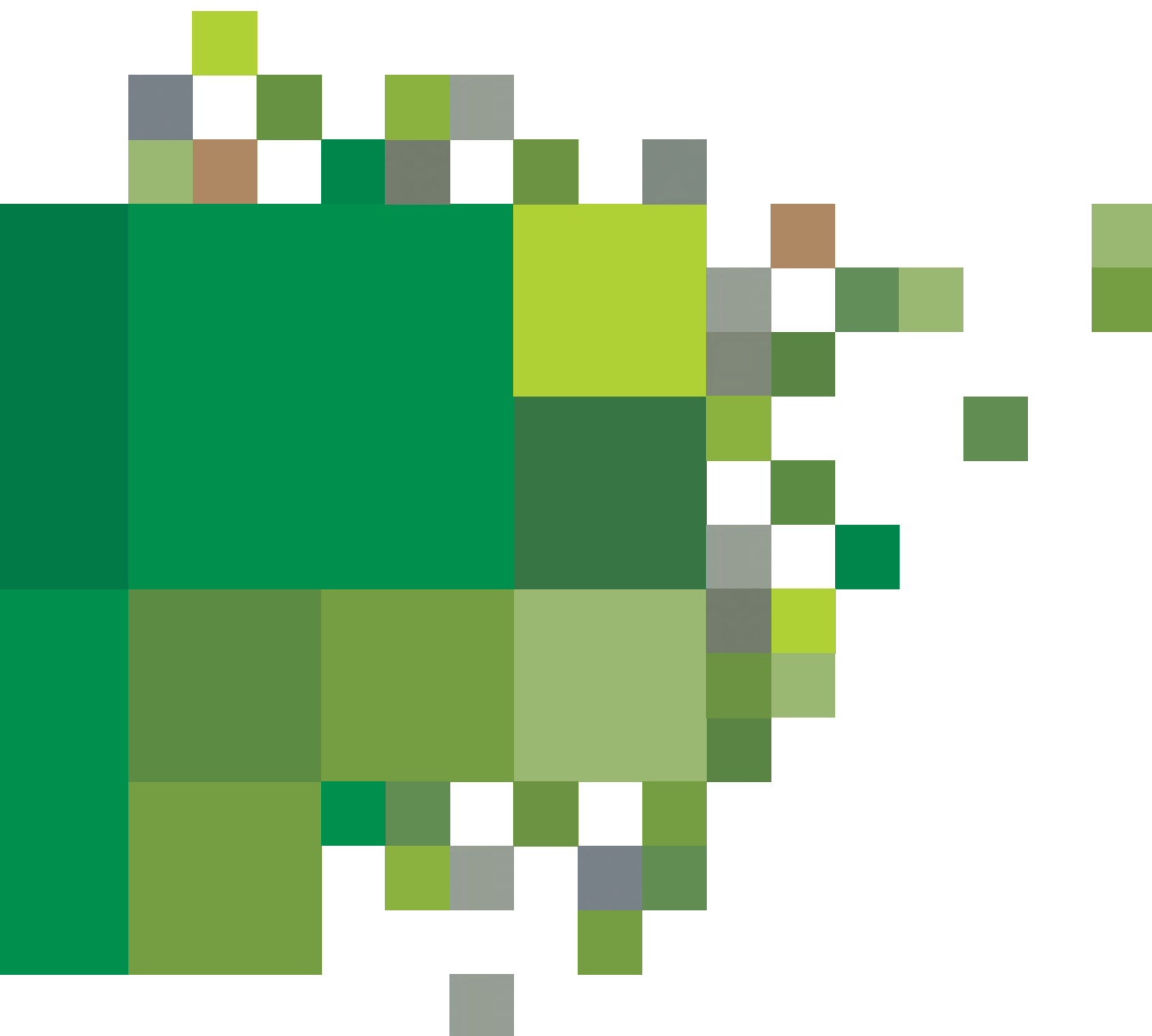


# REGISTERS OF SCOTLAND ANNUAL REPORT AND ACCOUNTS 2006–2007





Registers of Scotland makes extensive use of mapping to define outlines of land and property. The images in this report show examples of mapping from our new Spatial Data Browser.

# REGISTERS OF SCOTLAND ANNUAL REPORT 2006–2007

Laid before the Scottish Parliament by the Scottish Ministers  
October 2007 SE/2007/163

## CONTENTS

02	PREFACE
04	WHO WE ARE AND WHAT WE DO
06	OUR VISION AND OBJECTIVES
07	VOLUME OF REGISTRATIONS
08	REVIEW OF THE YEAR
12	PERFORMANCE AGAINST TARGETS
16	FINANCIAL COMMENTARY
18	CUSTOMER SERVICE
22	MARKET RESEARCH FEEDBACK
24	OUR PEOPLE
26	STRATEGY AND FUTURE PROSPECTS
30	CHANCERY AND JUDICIAL REGISTERS
34	GLOSSARY
37	ACCOUNTS

Registers of Scotland safeguards people's rights to land and property – urban and rural, domestic and commercial – throughout Scotland.

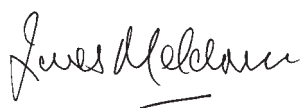
# PREFACE

I am pleased to submit Registers of Scotland's Annual Report and Accounts for 2006–2007. The year was a busy and exciting one. The amount of registration business submitted to us, and dealt with by us, reached record levels due to the continuing buoyancy of the housing market and demand for remortgaging. It is a matter of pride that Registers of Scotland was able to deal with such high volumes of work and at the same time to meet all performance targets. It was also an exciting year for the major steps forward that we were able to take towards further modernisation of our processes and the e-enablement of our work, and for the very significant reductions in our registration fees which came into effect in January 2007.

This report describes in detail what we did in 2006–2007, and it also charts ambitious ways in which we are taking our work forward. Our main purpose is to provide the people of Scotland with the social and economic benefits that flow from a publicly guaranteed system of rights in land and property. The integrity of our registers is of the utmost importance, and we seek at all times to maintain that integrity through a professional, expert and impartial approach to our work.

Scotland has a very long and proud tradition of public registration of rights in land. Its strength has been its ability to evolve and develop to meet the challenges of a changing society. Fifty years ago few Scots owned their own homes; now the majority live in owner-occupied properties. All of Scotland's citizens have a stake in ensuring that people's property rights are appropriately registered and thereby protected.

The people of Registers of Scotland take great pride both in their professionalism and in the importance of their contribution to society. I congratulate them on that, and I thank them very much indeed for their work in 2006–2007. I also wish to thank my own Management Board, not least for their agility during what has been a year of rapid change. My thanks also go to our stakeholders in whom we are very fortunate for their support, and particularly to our Ministerial Advisory Board for the encouragement and sound advice that they gave us during the year.



**JAMES MELDRUM**  
Keeper of the Registers of Scotland  
and Chief Executive

August 2007



## SCOTLAND'S NATIONAL MAP GRID



# WHO WE ARE AND WHAT WE DO

Public registers have been kept by the state in Scotland for many centuries. The early registers consisted of state documents, Royal Charters and other writs. In the course of time additional registers were established for the purpose of giving individuals the power to have their rights officially recorded and thus protected. Scotland was one of the first countries to establish a national public register of deeds relating to land, designed to give security of ownership to the public.

Since 1948 responsibility for maintaining a number of public registers which provide for the registration in Scotland of legal documents has been vested in the Keeper of the Registers of Scotland. At the same time, a separate Department within the Civil Service was established to carry out the work. Since 1990 Registers of Scotland has been an Executive Agency. In 1996 the Agency was also established as a Trading Fund, self-financing from fees. In 1999 following the passage of the Scotland Act 1998 and the establishment of devolution, the Keeper became a member of the Scottish Administration as a non-Ministerial office holder.

The work of Registers of Scotland is dominated by the two main registers recording ownership of, and rights over, land and property – the General Register of Sasines and the Land Register of Scotland. The key features of these registers are:

## General Register of Sasines

The General Register of Sasines was established by statute in 1617 and is a register of deeds relating to the ownership of land. The fact that a deed appears in the register does not guarantee its validity or accuracy, merely that it is competent to be recorded. The boundaries of the title

are often described in words rather than on a detailed plan. The extent and validity of a title in the Register of Sasines is deduced from the terms of the recorded deeds. This register was the mainstay of the Scottish system of land ownership and interests from the 17th Century until the introduction of the Land Register on to which properties are now registered on creation or sale.

## Land Register

This is a state-guaranteed, plans based register established by the Land Registration (Scotland) Act 1979. It is a register of titles to interests in land. Progressively superseding the General Register of Sasines as the Scottish national land register, registration for the first time in the Land Register involves a comprehensive examination of the Sasine deeds, many of which may date back centuries, as part of the registration process. Titles on the Land Register are depicted on a plan, which is based on the Ordnance Survey map. The accuracy of titles on the register is guaranteed and backed by a statutory indemnity scheme.

Details of the other registers for which we have responsibility are provided on pages 30 and 31.

The range and volume of work undertaken by Registers of Scotland

fluctuates according to demand, notably according to the volume of housing related transactions. Details of present levels of work and particular challenges and objectives are set out in this report. We are based in Meadowbank House in Edinburgh and Hanover House, Glasgow (formerly at St. Vincent Street), and we also run two Customer Service Centres, one in Edinburgh and one in Glasgow.

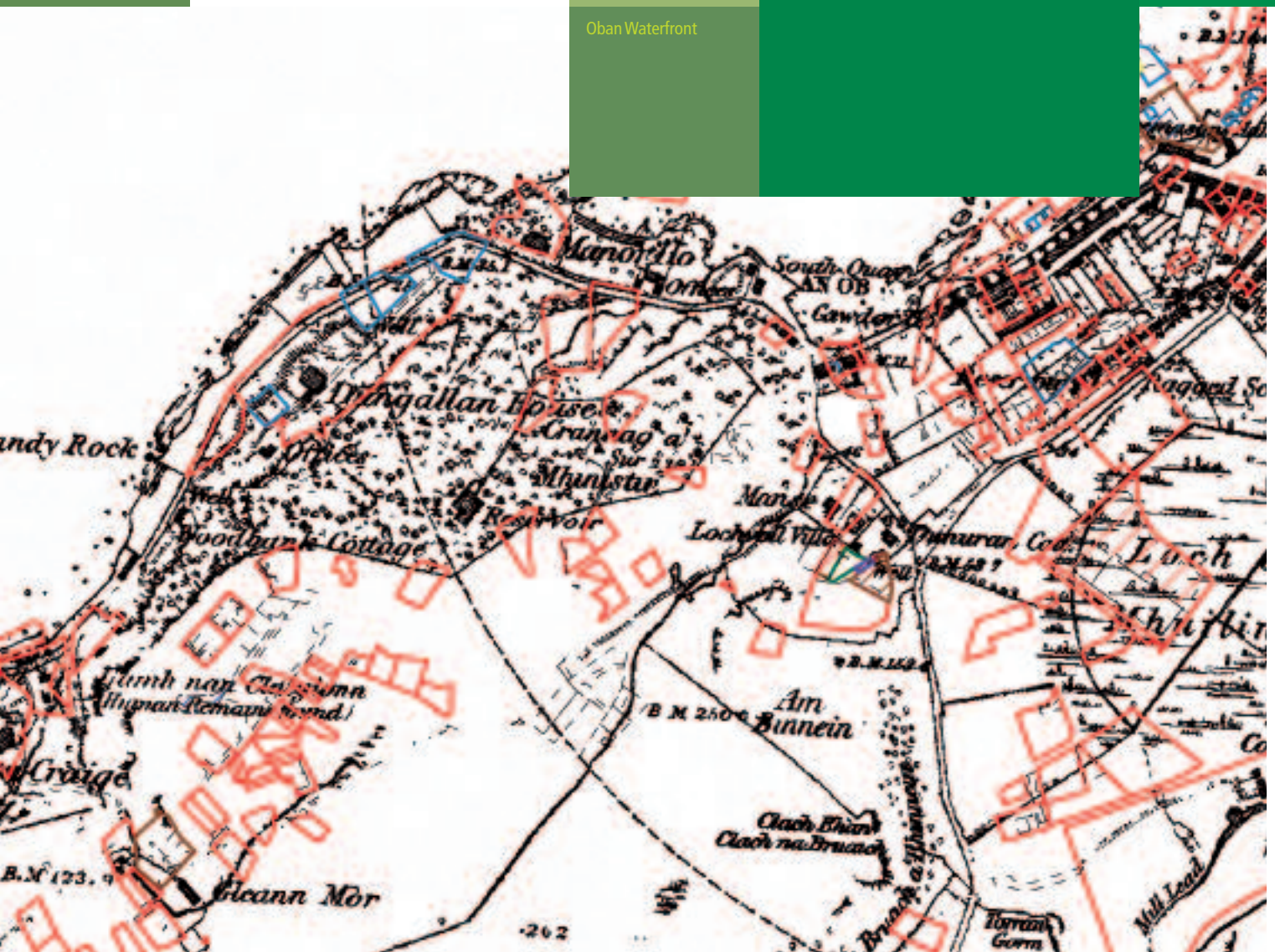
Our work is complex and technical in nature. A glossary is provided on pages 34 to 35 to assist readers of this report.



Data Types:  
 — County Series Maps  
 — Land Register Titles

We use this to compare registered title extents against historical mapping.

Oban Waterfront



# OUR VISION AND OBJECTIVES

Our vision is to be recognised as one of the most effective and efficient land registries in the world where:

- each entry on the register comprises a comprehensive statement of land and property ownership and interests;
- the register employs the latest in digital mapping products to create reliable, up to date title plans;
- public access is provided to all information contained in the registers by electronic and other means;
- there is provision for electronic registration of land and property transactions; and
- our services represent the best value for money possible.

Achieving our vision will 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. Our vision is being progressively realised.

In 2006–2007 our key future objectives were:

- to deliver our core business and meet performance targets;
- to deliver services to the satisfaction of our customers;
- to implement the requirements of the Abolition of Feudal Tenure etc. (Scotland) Act 2000 and the Title Conditions (Scotland) Act 2003;
- to introduce and develop electronic registration of land and property;
- to increase Land Register coverage;
- to reduce fees; and
- to improve existing information and consultancy services and introduce new services in response to customer needs.



# VOLUME OF REGISTRATIONS 2006–2007

## LAND REGISTER

### FIRST REGISTRATIONS

Intake	57,886
Despatch	56,609

### TRANSFERS OF PART

Intake	31,747
Despatch	23,035

### DEALINGS WITH WHOLE

Intake	341,320
Despatch	326,214

## GENERAL REGISTER OF SASINES

Intake Gross	96,511
Withdrawals	10,688
Intake Net	85,823
Despatch	86,725

## CHANCERY AND JUDICIAL REGISTERS

Number of Documents Lodged and Processed	88,119
--	--------

# REVIEW OF THE YEAR

**Registers of Scotland administers fifteen public registers, with the main bulk of our work concerning registration of title to land and property. The work of the Department has grown very considerably over the years due both to changes in society and also in our registration practice and procedures.**

Far more Scots now own their homes than previously and over the past few years there has been a major increase in the market for mortgages with people shopping around for the best deals and changing their mortgage providers more often. This in itself has meant a sea-change in the amount of business we deal with.

As to registration practices and procedures, it has always been in the nature of public registers in Scotland that they are indeed public, and searchable, and this is integral to the protection that they provide to the public. In recent years we have extended greatly the facilities available for the provision of information from our registers. But more fundamentally, the nature of the registration task itself has changed over time. Scotland's traditional General Register of Sasines for recording property transactions served it well, with limitations, for almost 400 years. But in 1981 Scotland started to build its own modern-style Land Register with two key features – a state guarantee of the accuracy of its contents (not the case for the General Register of Sasines, which was simply a register of deeds whose validity was not guaranteed) and with title extents drawn, statutorily, against the backdrop of Ordnance Survey Mapping. (Again this was not a requirement for the General Register of Sasines where descriptions of properties vary greatly in their accuracy and specification.)

Progressively, the Land Register has been superseding the General Register of Sasines with properties being brought on to it as they are bought and sold. Almost half of Scotland's registered titles are now on the Land Register, whose roll-out to cover all areas of Scotland was completed only in 2003. Activity on the General Register of Sasines involves only titles still recorded on that register and is confined to transactions not for value and the recording of mortgages and other charges and their discharge. Entry onto the Land Register requires a one-off examination of existing prior deeds on the General Register of Sasines so that a clear and accurate Land Register entry may be formed, which is then backed by our statutory indemnity scheme. This work is some of the most complex we do, and it needs care, judgement and prudence.

In 2006–2007 record levels of registrations took place. In raw terms, the number of applications to the General Register of Sasines and the Land Register rose by more than 12% over the previous year, with a real increase of some 4% in the volume of that work when weighted to take account of the mix of cases. Our other registers also reached new records: overall the Chancery and Judicial Registers took on some 88,000 recordings, an increase of 9% over the previous year. All of this continued the very substantial growth in work that there has been in the ten years or so since Registers of

Scotland became a Trading Fund in 1996, with a rise of over 40% in numbers of applications and some 160% in our output, when weighted, of Sasine and Land Register work. Unsurprisingly, this demand for registrations was accompanied by a record volume of requests for information from the registers. In particular, Registers Direct, our online search facility for professional users, scored 2.9 million hits, up by 16% from 2005–2006.

Managing that volume of work was challenging, but it was dealt with and all performance targets met, with similar staffing levels to the previous year, and inroads made into our backlog of complex work.

That is a very substantial achievement, and it was possible because of the improvements, both incremental and transformational, that have been made over the years in the way that we conduct our business. This constant modernisation continued during 2006–2007.

Our Change Programme took some very significant strides forward. Working with our IT partner, BT, we continued a very substantial refresh of our IT, designed in such a way as to facilitate the introduction of new systems and applications that will support new methods of working. All this was done in such a way as to ensure interoperability and compliance with recognised standards including the Openscotland Information Age Framework (OSIAF). We are very proud that this work achieved e-Government Interoperability Framework (e-GIF) Accreditation and that the

approach taken by the Partnership was subsequently awarded the British Computer Society (BCS) IT Professional Award, e-GIF for the Public Sector.

During the year IT-enabled changes also were made to the way we deal with our work. A prime example was the introduction of a Spatial Data Browser facility that enables those dealing with casework to overlay maps with aerial photography. (Examples of the results can be seen in the pictures in this Report.) We also introduced a new generation of eForms for use by solicitors. The updated eForms service makes the forms easier to complete and will allow accurate electronic scanning of the information provided on the forms. This is designed to enable applications for registration to be processed more efficiently and accurately. Additionally, these forms have been prepared in such a way as to enable in the future electronic extracts from the Land Register (Land and Charge Certificates) to be issued as an alternative to paper documents. This facility will also simplify the registration process for those in the legal profession making use of it.

We examined the efficiency of a number of aspects of our internal registration processes through a process improvement initiative which relied on the skills and knowledge of our people, and this resulted in a number of helpful outcomes.

Working with the National Archives of Scotland (NAS) we converted General Register of Sasines records to digital format to facilitate their accessibility and use, and introduced electronic transmission to NAS of current registration records.

Work on further, transformational elements of our Change Programme continued, notably through the development of Automated Registration of Title to Land (ARTL), our project to enable more straightforward registrations to be conducted entirely by electronic means between solicitors and the Land Register. This project is now in the course of rolling out, following extensive and careful testing, both internally and with users in the financial services industry and the legal profession. Our stakeholders were again of enormous assistance during 2006–2007 in the final stages of bringing this milestone project to fruition. We had intended starting roll-out in Spring 2007 rather than the Summer, but decided further development and testing work was necessary to ensure a smooth start to the system. Our stakeholders have been very supportive of the prudent approach we have taken to this.

In 2006–2007 we undertook a review of our registration fees. This enabled us to make a substantial reduction in the level of our fees and to introduce a simplified structure in January 2007. This has been widely welcomed by the legal profession and others and represents a substantial improvement in the value for money that we offer through a very significant reduction in expense for those involved in property transactions.

During the year we also were active in the implementation of the Scottish Parliament's and the then Scottish Executive's land and law reform programmes. We continued to administer the Register of Community Interests in Land, and undertook a pilot study into how best to update the Land Register to take account of the abolition of feudalism. Lessons learned from that will be invaluable in extending the updating throughout Scotland, as we intend to do over the next few years. We also continued to support the Scottish Law Commission in its major review of the Land Register's governing legislation, the Land Registration (Scotland) Act 1979.

More broadly, we supported the Modernising Government agenda of the Scottish Executive and its aims for more efficient and effective delivery of government services. As well as progressing our own programme of change, we participated fully in a number of initiatives aimed at joining up the delivery of public services and making them more accessible, for example, in taking forward with others, the Geographic Information Strategy for Scotland, and contributing to the development of such a strategy for the UK as a whole.

Scottish Ministers continued their consideration of RoS within the context of their relocation policy. Their conclusion was announced in November that we should consider relocation possibilities as part of our programme of change. Since then, we have stabilised the future of our operation in Glasgow, by leasing newly refurbished premises in the City's international financial services district. We also initiated a project to consider the prospects for 'agile working', addressing the potential for our people to work remotely, taking advantage of what will be an increasingly paperless and electronic working environment.

We continued to maintain our international links. We hold the General Secretaryship of the European Land Registry Association and through that medium were involved in discussions with both other land registries and the European Union about matters of mutual interest.

We continued to work on the development of the European Land Information Service (EULIS) with a number of other European countries. This service is designed to provide easy world-wide access to European electronic land and property information in order to promote and underpin a single European property market. We participated in the official launch of the live EULIS service at the European Mortgage Federation's Annual Conference in Brussels in November 2006.

Though the opportunities for international consultancy work in other countries, such as those in the former communist bloc, have not been as numerous as in the past and we have scaled down resource devoted to this, we nonetheless remained active. During the year we were involved in projects in Croatia, Bulgaria, Macedonia, Serbia and Slovakia. We also organised study tours during the year for officials from Bulgaria and Russia.

All in all 2006–2007 was a year when a great deal of operational business was dealt with successfully, and considerable steps taken to ensure that we are well positioned for our future challenges.

## Data Types:

- County Series Maps
- Aerial Photography

We use this to compare the features shown on historical mapping with those identified by current aerial photography.

## Oban Waterfront





# PERFORMANCE AGAINST TARGETS

The aim of the targets set for Registers of Scotland each year is to support and encourage us to improve continuously our level of service and the speed and accuracy with which our work is done, while ensuring that costs are controlled and financial stability maintained. The tables on pages 13 to 15 set out the results for the targets set for 2006–2007 and for each of the previous two years. They also contain details of the targets set by Ministers for financial performance in 2007–2008 and those set by the Keeper of the Registers (and endorsed by Ministers) for operational performance during 2007–2008. These targets were announced to the Scottish Parliament on 29 March 2007.

We met all of the targets set for 2006–2007. These included turnaround targets for dealing with current registrations and the legacy of complex casework. We also met our targets for registration accuracy and efficiency. The year was successful financially. We exceeded our target for financial rate of return (which is planned to reduce over time due to the effect of fee reductions introduced in 2006–2007). We met our customer service policy timescales.

It is particularly pleasing that during a year of considerable change, the introduction of new (albeit simplified and reduced) fees and a new generation of eForms etc. we exceeded our customer care target as measured by survey.

It was also heartening that the research showed that we were well regarded for our work in comparison with other public organisations.

Speed of Registration	2004–2005 Target	2005–2006 Target	2006–2007 Target	2007–2008 Target
Sasine Turnaround Times	To average no more than 15 working days over the year as a whole, and in any 4 week period* to average no more than 25 working days	To average no more than 15 working days over the year as a whole	To average no more than 20 working days over the year as a whole	To average no more than 20 working days over the year as a whole
<b>Result</b>	<b>Achieved 15.0 days</b>	<b>Achieved 13.6 days</b>	<b>Achieved 17.8 days</b>	
Dealings with Whole Turnaround Times	To average no more than 25 working days over the year as a whole, and in any 4 week period* to average no more than 30 working days	To average no more than 25 working days over the year as a whole	To average no more than 30 working days over the year as a whole	To average no more than 30 working days over the year as a whole. This applies to Dealings with Whole that are not processed through the ARTL system
<b>Result</b>	<b>Achieved 24.1 days</b>	<b>Achieved 21.4 days</b>	<b>Achieved 21.8 days</b>	
Domestic First Registrations Turnaround Times	<p>(1) To average no more than 90 working days over the year as a whole, and in any 4 week period* to average no more than 105 working days for domestic First Registrations received over the last 12 months</p> <p>(2) To eliminate stocks of domestic First Registrations over one year old during the next three years, with a milestone reduction of 25% from the stock position at 31 March 2004 by 31 March 2005</p>	<p>(1) To average no more than 90 working days over the year as a whole for domestic First Registrations received over the last 12 months</p> <p>(2) In line with the three year target to eliminate stocks of domestic First Registrations over one year old, to achieve a 62% stock reduction against the 31 March 2004 baseline by 31 March 2006</p> <p>(3) To eliminate all pre-July 2001 casework except where, for exceptional reasons, agreement has been reached with the Agent or where court proceedings are pending</p>	<p>(1) To average no more than 100 working days for all domestic First Registrations</p> <p>(2) To eliminate all pre-July 2002 casework except where, for exceptional reasons, agreement has been reached with the Agent or where court proceedings are pending</p>	<p>(1) To average no more than 100 working days for domestic First Registrations</p> <p>(2) To eliminate all pre-January 2004 casework where it is in our power to do so</p> <p>Some cases are outwith the Agency's control e.g. court action is in progress. Also, special arrangements are being made to deal with some applications associated with Large Scale Voluntary Transfers of local authority housing stock</p>
<b>Result</b>	<p><b>(1) Achieved average of 81.8 days</b></p> <p><b>(2) Achieved a 27.1% reduction from stock position of 31 March 2004</b></p> <p>*The four week periods referred to are the 13 periods into which Registers of Scotland divides its production year.</p>	<p><b>(1) Achieved average of 64.7 days</b></p> <p><b>(2) Not Achieved – 51.6% reduction from stock position of 31 March 2004</b></p> <p><b>(3) Achieved – 4285 pre-July 2001 cases eliminated – remaining 418 cases agreement reached with agents or court proceedings pending</b></p>	<p><b>(1) Achieved average of 69.6 days</b></p> <p><b>(2) Achieved – 3,117 pre-July 2002 cases eliminated – remaining 286 cases agreement reached with agents or court proceedings pending</b></p>	



Registration Accuracy	2004–2005 Target	2005–2006 Target	2006–2007 Target	2007–2008 Target
Land Certificates	To achieve a registration accuracy rate of at least 98% for applications despatched during the previous 12 months	To achieve a registration accuracy rate of at least 98% for applications despatched during the previous 12 months	To achieve a registration accuracy rate of at least 98% for applications despatched during the previous 12 months	To achieve a registration accuracy rate of at least 98% for applications despatched during the previous 12 months
<b>Result</b>	<b>Achieved 98.6%</b>	<b>Achieved 98.5%</b>	<b>Achieved 98.7%</b>	
<b>Financial</b>				
Return on Net Capital Employed (ROCE)	To achieve a return of 15% on net capital employed over the three year period ending 31 March 2005	To achieve a return of 15% on net capital employed over the three year period ending 31 March 2006	To achieve a return of 15% on net capital employed over the three year period ending 31 March 2007	To achieve a return of 15% on net capital employed over the three year period ending 31 March 2008 (set by the Scottish Ministers)
<b>Result</b>	<b>Achieved 29.1%</b>	<b>Achieved 28.6%</b>	<b>Achieved 26%</b>	
Standard Production Cost Index	To reduce the Standard Production Cost Index by 2% by 31 March 2005 from its base at 31 March 2004	To improve efficiency by 2% when comparing three year performance to 31 March 2006 against three year performance to 31 March 2005 against the Standard Production Cost Index	To limit the increase in the Standard Production Cost Index to 1% for the three years ending 31 March 2007 against the three year performance to 31 March 2006	To reduce the Standard Production Cost Index by 2% for the three years ending 31 March 2008 against the three year performance to 31 March 2007
<b>Result</b>	<b>Not Achieved – 0.5% reduction</b>	<b>Achieved – 4.1% reduction</b>	<b>Achieved – 0.5% reduction</b>	

Customer Service	2004–2005 Target	2005–2006 Target	2006–2007 Target	2007–2008 Target
Customer Satisfaction	<p>To continue to operate at Charter Mark standards by achieving:</p> <p>(1) a 98% rating for overall customer care in the annual customer satisfaction survey of solicitors; and</p> <p>(2) continuing a rolling programme of offering customer service reviews to customers, with 50 completed in 2004–2005</p>	<p>To continue to operate at Charter Mark standards by achieving:</p> <p>(1) a 98% rating for overall customer care in the annual customer satisfaction survey of solicitors; and</p> <p>(2) convening 6 focus groups around the country to obtain details of issues of particular importance to the legal profession</p>	To continue to operate at Charter Mark standards by achieving a 98% rating for overall customer care in the annual customer satisfaction survey of solicitors	To continue to operate at Charter Mark standards by achieving a 98% rating for overall customer care in the annual customer satisfaction survey of solicitors
Result	<p>(1) Achieved 99%</p> <p>(2) Achieved – 50 reviews completed</p>	<p>(1) Achieved 98%</p> <p>(2) Achieved – 6 Focus Groups completed</p>	Achieved 99%	
	To continue to operate at Charter Mark standards by processing 97% of all customer enquiries in compliance with the Agency's customer service policy	To continue to operate at Charter Mark standards by processing 97% of all customer enquiries in compliance with the Agency's customer service policy	To continue to operate at Charter Mark standards by processing 98% of all customer enquiries in compliance with the Agency's customer service policy	To continue to operate at Charter Mark standards by processing 98% of all customer enquiries in compliance with the Agency's customer service policy
Result	Achieved 97.4%	Achieved 99.1%	Achieved 99%	
Income from Information Provision				
Land Register Reports Service	(1) To maintain both market share and income level derived from the Land Register Reports service over the next three years, based on the position in 2003–2004	—	—	—
Registers Direct Service	(2) To increase revenue from Registers Direct by 7.5% over 2003–2004	—	—	—
Result	<p>(1) Not achieved – market share 3% behind – income 10% behind</p> <p>(2) Achieved – 9% increase</p>	—	—	—

# FINANCIAL COMMENTARY

Our capital structure comprises Public Dividend Capital (PDC), which is a notional investment made by government when Trading Funds are set up, and a loan from the National Loans Fund (NLF) which was agreed at the time Registers of Scotland became a Trading Fund and represents the value at that time of Meadowbank House. Since devolution we operate under a financial regime analogous to a Trading Fund.

The PDC is a fixed amount of £4,289,444 and the NLF loan stood at £3,134,375 at 31 March 2007. The loan was set at a fixed interest rate in 1996 payable over 40 years. The loan conditions do not represent a material risk to our finances.

By statute Registers of Scotland is self-financing. We generate sufficient income to cover our costs, pay a dividend to the government and pay interest on the NLF loan. The return on capital employed for the year ended 31 March 2007 amounted to 23.6%.

The 'Financed by' section of our balance sheet is completed by Provisions, Income and Expenditure Account and Revaluation Reserve.

Our assets comprise: fixed assets, principally our main building (Meadowbank House) plus IT hardware and software; and current assets of work in progress, debtors, and cash at bank and on short term deposit. We invest our cash reserves with the Treasury on a rolling two monthly cycle. Income from this investment is returned to the business. We also have current liabilities to creditors including trade creditors, accruals and sums owed to customers who have paid in advance and whose work has yet to be completed.

The difference between current assets and current liabilities represents the liquidity of the business, which at the end of Financial Year 2006–2007 was some £104.7 million.

Sales income increased from £79.1 million in 2005–2006 to £88.3 million for 2006–2007. Net operating expenses increased from £55.6 million to £59.4 million over the same period.

Our current financial trading position is strong, with cash flow and liquidity healthy throughout the year. Customers for registration services lodge payment with their applications, and this assists cash flow. Earnings from both registration and information services continued to grow and we continued to maintain close control over our cost base, all of which is reflected in the profits and return on capital as set out in our Annual Accounts.

However, forward financial projections show a significant reduction in income as a result of reviewing and reducing both registration and information provision fees. This will curtail the present strong financial results. Also, our forward planning includes a programme of change involving substantial capital investment in our IT infrastructure and

eServices. This will further impact the level of liquidity. Further details of both are noted in the Review of the Year and Strategy and Future Prospects sections of this report.

We continue to be sensitive to market conditions and do what we can to mitigate the effect of fluctuations, while continuing to provide high levels of service.



# CUSTOMER SERVICE

We are aware that public expectations are constantly rising and we strive to meet those expectations. For all our products and services we want to provide a high level of service. In 2006 we were awarded our fourth Charter Mark. Feedback was very positive with Best Practice achieved in eight elements of the criteria.

An action plan was drawn up to address areas highlighted for improvement. A number of actions were progressed as we worked towards our first annual surveillance review. These include:

- a review of training for front-line staff;
- research into new market sectors;
- preparing guidance for dealing with disabled customers;
- a review of customer service waiting areas to ensure that they meet disability requirements; and
- updating survey forms to capture additional information.

Our market research programme is reviewed annually to ensure that it provides essential feedback from our customers. All research is undertaken by independent market research consultants. Activities include:

- a major annual survey of solicitors;
- a mid-year tracking survey;
- mystery shops of the Customer Service Centres;
- customer service questionnaires;
- ad hoc surveys; and
- focus groups.

The results of our major survey for 2006–2007 can be found on pages 22 and 23 of this report. An action plan drawn up to address feedback will be monitored throughout 2007–2008.

Mystery shopping at the Customer Service Centres has proved to be an excellent way of testing the customer experience. This is carried out in person, by telephone, in writing, by fax and email. Front-line staff are given feedback on the results and participate in actions designed to raise the level of service. Users of the Customer Service Centres are invited to complete a customer service questionnaire. This assesses performance against standards and obtains views on value for money and the level of service received. Comments tend to be positive and it is pleasing to find that they often express the view that we are a public sector organisation that compares well to others. All of the questionnaires are logged, with any complaints responded to in the same way as formal complaints.

New questions were added to the annual survey to tease out information required for Charter Mark. Of particular note was a question to gauge perception of our performance compared with other public sector organisations. We were delighted with the high ratings achieved (see ratings on page 23).

We are constantly seeking ways of improving communication with our external stakeholders. We use Registers Updates to keep solicitors informed of our services, policies and procedures. Market research feedback indicated that this is the most popular form of communication with solicitors. Our website also continued to prove popular with over seven million hits in 2006–2007.

We publish a wide range of guidance notes and literature with specific information. These are targeted at the legal profession, other market sectors and the general public. All of our information can be provided in other languages and formats. In 2006 we published a new multi-language information leaflet.

We exhibit at a number of trade and consumer shows each year. At these events we install a live link to our systems to demonstrate the information that we can provide. These events are varied. In 2006–2007 we covered events ranging from the Council of Mortgage Lenders Annual Conference to the Ideal Home Show. We also held 17 seminars throughout Scotland to update the legal profession on the development of Automated Registration of Title to Land (ARTL). These were well received with over 1200 delegates attending.

In January 2007 we set up a dedicated eServices Support Desk to field all enquiries relating to our eServices. This was timed to coincide with the launch of the new eForms service and the commencement of our new Fee Order which reduced and simplified fees payable for registration.



Our Account Managers specialise in different sectors and provide training on eServices. Training for Registers Direct (our online facility for professional users) is a valued service that is delivered free of charge by the Account Managers. Online training packages on eServices have also been developed to meet customer demand. These can be accessed via our website at [www.ros.gov.uk](http://www.ros.gov.uk)

The Customer Service Centres have targets to meet in terms of customer waiting times. The target is to deal with personal callers within ten minutes of arrival. Both the switchboard and the Service Centres have a target of responding to telephone calls within ten seconds. This year we dealt with 99% of personal callers within the target time and our average response time for telephone calls was less than seven seconds.

We have targets for a number of products and services that are associated with, and support, registration. These include:

- General Letter Enquiries  
**8 working days**
- Post Registration Enquiries  
**8 working days**
- Copy Deeds  
**2 working days**
- Office Copies of Land Certificates  
**5 working days**
- Extracts from the Books of Council and Session  
**6 working days**
- Pre-Registration Enquiries  
**10 working days**
- Land Register Reports  
**3 working days**
- Corrections to Land Certificates  
**8 working days**

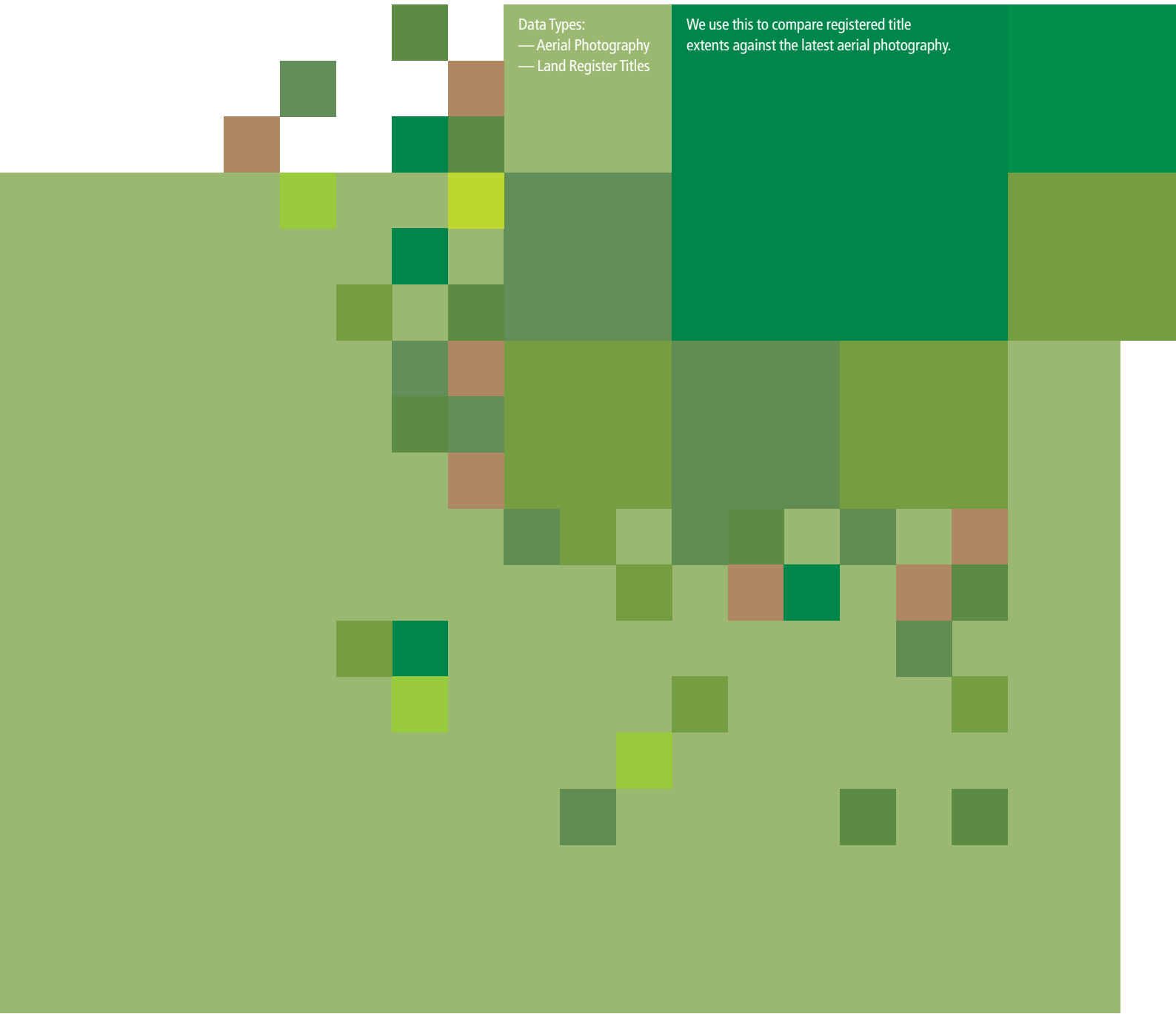
In 2006–2007 the target was to process 98% of these enquiries in the response time stated. We achieved 99%. These turnaround times are reviewed annually and for 2007–2008 we have reduced the Pre-Registration target from 10 to 7 working days.

We have an established complaints procedure that is easy to use. This is detailed in our complaints leaflet 'Putting Things Right'. We have a policy to settle concerns at the point of service delivery where possible. However, we actively encourage customers to complain as we believe that this feedback is essential to improve services. We have timescales for dealing with complaints and they are all thoroughly investigated. In 2006–2007 we received 69 complaints. The majority of these related to speed of service. We also carry out an audit at the end of the financial year to obtain feedback on the actual procedures. Feedback indicates that complainants are generally satisfied with the procedures.

Oban Waterfront







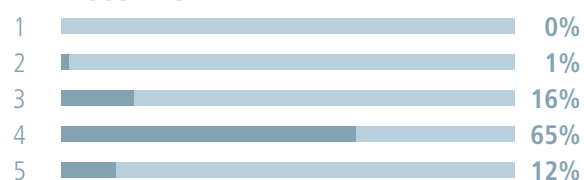
# MARKET RESEARCH FEEDBACK 2006–2007

## KEY FINDINGS FROM THE ANNUAL SURVEY CUSTOMER RATINGS 1 TO 5 WHEREBY 1 IS VERY POOR AND 5 IS EXCELLENT

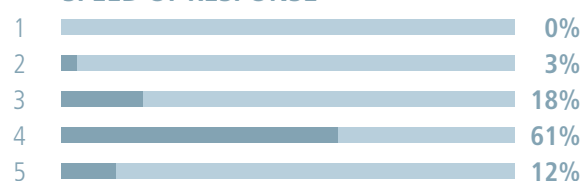
Percentages may not add up to 100% as not all those consulted had a view or had used every service

### OVERALL STANDARDS OF SERVICE

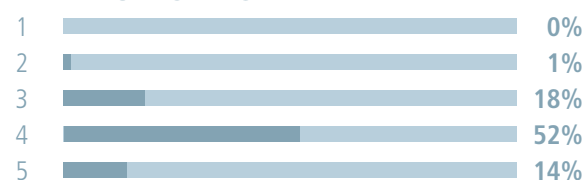
#### ACCURACY



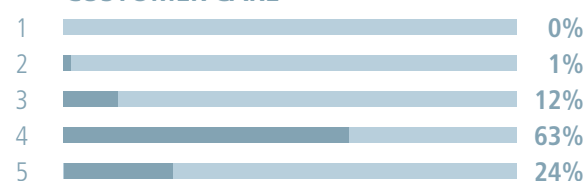
#### SPEED OF RESPONSE



#### VALUE FOR MONEY

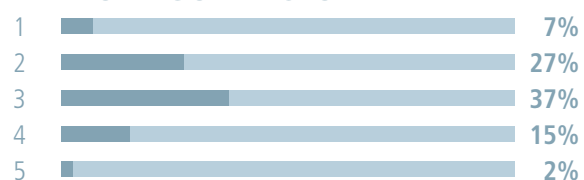


#### CUSTOMER CARE

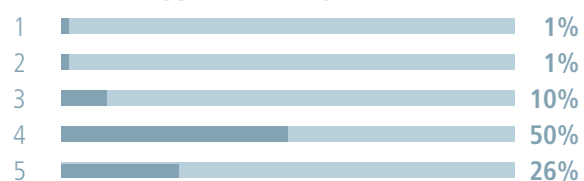


### SPEED OF REGISTRATION AND CUSTOMER SERVICE

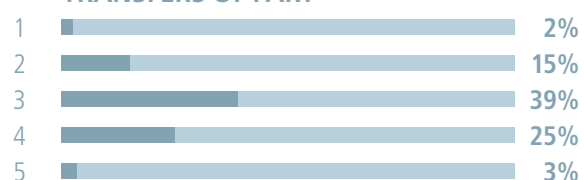
#### FIRST REGISTRATIONS



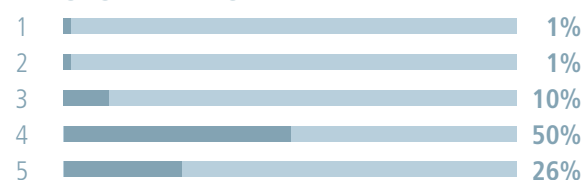
#### DEALINGS WITH WHOLE



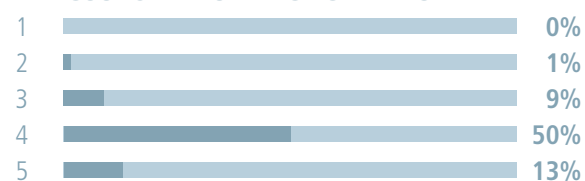
#### TRANSFERS OF PART



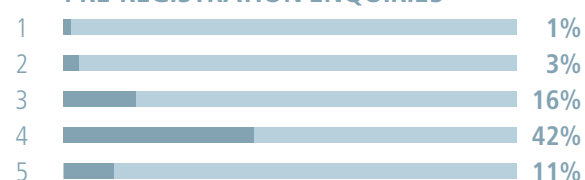
#### SASINE WRITS



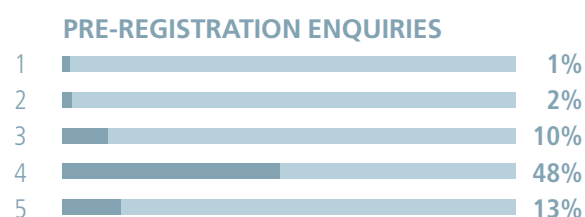
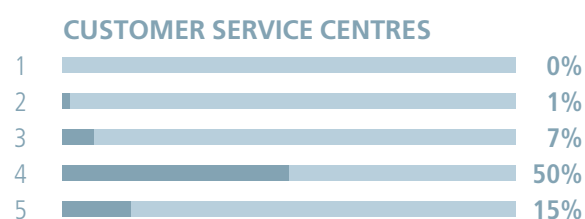
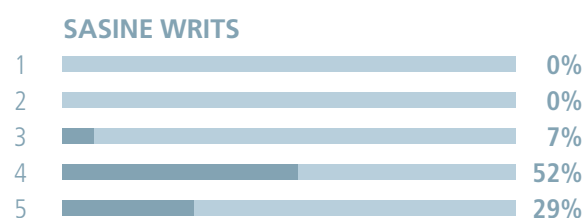
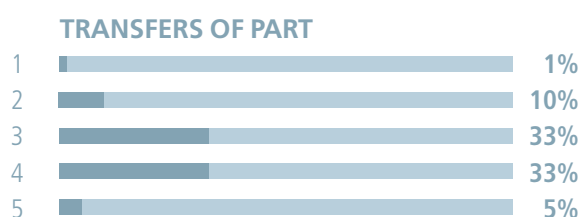
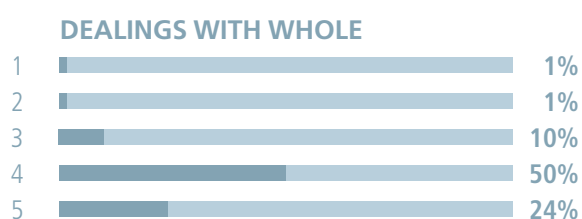
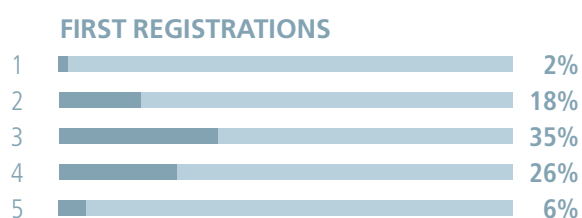
#### CUSTOMER SERVICE CENTRES



#### PRE-REGISTRATION ENQUIRIES



## QUALITY OF REGISTRATION AND CUSTOMER SERVICE



## HOW REGISTERS OF SCOTLAND COMPARES WITH OTHER PUBLIC ORGANISATIONS

	Worse than others	The same	Better than others	Don't know
Speed of service	2%	10%	69%	19%
Helpfulness of staff	—	9%	71%	20%
Fees and charges	2%	16%	48%	35%
Overall quality of service	—	9%	69%	22%

# OUR PEOPLE

The average number of our staff in 2006–2007 was 1447, including 266 part-timers. This amounted to 1358 full time equivalents. Forty nine percent of staff are female and 2.7 percent of staff are of ethnic minority origin. Under the terms of the Disability Discrimination Acts 1995 and 2005, 7 per cent of staff have assessed themselves as being disabled.

We carried out 26 recruitment campaigns in 2006–2007. There are procedures in place to ensure that recruitment is open and fair with selection on merit in accordance with the recruitment code set down by the Civil Service Commissioners. This is subject to internal check.

We provided many training and development opportunities for our staff. Legislative changes, new ways of working, the development of e-services and raised customer expectations were all taken into account. We want to be sure that our people have the key skills required to deliver the high level of service that our customers expect. More fundamentally, we need to continue to ensure that they are expert, professional and meticulous in their work, which can be complex and demanding of sound and careful judgement. We value greatly the technical knowledge and experience of our people. We have a continuous Registration Officers' Development Programme to equip them with the vocational expertise they require. For example, last year as part of the 2006–2007 programme we developed and delivered sessions on identity fraud to all staff involved in registration.

We continued our Management Development Programme and Managers were also kept updated on our Change Programme. Our personal development programme was extended to include all non-managerial staff. We also provided opportunities for staff to study for professional qualifications through our further education policy. Customer service staff received training on providing excellent customer care and they also have the opportunity to gain an SVQ in Customer Service.

In 2006–2007 we were assessed for the third time against the Investors in People Standard. We continued to meet the standard, demonstrating that we continually review the effectiveness of our training and development activities to ensure that they add value to our performance.

We renewed our membership of the Employers' Forum on Disability. This enables us to share good practice with others. In December 2006 our Disability Equality Scheme was published. This was drawn up following consultation with staff and input from a Staff Disability Forum. We continued to monitor our activities in line with our Race Equality Scheme.

We have a health and safety management system to ensure that a safe and healthy environment exists for staff. On our Intranet we provide advice on health and safety and we offer specialist training for managers. Regular reports on health and safety are prepared for the Board. The level of accidents is very low. See below for a summary of our accident history:

Year	Reportable Accidents
2002–2003	1
2003–2004	0
2004–2005	3
2005–2006	4
2006–2007	3

We are very proud of our Scotland's Health at Work (SHAW) Gold Award. In January 2007 it was re-affirmed that we continue to meet the requirements for the gold status.

Charter Mark feedback from our successful 2006 re-application identified a key strength as being the high level of commitment we have to working with the community. Throughout the year we extended our community involvement, particularly in the Glasgow area. As part of our involvement with the then Scottish Executive's Determined to Succeed initiative activities included:

- assisting Castlemilk High School in Glasgow with fund raising, planning and promotional activities with their Uganda Appeal Project;
- providing two staff from our Glasgow office to take part in Clevedon High School Enterprise Day – pupils were tasked with inventing, producing and marketing a product with a limited budget;
- producing and printing a health topic calendar for Ruchill Autism Unit incorporating artwork from pupils; and
- working with a number of schools and an after school club to promote good hygiene.

We know from feedback that our community involvement has proved to be rewarding for both staff and the children who participate.

As part of our involvement with the Prince's Trust, two of our staff spent four months as volunteer Assistant Team Leaders with one member continuing for an additional four months, at the request of the Trust.

We continued our commitment to protecting the local and wider environment. This was the first year that we set ourselves quantified environmental objectives and targets and trying to meet them proved to be challenging.

Although we reduced our electricity consumption in Meadowbank House in the early part of the year we lost ground later in the year as, increasingly, existing and new IT systems were running in tandem as part of the transition to more modern IT systems. We made progress in reducing our paper consumption. However, we have put in place building blocks to help enable further improvements in the future. These included environmental awareness training which was well received by staff. Looking forward, we have sought to put in place challenging, but not unrealistic, targets. The targets we have set this year cover a longer period and we have identified clearly the measures we intend to put in place to achieve them.

# STRATEGY AND FUTURE PROSPECTS

As will be evident from earlier sections of this report, the most major long-term challenge for Registers of Scotland is to deal with increasing volumes of work, both as a result of activity in the housing market and also because of increasing numbers of purely mortgage-related transactions. We try very hard to project forward as best as we can what this will mean for the various types of registration work that we deal with. We have some success in that, but inevitably any such exercise, depending as it does on a wide number of external, economic and societal events, is prone to imprecision. A result of this planning and regular review, however, is that we manage to avoid sudden lurches in the effectiveness with which we can deal with work, seeking at all times to ensure that we are resourced, but not over-resourced, to handle the business coming into us.

We assess that over the next few years there will continue to be rises in the overall volume of business with which we deal. As the Land Register matures we will see a drop over time in First Registrations and also in work being undertaken in the General Register of Sasines. But this will be more than compensated for by increases in Dealings with Whole (transactions affecting properties already on the Land Register) and Transfers of Part (transactions involving sub-division of an existing Land Register title). Demand for our related services will also continue to increase. The medium term resource plans that we have allow for this and, with the effects of our Change Programme, should enable us over the next few years to set increasingly rigorous targets for how we deal with our work. We will continue to tackle backlogs of complex cases to ensure that in all respects our registration work is increasingly up to date where we are in a position to conclude cases. Our plans are intended

to allow us proactively to take steps (which we have already begun) to bring more properties on to the Land Register, for example through working with public and private authorities with large scale land holdings. We should be able to meet the other objectives described earlier in this plan to enhance our customer service, to deal with the effects of feudal abolition and to continue downward pressures on fees, for example through a review during 2007–2008 of our fees for information provision.

As noted above, however, all this is very dependent on judgements as to business volumes, and these are constantly monitored and adjusted to the best of our ability.

Our strategy is very much centred now on bringing about transformational change to our business processes, both internally and in how we deal with the legal profession, financial institutions and others in relation both to the delivery of registrations themselves and also the associated provision of information.

This IT-enabled change programme will continue, assisted by our IT partner, BT. The introduction of Automated Registration of Title to Land (ARTL) during 2007–2008 will be a milestone, transforming radically the way that straightforward registrations can be dealt with. Success in this will, inter alia, depend on the willingness of the financial institutions and the legal profession to use ARTL. We have been greatly heartened by their enthusiasm for this and their recognition of its benefits. Their very close involvement in the design of the system should, we believe, also encourage a good level of take up. In addition, ARTL represents a very significant joining up of government services. We will act as agents of HM Revenue and Customs (HMRC) in collecting Stamp Duty Land Tax through the system. This also has been greatly welcomed by the legal profession and we have been very grateful to HMRC for the close working relationship we have enjoyed with them in taking forward both the systems and legal aspects of this.

During 2007–2008 we will be continuing to modernise our core IT systems and business processes seeking at all times to build in improved resilience, effectiveness and potential for interoperability. We will progressively remove paper content from our internal processes and, also develop the means to allow the legal profession to submit digitally signed deeds in electronic format for registration.

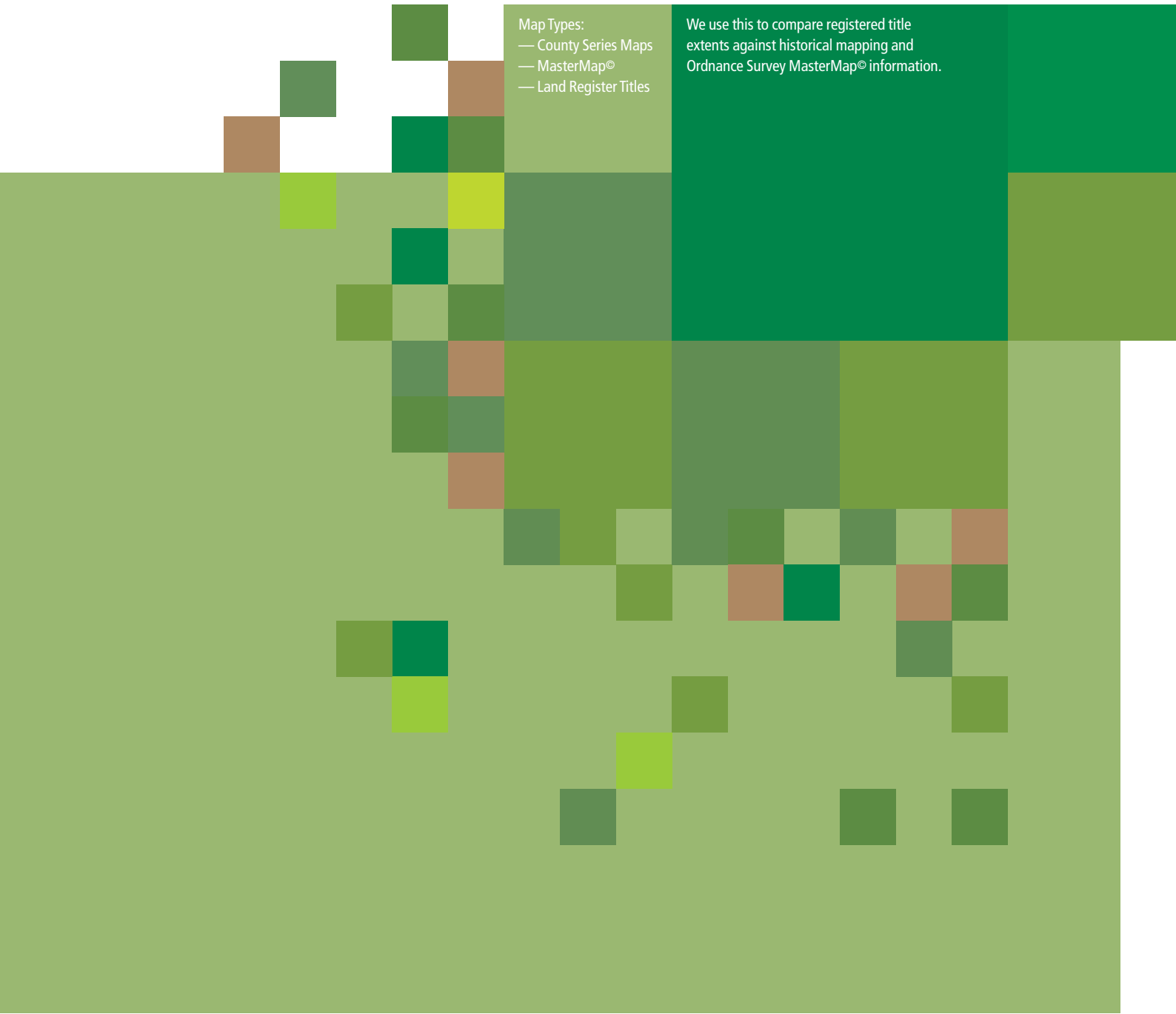
While the main burden of our work concerns registration of title to land, Registers of Scotland is not simply a land registry. We have a generic expertise in public registration of legal deeds and transactions. In addition to the range of registers that we currently administer, presently we are working on the development of two new registers – a Register of Sites of Special Scientific Interest, due to go live in 2007–2008 and a Register of Floating Charges, planned for introduction in 2009–2010. We will also continue to work closely with the Scottish Law Commission in their major review of the Land Registration (Scotland) Act 1979 to help them to ensure that the changes arising from that exercise are well informed by practice and reflect the up to date needs of a system of land registration in Scotland.

We will continue to engage closely with others in Government, and elsewhere, to ensure that we participate fully in the new Scottish Government's ambitions for the modernisation of public services in Scotland.

All of what we do will continue to be directed by the knowledge that our work is vital to Scotland. Through public registration we protect people's rights and we are deeply conscious of that responsibility. We will continue to act according to law and impartially, and will undertake our work with care and prudence. We are now associated with the new Scottish Government's Finance and Sustainable Growth portfolio, and that reflects our importance in underpinning the economy and the way in which society in Scotland works. It is our task to be worthy of that, and to ensure that the systems of registration that we operate continue to command public confidence.







# CHANCERY AND JUDICIAL REGISTERS

In addition to the Land Register and the General Register of Sasines, Registers of Scotland has statutory responsibility for the following registers:

## Register of Inhibitions and Adjudications

An Inhibition is a writ whereby a debtor is prohibited from selling or burdening his property and an Adjudication is a transfer of property to a creditor in satisfaction of a debt. Sequestrations are also registered in this register. The purpose of the register is to give notice to the public that a person who is inhibited cannot grant a good title to a property. A purchaser of heritable property always insists on a search in this register to ensure that the seller is under no legal disability that prevents them from selling.

## Register of Deeds and Probative Writs in the Books of Council and Session

This register has existed since 1554, and is used for the registration of an original probative or holograph writing (i.e. a writing which is authenticated in a manner prescribed by Scots law in order to acquire privileged status). It also serves as a safe deposit for important documents which might otherwise stand in danger of being lost.

## Register of Judgments in the Books of Council and Session

The Civil Jurisdiction and Judgments Act 1982 implemented a European Convention for the enforcement of judgments. The Act made provision for a Register of Judgments where Certificates of Judgments passed in the Courts of contracting States could be registered.

## Register of Community Interests in Land

The Register of Community Interests in Land contains details relating to registrations of interest under the Community Right to Buy in Part 2 of the Land Reform (Scotland) Act 2003, which came into force on 14 June 2004. It also contains registrations pertaining to the rights of secure agricultural tenants under Part 2 of the Agricultural Holdings (Scotland) Act 2003, which came into force on 15 December 2004. The Act provides the opportunity for community bodies representing rural areas in Scotland to register an interest in and buy registered land when it comes to be sold. In a similar manner, the Agricultural Holdings Act provides for secure agricultural tenants to register their interest in exercising a right to buy when the land, which they tenant, is put up for sale.

## Register of Service of Heirs

Service of Heirs is a process whereby an heir proves that he or she is the heir-at-law of an ancestor according to the pre-1964 law of inheritance.

## Register of Sheriffs' Commissions

Record of Commissions by the Crown appointing Sheriffs-Principal of Scotland.

## Register of Protests

When a debtor grants a Bill of Exchange or a Promissory Note and fails to make payment by the due date, a deed narrating the facts is prepared by a Notary Public and registered. The deed is called a Protest.

## Register of the Great Seal

The Seal is affixed by ribbon to Commissions issued to the Lord Advocate, Queen's Counsel, the Lord High Commissioner of the General Assembly of the Church of Scotland and to Royal Charters and other Royal appointments. The Scotland Act 1998 provides for all Letters Patent signed with Her Majesty the Queen's own hand signifying Her Assent to a Bill passed by the Scottish Parliament and all Royal Proclamations regarding the Parliament and its elections to be registered in the Register of the Great Seal.

## Record of the Cachet Seal

The Cachet Seal is a facsimile of Her Majesty the Queen's signature. The use of this is now confined to the authentication of certain Royal Warrants.

### Register of the Prince's Seal

The Prince's Seal is used to authenticate deeds granted by the Prince and Steward of Scotland (i.e. the eldest son of the reigning sovereign, who holds residual Crown Lands in Scotland in lieu of the Sovereign.)

### Register of the Quarter Seal

This register is now used only to record gifts of heritable property which fall to the Sovereign as the ultimate heir (i.e. taking property in the absence of an heir or beneficiary of a deceased person, or of owners of a defunct company.)

### Register of Crown Grants

This register was a record of grants by Crown Departments or Commissioners of Crown Lands. (This register is no longer active. Records are however held in the National Archives of Scotland.)

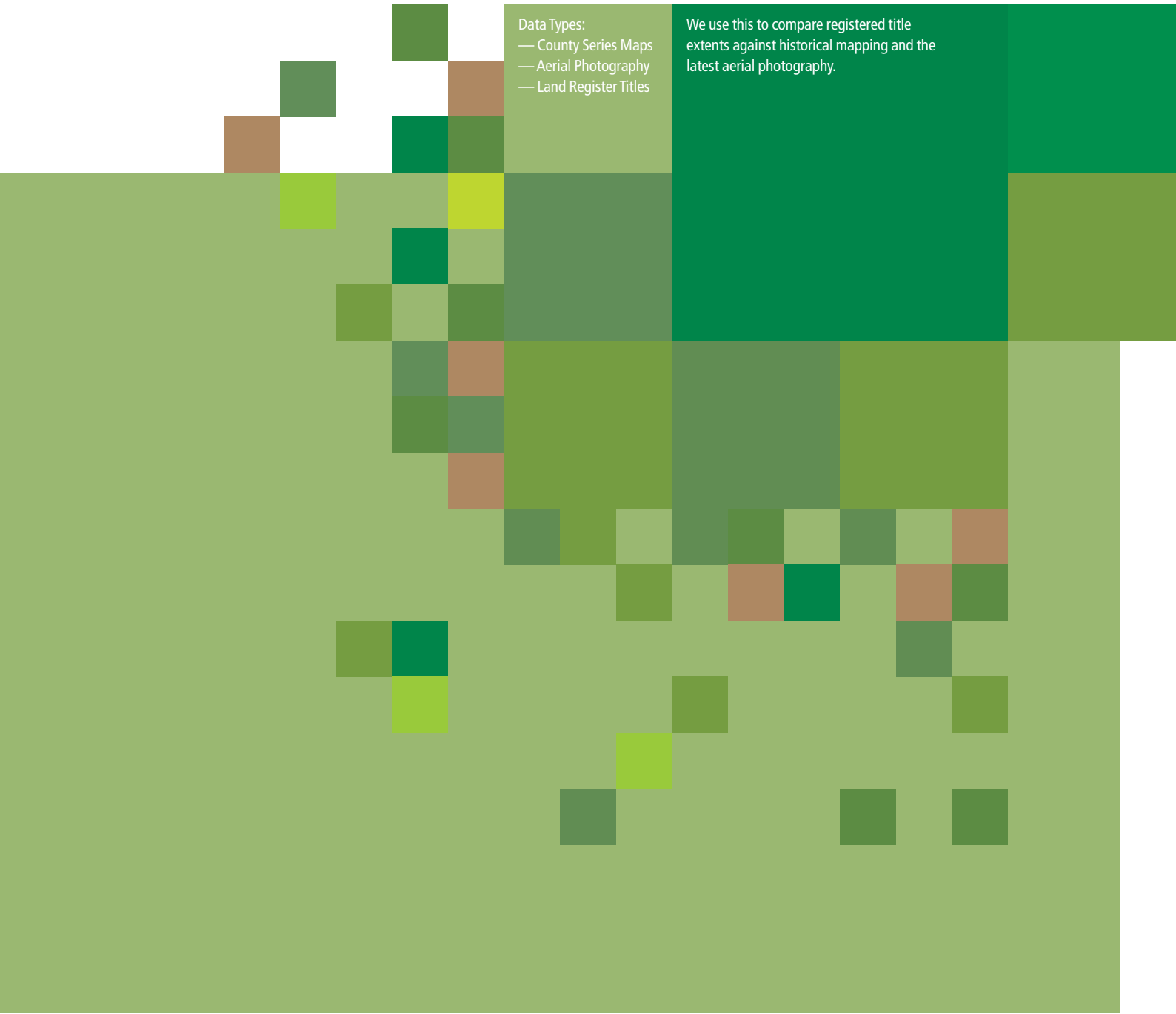
### Register of Hornings

This register was used for the recording of Letters of Horning which were obtained from the Court and formed the authority for publicly denouncing the debtor as an outlaw. The Debtors (Scotland) Act 1987 provided for the abolition of Letters of Horning. (This register is no longer active. Records are however held in the National Archives of Scotland.)



Oban Waterfront





# GLOSSARY

## **Abolition of Feudal Tenure etc. (Scotland) Act 2000**

The main effect of this Act is to modernise the system of land ownership. Feudal superiorities and most attendant rights, such as to collect feu duty, were abolished with effect from 28 November 2004. In certain circumstances some rights relating to the use and management of property were preserved.

## **Agricultural Holdings (Scotland) Act 2003**

Part 2 of the Act specifies that the Keeper must keep a separate part of the Register of Community Interests in Land for the registration of the interests of secure agricultural tenants in acquiring land. Tenants may apply to register their interest in acquiring the land comprised in their lease and the right to buy will be triggered by the landlord deciding to sell. The provisions came into force in December 2004.

## **Automated Registration of Title to Land (ARTL)**

Automated Registration of Title to Land (ARTL) is a project to introduce paper-free registration of Dealings with Whole. Paper applications to register Dealings with Whole would be replaced by electronically transmitted digital documents registered with minimal human intervention.

## **Coverage**

The operation of the Land Register was extended progressively across Scotland in a programme that began in 1981 and now covers all counties. As a property is registered only at the point at which it is sold, there remain a large number of properties outwith the Land Register and increasing the number of properties in the Land Register, currently around 49%, will remain a major objective in future years.

## **Dealing with Whole**

Registration of any transaction or event, such as a sale or new mortgage, affecting the whole of an interest already registered in the Land Register. This also applies to any dealing with part of a registered interest where the Keeper does not need to make up a new Title Sheet.

## **First Registration**

The registration in the Land Register of an interest in land not previously registered in the Land Register. This involves a one-off examination of all relevant Sasine title deeds and the identification and precise delineation of the property extent on the Ordnance Survey map.

## **Integrated Registration Project**

The Integrated Registration Project will deliver an IT system that will support a paper-free office and an efficient, integrated registration production process. Its IT infrastructure will also facilitate electronic registration.

## **Land Certificate**

An authenticated copy of the Title Sheet (including the Title Plan) issued on completion of an application for registration of an interest in land. This is, in effect, a hard or electronic copy of the Title Sheet. It contains a plan, details of rights, ownership details, mortgage details (if any) and details of conditions which affect the registered interest.

## **Land Reform (Scotland) Act 2000**

Section 36 of the Act provides that the Keeper shall set up and maintain a Register of Community Interests in Land (RCIL). Part 2 of the Act confers on rural community bodies a right of first option to purchase land which is connected to that community if the land comes up for sale. The community body must apply to pre-register its interest with Scottish Ministers, who will then instruct the Keeper to make an entry in the Register. The landowner is then prohibited from transferring the land. Part 2 of the Act came into force on 14 June 2004 and the Register came into existence on that day.

## **Nature Conservation (Scotland) Act 2004**

Section 22 of the Act provides that a new national Register of Sites of Special Scientific Interest will be created and maintained by the Keeper. The Agency is working with colleagues at Scottish Natural Heritage to identify the best way of creating a register that will meet the needs of scientific interests, property professionals and the Scottish public.



### Register of Floating Charges

Floating charges are a type of security which may be granted by companies and limited liability partnerships. At present, particulars of floating charges are registered with the Registrar of Companies some days after the charge has come into being. A Scottish Law Commission recommendation that in future charges over assets in Scotland should be constituted by registration is currently before the Scottish Parliament in the Bankruptcy and Diligence etc. (Scotland) Bill. If enacted, this will make provision for a new Scottish Register of Floating Charges maintained by the Keeper. It is intended that a data-sharing arrangement between Registers of Scotland and Companies House will avoid the need for such floating charges to also be registered with the Registrar of Companies.

### Register of Sites of Special Scientific Interest

See Nature Conservation (Scotland) Act 2004.

### Registers Direct

An online service for professional users that offers up to date access to the land and property and personal registers; both textual and graphical information.

### Review of Land Registration (Scotland) Act 1979

The Scottish Law Commission is undertaking a fundamental review of the legislation governing the operation of the Land Register. The review will seek to remedy certain difficulties encountered in operating the register under the 1979 Act and to propose a revised legislative framework for the future operation of the register. Three discussion papers have been published and the responses to those are assisting the Commission in the formulation of a draft Land Registration Bill.

### Title Conditions (Scotland) Act 2003

The main effect of this Act, together with the Abolition of Feudal Tenure (Scotland) Act 2003 is to clarify, simplify and modernise the law relating to burdens that regulate the maintenance and use of land and buildings. It does so by completely overhauling the law of burdens and other real conditions and setting up a new regime for creating, varying and extinguishing burdens. Implementation of these two Acts involves a detailed reappraisal of every Title Sheet in the Land Register.

### Title Sheet

The up to date computerised record of each interest in land registered in the Land Register and maintained by the Agency. A Land Certificate is a hard or electronic copy of the Title Sheet.

### Title Plan

A plan showing the extent of the title and forming part of the Title Sheet. The Title Plan is related to the Ordnance Survey map.

### Trading Fund Status

A Trading Fund is a method of financing and accounting for the activities of a Government Department or Agency outside the usual system of Vote finance. Essentially, it establishes the organisation on a more “commercial” basis.

### Transfer of Part

A sale, lease, assignation or gift of a part of a registered interest. A new build or the division of an existing property would fall into this category. A typical Transfer of Part might contain two deeds – a transfer deed and a mortgage deed.



# REGISTERS OF SCOTLAND ACCOUNTS 2006–2007

## CONTENTS

38	FOREWORD TO THE ACCOUNTS
41	STATEMENT OF AGENCY'S, CHIEF EXECUTIVE'S AND ACCOUNTABLE OFFICER'S RESPONSIBILITIES
42	STATEMENT ON INTERNAL CONTROL
44	REMUNERATION REPORT
46	INDEPENDENT AUDITOR'S REPORT
48	INCOME AND EXPENDITURE ACCOUNT
48	STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
49	BALANCE SHEET
50	CASH FLOW STATEMENT
52	NOTES TO THE ACCOUNTS
65	FINANCIAL SUMMARY
66	DIRECTION BY THE SCOTTISH MINISTERS

## 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.

### History

Registers of Scotland is a non-Ministerial Department and was established as an Executive Agency on 6 April 1990. The Agency achieved Trading Fund status as of 1 April 1996. The Trading Fund is financed by a Capital Loan from the National Loans Fund and Public Dividend Capital, both based on the Balance Sheet (including Meadowbank House) as at 1 April 1996. Since 1 April 2000 the Agency's financial regime has been regulated by the Public Finance and Accountability (Scotland) Act 2000. The Head Office is located at Meadowbank House, London Road, Edinburgh with a further office at 150 St. Vincent Street, Glasgow, transferring to Hanover House, 24 Douglas Street, Glasgow in July 2007. The Agency also operates 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 15 public registers (described in greater detail in the Annual Report), which provide for the registration in Scotland of legal documents. The work at the Agency 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 will eventually replace 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

The Agency's 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 available in accordance with statute and customer needs. During the period 2006–2007 the Agency was working towards the following corporate objectives as set out in our 2006–2011 Corporate Plan:

- to deliver the Agency's core business and meet performance targets;
- to deliver services to the satisfaction of our customers;
- to implement the requirements of the Abolition of Feudal Tenure (Scotland) Act 2000 and the Title Conditions (Scotland) Act 2003;
- to introduce and develop electronic registration of land and property;

- to increase Land Register coverage;
- to reduce fees; and
- to improve existing information and consultancy services and introduce new services in response to customer needs.

### Business Performance

2006–2007 was an excellent year for the Agency. 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 set for us by Scottish Ministers. There was a 12.4% increase in the overall volume of registrations maintaining our high level of output. In the same period, operating surpluses rose from £24.5 million to £29.2 million and the three year return on net capital employed fell from 28.6% to 26.0%. We continued to deliver our services to the satisfaction of our customers scoring 99% in our customer satisfaction survey.

A major achievement of the year was significantly reducing and simplifying our registration fees. This was done following a review and public consultation. The new fee structure will lead to an estimated 26% reduction in registration income, providing even better value for money for our customers.

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 Integrated Registration Project and Automated

Registration of Title to Land (ARTL). These will deliver real efficiency and effectiveness gains for the Agency and its customers. Systems stability continued at very high levels with over 99% availability for all our registration systems. Registers Direct continued to build its customer base and to exceed growth targets.

Throughout the year work continued on our pilot project to assess how best we should implement the requirements of feudal abolition and title conditions legislation. We also began to address in more detail how best to take forward work to extend the Land Register and we continued to talk to important potential customers such as the Crown Estates Commissioners, the Forestry Commission and the National Trust for Scotland.

### Supplier Payment Policy

Unless otherwise stated in the contract, payment is made within 30 days of receipt and agreement of invoices for goods and services completed to the satisfaction of the Agency. The Agency has in place a system for dealing quickly with complaints and disputes and advises suppliers without delay when invoices, or part invoices, are contested. Our Finance Division continually monitors for any payment outwith the '30 day period'. A check of all invoices for goods and services from suppliers covering the full year established that 99% were paid within the credit period allowed. The average creditor payment days for the year amounted to 16 days (2005–2006: 17 days). The Agency made no payments of statutory interest under the Late Payment of Commercial Debts (Interest) Act 1998.

The Agency has signed up to the Suppliers' Charter which is intended to form an agreement between public purchasers and the business community. The Suppliers' Charter requires public bodies to commit to develop procurement processes with the aim of ensuring fairness and transparency.

### Dividend

During the year a dividend of £5,442,271 was paid to the Scottish Executive (2005–2006: £4,045,889). Dividends are payable based on the difference between 6% return on average net assets (less provisions) and interest payable on capital loans.

### Health and Safety

Our low reportable accident rate reflects our commitment to ensuring Health and Safety standards receive a high profile within the Agency. Health and Well-being initiatives have been ongoing throughout the year. The Agency's efforts in this area were recognised by NHS Scotland through our attainment of Scotland's Health at Work (SHAW) Gold Award and, in January 2007, it was re-affirmed that we continue to meet the requirements of the gold standard.

### Diversity

The Agency provides a range of opportunities for staff to participate in flexible working arrangements to help balance their work and domestic commitments.

The average number of full time equivalent staff employed over the last year was 1358. The part-year-working scheme has continued and the number of part-time staff working in the Agency

in 2006–2007 was 266. During the year we had 35 new entrants with 104 leavers (including retirements and casual staff).

The percentage of female staff employed by the Agency totals 49.3% and 2.7% of staff are from ethnic minority backgrounds. We continue to monitor our activities under our Race Equality Scheme. In December 2006 we published our Disability Equality Scheme, which was drawn up with input from a staff Disability Forum. The Agency is accredited as a Disability Symbol user by the Department for Work and Pensions, which confirms that 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 Agency premises have been audited for access in line with the DDA.

### Developing Staff

At Registers of Scotland, we are committed to training and developing our staff and we value our Investors in People accreditation.

Training for staff in the Registration Directorate is a continuing priority to ensure that our staff have the necessary skills to maintaining the accuracy and integrity of the registers for which we are responsible. Over the year staff have received training in new procedures brought about by a number of legislative changes. Training needs arising from our Change Programme have been identified and work is underway to develop and design training for staff on the new IT systems being introduced during the course of the next year.

## FOREWORD TO THE ACCOUNTS

Management Development training has continued to be delivered throughout the year. The Agency's personal development programme was extended to include staff at support grades. This programme is available to all staff and is offered twice a year.

Customer care courses were developed and delivered for staff in the Agency's two Customer Service Centres.

### **Management Board**

The Management Board at 31 March 2007 comprised

#### **James Meldrum**

Keeper/Chief Executive

#### **Bruce Beveridge**

Deputy Keeper

#### **Sheenagh Adams**

Managing Director

#### **Alison Chisholm**

Director of Finance  
and Business Planning

#### **Ian Davis**

Director of Legal Services

#### **Janet Kyle**

Director of Human Resources

#### **Andy Smith**

Director of Registration

#### **Mike Traynor**

Director of Information

Sheenagh Adams was appointed Managing Director on 24 April 2006 replacing Frank Manson.

### **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 the Agency'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 the Agency'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.

**SHEENAGH ADAMS**

Accountable Officer

9 August 2007

## STATEMENT OF AGENCY'S, CHIEF EXECUTIVE'S AND ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 the Scottish Ministers have directed the Registers of Scotland Executive Agency Trading Fund 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 the Agency'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 the Agency 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 judgements 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 the Agency 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. Sheenagh Adams, Managing Director, has been appointed by the Permanent Secretary to the Scottish Executive as Accountable Officer.

Section 15 of the Public Finance and Accountability (Scotland) Act 2000 sets out particular duties that may be assigned to the Agency'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 in relation to the operation of the various public registers for which he is responsible. In addition, the Keeper is responsible for the running of RoS, in particular:

- 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;
- 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.



# 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 the Registers of Scotland’s policies and aims, and objectives set by the Scottish Ministers, 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 the Agency’s transactions and the stewardship of its assets.

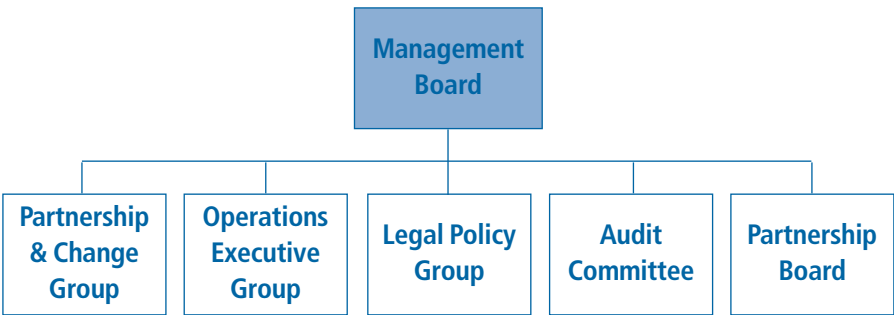
The system of internal control, which includes corporate governance arrangements and risk management, is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance 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 Agency policies, aims and objectives;
- (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 Registers of Scotland for the year ended 31 March 2007, unless where otherwise specified, up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### Corporate Governance

Registers of Scotland has an integrated system of corporate governance designed to ensure proper internal control and the delivery of the Agency’s objectives. Our corporate governance structure is as follows:



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

<b>Management Board</b>	Development of strategy and policy Performance and Governance of the Agency Commissioning and approving Corporate Plan, Business Plan and Budgets
<b>Partnership and Change Group</b>	Development and delivery of change programme aspects of the Corporate and Business Plans and the Organisational Change and Benefits Realisation Plans Managing the transition from project to operational reality Stakeholder engagement within the Change Programme Partnership management and alignment with the business
<b>Operations Executive Group</b>	Development and delivery of operational aspects of the Corporate and Business Plans, including resourcing Stakeholder engagement within operations Implementation of change into operations Delivery of Benefits Realisation
<b>Legal Policy Group</b>	Development of operational legal policy
<b>Audit Committee</b>	Receives reports from independent internal auditors on the adequacy of systems of internal control and the formal report of the external auditors
<b>Partnership Board</b>	Oversees and develops the partnership between the Agency and BT

## STATEMENT ON INTERNAL CONTROL

The Agency's corporate governance is under review and changes will be introduced in 2007–08 including the adoption of a new Framework Document, the appointment of Non Executive Directors to the Board and the appointment of an entirely non executive Audit Committee.

### Audit Committee

The Audit Committee met three times during the year under the independent chairmanship of Eleanor Emberson. The other non executive member was David Cullen (who resigned from the Committee in December 2006). Executive attendees included James Meldrum, Frank Manson, Sheenagh Adams and Alison Chisholm. Representatives of the internal and external auditors attended each of the meetings.

### RoS Ministerial Advisory Board

Scottish Ministers were advised in the exercise of their functions in relation to RoS by the RoS Ministerial Advisory Board (RoSMAB). RoSMAB was chaired by the Head of the Scottish Executive Development Department (SEDD), who acted as "Fraser Figure" for the Agency, supporting Scottish Ministers and ensuring sufficient co-ordination and, where appropriate collaboration, between the Agency and the Scottish Executive. RoSMAB met quarterly and its secretariat was provided by SEDD. The Keeper, Deputy Keeper and the Managing Director attended RoSMAB in addition to three non executive members, who were recruited for the particular business, commercial or other skills they have.

### Risk Management

The Agency manages risk as an integral yet distinct part of its system of internal control. The Agency has completed an Enterprise Risk Management Project that has identified the key risk areas within the organisation and designed and implemented appropriate controls and responses. This has included a comprehensive programme of training in risk awareness, the creation of the system of risk registers, the creation of detailed

plans in relation to business continuity and the creation of a dedicated post of Enterprise Risk Manager to oversee risk management, data security and business continuity planning.

In Registers of Scotland the processes in place for identifying, evaluating and managing risk are well embedded.

At the planning stage, risk is identified and evaluated as an integral part of the planning process. Our business planning devotes considerable attention to identifying and quantifying risk. For operational activities this involves evaluating the likelihood and effect of potential risk, to inform judgements regarding the acceptability or otherwise of both the risks themselves and risk management strategies. Risk in relation to project activities is identified and evaluated within the comprehensive system of project and programme management operated throughout the Agency. Operating according to the principles of the PRINCE 2 programme and project management regime, the Business Change Team ensures that individual project risk, programme risk (i.e. the risks resulting from interdependency among projects) and change implementation risks are managed holistically. In particular, the Agency is focused upon risks to benefit realisation and these are monitored throughout the life cycle of projects.

Within our operational environment, risk management is embedded in our control systems to the greatest degree practicable. Managers at all levels review the activities they control on a daily, weekly and monthly basis, reporting by exception changes that affect performance risks. This in turn forms the basis of the risk register compiled and maintained by the Management Board. Similar procedures apply in relation to customer relations, planning, legal policy and project and programme management. The Audit Committee, which has overall responsibility for organisational risk management, compiles and maintains the organisation's risk register, based upon the combined output of the management

groups and the work of Internal Audit. Ultimate responsibility for strategic risk management rests with the Management Board, based upon the advice of the Audit Committee and operational groups and where appropriate, taking external professional advice in relation to specific issues, for example the development of the IT partnership.

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control 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 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.

Throughout the year, the Management Board has received regular reports from the Audit Committee, operational management groups and individual projects that have included reviews of the risk attaching to specific activities. The Audit Committee has met regularly, commissioning a programme of work from the Internal Auditors designed among other things to test the systems of internal control and reviewing the reports on that programme of work. Where necessary, the Committee has monitored actions arising from the recommendations of Internal Audit until such actions have been completed to the Auditors' satisfaction.

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

**SHEENAGH ADAMS**  
Accountable Officer

9 August 2007

## REMUNERATION REPORT

### Remuneration Policy

The Keeper and Chief Executive, Deputy Keeper and Managing Director are all members of the Senior Civil Service. The remuneration of Senior Civil Servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;

— Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;

— the funds available to departments as set out in the Government's departmental expenditure limits; and

— the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

### 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.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

The three most senior managers are members of the Principal Civil Service Pension Scheme (see Note 18). Their actual remuneration including bonuses, allowances, PCSPS pension entitlements and Cash Equivalent Transfer Values are as follows:

	Emoluments	Accrued pension at age 60 at 31/3/07 and related lump sum	Real increase in pension and related lump sum at age 60	CETV* at 31/3/07	CETV at 31/3/06	Real increase in CETV <sup>o</sup>
	£000	£000	£000	£000	£000	£000
James Meldrum Keeper and Chief Executive	85–90	30–35 plus lump sum of 95–100	0–2.5 plus lump sum of 0–2.5	625	595	9
Bruce Beveridge Deputy Keeper	55–60	5–10 plus lump sum of 20–25	0–2.5 plus lump sum of 0–2.5	108	99	8
Sheenagh Adams Managing Director (appointed 24/4/06)	60–65	20–25 plus lump sum of 60–65	5–7.5 plus lump sum of 15–17.5	369	250	96
Frank Manson Managing Director (left 30/6/06)	30–35	10–15 plus lump sum of 35–40	2.5–5 plus lump sum of 10–12.5	242	181	79

None of the above received any benefits in kind during the year. The Agency has additional Directors who are not considered Directors under the scope of Section 234A of the Companies Act.

## REMUNERATION REPORT

### \*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 CETV figures, and from 2003–2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the Civil Service Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### °Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of 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.

A Remuneration Committee was in place to discuss and approve non-SCS Board Directors' pay and remuneration. It was chaired by David Smith (a member of the RoS Ministerial Advisory Board) and its members were James Meldrum, Sheenagh Adams and Bruce Beveridge.

### SHEENAGH ADAMS

Accountable Officer

9 August 2007

## REGISTERS OF SCOTLAND EXECUTIVE AGENCY 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 Registers of Scotland for the year ended 31 March 2007 under the Public Finance and Accountability (Scotland) Act 2000. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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 anyone, other than the parties to whom this report is addressed, or to third parties.

### Respective responsibilities of the Agency, Accountable Officer and Auditor

The Agency and Accountable Officer are responsible for preparing the Annual 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 Agency's, Chief Executive's and Accountable Officer's Responsibilities.

Our responsibility is to audit the financial statements in accordance with the 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 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 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 and section 9 of the Public Finance and Accountability (Scotland) Act 2000.

We also report if, in our opinion, the Foreword is not consistent with the financial statements, if the Agency 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 Agency's compliance with Scottish Executive guidance. We report if, in our opinion, it does not comply with the guidance or if it is misleading or inconsistent with other information we are aware of from

our audit of the financial statements. We are not required to consider, nor have we considered, whether the Statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Agency'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. This other information comprises only the Remuneration Report, except the section on Remuneration and Pension Benefits. 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 the Public Finance and Accountability (Scotland) Act 2000 and 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. An 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 Agency and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency'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.

## Opinion

### 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 Agency as at 31 March 2007 and the net operating cost, recognised gains and losses and cash flows for the year then ended; and
- 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.

## 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 and section 9 of the Public Finance and Accountability (Scotland) Act 2000.

## Grant Thornton UK LLP Chartered Accountants and Registered Auditors

Conference House  
152 Morrison Street  
Edinburgh EH3 8EB

9 August 2007



## INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2007

	NOTES	2007 £000	2006 £000
<b>Turnover</b>	2	<b>87,703</b>	78,684
Change in WIP	11	<b>338</b>	963
		<b>88,041</b>	79,647
Other operating income		<b>592</b>	431
		<b>88,633</b>	80,078
<b>Operating expenses</b>			
Staff costs	3	<b>38,711</b>	36,451
Depreciation	4	<b>3,770</b>	3,405
Other operating charges	6	<b>16,931</b>	15,719
		<b>59,412</b>	55,575
<b>Operating Surplus</b>		<b>29,221</b>	24,503
Interest receivable	8	<b>6,866</b>	5,214
Interest payable	9	<b>(265)</b>	(273)
<b>Surplus</b>		<b>35,822</b>	29,444
Dividend paid/payable	10	<b>(7,152)</b>	(5,442)
<b>Retained Surplus for the financial year</b>		<b>28,670</b>	24,002

During the year there were no material acquisitions or disposals.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2007

	2007 £000	2006 £000
Surplus for the financial year	<b>35,822</b>	29,444
Unrealised surplus on revaluation of fixed assets	<b>852</b>	294
<b>Total recognised gains and losses relating to the year</b>	<b>36,674</b>	29,738

The notes on pages 52 to 64 form part of these accounts.

## BALANCE SHEET

As at 31 March 2007

	NOTES	2007 £000	2006 £000
<b>Fixed Assets</b>			
Tangible Assets	4	27,960	21,602
Intangible Assets	5	2	42
		<b>27,962</b>	<b>21,644</b>
<b>Current Assets</b>			
Debtors: amounts falling due after one year	12	69	147
Current asset investment	Cash Flow Note 4	140,000	112,000
Work in Progress	11	6,504	6,166
Debtors: amounts falling due within one year	12	3,446	3,175
Cash at bank and in hand	Cash Flow Note 4	16,724	20,434
		<b>166,743</b>	<b>141,922</b>
<b>Creditors:</b>			
Amounts falling due within one year	13	62,028	60,225
<b>Net Current Assets</b>		<b>104,715</b>	<b>81,697</b>
Long Term Liabilities	13	1	7
Provision for Liabilities and Charges	14	645	719
<b>Net Assets</b>		<b>132,031</b>	<b>102,615</b>
<b>Financed by:</b>			
Capital Loan	15	3,028	3,134
Public Dividend Capital	15	4,289	4,289
Income and Expenditure Account	16	115,964	87,294
Revaluation Reserve	17	8,750	7,898
		<b>132,031</b>	<b>102,615</b>

The notes on pages 52 to 64 form part of these accounts.

**SHEENAGH ADAMS**

Accountable Officer

9 August 2007

## CASH FLOW STATEMENT

<b>Cash Flow Statement For the year ended 31 March 2007</b>	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Net cash inflow from operating activities	<b>35,930</b>	36,156
Returns on investments and servicing of finance (Note 3)	<b>952</b>	800
Capital expenditure (Note 3)	<b>(12,486)</b>	(7,923)
	<b>24,396</b>	29,033
<b>Management of liquid resources</b>		
Short term deposits at National Loans Fund	<b>(28,000)</b>	(21,000)
Financing (Note 3)	<b>(106)</b>	(107)
Increase in cash	<b>(3,710)</b>	7,926

## NOTES TO THE CASH FLOW STATEMENT

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

Operating surplus	<b>29,221</b>	24,503
Depreciation charge	<b>3,770</b>	3,405
(Increase) in work in progress	<b>(338)</b>	(963)
Increase in indemnity provision	<b>18</b>	3
(Decrease) in early retirement provision	<b>(92)</b>	(11)
Decrease (Increase) in debtors: amounts due after one year	<b>78</b>	(112)
(Increase) in debtors: amounts due within one year	<b>(68)</b>	(603)
(Decrease) Increase in creditors: amounts due after one year	<b>(6)</b>	7
Increase in creditors: amounts due within one year	<b>3,340</b>	9,920
Loss (Gain) on sale of fixed assets	<b>7</b>	7
<b>Net cash inflow from operating activities</b>	<b>35,930</b>	36,156

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

Increase in cash in the period	<b>(3,710)</b>	7,926
Cash to repay capital loan	<b>106</b>	107
Cash used to increase liquid resources	<b>28,000</b>	21,000
<b>Change in net funds</b>	<b>24,396</b>	29,033
Opening net funds	<b>129,194</b>	100,161
<b>Closing net funds</b>	<b>153,590</b>	129,194

The notes on pages 52 to 64 form part of these accounts.

## NOTES TO THE CASH FLOW STATEMENT

### Note 3: Gross Cash Flows

#### Returns on investments and servicing of finance

	2007 £000	2006 £000
Interest received	6,663	5,124
Interest paid	(269)	(278)
Dividend paid	(5,442)	(4,046)
	952	800

#### Capital Expenditure

Payments to acquire intangible fixed assets	–	(3)
Payments to acquire tangible fixed assets	(12,486)	(7,921)
Receipts from sales of tangible fixed assets	–	1
	(12,486)	(7,923)

#### Financing

Repayment of Capital Loan	(106)	(107)
---------------------------	-------	-------

### Note 4: Analysis of Changes in Net Funds

	1 April 2006 £000	Cash flows £000	Other changes £000	31 March 2007 £000
Cash in hand and at bank	20,434	(3,710)	–	16,724
Debt due within 1 year	(106)	106	(106)	(106)
Debt due after 1 year	(3,134)	–	106	(3,028)
Current asset investment	112,000	28,000	–	140,000
	129,194	24,396	–	153,590

The Current asset investments are funds invested at the National Loans Fund temporary deposit facility.

#### Cash in hand and at bank at 31 March 2007 as above is made up of:

	£000
Office of HM Paymaster General	15,200
Commercial Banks	1,521
Cash	3
	16,724

The notes on pages 52 to 64 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 the Agency 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. The Agency 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 the Agency fall outwith the scope of Value Added Tax. VAT on expenditure on 'contracted-out services' can be recovered in full by the Agency. 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:

Software	see below
Plant and Machinery	5 years
Computer equipment	see below
Office equipment	5 years
Freehold Building	30 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 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.

The Agency 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 the Agency, nor the records ancillary to them.



## NOTES TO THE ACCOUNTS

### 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 on previous page.

### 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 18). The Agency 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 man days and floor space.

### Creditors

The Agency 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.

## NOTES TO THE ACCOUNTS

	2007 £000	2006 £000
<b>2. Turnover</b>		
First Registrations	15,536	15,854
Transfers of Part	6,811	6,251
Dealings with Whole	50,199	41,398
Sasines	5,997	6,148
Registers Direct and Customer Service Centres	5,655	5,589
Chancery and Judicial Registers	1,704	1,760
Reports and other	1,801	1,684
	<b>87,703</b>	<b>78,684</b>

	2007 £000	2006 £000
<b>3. Staff Costs and Numbers</b>		
(i) Employee costs during the year amounted to:		
Wages and salaries	30,380	29,227
Social Security costs	2,173	2,069
Other pension costs (see Note 18)	5,354	4,530
Restructuring costs	154	302
Temporary agency staff	475	135
Seconded staff	168	117
Contract staff	–	67
Other staff costs	7	4
Charged to the income and expenditure account	<b>38,711</b>	<b>36,451</b>
Less: recoveries of staff seconded out	<b>168</b>	<b>117</b>
	<b>38,543</b>	<b>36,334</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:

	2007 £000	2006 £000
At 1 April	537	602
Credited to Income and Expenditure Account within Staff Costs	(216)	(272)
	<b>321</b>	<b>330</b>
Increase during the year	47	207
At 31 March	<b>368</b>	<b>537</b>
Due within one year	(130)	(207)
Provision – due after more than one year (see Note 14)	<b>238</b>	<b>330</b>

## NOTES TO THE ACCOUNTS

(iii) The average number of full time equivalent staff directly employed during the year was 1,358 (2006: 1,387) and was made up as follows:

	2007	2006
Registration	1,058	1,087
Corporate Services (including Customer Service Centres)	300	300
	1,358	1,387
Temporary agency and contract staff	38	10
	1,396	1,397
Less seconded out	4	3
	1,392	1,394

### 4. Tangible Fixed Assets

(i) Revalued amounts

	Land Freehold £000	Buildings Freehold £000	Back Conversion £000	Plant & Machinery £000	Computers £000	Software £000	Office Equip. £000	Total £000
<b>Valuation</b>								
At 1 April 2006	1,535	6,908	5,761	1,464	8,405	21,117	2,532	47,722
Additions at cost	–	–	–	32	2,600	6,367	243	9,242
Disposals at valuation	–	–	–	–	(8)	(243)	–	(251)
Permanent diminution	–	–	–	–	(318)	–	(1)	(319)
Revaluation in year	73	331	224	11	–	564	44	1,247
At 31 March 2007	1,608	7,239	5,985	1,507	10,679	27,805	2,818	57,641

### Depreciation

At 1 April 2006	–	250	5,284	1,397	4,576	12,375	2,238	26,120
Charge for year	–	237	450	45	511	2,003	191	3,437
Disposals at valuation	–	–	–	–	(2)	(243)	–	(245)
Backlog depreciation	–	17	209	8	(27)	128	34	369
At 31 March 2007	–	504	5,943	1,450	5,058	14,263	2,463	29,681
<b>Net Book Value at 31 March 2007</b>	<b>1,608</b>	<b>6,735</b>	<b>42</b>	<b>57</b>	<b>5,621</b>	<b>13,542</b>	<b>355</b>	<b>27,960</b>
<b>Net Book Value at 31 March 2006</b>	<b>1,535</b>	<b>6,658</b>	<b>477</b>	<b>67</b>	<b>3,829</b>	<b>8,742</b>	<b>294</b>	<b>21,602</b>

## NOTES TO THE ACCOUNTS

### IT Partnership – BT

On 1 December 2004 the Agency 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 the Agency. The accounting treatment has therefore been to treat the IT assets similar to that of a finance lease. Assets will be paid for by the Agency 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 the Agency. This arrangement covers the figures in the above table under Computers and Software.

### Freehold Land and Buildings

Note 1 on Accounting policies states that the Agency will professionally revalue freehold land and buildings every three years and in the intervening years the figures will be updated by a “desktop” valuation. Freehold land and buildings were revalued at £8,250k as at 31 March 2005 on the basis of existing use value. The valuation at 31 March 2005 has been split £1,500k land and £6,750k buildings. The expected useful life was put at 30 years. This compares to the valuation at 31.3.02 of £10,855k, split £2,500k land and £8,355k buildings, and 25 years expected useful life. The valuation was carried out by external valuers, GVA Grimley Property Advisers and was prepared in accordance with the requirements of the RICS Appraisal and Valuation Manual.

(iii) The depreciation charge recorded in the Income and Expenditure account of £3,770,000 (2006: £3,405,000) comprises £319,000 (2006: £13,000) written off the replacement cost of assets to reflect a permanent diminution in value net of backlog depreciation, plus £3,451,000 (2006: £3,392,000) 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 2006	755
Revaluation in year	7
At 31 March 2007	762
<b>Depreciation</b>	
At 1 April 2006	713
Charge for year	41
Backlog depreciation	6
At 31 March 2007	760
Net Book Value at 31 March 2007	2
Net Book Value at 31 March 2006	42

## NOTES TO THE ACCOUNTS

### 6. Other Operating Charges

	2007 £000	2006 £000
<b>Staff Related Costs</b>		
Travel and subsistence expenses	225	214
Staff training	432	557
Other staff costs	98	165
<b>Supplies and Services</b>		
Catering	273	274
Security	283	281
Equipment and services	9,335	8,194
Operating leases – vehicles	7	9
General administrative expenditure	1,470	1,305
Services from Ordnance Survey	555	615
Copy deeds/quick copies	185	178
Professional fees	115	247
Bank Charges	57	61
Indemnity and legal costs	455	442
External Audit	52	55
Internal Audit	36	54
<b>Accommodation and Utilities</b>		
Estate Charges	1,210	1,161
Operating leases – rents	882	893
Repairs, maintenance and minor works	486	301
Utilities	446	398
Environmental services	322	309
Loss (Gain) on sale of fixed assets	7	6
	<b>16,931</b>	<b>15,719</b>

Equipment and services have increased mostly due to maintaining IT legacy systems longer than anticipated.

Repairs, maintenance and minor works reflect an increased activity in re-furbishing offices, in particular Reprographic and HR areas.



## NOTES TO THE ACCOUNTS

### 7. Losses

The Agency settled 88 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 £398,492 (2006: 83 claims, £394,174).

	2007 £000	2006 £000
<b>8. Interest Receivable</b>		
Investment of surplus cash	6,866	5,214

### 9. Interest Payable

National Loans Fund originating debt	265	273
--------------------------------------	-----	-----

### 10. Dividend

Dividend paid/payable on Public Dividend Capital (see Note 15)	7,152	5,442
--	-------	-------

### 11. Work in Progress

Work in progress	6,504	6,166
------------------	-------	-------

The movement in work in progress of £338,000 per the Income and Expenditure Account is made up of:

	2007 £000	2006 £000
Increase in asset balances	338	963

## NOTES TO THE ACCOUNTS

### 12. Debtors:

	2007 £000	2006 £000
<b>Amounts falling due within one year</b>		
Trade debtors	728	749
Less: Provision for bad debts	(12)	(12)
Net trade debtors	716	737
Other debtors	1,059	995
VAT	1,043	902
Prepayments and accrued income	628	541
	<b>3,446</b>	<b>3,175</b>

### The above is further analysed as:

	2007 £000	2006 £000
Other central government bodies	2,059	1,857
Local authorities	75	69
NHS bodies	4	4
Bodies external to government	1,308	1,245
	<b>3,446</b>	<b>3,175</b>

### Amounts falling due after more than one year

Other debtors (see (a) below)	69	147
-------------------------------	----	-----

(a) Other debtors at 31 March 2007 include £31,026 (2006: £117,422) relating to loans to employees under the Home Computing Initiative which commenced in 2005 and will end in July 2008.

## NOTES TO THE ACCOUNTS

### 13. Creditors: Amounts falling due within one year

	2007 £000	2006 £000
Trade creditors and accruals	3,207	8,546
Other tax and Social Security	1,236	1,190
Fees received in advance	50,281	44,886
Overpayment refunds outstanding	46	55
Dividend payable	7,152	5,442
Repayment of Capital Loan	106	106
	<b>62,028</b>	<b>60,225</b>

### The above is further analysed as:

	2007 £000	2006 £000
Other central government bodies	8,861	7,026
Local authorities	303	292
Bodies external to government	52,864	52,907
	<b>62,028</b>	<b>60,225</b>

### Amounts falling due after one year: Long-term liabilities

Home Computing Initiative cost of capital	1	7
---	---	---

## NOTES TO THE ACCOUNTS

### 14. Provisions for Liabilities and Charges

	Early Retirements (see Note 3) £000	Indemnities (see Note 19) £000	Total £000
At 1 April 2006	330	389	719
Additional provision made	34	443	477
Amounts incurred and charged against provision	(126)	(399)	(525)
Unused amounts reversed	–	(26)	(26)
At 31 March 2007	238	407	645

#### 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 19).

### 15. Reconciliation of Movements in Government Funds

	Capital Loan £000	Public Dividend Capital £000
<b>Movement in Trading Fund Capital</b>		
Opening balance	3,134	4,289
Repayment during year	(106)	–
Closing balance	3,028	4,289

Public Dividend Capital was issued pursuant to the Government Trading Funds Act 1973 as amended by the Government Trading Act 1990.

Dividends are payable by the Agency and are calculated as the difference between 6% return on average net assets (less provisions) and interest payable on capital loans. Where interest payable is a greater figure no dividend is payable.

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

## NOTES TO THE ACCOUNTS

Repayments on the Capital Loan are due as follows:

	2007 £000	2006 £000
Between one and two years	106	106
Between two and five years	319	319
In more than five years	2,603	2,709
	<b>3,028</b>	<b>3,134</b>
Within one year (included in Creditors)	106	106
	<b>3,134</b>	<b>3,240</b>

### 16. Income and Expenditure Account

	2007 £000	2006 £000
Opening balance	87,294	63,292
Retained surplus for year	28,670	24,002
Closing balance	<b>115,964</b>	<b>87,294</b>

### 17. Revaluation Reserve

	2007 £000	2006 £000
At 1 April	7,898	7,604
Revaluation	1,254	528
Backlog depreciation	(402)	(234)
At 31 March	<b>8,750</b>	<b>7,898</b>

## NOTES TO THE ACCOUNTS

### 18. Pensions

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). This is a defined benefit scheme which prepares its own scheme statements and is unfunded. Although the pension scheme is a defined scheme, in accordance with FRS17, it is accounted for as a defined contribution scheme. The PCSPS is a statutory scheme which provides benefits on a 'final salary' basis at normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of 1.5% of pensionable earnings towards benefits for dependants. Pensions increase in payment in line with the Retail Price Index. On death, pensions are payable to the surviving spouse at the rate of half the member's pension. On death in service, the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on the length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case pensions are brought into payment immediately without actuarial reduction and may be service enhanced to provide some compensation for early retirement.

On 1 October 2002 new pension arrangements were introduced. The scheme detailed above was renamed "Classic" and if staff chose this scheme there was no change to pension arrangements.

The new scheme "Premium" is available to new entrants and current staff. Members' contributions increase to 3.5% and benefits accrue at 1/60th of pensionable salary for each year of service. Service prior to 1 October 2002 is converted into service in the new Premium scheme but this will not be equivalent to a 1 to 1 year basis.

Current staff also had the choice to join the "Classic Plus" scheme which combines previous service in the PCSPS along with service from 1 October 2002 counting as Premium when calculating final service. Members' contribution rates are 3.5% and benefits accrue at 1/60th of pensionable salary for every year since 1 October 2002 and 1/80th of pensionable salary for service prior to 1 October 2002. See Note 3(ii) for pension liabilities regarding early retirement.

Pensions' contributions (see Note 3(ii)) are paid to the Paymaster General at rates determined by the Government Actuary and advised by the Treasury. From 1 April 2006 these rates changed to range from 17.1% to 25.5% (2005–2006: 16.2% to 24.6%). Contributions outstanding at 31.3.07 amounted to £491,577 (31.3.06: £458,936).

### 19. 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.

Apart from the indemnity provision (see Note 14) there are a number of other claims for which a value is not yet known.

### 20. Capital Commitments

At the year-end there was capital expenditure contracted for but not provided for in the accounts of £15,106,861 (2006: £11,491,589). This expenditure mostly relates to the IT Partnership with BT.



## NOTES TO THE ACCOUNTS

### 21. Financial Commitments

	2007 £000	2006 £000
At 31 March 2007, the Agency had annual commitments under non-cancellable operating leases as follows:		
Land and Buildings		
Expiry within one year	564	–
Expiry between two and five years inclusive	–	564
Expiry in over five years	378	369
Other Leases		
Expiry within one year	–	3
Expiry between two and five years inclusive	7	2
Expiry in over five years	–	–
	949	938

### 22. Events after the Balance Sheet Date

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

### 23. Related Party Transactions

Registers of Scotland is an Executive Agency 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 Executive), 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.

### 24. Register of Interests

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

### 25. Financial Objectives

The financial objective is to return 6% a year on average net assets employed over the first three years of trading fund status and then maintain this on a rolling three year basis. The year to 31 March 2007 was the eleventh year of trading fund status. Return on average net assets (after deduction of allowable provisions) for the three years to 31 March 2007 amounts to 26% (calculated before allowing for interest receivable).

## FINANCIAL SUMMARY

### Income and Expenditure

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Income	88,633	80,078	75,472	63,533	55,974
Operating expenses	(59,412)	(55,575)	(53,649)	(46,733)	(46,512)
Interest receivable	6,866	5,214	4,088	2,199	1,603
Interest payable	(265)	(273)	(282)	(291)	(300)
Dividend paid/payable	(7,152)	(5,442)	(4,046)	(2,908)	(2,097)
Surplus (Loss) for the year	28,670	24,002	21,583	15,800	8,668

### Balance Sheet

Fixed assets	27,962	21,644	13,025	17,849	20,184
Net current assets	104,715	81,697	66,128	42,167	23,937
	132,677	103,341	79,153	60,016	44,121
Long-term liabilities	1	7	—	—	—
Provisions	645	719	727	1,116	1,383
	132,031	102,615	78,426	58,900	42,738

### Financed by

Capital Loan	3,028	3,134	3,241	3,347	3,453
Public Dividend Capital	4,289	4,289	4,289	4,289	4,289
Income and Expenditure Account	115,964	87,294	63,292	41,709	25,909
Revaluation reserve	8,750	7,898	7,604	9,555	9,087
	132,031	102,615	78,426	58,900	42,738

## APPENDIX 1: REGISTERS OF SCOTLAND EXECUTIVE AGENCY TRADING FUND DIRECTION BY THE SCOTTISH MINISTERS

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

1. The statement of accounts which it is the duty of the Registers of Scotland Executive Agency Trading Fund to prepare in respect of the financial year ended 31 March 2004 and in respect of any subsequent financial year, shall comprise:
  - 1.1 a foreword;
  - 1.2 an income and expenditure account;
  - 1.3 a balance sheet;
  - 1.4 a cash flow statement;
  - 1.5 a statement of total recognised gains and losses;
  - 1.6 a statement of accountable officer's responsibilities; and
  - 1.7 a statement on the system of internal financial control.

including such notes as may be necessary for the purposes referred to in the following paragraphs.

2. The statement of accounts shall give a true and fair view of the income and expenditure and cash flows for the financial year, and the state of affairs as at the end of the financial year.
3. Subject to this requirement, the accounts shall be prepared in accordance with:
  - 3.1 the accounting and disclosure requirements of the Companies Act for the time being in force; and
  - 3.2 generally accepted accounting practice in the UK, including accounting standards issued or adopted by the Accounting Standards Board; and
  - 3.3 guidance which Scottish Ministers may issue from time to time in respect of accounts which are required to give a true and fair view;
  - 3.4 the accounting and disclosure requirements given in the Scottish Public Finance Manual;

insofar as these are appropriate to the Registers of Scotland Executive Agency Trading Fund and are in force for the financial year for which the statement of accounts is to be prepared.

4. Clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.
5. The income and expenditure account and balance sheet shall be prepared under the historical cost convention modified by the inclusion of:
  - 5.1 fixed assets at their value to the business by reference to current costs; and
  - 5.2 stocks valued at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.
6. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 29 March 2001 is hereby revoked.

**J S ALDRIDGE**

Signed by the authority  
of the Scottish Ministers

Dated 2 July 2004

# APPENDIX 1

## SCHEDULE 1: APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING STANDARDS

### Companies Act

1. The disclosure exemptions permitted by the Companies Act shall not apply.
2. The Companies Act requires certain information to be disclosed in the Director's Report.  
To the extent that it is appropriate, the equivalent information relating shall be contained in the foreword.
3. When preparing its income and expenditure account, the Registers of Scotland Executive Agency Trading Fund shall have regard to the profit and loss account format 2 prescribed in Schedule 4 to the Companies Act.
4. When preparing its balance sheet, the Registers of Scotland Executive Agency Trading Fund shall have regard to the balance sheet format 1 prescribed in Schedule 4 to the Companies Act.
5. The Registers of Scotland Executive Agency Trading Fund is not required to provide the additional information described in paragraph 33(3) of Schedule 4 to the Companies Act.
6. The foreword and balance sheet shall be signed and dated by the Registers of Scotland Executive Agency Trading Fund's Accountable Officer.

### Accounting standards

7. The Registers of Scotland Executive Agency Trading Fund is not required to include a note showing historical cost profits and losses as described in FRS3.
8. The Registers of Scotland Executive Agency Trading Fund shall not adopt the Financial Reporting Standard for Smaller Entities.

## SCHEDULE 2: ADDITIONAL DISCLOSURE REQUIREMENTS

1. The foreword shall, *inter alia*:
  - 1.1 state that the statement of accounts have been prepared in a form directed by the Scottish Ministers in accordance with Section 19(4) of the Public Finance and Accountability (Scotland) Act 2000;
  - 1.2 include a brief history of the Registers of Scotland Executive Agency Trading Fund and its statutory background.
2. The notes to the accounts shall include:
  - 2.1 details of any key corporate financial targets set by the Scottish Ministers together with an indication of the performance achieved; and
  - 2.2 details of the pension arrangements operated by the Registers of Scotland Executive Agency Trading Fund.

For further information about the Agency, our products and services contact:

**Principal Office  
Meadowbank House**

153 London Road  
Edinburgh EH8 7AU  
DX 555400 Edinburgh 15  
LP54 Edinburgh 5

T: **0131 659 6111**

F: 0131 479 3688

E: [keeper@ros.gov.uk](mailto:keeper@ros.gov.uk)

**Glasgow Office  
Hanover House**

24 Douglas Street  
Glasgow G2 7NQ  
DX 501749 Glasgow 9  
LP70 Glasgow 5

T: **0141 306 1500**

F: 0141 306 1501

E: [keeper@ros.gov.uk](mailto:keeper@ros.gov.uk)

**Edinburgh  
Customer Service Centre**

Erskine House, 68 Queen Street  
Edinburgh EH2 4NF  
DX 555906 Edinburgh 9  
LP50 Edinburgh 5

T: **0845 607 0161**

F: 0131 200 3932

E: [customer.services@ros.gov.uk](mailto:customer.services@ros.gov.uk)

**Glasgow  
Customer Service Centre**

9 George Square  
Glasgow G2 1DY  
DX 501752 Glasgow 9  
LP12 Glasgow 5

T: **0845 607 0164**

F: 0141 306 4424

E: [customer.services@ros.gov.uk](mailto:customer.services@ros.gov.uk)

Textphone users can contact us on: **0845 607 0168**

**[www.ros.gov.uk](http://www.ros.gov.uk)**



CUSTOMER SERVICE EXCELLENCE



INVESTOR IN PEOPLE



