

Financial Report

Management's discussion and analysis is presented in three sections. The first section discusses the results of operations for the Agency. The second section analyses the Agency financial condition, including cash flow and capital expenditures.

The discussion and analysis are based on the financial statements, which are presented following this section of the annual report.

RESULTS OF OPERATIONS

Overview

Overall revenue levels increased 15.8% due to continued low interest rates coupled with an exceptionally strong real estate market.

During Fiscal Year 2006/2007, The Property Registry transferred \$47.2 million to the Province consisting of \$38.2 million in land transfer tax and revenue-sharing of \$9.0 million. The Registry's retained earnings stood at \$11.9 million on March 31, 2007 representing an increase of \$0.9 million from the previous year.

Revenues - Fees and Land Transfer Tax

The Property Registry posted total revenue of \$61.7 million for the fiscal year ending March 31, 2007, rising by 15.8% from Fiscal Year 2005/2006 revenues of \$53.3 million. Total fee revenues of \$23.5 million were up \$1.2 million from the previous year. Land transfer tax revenues increased by 23.4% to \$38.2 million (2006, \$31.0 million) compared with prior year results.

Registration volumes in the Personal Property Registry system decreased by 0.05% while registrations in Land Titles decreased 0.3% resulting in an overall decrease in registrations of 0.2%. Interest of \$398.6 (2006, \$257.0) was earned through investments.

Land Titles Office fee revenues increased by 7% to \$16.2 million compared with \$15.1 million in the previous fiscal year. The Land Titles Office revenue consisted of \$2.7 million from transfer fees, \$4.1 million in mortgage fees, \$4.2 million in other registration fees, and \$5.2 million in service fees. Cost recoveries were \$551.0, consisting of \$502.0 in fee recoveries, and \$49.0 in secondment salary recoveries.

Personal Property registry fees increased to \$6.0 million (2006, \$5.9 million) compared with the previous fiscal year. Personal Property Registry fees consisted of \$4.7 million in registration fees and \$1.3 million in service revenue.

The Property Registry is responsible for collecting and administering the land transfer tax on behalf of the Province. Revenue collected is regularly transferred to the Consolidated Revenue Fund. Refunds for overpayment within the fiscal year are made from the Registry. Refunds of land transfer tax paid after the tax has been transferred to the Consolidated Revenue Fund are disbursed directly from the Fund.

Land transfer tax revenues increased 23.4% to \$38.2 million. This increase is largely attributed to an exceptionally strong market in Winnipeg coupled with a low vacancy rate which has spawned inflated sales values.

Salaries and Benefits Expense

Salaries and benefits for Fiscal Year 2006/2007 were \$8.4 million (2006, \$8.4 million), an increase of \$22.0. This increase is as a result of salary increments negotiated under the Collective Agreement and STEP increments.

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from the expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2006. The report provides a formula to update the liability on an annual basis. The Property Registry's actuarially-determined net liability for accounting purposes as at March 31, 2007 was \$1.5 million (2006- \$1.4). Commencing in the 2006/2007 Fiscal Year, the actuarial loss of \$40.0 is being amortized over the 15-year expected average remaining service life of the employee group.

Pension expense, which is disclosed as a separate line in the financial statements, decreased to \$330.8 from \$351.1 in the previous year.

Employees of The Property Registry are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The Civil Service Superannuation Act (CSSA) established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including The Property Registry through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, The Property Registry transferred to the Province the pension liability for its employees. Commencing April 1, 2001, The Property Registry was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for Fiscal Year 2006/2007 was \$331.0 (2006 - \$351.1). Under this agreement, The Property Registry has no further pension liability.

Operating Expenses

Overall operating expenses (excluding Amortization expense) of \$3.9 million were below budget by \$1,511.8 primarily as a result of lower than expected costs for Information Communication Technologies Services (ICTS) charges (\$699.3), Desktop (\$113.1), Occupancy costs (\$186.5), and Records Preservation (\$105.0)

All of the Agency's offices are located in government-owned facilities in accordance with a memorandum of understanding document*. Accordingly, \$754.7 (2006, \$679.6) in occupancy costs, plus \$96.7 (2006, \$112.5) for vacated premises was paid entirely to the Department of Transportation and Government Services.

Computer processing expenses of \$353.0 (2006, \$367.0) were paid to IBM for the outsourced computer host system that carries the Agency's automated Land Titles and Personal Property Registry systems.

*Winnipeg Offices of The Property Registry relocated to leased premises for the last quarter of the Fiscal Year 2006/2007.

Amortization Expenses

Amortization expenses of \$280.8 were higher than the previous fiscal year (2006, \$199.8) due to \$669.0 in additional asset purchases in the current year.

FINANCIAL CONDITION

Financial Position

The Property Registry's financial condition remained very strong at the end of its tenth year as a Special Operating Agency with total cash and short-term investments of \$11.5 million as of March 31, 2007 (2006, \$10.5 million). The Agency operations resulted in a surplus of \$1.0 million in cash flow as a result of continuing high levels of revenue and aggressive expenditure management. As of March 31, 2007, the Agency held \$10.3 million (2006, \$9.8 million) in working capital.

Interest income of \$398.6 (2006, \$257.0) was generated from investments made during the year with the Treasury Division of the Department of Finance. These investments consist of short-term notes (90 days to one-year terms) at prevailing market rates, and are considered close to risk-free as they are guaranteed by the Department of Finance.

Capital Expenditures

Capital asset acquisitions amounted to \$669.2 (2006, \$240.2) during the year, primarily for replacement workstations and panels, and survey plan storage cabinets.