

Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

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

Three months ended June 30, 2020 and 2019
(Unaudited)

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

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

Three months ended June 30, 2020, with comparative information for 2019

| | 2020 | 2019 |
|---|---------------------|-------------------|
| Revenue: | | |
| Examination services | \$ 4,652,203 | \$ 4,789,739 |
| Information products and subscriptions | 3,595,128 | 3,954,045 |
| Service fees | 1,514,465 | 1,570,776 |
| | <u>9,761,796</u> | 10,314,560 |
| Cost of revenue: | | |
| Cost of examination services | 4,400,360 | 4,321,891 |
| Cost of information products and subscriptions | 1,265,776 | 1,576,424 |
| Cost of service fees | 754,860 | 888,158 |
| | <u>6,420,996</u> | 6,786,473 |
| Gross income | 3,340,800 | 3,528,087 |
| Operating expenses: | | |
| Research and development | 893,746 | 715,871 |
| Policy and regulation | 811,057 | 1,055,510 |
| General and administrative | 1,478,381 | 1,355,637 |
| | <u>3,183,184</u> | 3,127,018 |
| Operating income | 157,616 | 401,069 |
| Other income (expenses) | | |
| Lease interest | (130,328) | (139,618) |
| Bank charges and investment fees | (41,518) | (34,413) |
| Investment income (note 5) | 1,397,695 | 389,148 |
| (Loss) gain on disposal of property and equipment | (11,549) | 150 |
| | <u>1,214,300</u> | 215,267 |
| Income and comprehensive income before income taxes | 1,371,916 | 616,336 |
| Income taxes (recovery): | | |
| Current | 103,305 | 95,407 |
| Deferred | 106,189 | (51,576) |
| | <u>209,494</u> | 43,831 |
| Net income and comprehensive income | \$ 1,162,422 | \$ 572,505 |

See accompanying notes to the consolidated interim financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

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

Three months ended June 30, 2020, with comparative information for 2019

| | June 30, 2020 | March 31, 2020 |
|-------------------------------------|-----------------------|-----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents (note 6) | \$ 18,818,751 | \$ 20,708,770 |
| Investments | 48,449,590 | 46,736,966 |
| Funds held for customers | 3,838,996 | 3,841,484 |
| Trade and other receivables | 25,100 | 232,145 |
| Prepaid expenses | 640,711 | 813,571 |
| | 71,773,148 | 72,332,936 |
| Property and equipment (note 7) | 19,791,748 | 19,451,931 |
| Intangible assets (note 8) | 24,443,320 | 23,673,618 |
| Deferred income tax assets | 47,011 | 74,817 |
| | 44,282,079 | 43,200,366 |
| | \$ 116,055,227 | \$ 115,533,302 |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Trade and other payables | \$ 2,874,011 | \$ 2,737,693 |
| Customer deposits held | 3,838,996 | 3,841,484 |
| Provisions | 394,577 | 527,311 |
| Employee benefits (note 9) | 2,202,615 | 3,101,168 |
| Contract liabilities (note 10) | 1,097,290 | 878,260 |
| Current lease liabilities (note 11) | 2,024,208 | 1,804,618 |
| Other current liabilities (note 12) | 1,070,084 | 988,554 |
| | 13,501,781 | 13,879,088 |
| Deferred tax liabilities | 301,984 | 223,600 |
| Lease liabilities (note 11) | 11,301,927 | 11,643,501 |
| | 11,603,911 | 11,867,101 |
| | 25,105,692 | 25,746,189 |
| Equity: | | |
| Retained earnings | 90,949,535 | 89,787,113 |
| | \$ 116,055,227 | \$ 115,533,302 |

See accompanying notes to the consolidated interim financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

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

Three months ended June 30, 2020, with comparative information for 2019

| | Unappropriated retained earnings | Assurance Fund reserve | Total retained earnings |
|-------------------------------------|-------------------------------------|---------------------------|----------------------------|
| Balance, April 1, 2019 | \$ 82,467,974 | \$ 6,000,000 | \$ 88,467,974 |
| Net income and comprehensive income | 572,505 | - | 572,505 |
| Balance, June 30, 2019 | \$ 83,040,479 | \$ 6,000,000 | \$ 89,040,479 |
| Balance, April 1, 2020 | \$ 83,787,113 | 6,000,000 | 89,787,113 |
| Net income and comprehensive income | 1,162,422 | - | 1,162,422 |
| Balance, June 30, 2020 | \$ 84,949,535 | \$ 6,000,000 | \$ 90,949,535 |

See accompanying notes to the consolidated interim financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

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

Three months ended June 30, 2020, with comparative information for 2019

| | 2020 | 2019 |
|--|----------------------|---------------|
| Cash flow from operating activities: | | |
| Cash received for: | | |
| Fees | \$ 10,150,589 | \$ 10,562,612 |
| Fees collected on behalf of the Province of BC | 8,241,401 | 9,355,385 |
| Fees collected on behalf of other parties | 1,898,436 | 2,357,541 |
| Interest | 341,224 | 399,471 |
| | 20,631,650 | 22,675,009 |
| Cash paid for: | | |
| Salaries and benefits | (6,014,036) | (5,504,228) |
| Goods and services | (1,775,749) | (2,739,439) |
| Sales and income taxes | (274,006) | (286,448) |
| Fees submitted to the Province of BC | (8,213,783) | (9,301,880) |
| Fees submitted to other parties | (1,896,933) | (2,356,680) |
| | (18,174,507) | (20,188,675) |
| Total cash flow from operating activities | 2,457,143 | 2,486,334 |
| Cash flow from financing activities: | | |
| Repayment of finance lease obligations | (474,050) | (420,750) |
| Lease interest | (130,328) | (139,768) |
| | (604,378) | (560,518) |
| Cash flow from investing activities: | | |
| Purchase of investments | (20,296,400) | (8,318,450) |
| Proceeds from sale or maturity of investments | 18,583,776 | - |
| Purchase of property and equipment | (633,301) | (1,107,524) |
| Purchase of intangible assets | (1,396,859) | (533,037) |
| | (3,742,784) | (9,959,011) |
| Net decrease in cash and cash equivalents | (1,890,019) | (8,033,195) |
| Cash and cash equivalents, beginning of period | 20,708,770 | 53,328,397 |
| Cash and cash equivalents, end of period | \$ 18,818,751 | \$ 45,295,202 |

See accompanying notes to the consolidated interim financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

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

Three months ended June 30, 2020, with comparative information for 2019

1. Nature of operations:

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

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

2. Basis of presentation and statement of compliance:

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim consolidated financial statements should be read in conjunction with the LTSA's consolidated financial statements for the year ended March 31, 2020 which are included in the LTSA's 2020 financial report. The consolidated interim financial statements were authorized for issue on September 24, 2020 by the LTSA's Board of Directors.

3. Summary of significant accounting policies:

The significant accounting policies that have been applied, on a consistent basis, in the preparation of these interim consolidated financial statements are included in the LTSA's audited consolidated financial statements for the year ended March 31, 2020. Those accounting policies have been used throughout all periods presented in the interim consolidated financial statements and are prepared in accordance with IFRS.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

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

Three months ended June 30, 2020, with comparative information for 2019

4. Expenses:

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Salaries and benefits | \$ 5,115,482 | \$ 4,652,621 |
| Information services | 945,964 | 1,256,359 |
| Office and business expenses | 316,995 | 812,119 |
| Building occupancy | 380,426 | 381,936 |
| Professional fees | 721,012 | 968,531 |
| Amortization | 2,124,301 | 1,841,925 |
| | \$ 9,604,180 | \$ 9,913,491 |
| Expenses, per Statement of Comprehensive Income | | |
| Cost of revenue | \$ 6,420,996 | \$ 6,786,473 |
| Operating expenses | 3,183,184 | 3,127,018 |
| | \$ 9,604,180 | \$ 9,913,491 |

5. Investment income:

The LTSA's investment income is comprised as follows:

| | June 30, 2020 | March 31, 2020 |
|-------------------------------------|---------------------|-------------------|
| Interest income | \$ 396,110 | \$ 488,167 |
| Change in fair value of investments | 1,065,380 | (65,974) |
| Loss on disposal of investments | (63,795) | (33,045) |
| | \$ 1,397,695 | \$ 389,148 |

6. Cash and cash equivalents:

| | June 30, 2020 | March 31, 2020 |
|--------------------------|----------------------|----------------------|
| Cash in bank and on hand | \$ 13,671,627 | \$ 15,230,239 |
| Cash equivalents | 5,147,124 | 5,478,531 |
| | \$ 18,818,751 | \$ 20,708,770 |

Included in cash in bank and on hand are fees payable to the Province of British Columbia of \$204,847 (March 31, 2020: \$177,229) and other fees payable of \$28,280 (March 31, 2020: \$26,776).

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

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

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

Three months ended June 30, 2020, with comparative information for 2019

7. Property and equipment:

| | Vault storage systems | Technical equipment | Office furniture and equipment | Leasehold improvements | Right of use asset | Total |
|-------------------------------|-----------------------|----------------------|--------------------------------|------------------------|-----------------------|------------------------|
| Cost: | | | | | | |
| Balance, April 1, 2019 | \$ 743,268 | \$ 2,601,692 | \$ 2,426,151 | \$ 6,599,166 | \$ - | \$ 12,370,277 |
| Adoption of IFRS 16 | - | - | - | 106,243 | 13,382,401 | 13,488,644 |
| Additions | 65,093 | 65,938 | 242,858 | 841,261 | - | 1,215,150 |
| Balance, June 30, 2019 | \$ 808,361 | \$ 2,667,630 | \$ 2,669,009 | \$ 7,546,670 | \$ 13,382,401 | \$ 27,074,071 |
| Balance, April 1, 2020 | \$ 1,013,342 | \$ 2,651,569 | \$ 3,155,909 | \$ 8,883,724 | \$ 13,516,071 | \$ 29,220,615 |
| Additions | - | 117,840 | 6,378 | 780,423 | 352,066 | 1,256,707 |
| Disposals | (8,542) | (7,404) | (43,569) | - | (176,313) | (235,828) |
| Balance, June 30, 2020 | \$ 1,004,800 | \$ 2,762,005 | \$ 3,118,718 | \$ 9,664,147 | \$ 13,691,824 | \$ 30,241,494 |
| Amortization: | | | | | | |
| Balance, April 1, 2019 | \$ (389,303) | \$(2,061,738) | \$ (1,551,590) | \$(2,822,356) | \$ - | \$ (6,824,987) |
| Amortization | (16,509) | (61,811) | (58,535) | (158,427) | (456,231) | (751,513) |
| Balance, June 30, 2019 | \$ (405,812) | \$(2,123,549) | \$ (1,610,125) | \$(2,980,783) | \$ (456,231) | \$ (7,576,500) |
| Balance, April 1, 2020 | \$ (440,975) | \$(1,957,848) | \$ (1,777,863) | \$(3,611,994) | \$ (1,980,004) | \$ (9,768,684) |
| Disposals | 8,542 | 7,404 | 31,970 | - | 176,313 | 224,229 |
| Amortization | (25,463) | (75,051) | (78,779) | (227,265) | (498,733) | (905,291) |
| Balance, June 30, 2020 | \$ (457,896) | \$(2,025,495) | \$ (1,824,672) | \$(3,839,259) | \$ (2,302,424) | \$ (10,449,746) |
| Net book value: | | | | | | |
| June 30, 2019 | \$ 402,549 | \$ 544,081 | \$ 1,058,884 | \$ 4,565,887 | \$ 12,926,170 | \$ 19,497,571 |
| June 30, 2020 | \$ 546,904 | \$ 736,510 | \$ 1,294,046 | \$ 5,824,888 | \$ 11,389,400 | \$ 19,791,748 |

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

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

Three months ended June 30, 2020, with comparative information for 2019

8. Intangible assets:

| | Software systems | Software systems under development | Cadastral fabric | Cadastral fabric under development | Total |
|-------------------------------|------------------------|------------------------------------|-----------------------|------------------------------------|-----------------------|
| Cost: | | | | | |
| Balance, April 1, 2019 | \$ 45,623,333 | \$ 3,780,068 | \$ 10,215,100 | \$ 83,541 | \$ 59,702,042 |
| Additions | 33,036 | 276,923 | - | 602 | 310,561 |
| Transfers | - | - | 84,143 | (84,143) | - |
| Balance, June 30, 2019 | \$ 45,656,369 | \$ 4,056,991 | \$ 10,299,243 | \$ - | \$ 60,012,603 |
| Balance, April 1, 2020 | \$ 52,084,685 | \$ 2,810,126 | \$ 10,554,067 | \$ - | \$ 65,448,878 |
| Additions | 7,405 | 1,979,386 | - | - | 1,986,791 |
| Transfers | 369,083 | (369,083) | - | - | - |
| Balance, June 30, 2020 | \$ 52,461,173 | \$ 4,420,429 | \$ 10,554,067 | \$ - | \$ 67,435,669 |
| Amortization: | | | | | |
| Balance, April 1, 2019 | \$ (35,415,062) | \$ - | \$ (1,761,300) | \$ - | \$(37,176,362) |
| Amortization | (918,755) | - | (171,654) | - | (1,090,409) |
| Balance, June 30, 2019 | \$ (36,333,817) | \$ - | \$ (1,932,954) | \$ - | \$(38,266,771) |
| Balance, April 1, 2020 | \$ (39,324,214) | \$ - | \$ (2,451,046) | \$ - | \$(41,775,260) |
| Amortization | (1,041,188) | - | (175,901) | - | (1,217,089) |
| Disposals | - | - | - | - | - |
| Balance, June 30, 2020 | \$ (40,365,402) | \$ - | \$ (2,626,947) | \$ - | \$(42,992,349) |
| Net book value: | | | | | |
| June 30, 2019 | \$ 9,322,552 | \$ 4,056,991 | \$ 8,366,289 | \$ - | \$ 21,745,832 |
| June 30, 2020 | \$ 12,095,771 | \$ 4,420,429 | \$ 7,927,120 | \$ - | \$ 24,443,320 |

Software systems under development are costs to design, build and implement the Land Ownership Transparency Registry, the Web Filing system, and the Property Tax Deferral system.

9. 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:

| | June 30, 2020 | March 31, 2020 |
|--|---------------------|---------------------|
| Salaries payable | \$ 1,142,781 | \$ 2,265,828 |
| Employee leave liability | 913,893 | 667,584 |
| Superannuation and group RRSP benefits | 145,941 | 167,756 |
| | \$ 2,202,615 | \$ 3,101,168 |

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

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

Three months ended June 30, 2020, with comparative information for 2019

9. Employee benefits (continued):

Public service pension plan:

The LTSA paid \$226,460 (2019: \$206,010) for employer contributions to the plan during the quarter which represents 0.1% of the total plan contributions.

Retirement benefit:

LandSure and Autoprop contributed up to 6.0% of employees' base salaries to a group registered retirement savings plan. The amount recognized as an expense for the quarter ended June 30, 2020 was \$79,074 (2019: \$59,939).

10. Contract liabilities:

Contract liabilities represents cash received from customers in excess of revenue recognized on uncompleted contracts.

| | 2020 | 2019 |
|--------------------------------------|--------------|--------------|
| Beginning balance | \$ 878,260 | \$ 774,679 |
| Additions to contract liabilities | 962,961 | 780,423 |
| Revenue recognized during the period | (743,931) | (532,369) |
| Ending balance | \$ 1,097,290 | \$ 1,022,733 |

11. Lease liabilities:

The LTSA leases certain assets under lease agreements, the lease liabilities consists primarily of lease of buildings and office equipment. The leases have interest rates ranging from 3.95% to 4.45% per annum and expire between March 2023 and September 2033.

| | June 30, 2020 | March 31, 2020 |
|--------------------------------|---------------|----------------|
| Property | \$ 1,997,786 | \$ 1,778,486 |
| Equipment | 26,422 | 26,132 |
| Lease liabilities, current | 2,024,208 | 1,804,618 |
| Property | 11,246,310 | 11,581,169 |
| Equipment | 55,617 | 62,332 |
| Lease liabilities, non-current | \$ 11,301,927 | \$ 11,643,501 |

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

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

Three months ended June 30, 2020, with comparative information for 2019

12. Other current liabilities:

The LTSA has contracts with MacDonald Dettwiler and Associates Ltd. (“MDA”) to build Web Filing. The LTSA is entitled to hold back 15% from each milestone payment which will be released and paid upon successful completion of the work. In addition, the LTSA has contracts with other parties to renovate offices. The LTSA is entitled to hold back 10% from each progress payment that will be released and paid upon successful completion of the work.

The following holdbacks were outstanding at quarter end:

| | June 30, 2020 | March 31, 2020 |
|---------------------|---------------------|-------------------|
| Web Filing | 1,036,281 | 968,202 |
| Office improvements | 33,803 | 20,352 |
| | \$ 1,070,084 | \$ 988,554 |

13. Related party transactions:

Province of British Columbia:

The Province of British Columbia provincial ministries, central agencies and certain other organizations are exempt from the payment of LTSA fees. During the quarter ended June 30, 2020, 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 \$4,802,011 (2019: \$1,763,949).

Products and services acquired from the province for the quarter ended June 30, 2020 totaled \$116,873 (2019: \$173,399).

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 quarter ended June 30, 2020, 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 \$167,085 (2019: \$173,302).

14. Impact of COVID-19:

Since March 2020 the LTSA has been following the provincial guidelines with respect to remote working and social distancing in response to the outbreak of the novel coronavirus (“COVID-19”). Land registry has been designated as an essential service by the Province of British Columbia and we are continuing to operate with full capacity. We have experienced a significant reduction in the volume of transactions compared to the prior year due to the effect of COVID-19 on the British Columbia real property market.

The LTSA has cash, cash equivalents and investments totaling \$67,268,341 at June 30, 2020 and no bank debt. We are of the opinion that our cash reserves and our proactive forecasting is sufficient to manage the COVID-19 financial risk in the 2020 – 2021 fiscal year.