

# Registers of Scotland Trading Fund Accounts for the Year ended 31 March 2009

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# Foreword to the Accounts

These accounts have been prepared in accordance with a direction given by Scottish Ministers, reproduced as an Appendix to these accounts, and in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000.

## Background

Registers of Scotland (RoS) is a non-Ministerial Department and part of the Scottish Administration. RoS achieved Trading Fund status as of 1 April 1996. We operate as a Trading Fund with our financial regime regulated by the Public Finance and Accountability (Scotland) Act 2000. RoS has offices at Meadowbank House, 153 London Road, Edinburgh and at Hanover House, 24 Douglas Street, Glasgow. We also operate two Customer Service Centres, one at Erskine House, Queen Street, Edinburgh and the other at George Square, Glasgow.

## Principal Activities

The Keeper of the Registers of Scotland is responsible for maintaining 16 public registers (described in greater detail in our Annual Report), which provide for the registration in Scotland of legal documents. Our work is dominated by the two main registers that relate to rights in land – the General Register of Sasines and the Land Register of Scotland. The work is demand-led and self-financing, with the level of work fluctuating in response to activity in the housing market and the commercial sector.

The General Register of Sasines dates from the 17th century and is a register of deeds, writs and transactions affecting heritable property in Scotland. The Land Register of Scotland was introduced by the Land Registration (Scotland) Act 1979 and is gradually replacing the General

Register of Sasines. The Land Register is a state-guaranteed register of title to land, which results in the creation of a Title Sheet in which the property is precisely defined on the Ordnance Map.

## Corporate Objectives

RoS's purpose is to record and safeguard rights. Our overarching objective is to compile and maintain definitive registers containing accurate, high quality, and up-to-date information and to make the information contained in the registers publicly available in accordance with statute and customer needs. Our objectives as set out in our 2008-2013 Corporate Plan are:

- ▶ to deliver our core registration and information business accurately, efficiently, effectively, economically and timeously;
- ▶ to increase Land Register coverage;
- ▶ to develop our registration and information services in ways that will enable us to fulfil our purpose; and
- ▶ to realise business benefits from continuous improvement and innovation.

## Business Performance – Management Commentary

The downturn in the general economy and in particular the housing and mortgage markets made 2008-2009 a challenging year for RoS. We endeavoured to minimise the negative impacts, whilst taking any opportunities that arose, such as staff training. We continued to provide Scotland's citizens and institutions with the social and economic benefits that flow from a publicly guaranteed system of rights in land and property. We met all of the performance targets relating to speed and narrowly missed the accuracy target set for us by the

Keeper (98.3% achieved against a target of 98.5%). However the dramatic decline in the volume of applications for registration in the Land Register and General Register of Sasines meant we met neither our efficiency target set by the Keeper nor the financial target set for us by Scottish Ministers. Measured on a three year rolling basis, dividing our total costs by our weighted outputs, our efficiency decreased by 4.9%. There was an operating loss of £10.6 million and the 3-year return on net capital employed fell from 17.7% to 7.1%. We continued to deliver our services to a high standard. In our customer satisfaction survey, we scored 99%. Full details of all targets are shown in the Annual Report.

Over the year, we continued to develop our Change Programme to introduce electronic registration of land and property. This work included continuing the development of our eRegistration project, with Scan and Create being introduced to enable us to undertake up-front scanning of the applications we receive in respect of the Land Register. This is an important development in our journey to full eRegistration.

Systems stability continued at very high levels with over 99% availability for all our registration systems. Registers Direct continued to exceed budget expectations and work commenced on upgrading the system to bring improvements to customers.

In 2008-2009 we committed ourselves to introducing an Environmental Management System that conforms to ISO14001. This reflects the importance we attach to the impact we have on the environment.

As well a gap analysis of our existing environmental system that has allowed us to address those areas where improvements are required, we conducted a Green Travel Survey in 2008. The report from the survey will help inform a Green Travel Policy and a Green Travel Plan that we will publish during 2009.

We carried out a tender exercise in 2008 to appoint a contractor who could increase our waste recycling facilities. That new contract is in place offering a facility in all our offices to recycle aluminium cans and some plastics and reduce the amount of waste that we send to landfill.

### **Supplier Payment Policy**

RoS is committed to paying invoices promptly. Until 30 November payment was made within 30 days (unless otherwise stated in the contract) of receipt and agreement of invoices for goods and services completed to RoS's satisfaction. From 1 April to 30 November our payment performance was 99% against the 30 day target. From 1 December 2008, as part of a wider Scottish Government initiative, RoS has aspired to pay suppliers within 10 working days. RoS achieved a performance against this new target of 78%. A system is in place for dealing quickly with complaints and disputes and to advise suppliers without delay when invoices, or part invoices, are contested.

The average creditor payment days for the year amounted to 11 days (against 16 days in 2007-2008). RoS made no payments of statutory interest under the Late Payment of Commercial Debts (Interest) Act 1998.

### **Dividend**

During the year a dividend of £8,519,907 was paid to the Scottish Government (2007-2008: £7,152,517). Dividends were payable based on the difference between 6% return on average net assets (less provisions) and interest payable on capital loans. On 1 April 2008 the Public Dividend Capital was repaid in full to the Scottish Government, no dividend will be payable based on the accounts from 2008-2009 as a result.

### **Health and Safety**

In terms of health and safety our business activities are considered low risk and this is reflected in the low number of accidents and incidents. We regard the management of health and safety as an integral part of our operations and we are committed to sustaining a positive health and safety culture across the organisation. We achieved the Gold Standard of the Healthy Working Lives scheme. This award is only presented to organisations that demonstrate long term commitment to improving health and wellbeing within their workplaces and beyond. We were commended by NHS Lothian and Greater Glasgow Health Board for our ongoing efforts to embed health and wellbeing into Scottish corporate culture.

### **Diversity**

We are committed to equal opportunities and wish to ensure a staff population which is a rich blend of ages, social and ethnic backgrounds and abilities. Our aim is to ensure that anyone who works at, or interacts with, RoS will experience a culture in which everyone is valued equally and can participate with confidence.

As a public sector organisation we have legal duties relating to disability, gender, age, sexual orientation and race. We have established Disability, Gender and Race Equality Schemes and associated action plans and we published annual reports for the respective schemes in December 2008.

We are committed to go on building a culture which embraces diversity and where all staff are valued and respected. Diversity brings a huge range of benefits for RoS. The more diverse our staff population is, the more we will all benefit due to the rich mix of backgrounds, ages, experiences and skills that encourage high performance and innovation. The percentage of female staff employed by RoS totals 49.6% and 2.2% of our staff are from ethnic minority backgrounds.

We are accredited as a Disability Symbol user by the Department for Work and Pensions, which confirms we fulfil the five Disability Symbol commitments. A total of 7.3% of our staff assessed themselves as being disabled under the terms of the Disability Discrimination Acts (DDA) 1995 and 2005. All of our premises have been audited for access in accordance with the DDA.

The average number of full-time equivalent staff employed over the last year was 1,317. During the year we had 58 new entrants with 104 leavers (including retirements and casual appointments). We provided a variety of opportunities for our staff to participate in flexible working arrangements to promote a work-life balance of mutual benefit to both RoS and individuals.

# Foreword to the Accounts

We recognise the varying needs of our staff and aim to be as flexible as possible in enabling staff to work part-time, on part-year appointment or to take a career break. The number of staff working on a part-time basis during 2008-2009 was 262. A part year working scheme was also available to staff during the year and 125 staff participated in the scheme with 12 staff on a career break.

Average working days lost due to sick absence, per full time equivalent member of staff, during the year amounted to 12.0 days (2007/2008 12.5 days).

## **International Accounting Standards**

Preparations in line with Scottish Government instructions have taken place to introduce IFRS from 1 April 2009. The main area of change relates to fixed assets in particular moving to a fair value method of valuation.

## **Developing Staff**

Training and development activities were routinely arranged in relation to organisational, team or individual learning and development requirements aligned to our goals and targets for the year. We continued to meet the Investors in People (IiP) standard and, by using the IiP framework, we targeted our training and development activities to improve business performance over the year. In view of the economic downturn experienced during 2008-2009 we took the opportunity to escalate our planned programme of technical training for staff in the Registration Directorate. In total 309 members of staff attended 43 legal and plans training courses. We also continued to provide training on feudal abolition legislation and 134 staff attended events during the year.

Training needs arising from our Change Programme were also identified and conversion training required to implement and support our new IT systems began during the year. A new management information reporting system was introduced during the year and 102 staff were trained in use of the new system.

A new workshop to support our commitment to Diversity was developed and 77 staff, including new managers, participated in these events. Change workshops were also provided for staff to raise understanding of how to deal with change more effectively and proved very popular with 357 staff attending a workshop.

In addition to the provision of in-house training a range of external training courses, conferences and events was provided for staff. Attendance at these events supported a mix of functional and developmental requirements for our staff as part of their continuous professional development. We continued to sponsor staff to gain qualifications through further education and self study and this varied from staff seeking to achieve vocational qualifications to those studying for a professional qualification to enhance their career aspirations. Further education subjects and professional accreditations covered a wide range of functional disciplines including Accountancy, Communications, Human Resources, Law and Procurement.

## RoS Board

At 31 March 2009 the Board comprised:

Member	Role	Meetings attended (4 held)
James Meldrum	Keeper/Chief Executive (Chair)	4
Sheenagh Adams	Managing Director	4
Bruce Beveridge	Deputy Keeper	1
Alison Chisholm	Director of Finance and Business Planning	4
Stephen Dingle	Non Executive Director	4
Ian Moffett	Non Executive Director	4
Andy Smith	Director of Registration	4
Sheila Terry	Non Executive Director	4
Mike Traynor	Director of Information	4

(Note: James Meldrum retired on 30 June 2009 and was replaced as Keeper and Chief Executive by Sheenagh Adams. As a temporary measure Andy Smith will serve as Accountable Officer until a new appointment is made. Bruce Beveridge attended only one meeting due to illness.)

### Biography of Non Executive Directors

Stephen Dingle was a Partner with Ernst and Young LLP and an Executive Director with N M Rothschild and Sons Limited, he is now retired.

Ian Moffett is currently a Partner in Anderson Strathern and was previously with Dundas and Wilson.

Sheila Terry was Head of Planning and Transportation at Falkirk Council, she is now retired.

## Audit

The Accounts have been audited by auditors appointed by the Auditor General for Scotland. So far as I, as the Accountable Officer, am aware, there is no relevant audit information of which RoS's auditors are unaware, and I have taken all steps that ought to have been taken to make myself aware of any relevant audit information and to establish that RoS's auditors are aware of that information. To ensure no conflict of interest, the external audit fee as stated in Note 6 relates only to the performance of the statutory audit. A different set of auditors conduct the service of internal audit.

## ANDY SMITH

Accountable Officer  
11 August 2009

# Statement of RoS's Keeper's and Accountable Officer's Responsibilities

Under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 the Scottish Ministers have directed RoS to prepare a statement of accounts for each financial year in the form and on the basis set out in the accounts direction at Appendix 1 to these financial statements. The accounts are prepared on an accruals basis and must give a true and fair view of RoS's state of affairs at the year-end, and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts RoS is required to:

- ▶ observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ▶ make judgments and estimates on a reasonable basis;
- ▶ state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements; and
- ▶ prepare the financial statements on the going concern basis, unless it is inappropriate to presume that RoS will continue in operation.

Section 70 of the Scotland Act 1998 requires Scottish legislation to provide for members of staff of the Scottish Administration to be designated as answerable to the Scottish Parliament in respect of expenditure and receipts. Such members of staff are called "Accountable Officers". The

Keeper of the Registers is a statutory office-holder who is a member of the Scottish Administration and not part of the staff of the Scottish Administration. A consequence of section 70 is that the Keeper cannot be designated as Accountable Officer. As a temporary measure Andy Smith, Registration Director, will serve as Accountable Officer until a new appointment can be made.

Section 15 of the Public Finance and Accountability (Scotland) Act 2000 sets out particular duties that may be assigned to RoS's Accountable Officer. These are:

- ▶ signing the accounts;
- ▶ ensuring propriety and regularity of the finances of the office-holder; and
- ▶ ensuring that the resources of the office-holder are used economically, efficiently and effectively.

The general responsibilities of Accountable Officers, which include the propriety and regularity of the public finances and the keeping of records, are set out in the Memorandum to Accountable Officers.

The Keeper is responsible for the statutory functions placed upon him/her in relation to the operation of the various public registers for which he/she is responsible. In addition, the Keeper is statutorily responsible for:

- ▶ achieving such financial objectives as determined by the Scottish Ministers from time to time;

- ▶ paying into the Scottish Consolidated Fund such sums as Scottish Ministers may determine, as return on public dividend capital issued;<sup>1</sup>
- ▶ the preparation for each financial year, of accounts of expenditure incurred in the fulfilment of the Keeper's functions, and income received;
- ▶ arranging for an audit of the annual accounts by the Auditor General in the appropriate time period; and
- ▶ by agreement with Scottish Ministers, arranging for publication of the accounts, after these have been laid before the Parliament.

RoS is committed to Information Assurance being embedded within our business processes and demonstrates compliance with BS ISO/IEC 27001:2005 for all our key information systems. RoS also observes government requirements on the care and management of the information we hold. We maintain a Protected Personal Data Register and have conducted risk assessments in respect of the transmission of all electronic and physical personal protected information. We have taken appropriate measures to address any areas where we did not conform to government handling arrangements. There were no information risk incidents reported to the Information Commissioner during 2008-2009.

<sup>1</sup> This responsibility ended in April 2008 when RoS repaid its public dividend capital.

# Statement on Internal Control

## Internal Control

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of RoS's policies and aims, and the objectives set by the Scottish Ministers and the Keeper, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me by the Principal Accountable Officer. I am responsible for the regularity and propriety of RoS's transactions and the stewardship of its assets.

The system of internal control, which includes corporate governance arrangements and risk management, is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to (a) achieve policies, aims, and objectives and (b) protect information which is collected, processed and stored by us; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to (i) identify and prioritise the risks to the achievement of RoS's purpose and objectives and to our information assets, (ii) evaluate the likelihood of those risks being realised and the impact should they be realised, and (iii) manage them efficiently, effectively and economically.

The system of internal control has been in place in RoS for the year ended 31 March 2009, unless where otherwise specified, up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Corporate Governance

RoS has an integrated system of corporate governance designed to ensure proper internal control and the delivery of our objectives. Our corporate governance structure is as follows:



# Statement on Internal Control

The accountability and decision making responsibilities of the groups have been determined by the Board and are set out below:

## Accountabilities

Group	Responsibilities
<b>Board</b>	<ul style="list-style-type: none"> <li>• advising the Keeper;</li> <li>• advising upon and communicating RoS's purpose, values and standards;</li> <li>• proposing strategic aims and objectives for RoS and ensuring that the necessary financial and human resources are in place;</li> <li>• setting a framework of prudent and effective controls that enables risk to be assessed and managed; and</li> <li>• monitoring and improving RoS's performance.</li> </ul>
<b>Executive Management Team</b>	<ul style="list-style-type: none"> <li>• leading, overseeing and undertaking the operational management of RoS.</li> </ul>
<b>Audit Committee</b>	<ul style="list-style-type: none"> <li>• supporting the Accountable Officer and the Board in monitoring the corporate governance, risk, information assurance and control systems in RoS.</li> </ul>
<b>Partnership Board</b>	<ul style="list-style-type: none"> <li>• overseeing the partnership between RoS and BT.</li> </ul>
<b>Joint Consultative Committee</b>	<ul style="list-style-type: none"> <li>• formal liaison body between RoS and the Law Society of Scotland.</li> </ul>
<b>Partnership and Change Group</b>	<ul style="list-style-type: none"> <li>• managing the operation and development of RoS's IS strategy and Partnership with BT.</li> </ul>
<b>Enterprise Risk Management Forum</b>	<ul style="list-style-type: none"> <li>• ensuring best practice in management of risk, business continuity planning, physical and information security.</li> </ul>
<b>Operations Executive Group</b>	<ul style="list-style-type: none"> <li>• operational and tactical management, in particular:               <ul style="list-style-type: none"> <li>• recruitment, staff development and training;</li> <li>• oversight and management of the business and corporate plan; and</li> <li>• creation, maintenance and implementation of effective policies and procedures as agreed with EMT.</li> </ul> </li> </ul>
<b>Legal Policy Group</b>	<ul style="list-style-type: none"> <li>• formulating, disseminating, co-ordinating and overseeing legal policy and practice within RoS.</li> </ul>

### **Audit Committee**

The Audit Committee is chaired by Stephen Dingle, a Non Executive Director on the RoS Board. It met four times during the year. Executive attendees included Sheenagh Adams and Alison Chisholm.

Representatives of the internal and external auditors attended each of the meetings. Membership of the Audit Committee is as follows:

<b>Member</b>	<b>Background</b>
Stephen Dingle (Chairman)	Stephen Dingle was a Partner with Ernst and Young LLP and an Executive Director with N M Rothschild and Sons Limited, he is now retired
Paul Brady	Retired Senior Civil Servant
Jeremy Chittleburgh	Partner in Chiene & Tait
David Gould	Director of Corporate Services for Glasgow City Marketing Bureau

The Audit Committee commissioned a programme of work from the Internal Auditors designed among other things to test the systems of internal control and reviewed the reports on that programme of work. Where necessary the Committee monitored actions arising from the recommendations of Internal Audit until such actions have been completed to the Auditors' satisfaction.

### **Risk Management**

RoS manages risk as an integral part of our system of internal control. We completed a major review of our Risk Management approach and have implemented changes to our processes and procedures to improve their effectiveness. Our Key Risk Register was updated to reflect our new Corporate Plan objectives and it is reviewed regularly by the Executive Management Team, the Audit Committee and the Board.

RoS recognises the importance of Information Assurance and in addition to the high level risks relating to information contained in our Key Risk Register we also address Information Risk Management as a separate activity.

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of its effectiveness is informed by the work of the internal and external auditors and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework. I have also been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee.

I am satisfied that, overall, Registers of Scotland is operating in accordance with Scottish Government and Treasury guidance as regards internal controls and risk management.

### **ANDY SMITH**

Accountable Officer  
11 August 2009

# Remuneration Report

## Remuneration Policy

The remuneration of Senior Civil Servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. The Keeper and Chief Executive, Deputy Keeper and Managing Director are members of the Senior Civil Service and their individual salaries are set by the relevant Scottish Government Remuneration Committees.

## Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

The three most senior managers are members of the Principal Civil Service Pension Scheme (see Note 19). Their actual remuneration including bonuses, allowances, PCSPS pension entitlements and Cash Equivalent Transfer Values are as follows:

	Emoluments	Accrued pension at age 60 at 31.3.09 and related lump sum	Real increase in pension and related lump sum at age 60	CETV* at 31.3.09	CETV at 31.3.08	Real increase in CETV <sub>∞</sub>
	£000	£000	£000	£000	£000	£000
James Meldrum Keeper and Chief Executive	90-95	35-40 plus lump sum of 105-110	0-2.5 plus lump sum of 0-2.5	778	724	0
Bruce Beveridge Deputy Keeper	65-70	10-15 plus lump sum of 35-40	0-2.5 plus lump sum of 0-2.5	215	189	11
Sheenagh Adams Managing Director	75-80	25-30 plus lump sum of 75-80	0-2.5 plus lump sum of 0-2.5	460	423	2

The CETV at 31.3.08 is different from last year's accounts due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

None of the above received any benefits in kind during the year.

### **\*Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result

of their purchasing additional pension benefits at their own cost. CETVs are calculated within The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

### **∞Real increase in CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### **Non Executive Directors**

The Non Executive Directors are not employees of the organisation and nor do they benefit from pension arrangements. Their remuneration is based on Scottish Government scales for Agency and NDPB Board members.

Fees paid to Non Executive Directors were as follows:

	2008-2009 £'000	2007-2008 £'000
Mr S Dingle	5-10	0-5
Mrs S Terry	0-5	0-5
Mr I Moffett	0-5	0-5
Mrs K Dunlop (until 30.9.07)	–	0-5
Mr L Barbour (until 31.10.07)	–	0-5
Dr D Smith (until 31.10.07)	–	0-5

### **ANDY SMITH**

Accountable Officer  
11 August 2009

# Registers of Scotland Trading Fund Independent Auditor's Report

## **To Registers of Scotland, the Auditor General for Scotland and the Scottish Parliament**

We have audited the financial statements of the Registers of Scotland for the year ended 31 March 2009 under the Public Finance and Accountability (Scotland) Act 2000. These comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. We have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members, in their individual capacities, or to third parties.

## **Respective responsibilities of the Registers of Scotland, the Accountable Officer and Auditor**

The Registers of Scotland and the Accountable Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. The Accountable Officer is also responsible for ensuring the

regularity of expenditure and receipts. These responsibilities are set out in the Statement of the Registers of Scotland's, Keeper's and Accountable Officer's Responsibilities.

Our responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers. We report to you whether, in our opinion, the information which comprises the management commentary included in the Annual Report, is consistent with the financial statements. We also report whether in all material respects:

- ▣ the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000.

In addition, we report to you if, in our opinion, the Registers of Scotland has not kept proper accounting records, if we have not

received all the information and explanations we require for our audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

We review whether the Statement on Internal Control reflects the Registers of Scotland's compliance with Scottish Government guidance and we report if, in our opinion, it does not. We are not required to consider whether this statement covers all risks and controls or to form an opinion on the effectiveness of the Registers of Scotland's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## **Basis of Audit Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Registers

of Scotland and the Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Registers of Scotland's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## Opinions

### Financial statements

In our opinion:

- the financial statements give a true and fair view, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the directions made thereunder by the Scottish Ministers, of the state of affairs of the Registers of Scotland as at 31 March 2009 and the net operating cost, recognised gains and

losses and cash flows for the year then ended;

- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- information which comprises the management commentary included with the Annual Report is consistent with the financial statements.

### Regularity

In our opinion in all material respects:

- the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000.

### Grant Thornton UK LLP

*Chartered Accountants  
Registered Auditor*

1-4 Atholl Crescent  
Edinburgh  
EH3 8LQ

11 August 2009

# Income and Expenditure Account

For the year ended 31 March 2009

	NOTES	2009 £000	2008 £000
<b>Turnover</b>	2	<b>59,127</b>	72,202
Change in WIP	12	<b>(3,958)</b>	(42)
		<b>55,169</b>	<b>72,160</b>
Other operating income		<b>436</b>	495
		<b>55,605</b>	72,655
<b>Operating expenses</b>			
Staff costs	3	<b>39,851</b>	40,624
Depreciation	4 and 5	<b>4,582</b>	3,816
Other operating charges	6	<b>21,729</b>	17,455
		<b>66,162</b>	61,895
		<b>(10,557)</b>	10,760
<b>Operating (Loss) Surplus</b>			
Interest receivable	8	<b>6,206</b>	9,192
Interest payable	9	<b>(247)</b>	(256)
(Loss) Surplus		<b>(4,598)</b>	19,696
Dividend paid/payable	10	<b>-</b>	(8,520)
<b>Retained (Loss) Surplus for the financial year</b>		<b>(4,598)</b>	11,176

During the year there were no material acquisitions or disposals.

## Statement of Total Recognised Gains and Losses

For the year ended 31 March 2009

	2009 £000	2008 £000
(Loss) Surplus for the financial year	<b>(4,598)</b>	19,696
Unrealised surplus on revaluation of fixed assets	<b>-</b>	1,720
<b>Total recognised gains and losses relating to the year</b>	<b>(4,598)</b>	21,416

The notes on pages 54 to 66 form part of these accounts.

# Balance Sheet

As at 31 March 2009

	NOTES	2009 £000	2008 £000
<b>Fixed Assets</b>			
Tangible Assets	4	<b>32,157</b>	30,278
Intangible Assets	5	<b>168</b>	70
		<b>32,325</b>	30,348
<b>Current Assets</b>			
Debtors: amounts falling due after one year	13	<b>30</b>	44
Current asset investment	Cash Flow Note 4	<b>120,000</b>	155,000
Work in Progress	12	<b>3,819</b>	6,461
Debtors: amounts falling due within one year	13	<b>3,489</b>	3,771
Cash at bank and in hand	Cash Flow Note 4	<b>25,419</b>	15,284
		<b>152,757</b>	180,560
<b>Creditors:</b>			
Amounts falling due within one year	14	<b>46,338</b>	64,207
<b>Net Current Assets</b>		<b>106,419</b>	116,353
Provision for Liabilities and Charges	15	<b>2,916</b>	1,880
<b>Net Assets</b>		<b>135,828</b>	144,821
<b>Financed by:</b>			
Capital Loan	16	2,816	2,922
Public Dividend Capital	16	–	4,289
Income and Expenditure Account	17	122,542	127,140
Revaluation Reserve	18	10,470	10,470
		<b>135,828</b>	144,821

The notes on pages 54 to 66 form part of these accounts.

**ANDY SMITH**  
Accountable Officer  
11 August 2009

# Cash Flow Statement

For the year ended 31 March 2009

	2009 £000	2008 £000
Net cash (outflow) inflow from operating activities	(12,072)	16,615
Returns on investments and servicing of finance (Note 3)	(1,870)	1,758
Repayment of Public Dividend Capital (Note 3)	(4,289)	–
Capital expenditure (Note 3)	(6,528)	(4,707)
	<b>(24,759)</b>	13,666
<b>Management of liquid resources</b>		
Short term deposits at National Loans Fund	35,000	(15,000)
Financing (Note 3)	(106)	(106)
Increase (Decrease) in cash	<b>10,135</b>	(1,440)

## Notes to the Cash Flow Statement

### Note 1 – Reconciliation of operating surplus to net cash inflow from operating activities

Operating (loss) surplus	(10,557)	10,760
Depreciation charge	4,582	3,816
Decrease in work in progress	2,642	42
Increase in provisions	1,036	1,235
(Increase) in debtors	(399)	(278)
(Decrease) Increase in creditors	(9,376)	1,040
Loss (Gain) on sale of fixed assets	–	–
<b>Net cash (outflow) inflow from operating activities</b>	<b>(12,072)</b>	16,615

### Note 2 – Reconciliation of net cash flow to movement in net funds (Note 4)

Decrease (Increase) in cash in the period	10,135	(1,440)
Cash to repay capital loan	106	106
Cash used to increase liquid resources	(35,000)	15,000
Change in net funds	<b>(24,759)</b>	13,666
Opening net funds	<b>167,256</b>	153,590
<b>Closing net funds</b>	<b>142,497</b>	167,256

The notes on pages 54 to 66 form part of these accounts.

# Notes to the Cash Flow Statement

## Note 3 – Gross Cash Flows

### Returns on investments and servicing of finance

	2009 £000	2008 £000
Interest received	6,901	9,171
Interest paid	(251)	(260)
Dividend paid	(8,520)	(7,153)
	<b>(1,870)</b>	<b>1,758</b>
<b>Repayment of Public Dividend Capital</b>	<b>(4,289)</b>	<b>–</b>
<b>Capital expenditure</b>		
Payments to acquire intangible fixed assets	(178)	(6)
Payments to acquire tangible fixed assets	(6,350)	(4,701)
Receipts from sales of tangible fixed assets	–	–
	<b>(6,528)</b>	<b>(4,707)</b>
<b>Financing</b>		
Repayment of Capital Loan	<b>(106)</b>	<b>(106)</b>

## Note 4 – Analysis of Changes in Net Funds

	1 April 2008 £000	Cash Flows £000	Other Changes £000	31 March 2009 £000
Cash in hand and at bank	15,284	10,135	–	25,419
Debt due within 1 year	(106)	106	(106)	(106)
Debt due after 1 year	(2,922)	–	106	(2,816)
Current asset investment	155,000	(35,000)	–	120,000
	<b>167,256</b>	<b>(24,759)</b>	<b>–</b>	<b>142,497</b>

The Current asset investment is funds invested at the National Loans Fund temporary deposit facility.

### Cash in hand and at bank at 31 March 2009 as above is made up of:

	£000
Office of HM Paymaster General	24,798
Commercial banks	619
Cash	2
	<b>25,419</b>

The notes on pages 54 to 66 form part of these accounts.

# Notes to the Accounts

## 1. Accounting Policies

### Accounting Convention

The accounts have been prepared under the historic cost convention modified by the inclusion of fixed assets at their value to RoS with reference to current cost. The financial statements meet the requirements of the Companies Act 1985 and of accounting standards issued or adopted by the Accounting Standards Board so far as these requirements are appropriate, they also have been prepared in accordance with the Financial Reporting Manual (FRM). RoS has considered its accounting policies in accordance with FRS18 and believes that the following accounting policies are the most appropriate. A summary of the more important accounting policies, which have been applied consistently, is set out below.

In accordance with directions from Scottish Ministers, there is no requirement to include a note of historical cost profits and losses in the accounts.

### Turnover

Turnover, which excludes Value Added Tax, represents the invoiced value of services supplied, and is derived wholly from within the United Kingdom.

### Value Added Tax

The majority of services provided by RoS fall outwith the scope of Value Added Tax. VAT on expenditure on 'contracted-out services' can be recovered in full by RoS. For other expenditure, only part of the input VAT may be recovered and the irrecoverable element is either charged to the Income and Expenditure Account or capitalised as part of the cost of acquisition of fixed assets, as appropriate.

### Tangible Fixed Assets

Tangible fixed assets, other than Land and Buildings, are stated at their purchase price, together with any incidental expenses of acquisition and are revalued each year using National Statistics Office Business Monitor Producer Price Indices to take account of price changes.

Freehold Land and Buildings are professionally valued every three years. In the intervening years the Retail Price Index is applied to provide a "desktop" valuation.

Provision for depreciation is made so as to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The expected useful lives of assets are regularly and systematically reviewed to ensure they genuinely reflect the actual replacement cycle of all assets. The expected useful lives are as follows:

<b>Software</b>	see below
<b>Plant and Machinery</b>	5 years (see below)
<b>Computer Equipment</b>	see below
<b>Office Equipment</b>	5 years (see below)
<b>Freehold Building</b>	20 years (see Note 4)

Software and computer equipment requires to be assessed on an individual basis. Within the IT Partnership with BT (see Note 4) software and computer equipment are depreciated over the remainder of the contract prevailing at time of purchase. The contract started 1 December 2004 with a duration of 10 years. The depreciation method will be reviewed at the mid-point of 1 December 2009 to allow for

assets with a life of 5 years. The digital mapping back conversion process is anticipated to have a useful life of 10 years. Depreciation is provided on a straight-line basis over 10 years.

Plant and Machinery and Office Equipment include infrastructure set up costs relating to Hanover House which will be depreciated over the 10 year lease of the building.

RoS depreciates fixed assets in line with the Treasury instructions on modified historic cost accounting. The underlying principle is that increases in the current replacement cost of an asset are debited to the asset account and credited to a revaluation reserve. Depreciation is calculated on the revalued amount and is charged to the Income and Expenditure Account, with a corresponding credit to an accumulated depreciation account.

However, at the end of the asset's useful life, the total depreciation charges calculated in this way will not equal the replacement cost of the asset. In order to ensure that the asset is fully depreciated by the end of its useful life, it is necessary to restate the accumulated depreciation provision at the beginning of each accounting period. The additional depreciation charge is known as "backlog depreciation", and is debited to the revaluation reserve and credited to accumulated depreciation. It is not a charge in the Income and Expenditure Account.

Minor new works and furniture are written off in the year of purchase as are all other items of a capital nature costing less than £1,000. The fixed assets do not include the value of the various Registers

created and maintained by RoS, nor the records ancillary to them.

### **Intangible Fixed Assets**

Licences to use software developed by third parties are treated as intangible. Provision for depreciation is made so as to write off the cost of the licences on a straight-line basis, presently either over 3 or 5 years, depending on the expected useful life of the software involved. Revaluation takes place in line with Tangible Fixed Assets as detailed above.

### **Operating Leases**

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

### **Pension Costs and other Post Retirement Benefits**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a defined benefit scheme and is unfunded (see Note 19). RoS recognises the expected cost of providing pensions on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

Actual costs of funding early retirement are expensed and future costs have been calculated and set up in a provision. Early severance payment obligations are expensed in the year in which the employee retires.

### **Work in Progress**

Work in progress is stated at the lower of cost or net realisable value. In determining net realisable value, if expected costs to completion exceed estimated fee income, a provision is established to cover the shortfall. In the case of work in progress, cost includes all direct expenditure and production overheads based on normal levels of activity. Costs are apportioned on the basis of per capita and working days.

### **Creditors**

RoS operates a system of prepayment of registration fees which are initially held on the balance sheet under bank and creditors. Income is not recognised until the registration process is fully complete.

### **Temporary Deposits**

The liquid resources noted within the cash flow statement relate to funds placed on short term temporary deposit (not exceeding two months) at the National Loans Fund. This represents a very low risk exposure to RoS and is the only facility used to invest surplus funds.

# Notes to the Accounts

	2009 £000	2008 £000
<b>2. Turnover</b>		
First Registrations	11,476	13,857
Transfers of Part	7,810	7,170
Dealings with Whole	28,649	38,546
Sasines	3,413	3,441
Registers Direct and Customer Service Centres	5,140	6,239
Chancery and Judicial Registers	1,586	1,387
Reports and Other	1,053	1,562
	<b>59,127</b>	<b>72,202</b>

	2009 £000	2008 £000
<b>3. Staff Costs and Numbers</b>		
(i) Employee costs during the year amounted to		
Wages and salaries	31,289	30,051
Social Security costs	2,165	2,107
Other pension costs (see Note 19)	5,533	5,372
Restructuring costs	87	2,103
Temporary agency staff	611	748
Seconded staff	163	231
Other staff costs	3	12
Charged to the income and expenditure account	39,851	40,624
Less: recoveries of staff seconded out	163	231
	<b>39,688</b>	<b>40,393</b>

Restructuring costs include lump sum compensation payments and providing for future annual compensation payments.

(ii) The total pensions' liability up to normal retiring age in respect of each employee who has taken early retirement is charged to the Income and Expenditure Account in the year in which the employee takes early retirement. The movements in the provision for future pension payments are as follows:

	2009 £000	2008 £000
At 1 April	1,278	368
Credited to Income and Expenditure Account within Staff Costs	(308)	(260)
	<b>970</b>	<b>108</b>
Increase during the year	35	1,170
At 31 March	1,005	1,278
Due within one year	(245)	(298)
Provision – due after more than one year (see Note 15)	<b>760</b>	<b>980</b>

(iii) The average number of full time equivalent staff directly employed during the year was 1,317 (2008: 1,303) and was made up as follows:

	<b>2009</b>	2008
Registration	<b>976</b>	1,020
Corporate Services (including Customer Service Centres)	341	283
	<b>1,317</b>	<b>1,303</b>
Temporary agency and contract staff	35	50
	<b>1,352</b>	<b>1,353</b>
Less seconded out	(4)	(6)
	<b>1,348</b>	<b>1,347</b>

#### 4. Tangible Fixed Assets

(i) Revalued amounts

	Land Freehold £000	Buildings Freehold £000	Back Conversion £000	Plant and Machinery £000	Computers £000	Software £000	Office Equipment £000	Total £000
<b>Valuation</b>								
At 1 April 2008	1,000	8,310	6,028	1,707	10,893	31,943	3,143	63,024
Additions at cost	–	–	–	31	395	5,946	68	6,440
Disposals at valuation	–	–	(6,028)	(272)	(1,002)	–	–	(7,302)
Permanent diminution	(4)	(32)	–	(1)	(444)	(123)	(5)	(609)
At 31 March 2009	996	8,278	–	1,465	9,842	37,766	3,206	61,553
<b>Depreciation</b>								
At 1 April 2008	–	36	6,028	1,490	5,800	16,771	2,621	32,746
Charge for year	–	420	–	44	762	2,757	149	4,132
Disposals at valuation	–	–	(6,028)	(272)	(1,002)	–	–	(7,302)
Backlog depreciation	–	(7)	–	–	(117)	(54)	(2)	(180)
At 31 March 2009	–	449	–	1,262	5,443	19,474	2,768	29,396
Net Book Value at 31 March 2009	996	7,829	–	203	4,399	18,292	438	32,157
Net Book Value at 31 March 2008	1,000	8,274	–	217	5,093	15,172	522	30,278

# Notes to the Accounts

## IT Partnership – BT

On 1 December 2004 RoS entered into a partnership with BT for the provision of all IS/IT services.

Ownership of the existing IT assets was transferred to BT; however, the associated benefits and risks remain with RoS. The accounting treatment has therefore been to treat the IT assets similar to that of a finance lease. Assets will be paid for by RoS and brought into the accounts in the usual manner. BT will then support these assets and at the end of the contract the assets will be transferred back to RoS. This arrangement covers the figures in the above table under Computers and Software.

## Freehold Land and Buildings

Note 1 on Accounting policies states that RoS will professionally revalue freehold land and buildings every 3 years and in the intervening years the figures will be updated by a “desktop” valuation. Freehold land and buildings were revalued at £9,310k as at 31 March 2008 on

the basis of existing use value.

The valuation at 31 March 2008 has been split £1,000k land and £8,310k buildings. The expected useful life was put at 20 years. This compares to the valuation at 31 March 2005 of £8,250k, split £1,500k land and £6,750k buildings, and 30 years expected useful life. The valuation was carried out by external valuers, DTZ and was prepared in accordance with the requirements of the RICS Appraisal and Valuation Manual.

(ii) The depreciation charge recorded in the Income and Expenditure account of £4,582,000 (2008: £3,816,000) comprises £611,000 (2008: £212,000) written off the replacement cost of assets to reflect a permanent diminution in value net of backlog depreciation, plus £3,971,000 (2008: £3,604,000) charged to increase the depreciation provision.

## 5. Intangible Fixed Assets

Licences to use software developed by third parties

	£000
<b>Valuation</b>	
At 1 April 2008	832
Additions	119
Permanent diminution	(2)
At 31 March 2009	949
<b>Depreciation</b>	
At 1 April 2008	762
Charge for year	19
At 31 March 2009	781
Net Book Value at 31 March 2009	168
Net Book Value at 31 March 2008	70

## 6. Other Operating Charges

	2009 £000	2008 £000
<b>Staff Related Costs</b>		
Travel and subsistence expenses	248	181
Staff training	500	378
Other staff costs	294	315
<b>Supplies and Services</b>		
Catering	338	256
Security	429	264
Equipment and services	11,969	8,743
Operating leases – vehicles	7	6
General administrative expenditure	1,711	1,553
Services from Ordnance Survey	576	786
Copy deeds/quick copies	169	157
Professional fees	278	157
Bank Charges	48	50
Indemnity and legal costs	570	328
External Audit	57	55
Internal Audit	40	33
<b>Accommodation and Utilities</b>		
Estate Charges	1,597	1,779
Operating leases – rents	981	1,214
Repairs, maintenance and minor works	892	352
Utilities	587	445
Environmental services	438	403
	<b>21,729</b>	<b>17,455</b>

Expenditure on equipment and services has increased due to additional costs of maintaining IT legacy systems, including costs regarding secondees to BT.

Repairs, maintenance and minor works costs include internal refurbishment work carried out in Meadowbank House.

# Notes to the Accounts

## 7. Losses

RoS settled 99 claims for loss, either arising from errors made in the Sasine recording process or made under the indemnity provisions of the Land Registration (Scotland) Act 1979 at a cost of £673,557 (2008: 80 claims, £275,517).

	2009 £000	2008 £000
<b>8. Interest Receivable</b>		
On Paymaster and National Loans Fund balances	6,206	9,192
<b>9. Interest Payable</b>		
National Loans Fund originating debt	247	256
<b>10. Dividend</b>		
Dividend paid/payable on Public Dividend Capital (see Note 16)	–	8,520

## 11. Financial Instruments

### Financial Instruments (policy)

Financial assets (represented by lending and receivables) are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the following assumptions:

- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

An impairment review is carried out for all financial assets at the balance sheet date.

### Credit risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other third parties as well as credit exposures to RoS's customers. Cash investments are held with the National Loans Fund and are guaranteed by HM Treasury. There is no credit risk associated with holding investments.

### Liquidity risk

RoS has a small capital loan repayable over 40 years. The balance of the loan and the repayments are not considered significant.

### Market risk

Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested.

## 12. Work in Progress

	<b>2009</b> <b>£000</b>	2008 £000
Work in progress	<b>3,819</b>	6,461

The movement in work in progress of £3,958,000 per the Income and Expenditure Account is made up of:

	<b>2009</b> <b>£000</b>	2008 £000
(Decrease) in Asset balances	<b>(2,642)</b>	(42)
(Increase) in Provision (see Note 15)	<b>(1,316)</b>	–
	<b>(3,958)</b>	(42)

## 13. Debtors:

	<b>2009</b> <b>£000</b>	2008 £000
<b>Amounts falling due within one year</b>		
Trade debtors	<b>629</b>	901
Less: Provision for bad debts	<b>(4)</b>	(6)
Net trade debtors	<b>625</b>	895
Other debtors	<b>595</b>	1,134
VAT	<b>1,211</b>	800
Prepayments and accrued income	<b>1,058</b>	942
	<b>3,489</b>	3,771

### The above is further analysed as:

Other central government bodies	<b>1,545</b>	1,818
Local authorities	<b>66</b>	105
NHS bodies	<b>2</b>	5
Bodies external to government	<b>1,876</b>	1,843
	<b>3,489</b>	3,771

### Amounts falling due after more than one year

Other debtors (see (a) below)	<b>30</b>	44
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(a) Other debtors at 31 March 2009 relate to amounts due to RoS via subrogation.

# Notes to the Accounts

## 14. Creditors:

	2009 £000	2008 £000
<b>Amounts falling due within one year</b>		
Trade creditors and accruals	2,454	2,465
Other tax and Social Security	1,250	1,231
Fees received in advance	42,517	51,874
Overpayment refunds outstanding	11	11
Dividend payable	–	8,520
Repayment of Capital Loan	106	106
	<b>46,338</b>	<b>64,207</b>

### The above is further analysed as:

Other central government bodies	1,665	10,167
Local authorities	227	286
NHS bodies	8	–
Bodies external to government	44,438	53,754
	<b>46,338</b>	<b>64,207</b>

## 15. Provisions for Liabilities and Charges

	Early Retirements (see Note 3) £000	Indemnities (see Note 20) £000	Dilapidations £000	Work in Progress £000	Total £000
At 1 April 2008	980	500	400	–	1,880
Additional provision made	25	495	200	1,316	2,036
Amounts incurred and charged against provision	(245)	(673)	–	–	(918)
Unused amounts reversed	–	(82)	–	–	(82)
At 31 March 2009	760	240	600	1,316	2,916

## Early Retirement

See accounting policy for pension costs and other post retirement benefits (Note 1).

## Indemnities

A provision for indemnity payments has been provided for this year based upon a review of the outstanding claims and an estimate of the settlement values (see Note 20).

## Dilapidations

The provision is an estimate of the costs payable on the termination of the lease on 150 Vincent Street in July 2007.

## Work in Progress

Registrations involving the initial and more complex transactions in the Land Register cost more to undertake than the fee charged. This provision represents the costs to completion less estimated fee income for such registrations in process at the year end. The shortfall in fee income on these transactions is offset by surpluses on other registrations.

## 16. Reconciliation of Movements in Government Funds

	Capital Loan £000	Public Dividend Capital £000
<b>Movement in Trading Fund Capital</b>		
Opening balance	2,922	4,289
Repayment during year	(106)	(4,289)
<b>Closing balance</b>	<b>2,816</b>	<b>–</b>

Public Dividend Capital (PDC) was issued pursuant to the Government Trading Funds Act 1973 as amended by the Government Trading Act 1990. On 1 April 2008 the PDC was repaid in full to the Scottish Government.

Prior to 1 April 2008 dividends were payable by RoS and calculated as the difference between 6% return on average net assets (less provisions) and interest payable on capital loans. Where interest payable was a greater figure no dividend was payable.

A Capital Loan was set up 1 April 1996 at the start of Trading Fund status. The loan amounted to £4,250,000 repayable over 40 years with an interest rate of 8.375%.

### Repayments on the Capital Loan are due as follows:

	2009 £000	2008 £000
Between one and two years	106	106
Between two and five years	319	319
In more than five years	2,391	2,497
	<b>2,816</b>	<b>2,922</b>
Within one year (included in Creditors)	106	106
	<b>2,922</b>	<b>3,028</b>

# Notes to the Accounts

## 17. Income and Expenditure Account

	2009 £000	2008 £000
Opening balance	127,140	115,964
Retained (loss) surplus for year	(4,598)	11,176
Closing balance	122,542	127,140

## 18. Revaluation Reserve

	2009 £000	2008 £000
At 1 April	10,470	8,750
Revaluation	–	1,934
Backlog depreciation	–	(214)
At 31 March	10,470	10,470

## 19. Pensions

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for

**premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum.

**Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year, and the accrued pension is uprated in line with RPI. In all cases members

may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

The PCSPS is an unfunded multi-employer defined benefit scheme but Registers of Scotland is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-](http://www.civilservice-pensions.gov.uk)

[pensions.gov.uk](http://pensions.gov.uk)).

For 2008-2009, employers' contributions (see Note 3 (i)) of £5,505,293 were payable to the PCSPS (2007-2008 £5,291,010) at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2009-2010, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2008-2009 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £14,062 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,180, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £1,950. Contributions prepaid at that date were £nil.

## 20. Contingent Liabilities

Under the terms of Section 12 of the Land Registration (Scotland) Act 1979, a person suffering loss as a result of inter alia an error or

omission in any Land or Charge Certificate or other information given by the Keeper of the Registers of Scotland shall, subject to certain provisions, be entitled to be indemnified in respect of that loss. As explained in Note 15 provision is made for indemnity claims; however where these are not yet known they are not provided for in the accounts.

## 21. Capital Commitments

At the year-end there was capital expenditure contracted for but not provided for in the accounts of £17,986,908 (2008: £15,819,729). This expenditure mostly relates to the IT Partnership with BT.

# Notes to the Accounts

## 22. Financial Commitments

	<b>2009</b>	2008
	<b>£000</b>	£000
At 31 March 2009 RoS had annual commitments under non-cancellable operating leases as follows:		
Land and Buildings		
Expiry within one year	-	-
Expiry between two and five years inclusive	-	-
Expiry in over five years	<b>851</b>	851
Other Leases		
Expiry within one year	<b>5</b>	2
Expiry between two and five years inclusive	-	5
Expiry in over five years	-	-
	<b>856</b>	858

## 23. Events after the Balance Sheet Date

There were no events after the balance sheet date as specified by FRS21.

## 24. Related Party Transactions

Registers of Scotland is a Trading Fund of the Scottish Ministers.

During the year, Registers of Scotland had a significant number of transactions with other Government Departments and Agencies. Most of these transactions have been with the Ordnance Survey, Transport Scotland (an Agency of the Scottish Government), Cabinet Office (National School of Government), National Archives of Scotland, HM Treasury, HM Revenue and Customs and the Scottish Court Service.

None of the Board Members, key managerial staff or other related parties has undertaken any material transactions with Registers of Scotland during the year.

## 25. Register of Interests

RoS maintains a Register of Interests which shows that Board members do not hold any interests which may conflict with their management responsibilities.

## 26. Financial Objectives

Return on average net assets (after deduction of allowable provisions) for the rolling three years to 31 March 2009 amounts to 7.1% (calculated before allowing for interest receivable). This compares to the target set by the Scottish Ministers of 10%. The significant downturn in the housing and mortgage markets during the year resulted in the target not being achieved.

# Financial Summary

## Income and Expenditure

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Income	<b>55,605</b>	72,655	88,633	80,078	75,472
Operating expenses	<b>(66,162)</b>	(61,895)	(59,412)	(55,575)	(53,649)
Interest receivable	<b>6,206</b>	9,192	6,866	5,214	4,088
Interest payable	<b>(247)</b>	(256)	(265)	(273)	(282)
Dividend paid/payable	-	(8,520)	(7,152)	(5,442)	(4,046)
Surplus (Loss) for the year	<b>(4,598)</b>	11,176	28,670	24,002	21,583

## Balance Sheet

Fixed assets	<b>32,325</b>	30,348	27,962	21,644	13,025
Net current assets	<b>106,419</b>	116,353	104,715	81,697	66,128
	<b>138,744</b>	146,701	132,677	103,341	79,153
Long term liabilities	-	-	1	7	-
Provisions	<b>2,916</b>	1,880	645	719	727
	<b>135,828</b>	144,821	132,031	102,615	78,426

## Financed by

Capital Loan	<b>2,816</b>	2,922	3,028	3,134	3,241
Public Dividend Capital	-	4,289	4,289	4,289	4,289
Income and Expenditure Account	<b>122,542</b>	127,140	115,964	87,294	63,292
Revaluation reserve	<b>10,470</b>	10,470	8,750	7,898	7,604
	<b>135,828</b>	144,821	132,031	102,615	78,426



# Appendix 1: Registers of Scotland Trading Fund Direction by the Scottish Ministers

**in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000**

The statement of accounts for the financial year ended 31 March 2006 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRoM) which is in force for the year for which the statement of accounts are prepared.

The accounts shall be prepared so as to give a true and fair view of the income and expenditure, recognised gains and losses, and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 2 July 2004 is hereby revoked.

**ALYSON STAFFORD**

Signed by the authority of the Scottish Ministers

Dated 17 January 2006