions | - | 4,361 | - | 4,361 |
| Transfers | 3,346 | (3,346) | - | - |
| Disposals | (240) | - | - | (240) |
| Balance, March 31, 2023 | 65,741 | 1,657 | 10,554 | 77,952 |
| Additions | 2,408 | 8,887 | - | 11,295 |
| Transfers | 3,338 | (3,338) | - | - |
| Disposals | (14) | - | - | (14) |
| Balance, March 31, 2024 | \$ 71,473 | \$ 7,206 | \$ 10,554 | \$ 89,233 |
| Amortization: | | | | |
| Balance, March 31, 2022 | \$ (48,147) | \$ - | \$ (3,860) | \$ (52,007) |
| Amortization | (3,855) | - | (700) | (4,555) |
| Disposals | 212 | - | - | 212 |
| Balance, March 31, 2023 | (51,790) | - | (4,560) | (56,350) |
| Amortization | (4,776) | - | (700) | (5,476) |
| Disposals | 14 | - | - | 14 |
| Balance, March 31, 2024 | \$ (56,552) | \$ - | \$ (5,260) | \$ (61,812) |
| Net book value: | | | | |
| March 31, 2023 | \$ 13,951 | \$ 1,657 | \$ 5,994 | \$ 21,602 |
| March 31, 2024 | \$ 14,921 | \$ 7,206 | \$ 5,294 | \$ 27,421 |

Intangible asset additions are internally generated and include payments to third party software developers. Software systems under development are primarily costs to modernize and transform the method under which survey plans are managed by customers and delivered to the LTSA and to standardize the platform to allow the LTSA to focus on differentiated product offerings. There were \$1,031 (2023 - \$353) in non-cash intangible asset transactions in 2024.

10. Goodwill:

LTSA performed an annual impairment test of goodwill as at March 31, 2024. The impairment test was based on LTSA's annual budget and internal forecast and represents management's best estimates at a specific point in time, and as a result is subject to measurement uncertainty. In arriving at its estimated future cash flows LTSA determined the value-in-use of the CGU to which goodwill has been allocated. The CGU has been determined to be LTSA and LandSure at a combined level.

LTSA projected revenue growth consistent with historical growth rates in order to calculate the present value of its projected cash flows. A discount rate of 8.6% was used in the determination of the value-in-use. Based on the impairment test performed as of March 31, 2024 no impairment of goodwill was recorded.

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11. Provisions:

The carrying amounts and the movements in the provision account are as follows:

| | Provision for legal claims | Other current provisions | Total current provisions |
|--------------------------------|-------------------------------|-----------------------------|-----------------------------|
| Balance, March 31, 2022 | \$ 10 | \$ 193 | \$ 203 |
| Additions | 250 | 20 | 270 |
| Utilized | - | - | - |
| Reversals | - | - | - |
| Balance, March 31, 2023 | 260 | 213 | 473 |
| Additions | - | 14 | 14 |
| Utilized | - | - | - |
| Reversals | - | - | - |
| Balance, March 31, 2024 | \$ 260 | \$ 227 | \$ 487 |

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:

| | 2024 | 2023 |
|--|-----------------|-----------------|
| Salaries payable | \$ 3,788 | \$ 3,113 |
| Employee leave liability | 978 | 893 |
| Superannuation and group RRSP benefits | 116 | 114 |
| | \$ 4,882 | \$ 4,120 |

Public service pension plan:

The LTSA paid \$1,084 (2023 - \$1,045) for employer contributions to the plan during the year which represents 0.1% of the total plan contributions.

Retirement benefit:

LandSure contributed up to 6.0% of employees' base salaries to group registered retirement savings plans. The amount recognized as an expense for the year ended March 31, 2024 was \$548 (2023 - \$507).

Long-term disability plan:

A funded long-term disability multi-employer plan provides disability income benefits after employment, but before retirement. The amount recognized as an expense for the year ended March 31, 2024 was \$205 (2023 - \$197).

Expenses for other benefit programs funded by the LTSA totaled \$2,250 (2023 - \$2,109).

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13. Contract liabilities:

Contract liabilities represents cash received from customers in excess of revenue recognized on incomplete contracts, more specifically relating to subscription contracts, software as a service fees for property tax deferral and for the First Nations Land Governance Registry, as well as unprocessed examination services at period end. Examination services processing times are outlined in the LTSA's Operating Agreement performance targets. The majority of contract liabilities are expected to be realized within a period of 12 months.

| | 2024 | 2023 |
|---|----------|----------|
| Beginning balance | \$ 1,048 | \$ 1,271 |
| Additions to contract liabilities | 3,417 | 994 |
| Revenue recognized during the year | (1,267) | (1,217) |
| Ending balance | \$ 3,198 | \$ 1,048 |
| Amount due for settlements within 12 months | \$ 1,861 | \$ 1,048 |
| Amount due for settlements after 12 months | 1,337 | - |
| Total | \$ 3,198 | \$ 1,048 |

14. Income taxes:

| | 2024 | 2023 |
|--|--------|----------|
| The income tax expense (recovery) is as follows: | | |
| Current | \$ 410 | \$ 1,031 |
| Deferred | 524 | (41) |
| | \$ 934 | \$ 990 |
| Non-current deferred tax (assets) liabilities: | | |
| Property and equipment | \$ 15 | \$ 120 |
| Intangible assets | 654 | 153 |
| Long-term investment | 127 | - |
| Investment tax credits | 5 | 4 |
| | \$ 801 | \$ 277 |

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Year ended March 31, 2024

14. Income taxes (continued):

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:

| | 2024 | 2023 |
|--|----------|----------|
| Net earnings before income taxes | \$ 6,119 | \$ 3,096 |
| Net tax exempt loss (earnings) | (3,122) | 598 |
| Net earnings subject to income taxes | \$ 2,997 | \$ 3,694 |
| Expected income tax expense at the combined tax rate of 27% (2023 – 27%) | \$ 809 | \$ 997 |
| Increase (decrease) in income tax expense resulting from: | | |
| Prior year tax provision adjustment | 47 | - |
| Other | 78 | (7) |
| | 125 | (7) |
| Income tax expense | \$ 934 | \$ 990 |

15. Lease liabilities:

The LTSA incurs lease payments for certain assets under lease agreements consisting primarily of office buildings and office equipment.

The leases have interest rates ranging from 3.95% to 7.69% per annum and expire between August 2025 and August 2034.

| | 2024 | 2023 |
|---|-----------|-----------|
| Balance, April 1 | \$ 8,153 | \$ 10,209 |
| Additions | 4,022 | - |
| Payments | (2,365) | (2,405) |
| Derecognition | (50) | - |
| Interest | 269 | 349 |
| Balance, March 31 | \$ 10,029 | \$ 8,153 |
| Amount due for settlements within 12 months | \$ 2,064 | \$ 2,115 |
| Amount due for settlements after 12 months | 7,965 | 6,038 |
| Total | \$ 10,029 | \$ 8,153 |

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Year ended March 31, 2024

15. Lease liabilities (continued):

LTSA is committed to minimum lease payments, including certain variable costs not included in the determination of the right of use asset and lease liability as follows:

| Maturity analysis | 2024 | 2023 |
|----------------------|------------------|------------------|
| Less than one year | \$ 3,975 | \$ 4,015 |
| One to two years | 2,705 | 3,554 |
| Two to three years | 1,788 | 1,844 |
| Three to four years | 1,844 | 905 |
| Four to five years | 1,901 | 930 |
| More than five years | 9,801 | 5,238 |
| | \$ 22,014 | \$ 16,486 |

16. Assurance Fund reserve:

The *Land Title Act* establishes an Assurance Fund for the Province of British Columbia for claims arising from actions prior to the establishment of the LTSA, and for the LTSA for claims since its inception in January 2005. The compensation rules for administering the funds are established in the *Land Title Act* to compensate individuals in the rare cases where they are deprived of title due to an error in the operation of the *Land Title Act* or in the administration of the Land Title system under the Registrar's direction.

The Assurance Fund reserve is an appropriation of retained earnings set by the Board of Directors to support the LTSA's Assurance Fund. The balance of the reserve is established each year based on the results of a periodic independent analysis of the program using actuarial assumptions and methods. This analysis considers the *Land Title Act* rules, the Assurance Fund's claims history going back to the early 1980's, changing market conditions, transaction volumes and other factors. The last independent analysis of the program was carried out effective March 31, 2022.

The Assurance Fund reserve was \$6.0 million at March 31, 2024 (2023 - \$6.0 million). During the year, \$0 was paid (2023 - \$0) for settlements.

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17. 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 year ended March 31, 2024, 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 \$20,700 (2023 - \$14,964).

Products and services acquired from the province for the year ended March 31, 2024 totaled \$260 (2023 - \$246).

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 year ended March 31, 2024, 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 \$854 (2023 - \$733).

Compensation of key management personnel:

| Position | Name | Base Salary | Performance Incentive | Other | Total 2024 | Total 2023 |
|--|--------------------|--------------------|------------------------------|--------------|-------------------|-------------------|
| Vice President and Chief Product Officer | Cutler, Rob | 244 | 90 | 45 | 379 | 352 |
| Vice President and Chief Information Officer | Dockerty, Matt | 227 | 57 | 37 | 321 | 105 |
| President and Chief Executive Officer | Kara, Al-Karim | 342 | 189 | 53 | 583 | 531 |
| Vice President, Human Resources | Mitchell, Samantha | 215 | 79 | 35 | 329 | 296 |
| Vice President and Chief Financial Officer | Pedersen, Gregory | 263 | 97 | 45 | 405 | 377 |
| Vice President, Operations | Reid, Camille | 224 | 83 | 40 | 347 | 327 |
| Vice President, Policy and Legal Services | Steves, Gregory | 219 | 81 | 41 | 341 | 311 |

For the year ended March 31, 2024, the LTSA recorded total compensation for non-management directors of \$510 (2023 - \$510).

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17. Related party transactions (continued):

The LTSA's Executive Officers have specific, individual employment contracts. These contracts make provision for payments by the LTSA for termination without just cause of 18 months of base salary, performance incentives and benefits. The value of these contingent commitments at March 31, 2024 totalled \$2.7 million (2023 - \$2.6 million).

In the event of a termination arising from a change in control of the LTSA, agreements with the Executive Officers provide for termination benefits of 24 months of base salary but no payments of performance incentives or benefits. The value of these contingent commitments at March 31, 2024 totalled \$3.5 million (2023 - \$3.4 million). These benefits would be in place of, and not in addition to, the benefits described in the immediately preceding paragraph.