

Consolidated Interim Financial Statements
(Expressed in Canadian dollars)

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

Three and six months ended September 30, 2019 and 2018
(Unaudited)

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

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

Three and six months ended September 30, 2019, with comparative information for 2018

	Three Months		Six Months	
	2019	2018 (Restated – note 5)	2019	2018 (Restated – note 5)
Revenue (note 4):				
Examination services	\$ 5,449,268	\$ 5,045,914	\$ 10,239,007	\$ 10,146,088
Information products and subscriptions	4,027,841	3,493,352	7,981,885	7,241,505
Service fees	1,615,090	1,639,711	3,185,866	3,348,994
	11,092,199	10,178,977	21,406,758	20,736,587
Cost of revenue:				
Cost of examination services	4,363,559	4,215,863	8,743,053	8,863,616
Cost of information products and subscriptions	1,723,263	1,587,050	3,256,046	3,127,679
Cost of service fees	967,009	915,526	1,846,207	1,829,146
	7,058,830	6,718,439	13,845,306	13,820,441
Gross income	4,033,369	3,460,538	7,561,452	6,916,146
Operating expenses:				
Research and development	757,227	471,373	1,473,097	857,135
Policy and regulation	1,037,984	696,189	2,093,493	1,407,319
General and administrative	1,276,531	1,523,537	2,632,165	2,647,518
	3,071,742	2,691,099	6,198,755	4,911,972
Operating income	961,627	769,439	1,362,697	2,004,174
Other income (expenses)				
Lease interest	(142,072)	(1,405)	(281,690)	(1,862)
Bank charges, interest and investment fees	(35,262)	(33,012)	(69,675)	(62,749)
Investment income (note 6)	367,601	324,220	756,748	629,636
Loss on disposal of property and equipment	(4,023)	(25,003)	(3,873)	(25,003)
	186,244	264,800	401,510	540,022
Income and comprehensive income before income taxes	1,147,871	1,034,239	1,764,207	2,544,196
Income taxes (recovery):				
Current	137,480	161,943	232,887	280,672
Deferred	(70,515)	(54,638)	(122,091)	(107,608)
	66,965	107,305	110,796	173,064
Net income and comprehensive income	\$ 1,080,906	\$ 926,934	\$ 1,653,411	\$ 2,371,132

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)

	September 30, 2019	March 31, 2019
Assets		
Current assets:		
Cash and cash equivalents (note 7)	\$ 38,919,713	\$ 53,328,397
Investments	33,310,634	16,659,897
Funds held for customers	3,758,137	3,609,922
Trade and other receivables	189,540	234,405
Prepaid expenses	949,720	812,851
	77,127,744	74,645,472
Property and equipment (note 8)	19,265,264	5,545,289
Intangible assets (note 9)	22,286,420	22,525,684
Deferred income tax assets	18,946	83,732
	41,570,630	28,154,705
	\$ 118,698,374	\$ 102,800,177
Liabilities and Equity		
Current liabilities:		
Trade and other payables	\$ 5,790,647	\$ 3,654,888
Customer deposits held	3,758,137	3,609,922
Provisions	527,311	526,594
Employee benefits (note 10)	2,149,834	2,715,457
Contract liabilities	1,021,580	774,679
Income taxes payable	-	35,580
Lease liability – current portion	1,797,158	-
Other current liabilities (note 11)	748,381	1,054,053
	15,793,048	12,371,173
Deferred tax liabilities	197,892	373,932
Lease liability – long-term portion	12,586,049	-
Other non-current liabilities (note 12)	-	1,587,098
	12,783,941	1,961,030
	28,576,989	14,332,203
Equity		
Retained earnings	90,121,385	88,467,974
	\$ 118,698,374	\$ 102,800,177

See accompanying notes to the consolidated interim financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Consolidated Interim Statement of Changes in Equity (unaudited)

(Expressed in Canadian dollars)

Six months ended September 30, 2019, with comparative information for 2018

	Unappropriated Retained earnings	Assurance Fund reserve	Total retained earnings
Balance, April 1, 2018	\$ 79,394,065	\$ 6,000,000	\$ 85,394,065
Net income and comprehensive income	2,371,132	-	2,371,132
Balance, September 30, 2018	81,765,197	6,000,000	87,765,197
Balance, April 1, 2019	82,467,974	6,000,000	88,467,974
Net income and comprehensive income	1,653,411	-	1,653,411
Balance, September 30, 2019	\$ 84,121,385	\$ 6,000,000	\$ 90,121,385

See accompanying notes to the consolidated interim financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

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

Three and six months ended September 30, 2019, with comparative information for 2018

	Three Months		Six Months	
	2019	2018	2019	2018
Cash flow from operating activities:				
Cash received for:				
Fees	\$ 11 205 175	\$ 10,260,097	\$ 21,670,636	\$ 20,862,249
Fees collected on behalf of the Province of BC	9,770,933	10,054,405	19,126,318	20,435,821
Fees collected on behalf of other parties	2,339,239	2,192,971	4,696,781	4,414,774
Interest	386,596	325,092	786,067	627,585
	23,701,943	22,832,565	46,279,802	46,340,429
Cash paid for:				
Salaries and benefits	(4,210,056)	(3,485,544)	(9,714,284)	(8,415,269)
Goods and services	(3,474,264)	(3,380,252)	(6,104,130)	(6,2597,625)
Sales and income taxes	(143,632)	(202,374)	(438,492)	(529,497)
Fees submitted to the Province of BC	(9,765,373)	(10,094,451)	(19,067,254)	(20,481,988)
Fees submitted to other parties	(2,336,375)	(2,196,942)	(4,693,056)	(4,417,642)
	(19,929,700)	(19,359,563)	(40,017,216)	(40,103,883)
Total cash flow from operating activities	3,772,243	3,473,002	6,262,586	6,236,408
Cash flow from financing activities:				
Repayment of finance lease obligation	(455,669)	(13,414)	(876,418)	(18,402)
Lease interest	(142,075)	(1,405)	(281,843)	(1,862)
	(597,744)	(14,819)	(1,158,261)	(20,264)
Cash flow from investing activities:				
Purchase of investments	(8,332,287)	-	(16,650,737)	(1,452,597)
Proceeds from sale or maturity of investments	-	2,523,667	-	5,154,790
Purchase of property and equipment, net	(629,514)	(920,985)	(1,741,048)	(2,719,346)
Purchase of intangible assets	(588,187)	(310,109)	(1,121,224)	(747,412)
	(9,549,988)	1,292,573	(19,513,009)	235,435
Net (decrease) increase in cash and cash equivalents	(6,375,489)	4,750,756	(14,408,684)	6,453,579
Cash and cash equivalents, beginning of period	45,295,202	46,644,161	53,328,397	44,941,338
Cash and cash equivalents, end of period	\$ 38,919,713	\$ 51,394,917	\$ 38,919,713	\$ 51,394,917

See accompanying notes to the consolidated interim financial statements.

LAND TITLE AND SURVEY AUTHORITY OF BRITISH COLUMBIA

Notes to Consolidated Interim Financial Statements

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

Three and six months ended September 30, 2019, with comparative information for 2018

1. Nature of operations:

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

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

2. Basis of presentation and statement of compliance:

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim consolidated financial statements should be read in conjunction with the LTSA's consolidated financial statements for the year ended March 31, 2019 which are included in the LTSA's 2019 financial report. The consolidated interim financial statements were authorized for issue on December 5, 2019 by the LTSA's Board of Directors.

3. Summary of significant accounting policies:

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

(a) Presentation of Statement of Comprehensive Income:

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

(b) IFRS 16 - Leases:

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

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Notes to Consolidated Interim Financial Statements

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

Three and six months ended September 30, 2019, with comparative information for 2018

3. Summary of significant accounting policies (continued):

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

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

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

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

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

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

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

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Notes to Consolidated Interim Financial Statements

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

Three and six months ended September 30, 2019, with comparative information for 2018

3. Summary of significant accounting policies (continued):

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

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

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

4. Revenue:

During the six months ended September 30, 2019, the LTSA recognized \$657,463 (2018: \$542,449) of revenue from opening contract liabilities.

5. Expenses:

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

	Three Months		Six Months	
	2019	2018	2019	2018
Expenses by nature:				
Salaries and benefits	\$ 4,438,801	\$ 4,430,071	\$ 9,091,422	\$ 8,419,293
Information services	1,725,793	1,021,009	2,982,151	2,255,698
Office and business expenses	597,081	633,617	1,409,199	1,294,834
Building occupancy	372,561	837,284	754,497	1,608,038
Professional fees	1,063,997	767,606	2,032,529	1,553,249
Amortization of assets	1,932,339	1,719,951	3,774,263	3,601,301
	\$ 10,130,572	\$ 9,409,538	\$ 20,044,061	\$ 18,732,413
Expenses by function:				
Cost of revenue	\$ 7,058,830	\$ 6,718,439	\$ 13,845,306	\$ 13,820,441
Operating expenses	3,071,742	2,691,099	6,198,755	4,911,972
	\$ 10,130,572	\$ 9,409,538	\$ 20,044,061	\$ 18,732,413

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Three and six months ended September 30, 2019, with comparative information for 2018

6. Investment income:

The LTSA's investment income is comprised as follows:

	Three Months		Six Months	
	2019	2018	2019	2018
Interest income	\$ 466,450	395,880	\$ 954,616	\$ 779,051
Change in fair value of investments	(98,849)	(61,739)	(197,868)	(72,732)
	\$ 367,601	324,220	\$ 756,748	\$ 629,636

7. Cash and cash equivalents:

	September 30, 2019	March 31, 2019
Cash in bank and on hand	\$ 26,143,370	\$ 40,851,829
Cash equivalent	12,776,343	12,476,568
	\$ 38,919,713	\$ 53,328,397

Included in cash in bank and on hand are fees payable to the Province of British Columbia of \$251,952 (March 31, 2019: \$192,887) and other fees payable of \$30,336 (March 31, 2019: \$26,611).

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

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

Three and six months ended September 30, 2019, with comparative information for 2018

8. Property and equipment:

	Vault storage systems	Technical equipment	Office furniture and equipment	Leasehold improvements	Right of Use Asset	Total
Cost:						
Balance, April 1, 2018	\$ 460,706	\$ 2,586,026	\$ 2,229,789	\$ 5,321,285	\$ -	\$ 10,597,806
Additions	282,325	287,434	208,638	1,751,703	-	1,936,517
Disposals	(13,761)	(382,482)	(24,566)	(1,099,107)	-	(1,519,916)
Balance, Sept 30, 2018	\$ 729,270	\$ 2,490,978	\$ 2,413,861	\$ 6,418,067	\$ -	\$ 12,052,176
Balance, April 1, 2019	\$ 743,268	\$ 2,601,692	\$ 2,426,151	\$ 6,599,166	\$ -	\$ 12,370,277
Adoption of IFRS 16	-	(133,670)	-	106,243	13,516,071	13,488,644
Additions	129,505	263,715	360,484	1,070,244	-	1,823,948
Disposals	(6,438)	(291,499)	(46,518)	-	-	(344,455)
Balance, Sept 30, 2019	\$ 866,335	\$ 2,440,238	\$ 2,740,117	\$ 7,775,653	\$ 13,516,071	\$ 27,338,414
Amortization:						
Balance, April 1, 2018	\$ (337,527)	\$(2,177,842)	\$ (1,311,657)	\$(3,236,510)	\$ -	\$ (7,063,536)
Amortization	(31,413)	(110,202)	(137,822)	(403,728)	-	(683,165)
Disposals	13,761	338,117	11,396	1,090,045	-	1,453,319
Balance, Sept 30, 2018	\$ (355,179)	\$(1,949,927)	\$ (1,438,083)	\$(2,550,193)	\$ -	\$ (6,293,382)
Balance, April 1, 2019	\$ (389,303)	\$(2,061,738)	\$ (1,551,590)	\$(2,822,356)	\$ -	\$ (6,824,987)
Adoption of IFRS 16	-	20,588	-	-	(20,588)	-
Disposals	6,438	291,499	39,246	-	-	337,183
Amortization	(36,772)	(108,383)	(124,319)	(354,060)	(961,812)	(1,585,346)
Balance, Sept 30, 2019	\$ (419,637)	\$(1,858,034)	\$ (1,636,663)	\$(3,176,416)	\$ (982,400)	\$ (8,073,150)
Net book value:						
September 30, 2018	\$ 374,091	\$ 541,051	\$ 975,778	\$ 3,867,874	\$ -	\$ 5,758,794
September 30, 2019	\$ 446,698	\$ 582,204	\$ 1,103,454	\$ 4,599,237	\$ 12,533,671	\$ 19,265,264

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Notes to Consolidated Interim Financial Statements

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

Three and six months ended September 30, 2019, with comparative information for 2018

9. Intangible assets:

	Software systems	Software systems under development	Cadastral fabric	Cadastral fabric under development	Total
Cost:					
Balance, April 1, 2018	\$ 41,592,845	\$ 3,187,382	\$ 10,215,100	\$ -	\$ 54,995,327
Additions	113,900	1,048,216	-	-	1,162,116
Transfers	502,834	(502,834)	-	-	-
Balance, Sept 30, 2018	\$ 42,209,579	\$ 3,732,764	\$ 10,215,100	\$ -	\$ 56,157,443
Balance, April 1, 2019	\$ 45,623,333	\$ 3,780,068	\$ 10,215,100	\$ 83,541	\$ 59,702,042
Additions	102,688	1,774,745	-	72,221	1,949,654
Transfers	72,424	(72,424)	112,190	(112,190)	-
Disposals	(195,728)	-	-	-	(195,728)
Balance, Sept 30, 2019	\$ 45,602,717	\$ 5,482,389	\$ 10,327,290	\$ 43,572	\$ 61,455,968
Amortization:					
Balance, April 1, 2018	\$ (30,990,906)	\$ -	\$ (1,080,293)	\$ -	\$ (32,071,199)
Amortization	(2,577,631)	-	(340,504)	-	(2,918,135)
Balance, Sept 30, 2018	\$ (33,568,537)	\$ -	\$ (1,420,797)	\$ -	\$ (34,989,334)
Balance, April 1, 2019	\$ (35,415,062)	\$ -	\$ (1,761,300)	\$ -	\$ (37,176,362)
Amortization	(1,844,671)	-	(344,243)	-	(2,188,914)
Disposals	195,728	-	-	-	195,728
Balance, Sept 30, 2019	\$ (37,064,005)	\$ -	\$ (2,105,543)	\$ -	\$ (39,169,548)
Net book value:					
September 30, 2018	\$ 8,641,042	\$ 3,732,764	\$ 8,794,303	\$ -	\$ 21,168,109
September 30, 2019	\$ 8,538,712	\$ 5,482,389	\$ 8,221,747	\$ 43,572	\$ 22,286,420

Software systems under development are primarily costs to design, build and implement LTSA's Web Filing system. Cadastral fabric under development are costs to improve the cadastral fabric.

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Notes to Consolidated Interim Financial Statements

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

Three and six months ended September 30, 2019, with comparative information for 2018

10. Employee benefits:

The following amounts represent the LTSA's obligations to its current and former employees that are expected to be settled during the next twelve months:

	September 30, 2019	March 31, 2019
Current:		
Salaries payable	\$ 1,429,693	\$ 1,923,152
Employee leave liability	542,115	633,394
Superannuation and group RRSP benefits	178,026	158,911
	\$ 2,149,834	\$ 2,715,457

Public service pension plan:

The LTSA paid \$210,207 and \$416,217 for employer contributions to the plan during the three and six months ended September 30, 2019 (2018: \$194,303 and \$392,542).

Retirement benefit:

LandSure and Autoprop contributed up to 6.0% of employees' base salaries to a group registered retirement savings plan. The amount recognized as an expense for the three and six months ended September 30, 2018 was \$68,750 and \$138,837 (2018: \$47,135 and \$110,762).

11. Other current liabilities:

The LTSA has contracts with MacDonald Dettwiler and Associates Ltd. ("MDA") to build PMBC and 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.

	September 30, 2019	March 31, 2019
PMBC fabric improvements	\$ -	\$ 12,020
Web Filing	748,381	534,066
LandSure office improvements	-	7,967
Autoprop final payment	-	500,000
	\$ 748,381	\$ 1,054,053

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

Three and six months ended September 30, 2019, with comparative information for 2018

12. Other non-current liabilities:

	September 30, 2019	March 31, 2019
Lease obligation	\$ -	\$ 82,800
Deferred leasehold inducements	-	808,553
Deferred rent averaging	-	695,745
	\$ -	\$ 1,587,098

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

13. Related party transactions:

Province of British Columbia:

The Province of British Columbia provincial ministries, central agencies and certain other organizations are exempt from the payment of LTSA fees. During the three and six months ended September 30, 2019, the LTSA provided services to these organizations which, if assessed fees at the usual rates applicable to other entities, would have resulted in additional revenues of \$1,873,770 and \$3,637,719 respectively (2018: \$1,896,812 and \$3,511,010).

Products and services acquired from the province for the three and six months ended September 30, 2019 totaled \$193,847 and \$367,246 (2018: \$143,867 and \$260,870).

Real property taxation authorities:

Various real property taxation authorities are entitled to use the land title system free of charge for the administration of the taxation of real property. During the three and six months ended September 30, 2019, the LTSA provided services to these authorities which, if assessed fees at the usual rates applicable to other entities, would have resulted in additional revenues of \$181,973 and \$355,276 respectively (2018: \$168,807 and \$327,582).