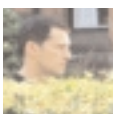




**REGISTERS OF SCOTLAND**  
**annual report and accounts 2003-2004**



## the steps to your new home.



### step one.

SEARCHING HIGH AND LOW



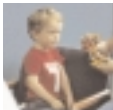
### step two.

MAKING COMPARISONS



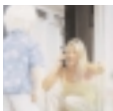
### step three.

THE PROFESSIONAL PERSPECTIVE



### step four.

ADDING IT ALL UP



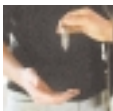
### step five.

OFFER ACCEPTED



### step six.

SPOT THE DIFFERENCE



### step seven.

ON THE DOTTED LINE



### step eight.

UNWIND IN YOUR NEW HOME



### step nine.

THE FINAL DEED

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Laid before the Scottish Parliament by the Scottish Ministers October 2004

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I am pleased to submit Registers of Scotland Executive Agency's Annual Report and Accounts for the year 2003-2004. The year was a busy and productive one. Registers of Scotland dealt with considerable increases in its registration work and in the associated provision of information from the registers. The Agency met most of the targets set for it by Ministers for dealing with its work timeously, efficiently, to high levels of service and on a sound financial basis.

Registers of Scotland also continued to develop the range of services it provides, and moved forward a systematic programme of change to modernise its work to the long term benefit of those who use its services and those who ultimately benefit from a soundly based system of registration of property - the Scottish public and in particular those whose rights to their properties are guaranteed, through Registers of Scotland, by the State.

This is my first annual report as Keeper of the Registers of Scotland and Chief Executive of





the Agency, having succeeded Alan Ramage on 1 September 2003. Under Alan's leadership the Agency achieved great progress in reaching towards its vision of the future (a particularly notable long-term achievement was the completion of the Land Register extension programme in April 2003). On a personal note, I would like to thank Alan Ramage for the help and guidance he gave me in taking up post as Keeper, and I wish him well in his retirement.

I have been very grateful to the stakeholders I have met since taking up office for the views they have offered on Registers of Scotland and on land registration more generally. The Agency also benefits greatly from our governance arrangements involving a Ministerial Advisory Board chaired by the Head of the Scottish Executive Justice Department, with departmental officials and non-executive members. I have been glad of their unfailing and practical support. I have also been very grateful indeed to my own Management Board for their performance during

a year that was not only successful but challenging. And finally, I should record my thanks, both personal and on behalf of my Management Board colleagues, to the staff of Registers of Scotland who by their efforts and skills provide the public of Scotland with a registration service that is systematic, forward looking and concerned to protect the rights of our citizens.



**JAMES MELDRUM**

Keeper of the Registers of Scotland  
and Chief Executive  
July 2004



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, with the Agency being brigaded with the Scottish Executive's Justice Department.

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 the Land Registration Act 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 extent of the title is often described in words rather than on



**SEARCHING HIGH AND LOW** FINDING THE RIGHT SIZE PROPERTY IN THE RIGHT LOCATION FOR THE RIGHT PRICE CAN TAKE TIME.

a detailed plan. The validity of any title in the Register of Sasines depends on the sufficiency of the title deeds from which it is comprised. 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 title 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 the Agency has responsibility are provided at pages 28 and 29.

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 for the Agency are set out in this report. We are based in Meadowbank House in Edinburgh and St Vincent Street in Glasgow, 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 at pages 30 to 33 to assist readers of this report.





**step two.**

**OUR VISION** IS TO BE RECOGNISED AS ONE OF THE MOST EFFECTIVE AND EFFICIENT LAND REGISTRIES IN THE WORLD WHERE:

- each land certificate comprises a comprehensive statement of land and property ownership and interests,
- the register relates the legal extent of land and property ownership to a regularly updated topographical map of Scotland,
- public access is provided to all information contained in the registers by electronic and other means,
- there is provision for electronic land and property transactions.

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.

**MAKING COMPARISONS** IT IS IMPORTANT TO DO YOUR RESEARCH BEFORE PURCHASING PROPERTY. REGISTERS OF SCOTLAND PROVIDES AN ONLINE SERVICE WITH INFORMATION ON ALL THE LATEST SELLING PRICES. [WWW.SCOTLANDSHOUSEPRICES.GOV.UK](http://WWW.SCOTLANDSHOUSEPRICES.GOV.UK)



**OUR LONG-TERM OBJECTIVE IS TO MAXIMISE THE BENEFIT  
OF LAND REGISTRATION TO OUR CUSTOMERS, STAKEHOLDERS  
AND THE CITIZENS OF SCOTLAND.**

This will be achieved by compiling and maintaining accurate registers, improving both the breadth (coverage) and depth (of information available) in our registers, by achieving substantially increased Land Register coverage and developing complementary land and property information.

During the period 2004-2009 key objectives are:

- to deliver the Agency's core business and meet the performance targets agreed with Ministers,
- to deliver services to the satisfaction of our customers,
- to implement the provisions of the Abolition of Feudal Tenure (Scotland) Act 2000 and the Title Conditions Act 2003,
- to increase Land Register coverage,
- to enter into a partnership arrangement for the delivery of our information systems and technology,
- to take forward our Integrated Registration project, re-engineering internal business processes,
- to introduce electronic registration of land and property,
- to generate income by providing new services in response to our customers' needs.





## step three.

**THE PROFESSIONAL PERSPECTIVE** IT IS NEVER TOO EARLY TO CONSULT PROFESSIONAL ADVISERS TO DISCUSS THE PROPERTY AND A POSSIBLE OFFER.

**LAND REGISTER****FIRST REGISTRATIONS**

INTAKE	76,094
DESPATCH	70,654

**TRANSFERS OF PART**

INTAKE	26,169
DESPATCH	20,001

**DEALINGS WITH WHOLE**

INTAKE	240,145
DESPATCH	217,127

**REGISTER OF SASINES**

INTAKE GROSS	132,968
WITHDRAWALS	13,718
INTAKE NET	119,250
DESPATCH	122,840

**CHANCERY AND JUDICIAL REGISTERS**

INTAKE 2003-2004	44,946
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**REGISTERS OF INHIBITIONS AND ADJUDICATIONS**

INTAKE 2003-2004	18,821
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DURING 2003-2004 THE VOLUME OF WORK UNDERTAKEN BY REGISTERS OF SCOTLAND CONTINUED TO INCREASE - NOTABLY AS A RESULT OF HIGH LEVELS OF ACTIVITY IN THE HOUSING MARKET AND IN RE-MORTGAGING (WHERE A CHANGE OF SECURITY REQUIRES A CHANGE TO THE REGISTER ENTRY).

During the year almost 500,000 transactions were registered. The value of these transactions was in excess of £20 billion. On a unitised basis the volume of transactions received for registration grew by 7%, with our output of this work rising by almost 8%. Dealing with this extra business required significant improvements in productivity and our standard measure of efficiency rose by almost 5%.

In addition, the demand for information from the registers grew accordingly. During 2003-2004, both through our customer service centres and through the range of reports that we provide on information contained in the registers, we dealt with some 115,000 written enquiries.



**step four.**

**ADDING IT ALL UP** IF A MORTGAGE IS NEEDED,  
YOUR FINANCIAL ADVISERS WILL DISCUSS THE TERMS.



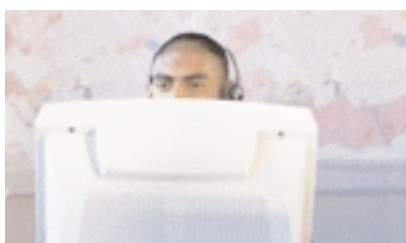
Registers of Scotland played an active role in advising upon and implementing the Scottish Parliament's and Scottish Executive's land reform programme, notably carrying out work preparatory to implementation of the legislation abolishing feudal tenure, and participated fully in the drive to modernise legislation, practice and procedures over the range of activities for which we have responsibility.

Registers of Scotland also worked closely with both the Inland Revenue and the Law Society of Scotland to ensure that, from its introduction in December 2003, Stamp Duty Land Tax operated as effectively as possible.

Further afield, our small International Consultancy Group undertook a number of useful assignments in the developing world and with countries in transition on a self-financing basis and we also hosted study tours from abroad. We continue to maintain links with other land registries in the UK and abroad.

A key feature of the year was the progress made with a range of projects planned to improve our own business processes and to facilitate electronic registration. A number of projects was moved forward. A major procurement exercise took place which, subject to satisfactory completion, will result in the appointment during 2004 of an information systems and technology partner to play a key role in helping us take forward our modernisation agenda. Other major projects include our Integrated Registration project, aimed at streamlining our internal business processes leading to efficiencies, while progress was also made in the planning of our Automated Registration of Title to Land project, which was further developed during the year in close consultation with stakeholders.

We introduced in 2003-2004 improvements to the ways in which we provide information derived from the registers, already available by electronic means through our Registers Direct system, by developing Internet access to house price information designed for the lay public and publishing regular quarterly statistics on house prices.



## PERFORMANCE AGAINST MINISTERIAL TARGETS

The aim of the targets set for Registers of Scotland each year by Ministers has been to support and encourage the Agency to improve continuously its level of service and the speed with which its work is done, while ensuring that costs are controlled and financial stability maintained. The tables at pages 13 to 15 set out the results against Ministerial targets in 2003-2004 and in each of the two previous years. They also contain details of the targets set by Ministers, and announced to the Scottish Parliament on 22 April 2004, for Registers of Scotland for 2004-2005.

Despite buoyant and challenging levels of business the turnaround targets for registration work were significantly exceeded in 2003-2004. These levels of business also assisted in meeting our financial targets, both for rate of return and for operational efficiency (the standard production cost index). Unfortunately the target for accuracy was not met. This measure, however, compared all errors found against output despatched over a very long period of time. This is important information in measuring the overall accuracy of our registers, but is less suited to measuring current performance.

For 2004-2005 the target has been amended to reflect performance over the year in question.

On customer care, the Agency exceeded its target of processing 97% of enquiries in compliance with our published response standards. We have increased substantially this year the range of types of work included in this target. There was a small decrease in customer satisfaction as regards accuracy, speed of response and value for money as measured in the annual customer survey, albeit this should be viewed against a particularly large increase in satisfaction with these aspects achieved in the previous year.



**2001-2002 Target****2002-2003 Target****2003-2004 Target****2004-2005 Target****Speed of Registration**

Sasine Turnaround Times	To average 25 but not exceed 35 working days	To average 15 but not exceed 25 working days	To average 15 but not exceed 25 working days	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
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<b>Result</b>	<b>Achieved 22.1 days</b>	<b>Achieved 13.4 days</b>	<b>Achieved 11.9 days</b>	
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Dealings with Whole Turnaround Times	To average 30 but not exceed 40 working days	To average 25 but not exceed 30 working days	To average 25 but not exceed 30 working days	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
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<b>Result</b>	<b>Achieved 27.3 days</b>	<b>Achieved 16.6 days</b>	<b>Achieved 17.6 days</b>	
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Domestic First Registrations Turnaround Times	To not exceed 100 working days for 60% of domestic First Registrations	To average 105 but not exceed 125 working days for domestic First Registrations, with 70% of all such applications being completed within 125 working days	(1) To average 105, but not exceed 125 working days in any quarter for domestic First Registrations with 70% of all such applications being completed within 125 working days. (2) To reduce the average age of the backlog of domestic First Registrations from 30 weeks to 26 weeks.	(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. (2) To eliminate stocks of domestic First Registrations over one year old during the next 3 years, with a milestone reduction of 25% from the stock position at 31 March 2004 by 31 March 2005.
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<b>Result</b>	<b>Achieved 63.8%</b>	<b>Achieved average of 97.8 days with 75% being completed within 125 working days.</b>	<b>(1) Achieved average of 103.5 days with 74.5% being completed within 125 working days (2) Achieved average of 25.3 weeks.</b>	
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\*The four week periods referred to are the 13 periods into which Registers of Scotland divides its production year.

## PERFORMANCE AGAINST MINISTERIAL TARGETS

	2001-2002 Target	2002-2003 Target	2003-2004 Target	2004-2005 Target
<b>Registration Accuracy</b>				
Land Certificates	To achieve a registration accuracy rate of at least 98%	To achieve a registration accuracy rate of at least 98%	To achieve a registration accuracy rate of at least 97%	To achieve a registration accuracy rate of at least 98% for applications despatched during the previous 12 months
<b>Result</b>	<b>Not achieved 96.4%</b>	<b>Not achieved 96%</b>	<b>Not achieved 94.7%</b>	
<b>Financial</b>				
Return on Net Capital Employed (ROCE)	To achieve a 3% return on net capital employed over the three year period ending 31 March 2002	To achieve a 6% return on net capital employed over the three year period ending 31 March 2003	To achieve a return of 15% on net capital employed over the three year period ending 31 March 2004	To achieve a return of 15% on net capital employed over the three year period ending 31 March 2005
<b>Result</b>	<b>Achieved 10.2%</b>	<b>Achieved 23.9%</b>	<b>Achieved 26.4 %</b>	
Standard Production Cost Index	To reduce the Standard Production Cost Index by 3% by 31 March 2002 from its base at 31 March 2001	To reduce the Standard Production Cost Index by 3% by 31 March 2003 from its base at 31 March 2002	To reduce the Standard Production Cost Index by 2% by 31 March 2004 from its base at 31 March 2003	To reduce the Standard Production Cost Index by 2% by 31 March 2005 from its base at 31 March 2004
<b>Result</b>	<b>Not achieved 1.1% reduction</b>	<b>Not achieved 0.2% increase</b>	<b>Achieved 4.9% reduction</b>	



	2001-2002 Target	2002-2003 Target	2003-2004 Target	2004-2005 Target
<b>Customer Service</b>				
Customer Satisfaction	To achieve a 97% rating for overall customer care	To increase customer satisfaction by 10% as regards the accuracy, speed of response and the value for money represented in the delivery of the Agency's services	To increase customer satisfaction by 5% as regards the accuracy, speed of response and value for money represented	To continue to operate at Charter Mark standards by achieving a 98% rating for overall customer care in the annual customer satisfaction survey; and continuing a rolling programme of offering customer service reviews to customers, with 50 completed in 2004-05
<b>Result</b>	<b>Achieved 98%</b>	<b>Achieved 14% increase</b>	<b>Not achieved 3.2% decrease</b>	
	To process 95% of all enquiries in general accordance with Customer Service Policy	To process 96% of all enquiries in compliance with the Agency's Customer Service Policy	To process 97% of all 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
<b>Result</b>	<b>Achieved 98%</b>	<b>Achieved 98%</b>	<b>Achieved 98.6%</b>	
<b>Income from Information Provision</b>				
Land Register Reports Service	-	-	-	To maintain both market share and income level derived from the Land Register Reports service over the next 3 years, based on the position in 2003-04
Registers Direct Service	To develop the Registers Direct service and to sign-up 250 organisations by 31 March 2002	To achieve 20,000 chargeable accesses per week to the Registers Direct service by 31 March 2003	To increase the income from the Agency's information services by 5% over 2002-03 income	To increase revenue from Registers Direct by 7.5% over 2003-04
<b>Result</b>	<b>Achieved 629 organisations signed-up</b>	<b>Achieved 28,000</b>	<b>Achieved 13% increase</b>	



## step five.

**OFFER ACCEPTED** WHEN THE OFFER IS ACCEPTED THE SOLICITOR WILL NEGOTIATE THE MISSIVES. (THE CONTRACT)

THE AGENCY'S CAPITAL STRUCTURE COMPRISES PUBLIC DIVIDEND CAPITAL (PDC IS A NOTIONAL INVESTMENT MADE BY GOVERNMENT WHEN TRADING FUNDS ARE SET UP) AND A LOAN FROM THE NATIONAL LOAN FUND (AGREED AT THE TIME THE AGENCY BECAME A TRADING FUND AND REPRESENTING 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 £3,346,875 at 31 March 2004. The loan was set at a fixed interest rate in 1996 payable over 40 years. We have investigated paying off this loan early. However current penalties for early repayment render this uneconomic. The loan conditions do not represent a material risk to our finances.

By statute Registers of Scotland is self-financing. The Agency generates a return on capital employed of at least 6% which is paid to government. This is made up of the interest payable on the NLF loan and a dividend.

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; current assets of stocks, work in progress, debtors, 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 2003-2004 was some £42.2 million. Our five year Corporate Plan envisages a programme of investment that will reduce this level of liquidity (with efficiency improvements making possible fee reductions) but continue to provide for adequate working capital for stable conduct of the business.

Our current financial trading position is strong, with cash flow 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 continue to grow and we continue 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.

Future trading prospects remain good. The Agency's work is, of course, dependent on activity in the property market and fluctuations in demand would affect our levels of business and hence our turnover. Adjusting our plans to deal with variations in our workload and the associated financial risks is a continuing key task for the Agency.

ULTIMATELY OUR CUSTOMERS ARE THE PEOPLE OF SCOTLAND, AND IN PARTICULAR THOSE INVOLVED IN LAND AND PROPERTY TRANSACTIONS. IN PRACTICE, A GREAT DEAL OF OUR BUSINESS IS CONDUCTED ON THEIR BEHALF THROUGH SOLICITORS AND OTHER INTERMEDIARIES.

Registers of Scotland seeks at all times to be customer focused. Increasingly as well as the range of services that we provide to solicitors and intermediaries we are engaging directly with the house buying public. A major step forward was the extension of our on-line information service during 2003-2004 to provide a citizens web-based service - [www.scotlandshouseprices.gov.uk](http://www.scotlandshouseprices.gov.uk) - which enables people to search out house price information for recent property transactions. In addition, we participated in exhibitions and other public events with a property dimension - such as the Ideal Home Show - to demonstrate the services that the Agency can offer. The information contained in our registers is, as a matter of law, public information and we wish to make it accessible to all. We are planning further developments in the range of services that we offer.

We are proud to have Charter Mark. This award for excellence in public services was renewed for the third time in December 2002. This was a substantial achievement and we take pains to ensure that we provide consistently high standards of service that also offer value for money in line with the requirements of Charter Mark.

Much of our contact with our customers is by written (increasingly e-mailed) communication both in connection with registration transactions themselves and also in responding to requests for information, such as reports, to support the conveyancing process. We seek to follow our customer service policy timescales for dealing with this work.

These timescales, which form a Ministerial target, now include the following:

General Letter Enquiries 8 working days  
 Copy Deeds 2 working days  
 Office Copies of Land Certificates 5 working days  
 Post Registration Enquiries 8 working days  
 Extracts from 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  
 Substitute Land Certificates 8 working days

(The first 3 items formed the target for this work in 2003-2004.)



In addition we aim to deal with personal callers to our Customer Service Centres within 10 minutes of arrival and to answer the telephone enquiry and switchboard lines within 10 seconds. In 2003-2004 performance was 100% for personal callers and for telephone calls we achieved an average of under 5 seconds.



With our professional customers and stakeholders, we have regular contacts both to discuss policy matters (for example there is a Joint Consultative Committee with the Law Society of Scotland) and through roadshows and visits to individual companies we seek to ensure that we are responsive to their views, comments and suggestions. We undertake an annual customer survey involving 500 professional customers, and the results of our customer survey for 2003-2004 are included in this annual report at pages 20 and 21.

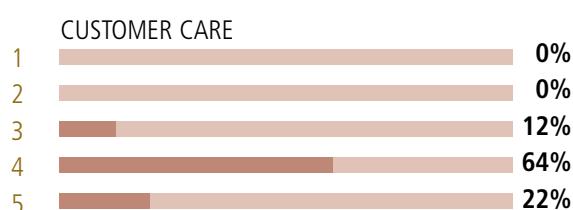
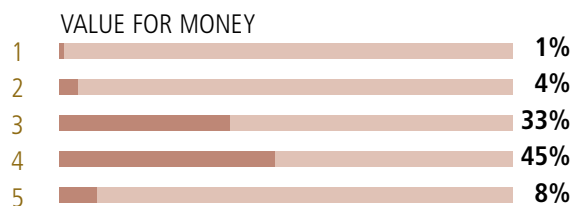
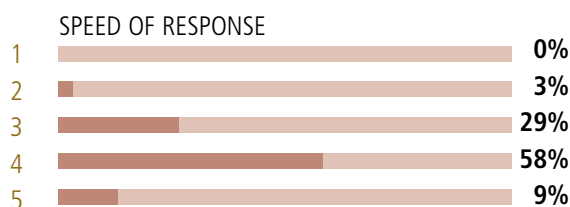
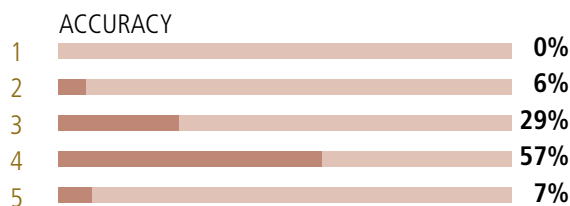


While most of our contact with our customers is by written means, our two customer service centres dealt in person with some 10,000 members of the public and commercial organisations in 2003-2004 (and some 101,000 telephone enquiries).

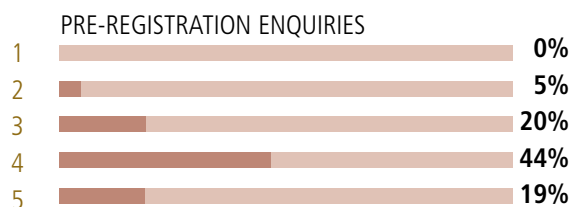
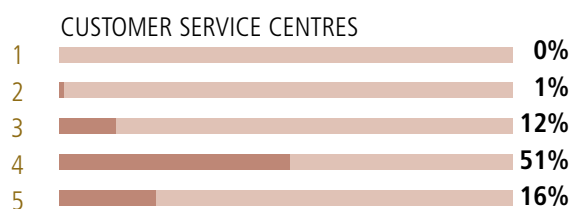
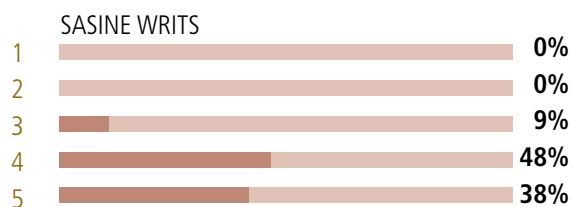
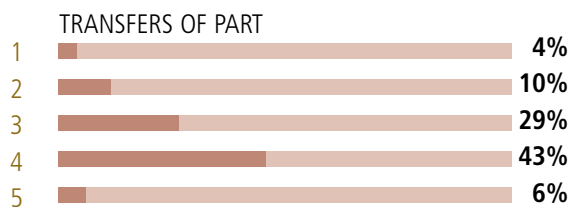
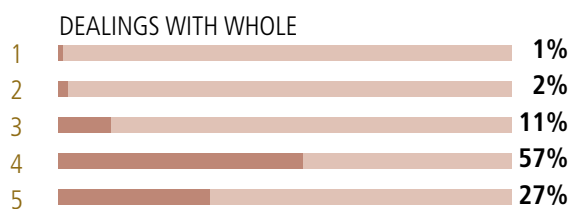
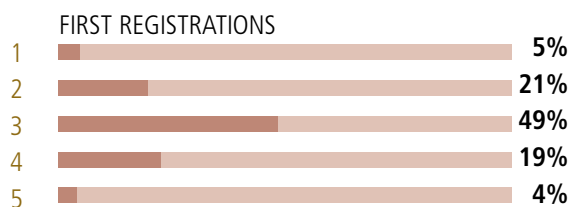
Inevitably not everything always goes right. As part of our customer service commitment we have a complaints procedure. We welcome its use: we actively encourage customers to use it when they have a concern about our service. During 2003-2004 we received 50 complaints (compared with 63 in 2002-2003). These complaints are taken seriously, as are any matters of concern raised more informally with us, and we investigate them and seek to learn from them.

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

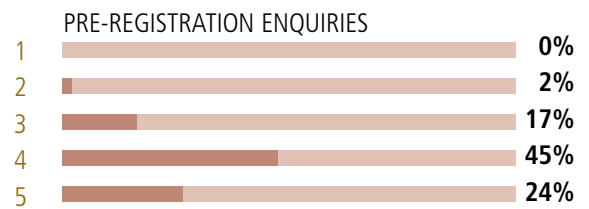
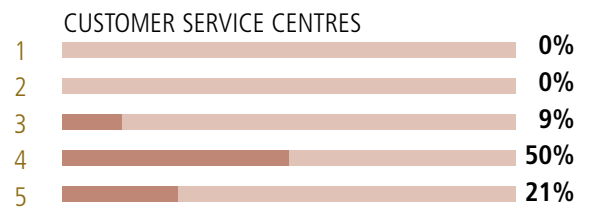
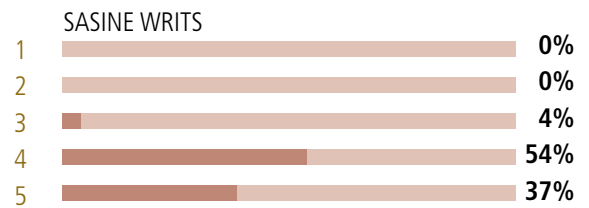
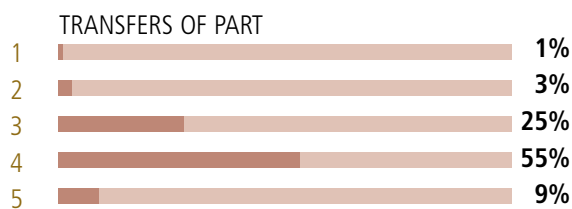
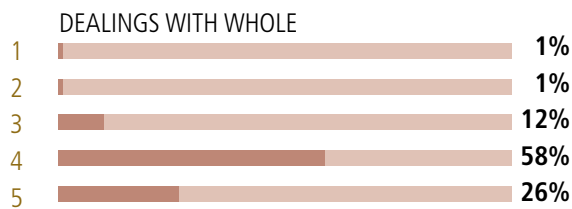
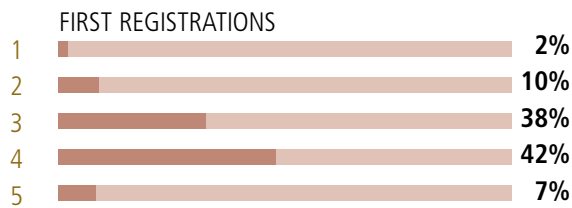
### OVERALL STANDARDS OF SERVICE



### SPEED OF REGISTRATION AND CUSTOMER SERVICE



## QUALITY OF REGISTRATION AND CUSTOMER SERVICE





## step six.

**SPOT THE DIFFERENCE** THE TITLE TO THE PROPERTY, AND OTHER ASPECTS OF THE CONTRACT, WILL BE CHECKED USING INFORMATION PROVIDED TO YOUR ADVISERS THROUGH OUR REGISTERS DIRECT SERVICE OR FROM OUR CUSTOMER SERVICE CENTRES. SEE [WWW.ROS.GOV.UK](http://WWW.ROS.GOV.UK) FOR FURTHER INFORMATION.



DURING 2003-2004 THE AVERAGE NUMBER OF REGISTERS OF SCOTLAND STAFF WAS 1438, INCLUDING AN INCREASE IN PART TIME STAFF TO 222. ONE HUNDRED AND THIRTY FOUR NEW ENTRANTS JOINED THE AGENCY AND 118 LEFT.

During 2003-2004 we established a part time evening shift, and the effectiveness of this is being monitored. Systems are in place to ensure that recruitment is carried out on the basis of fair and open competition and selection on merit in accordance with the recruitment code laid down by the Civil Service Commissioners and is subject to internal check.

The Agency continues to develop initiatives to encourage diversity. Renewal of our membership of the Employer's Forum on Disability and Working Families Forum allowed the Agency the opportunity to share best practice with others. We hosted an event on the Employment Provisions of the Disability Discrimination Act in April 2003. After the publication of the Agency's Race Equality Scheme in 2002, we confirmed progress and re-focused current activities as part of our monitoring of the Scheme.

The introduction of new selection procedures for both internal and external vacancies gave us the opportunity to train staff on objective assessment testing and enabled us to ensure that interviewing skills are kept up-to-date, not least in relation to diversity issues.

We piloted new flexible working arrangements to afford staff greater scope to balance their work and domestic commitments. Forty eight per cent of our staff are female, and 2.2 per cent of our staff are from ethnic minority backgrounds. Seven per cent of our staff have assessed themselves as being disabled under the terms of the Disability Discrimination Act 1995.

We are committed to the development of our staff and we were very glad to maintain our Investors in People accreditation following an assessment in May 2003. We continued to ensure that the technical training needed to provide staff with the skills required for their roles was given priority. We ran courses on coaching skills for those staff who act as coaches to staff newly trained in the technical aspects of land registration. For such staff we have a continuing development programme which we further refined. We also held our annual in-house registration conference to review the main changes that have affected our work over the year. The Scottish Qualifications Authority has approved the Agency as a centre to offer the SVQ in Land Registration developed by the Agency, and a pilot exercise is being set up.

Towards the end of the year, we engaged a provider to deliver development programmes for managers and staff. We also began the process of identifying the training needs for staff to implement the changes in work practices required by the legislation abolishing feudal tenure and reforming the law relating to conditions of title.



We aim to provide a safe and healthy environment for staff. We have a health and safety management system, providing specialist training to managers and advice on all aspects of health and safety is available to staff on the Agency's Intranet. The Agency's Management Board considers each quarter reports on Health and Safety which are also made available to staff. The reports include accident statistics and guidance on accident prevention.

The Agency has a very low level of reportable accidents, and a summary of our accident history is given below:

Year	Reportable Accidents
2000 - 2001	5
2001 - 2002	4
2002 - 2003	1
2003 - 2004	0

The Agency attained Scotland's Health at Work (SHAW) Silver Award in May 2003 and we are working towards the Gold Award standard. A wide range of health and well-being initiatives was undertaken in 2003-2004. The Employee Assistance Programme continued to be well used by staff and their families.

REGISTERS OF SCOTLAND HAS ACHIEVED A GREAT DEAL IN RECENT YEARS, AND THERE ARE A NUMBER OF KEY CHALLENGES, OPPORTUNITIES AND RISKS FOR THE FUTURE. A KEY DETERMINANT OF THE AGENCY'S FUTURE WORK AND ITS DIRECTION WILL BE THE VOLUMES OF BUSINESS WITH WHICH WE DEAL, AND THIS IN TURN IS DEPENDENT ON THE VOLUME OF PROPERTY TRANSACTIONS. ANY SUBSTANTIAL ALTERATIONS IN THE VOLUME OR BALANCE OF OUR WORK WILL NEED TO BE CATERED FOR THROUGH CAREFUL PLANNING.

In addition we will be seeking to implement the effects upon our procedures of both the abolition of feudal tenure and the wholesale reform of the law relating to conditions of title. These provisions, which take effect on 28 November 2004, constitute a major change in the law of land ownership in Scotland and will have a significant impact on the two property registers, the Land Register and the General Register of Sasines, with consequent implications for workload.

In June this year, a new register managed by Registers of Scotland, known as the Register of Community Interests in Land, came into being. This register, introduced by the Land Reform (Scotland) Act 2000, performs a central role in the operation of the rural community right to buy introduced by that Act. In 2004-2005 this new register will be expanded to enable the registration of agricultural tenants' right to buy provided for in the Agricultural Holdings (Scotland) Act 2003. Also, legislative provision has recently been made under the Nature Conservation (Scotland) Act 2004, for the establishment of an authoritative national register of sites of special scientific interest which is to be kept by the Agency. We will be working with colleagues in Scottish National Heritage to set up and manage this as an asset to both the general public and those with a professional interest in areas of land which are protected to preserve their geological or biological significance.

The Scottish Law Commission is currently reviewing the operation of the Land Registration (Scotland) Act 1979. We have been grateful for the pains taken by the Commission to involve us, as practitioners, in the development of their emerging proposals. A member of our staff is currently on secondment to the Commission to assist with the review. In February 2004, the Commission published a discussion paper on the theoretical basis of the land registration system and its place within the overall system of Scots property law. By the end of 2004 the Commission intends to publish a second discussion paper, focusing on a wide range of practical issues which affect the operation of the Land Register. The results of this review may also be a key feature of our work for the longer term.

In addition, now that the Land Register is operational throughout Scotland it will mature over time as transactions take place of a type that mean that properties enter the Land Register for the first time (through the First Registration process). The evolution of a more complete Land Register will be greatly to be welcomed for the rights that it gives for Scotland's citizens through guarantees of their ownership. This will affect over time the balance of our work.





**step seven.**

**ON THE DOTTED LINE** THE DEEDS ARE SIGNED,  
THE MONEY CHANGES HANDS AND THE HOUSE IS YOURS.

We are also part of the drive to modernise and make more efficient and effective government processes in general. We are included for consideration as part of the Scottish Executive's relocation policy and are in the process of reviewing the location of our work with a view to decisions being taken on that review by the end of 2004. This, too, may have implications on how we deal with our business.

The challenge, in support of our vision, will be to ensure that work arising from all these developments is catered for as smoothly as possible while we maintain and seek to enhance our performance. We wish to improve the accuracy and speed with which registrations are conducted. We are making progress but for certain types of work require to make more.

To assist in this we have our own strategic change programme which will be key to our effectiveness. The proposed appointment of an information technology partner will be a very important step in enabling us to modernise and enhance our information systems and technology. Our systems are robust but need modernised to interact more easily, and facilitate more readily, changes to our business processes. Our Integrated Registration project will enable us to deal with work more expeditiously and more efficiently through the streamlining of internal processes enabled by the conversion of applications to electronic format upon their receipt.

We also plan to move forward, with stakeholders both in the legal profession and outside it, with our Automated Registration of Title to Land project. Our aim is that those conducting straightforward transactions in the Land Register should be able to do so electronically by late 2006. Together with a range of other projects making up the strategic programme for change and rolled forward with our five year Corporate Plan, the strategy and mechanisms are in place to address the challenges and opportunities that are set out above. The key will be successful implementation in order to provide us with the flexibility to deal with these timeously, smoothly and effectively.



IN ADDITION TO THE LAND REGISTER AND THE GENERAL REGISTER OF SASINES, REGISTERS OF SCOTLAND IS RESPONSIBLE FOR:

#### 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 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. The Act provides the opportunity for community bodies representing rural



step eight.

UNWIND IN YOUR NEW HOME NOW YOU CAN MOVE IN AND UNWIND.



areas in Scotland to register an interest in and buy registered land when it comes to be sold. The Register will, in due course, have two distinct parts for registering rights to buy: one for registering applications made by community bodies in terms of Part 2 of the Land Reform (Scotland) Act 2003; and the other for registering applications by agricultural tenants in terms of Part 2 of the Agricultural Holdings (Scotland) Act 2003. This part of the register is expected to come into force in late 2004 or early 2005.

**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 to the land when there is a break in the progress of title as a result of intestacy.

**Register of Sheriffs' Commissions.** Record of Commissions by the Crown in favour of 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 Entails.** An Entail is a legal instrument formerly made by the proprietor of a landed estate, which preserves the estate and regulates the inheritance. Entails are being disappplied progressively by court order and the Register will be closed immediately before the appointed day of 28 November 2004 for the abolition of feudal tenure in Scotland. As soon as practicable thereafter the Register shall be transmitted to the Keeper of the Records of Scotland for preservation.

**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.)

**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, will be abolished. In certain circumstances some rights relating to the use and management of property may be preserved. The provisions of the Act not already in force will come into force on 28 November 2004.

**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 are currently expected to come into force in late 2004 or early 2005.



**step nine.**

**THE FINAL DEED** THE DEEDS ARE SENT TO REGISTERS OF SCOTLAND FOR REGISTRATION IN THE LAND REGISTER. AT THE END OF THE PROCESS A LAND CERTIFICATE IS ISSUED.

### **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. Rollout of ARTL is expected to commence from October 2006.

**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 40%, will be a major corporate 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.

**E-lodgement.** The process of sending information from the Agent electronically to the Keeper instead of paper deeds.

**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 Map.

**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 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. A commencement date for the new register has not yet been set.

**Register of Community Interests in Land.**

Part 2 of the Land Reform (Scotland) Act 2003 came into force on 14 June 2004. A new Register of Community Interests in Land, kept by the Keeper, came into existence on that day. The Register will in due course have two distinct parts for registering rights to buy. These will be for (1) registering the interests of community bodies (from 14 June 2004) in terms of that Act; and (2) registering applications by agricultural tenants (available from late 2004 or early 2005) in terms of the Agricultural Holdings (Scotland) Act 2003.

**Register of Sites of Special Scientific Interest.** See Nature Conservation (Scotland) Act 2004.

**Registers Direct.** An on-line service 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. The Commission published the first of two discussion papers on the land registration system in February 2004 and it intends to publish the second discussion paper by the end of 2004.

**Stamp Duty Land Tax.** Part 4 of the Finance Act 2003, which came into force on 1 December 2003, replaced stamp duty with a new tax on land transactions known as the Stamp Duty Land Tax (SDLT). Stamp duty was a tax on documents whereas SDLT is a tax on transactions involving any estate, interest, right or power in or over land. Solicitors no longer submit deeds to the Inland Revenue for stamping, but instead notify most land transactions to the Inland Revenue on a Land Transaction return. The Keeper is responsible for ensuring the correct certificate is presented to him when a deed comes to him for registration.

**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 on the Appointed Day (28 November 2004) and setting up a new regime for creating, varying and extinguishing burdens. Implementation of this Act will involve a detailed reappraisal of every Title Sheet, in the Land Register, of which there are currently in excess of 1 million.

**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 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.

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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

The Registers of Scotland Executive Agency 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. The Agency operates two Customer Service Centres, one at Erskine House, Queen Street, Edinburgh and the second at George Square, Glasgow.

### Principal Activities

The Keeper (The Chief Executive) of the Registers of Scotland is responsible for maintaining 16 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 which 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 accurate registers containing high quality, up-to-date information and make the information contained in the registers available in accordance with statute and customer needs. During the period 2003-2004 the Agency's corporate objectives were to

- deliver the core business and meet the performance targets agreed with Ministers
- deliver the business in line with Government initiatives
- improve quality of services
- enable the electronic delivery of Land Register applications
- increase Land Register coverage whilst delivering Ministerial targets
- develop information services to new and existing customers
- communicate the vision and values of the Agency
- create more opportunities to utilise the Agency's expertise externally to generate revenue.

### Business Performance

April 1st 2003 marked the transfer of Moray, Banff, Caithness, Sutherland, Ross and Cromarty, Orkney and Shetland to the Land Register, thus completing the extension programme to the whole of Scotland. Now that the Land Register is 'live' throughout Scotland we will begin to look at how we might increase coverage with the ultimate goal of transferring all property to the Land Register. Operationally, the Agency enjoyed another outstanding year with the continued buoyancy of the property market generally and the remortgaging and second security market in particular generating strong demand. On a unitised basis, output rose some 7.8% in 2003-2004 compared with 2002-2003. In the same period operating profits rose from £9.5 million to £16.8 million and 3 year return on net capital employed rose from 23.9% to 26.4%. All our turnaround time targets were met. Only two targets were missed. Registration accuracy was some 94.7% against a target of 97%. This is almost entirely due to historic inaccuracy now coming to light as a result of the continuing expansion of registration. Also we failed to achieve a further 5% improvement in customer satisfaction rating for the three lowest rated factors, speed of service, accuracy and value for money where results were broadly similar to last year. Again this should be viewed in the context of a 14% improvement against these specific factors last year and very high general levels of customer satisfaction overall. Full details of the Agency's performance against key targets are set out in the Annual Report. Complimenting its high standards of operational and financial performance, the Agency retained its Investors in People accreditation following a further assessment and was awarded the Scotland's Health at Work (SHAW) Silver Award, recognising its efforts to promote staff health and well being.

### Business Outlook 2004-2005

Previous cautious forecasts regarding the housing market have proved inaccurate. The market remains very strong, although there are wide regional variations with the strength most apparent in traditional hot spots such as Edinburgh and Aberdeen. However the market in Glasgow has been very strong in 2003-2004 and has in percentage terms outperformed all other areas. Continuing low interest rates combined with a relatively strong employment market seem to indicate continuing consumer confidence in the short-term. However the majority of analysts now predict an upward trend in interest rates throughout 2004-2005 and this may impact the market. Nevertheless our forecasts for this year are based upon a further increase in volumes, not least because of work arising from remortgaging, which we intend to deal with by improving efficiency. Our targets for the coming year represent stability where we have achieved levels considered optimum by our customers, while in areas such as accuracy and speed of our First Registration service there are some new challenging goals. Financially we continue to seek year on year 2% efficiency gains over and above the absorption of running cost increases. Elsewhere within the business we look forward to initiating the work required to implement the changes brought about by legislation abolishing feudalism and reforming title conditions. From the end of November 2004, new registrations will adhere to the new requirements for registration and we will commence a 10-year programme to update all titles. We also look forward to entering into a partnership for the delivery of our information technology services which we hope to agree and implement over the next few months. Finally the Agency will this year submit to Ministers a review of its accommodation options against the background of the Scottish Executive's relocation policy.

### 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 18 days (2002-2003 : 20 days). The Agency made no payments of statutory interest under the Late Payment of Commercial Debts (Interest) Act 1998.

### Dividend

During the year a dividend of £2,097,093 was paid to the Scottish Executive (2002-2003 : £1,396,563). 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

The Agency's health and safety management system has been developed by giving specialist training to managers with comprehensive guidance and advice on all aspects of health and safety available to staff on the Intranet. Health and Well-being initiatives provide a means to improve staffs' health and to achieve a reduction in sickness absence levels. Health and safety reports are considered by the Management Board each quarter and are made available to staff. The Agency attained Scotland's Health at Work Silver Award in May 2003 and are working towards the Gold Award standard.

### Diversity

The introduction of new selection procedures for both internal and external vacancies gave us the opportunity to train staff on objective assessment testing and enabled us to ensure that interviewing skills are kept up to date in relation to diversity issues. The Agency carried out a pilot of revised flexible working arrangements that afforded staff greater scope to balance their work and domestic commitments.

The average number of staff employed over the year was 1438. The part-year working scheme continued and the number of part-time staff working in the Agency in 2003-2004 increased to 222. During the year we had 134 new entrants and 118 leavers (including retirements and casual staff). Female staff employed by the Agency total 48% and 2.2% of staff are from ethnic minority backgrounds. A total of 7% of our staff assessed themselves as being disabled under the terms of the Disability Discrimination Act.

### Developing Staff

The Scottish Qualifications Authority has approved the Agency as a centre to offer the SVQ in Land Registration developed by the Agency and a pilot exercise is in the course of being set up. The Agency began the process of identifying the training needs for staff to implement the changes in work practices required by the Abolition of Feudal Tenure (Scotland) Act 2000.

## Management Board

The Management Board at 31 March 2004 comprised

James Meldrum (started 1.9.03)

*Keeper/Chief Executive*

Bruce C Beveridge LL.B (started 1.3.04)

*Deputy Keeper*

Frank W Manson

*Managing Director*

Brian Corr

*Information Technology*

Ian Davis LL.B

*Legal Services*

Janet Kyle

*Human Resources*

Andy Smith

*Production*

Alison Chisholm

*Finance and Planning*

Mike Traynor

*Business Development and Marketing*

During 2003-2004, Alan Ramage retired on 3.12.03 and Alistair Rennie retired on 31.1.04. They were replaced by James Meldrum and Bruce Beveridge respectively.

## Audit

The Accounts have been audited by PricewaterhouseCoopers, auditors appointed by the Auditor General for Scotland. 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.



FRANK W MANSON

*Managing Director*

31 August 2004

## 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 judgments and estimates on a reasonable basis
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements
- 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 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. Mr Frank Manson, Managing Director and Principal Establishment and Finance Officer, 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 Keeper, as Chief Executive and statutory office-holder, remains accountable to the Parliament for the performance of his duties, including that of preparing accounts. The Agency's Accountable Officer has a separate, and independent, duty to ensure certain standards and to take action if these are not met.

The 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.



As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Registers of Scotland Executive Agency's policies, 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. Together with the Chief Executive, I am responsible to the First Minister, the Scottish Executive and the Scottish Parliament, for the regularity and propriety of the Agency's transactions and the stewardship of its assets.

The system of internal control 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 identify and prioritise the risks to the achievement of Agency policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to 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 2004, unless where otherwise specified, up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

The Agency manages risk as an integral yet distinct part of its system of corporate governance. The Registers of Scotland Ministerial Advisory Board, which is chaired by the Secretary of the Scottish Executive Justice Department, consists of the Agency's three most senior managers and three independent members appointed by the Justice Minister, and is responsible for reviewing the activities of the organisation and advising

Ministers. The strategic management of the organisation is the responsibility of the Management Board consisting of the organisation's senior managers and chaired by the Chief Executive. It meets monthly and reviews organisational performance against targets and volumes of business, including the risks arising from activities and the measures in place to manage these risks. At the executive level, the Agency is managed by five operational groups tasked with particular aspects of the organisation's activities, each chaired by a Management Board member and each reporting (regularly or by exception) to the Management Board. These groups receive regular reports from managers on the performance of the organisation and maintain risk logs in relation to their area of responsibility. The Agency has an established Audit Committee (chaired by a Management Board member who is not the Chief Executive or the Accountable Officer) which meets four times per year and receives reports from independent internal auditors, including reports on the adequacy of systems of internal control. The Chair of the Audit Committee submits regular reports to the Management Board. The Agency has substantively 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 referred to above, 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. All of these measures have been brought into effect during 2003-2004 with the exception of the appointment of an Enterprise Risk Manager. The ERM Project Manager has been fulfilling this role in the interim and an appointment will be made in 2004-2005.

## **CORPORATE GOVERNANCE: STATEMENT ON THE SYSTEM OF INTERNAL CONTROL**

In Registers of Scotland the main processes in place for identifying, evaluating, and managing risk are as follows:

At the planning stage, risk is identified and evaluated as an integral part of the planning process. Our Corporate and Business Plans devote 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 Programme Office and Business Change Team ensure 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.

As an Executive Agency, our involvement in policymaking is in an advisory capacity. 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 Operations Group, who have overall responsibility for operational matters. Similar procedures apply in relation to customer relations, planning, legal policy and project and programme management. At a higher level, the Audit Committee which has overall responsibility

for organisational risk management, compiles and maintains the organisation 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 information technology partnership project, Project Spirit.

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 auditors and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. 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 and a plan to ensure continuous improvement of the system is in place.

Throughout the year, the Management Board has received regular reports from the Audit Committee, operational management groups and individual projects which 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 are operating in accordance with Scottish Executive and Treasury guidance as regards internal controls and risk management.



FRANK W MANSON  
Managing Director

31 August 2004

## REGISTERS OF SCOTLAND EXECUTIVE AGENCY TRADING FUND INDEPENDENT AUDITORS' REPORT

### To the Scottish Parliament and the Auditor General for Scotland

We have audited the financial statements on pages 46 to 63 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and in accordance with the accounting policies set out on pages 50 to 51.

This report is made solely to the bodies to whom it is addressed, and not to individual members, in accordance with the Public Finance Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by Audit Scotland, dated July 2001. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Respective responsibilities of the Agency, the Chief Executive, the Accountable Officer and the Auditors

As described on page 40, the Agency and Chief Executive are responsible for the preparation of the financial statements in accordance with the Public Finance and Accountability (Scotland) Act and directions made thereunder for ensuring the regularity of expenditure and income. The Agency and Chief Executive are also responsible for the preparation of the other contents of the Annual Report. Our responsibilities, as independent auditors, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.

We report our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers and whether, in all material respects

- the expenditure and income shown in the financial statements were incurred or applied in accordance with income applicable enactments and guidance issued by the Scottish Ministers.

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, or if we have not received all the information and explanations we required for our audit.

We also review whether the statement on pages 41 to 43 complies with the Scottish Executive guidance on statements on the system of internal control. We report if, in our opinion, the statement does not comply with the guidance, or if the statement is misleading or inconsistent with other information we are aware of from our audit. We are not required to consider whether the statement covers all risks and controls, or form an opinion on the effectiveness of the Agency's corporate governance procedures or its risk and control procedures.

Additionally, we read the other information contained in the Annual Report, and consider whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises of the foreword to the accounts.

### Basis of audit opinions

We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, which

requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and income shown in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Agency and Chief Executive 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. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

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 are free from material misstatement, whether caused by fraud or other irregularity or error, and that, in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

#### Opinions - Financial statements

In our opinion the financial statements give a true and fair view of the state of affairs of the Registers of Scotland Executive Agency Trading Fund at 31 March 2004 and of the surplus, recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Public Finance and Accountability Act (Scotland) 2000 and directions made thereunder by the Scottish Ministers.

#### Regularity

The expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.



PricewaterhouseCoopers LLP  
Erskine House  
68-73 Queen Street  
Edinburgh

7 September 2004

## income and expenditure account

For the year ended 31 March 2004

	NOTES	2004 £000	2003 £000
Turnover – continuing operations	1 and 2	<b>63,348</b>	53,711
Change in stocks and WIP	11 and 14	<b>(300)</b>	1,508
		<b>63,048</b>	55,219
Other operating income		<b>485</b>	755
		<b>63,533</b>	55,974

### Net operating expenses - continuing operations

Staff costs	3	<b>32,289</b>	31,003
Depreciation	4 and 5	<b>4,588</b>	4,891
Other operating charges	6	<b>9,856</b>	10,618
		<b>46,733</b>	46,512

Operating surplus – continuing operations		<b>16,800</b>	9,462
Interest receivable	8	<b>2,199</b>	1,603
Interest payable	9	<b>(291)</b>	(300)
<b>Surplus</b>		<b>18,708</b>	10,765
Dividend paid/payable	10	<b>2,908</b>	2,097
<b>Retained Surplus for the financial year</b>		<b>15,800</b>	8,668

During the year there were no material acquisitions or disposals.

## statement of total recognised gains and losses

For the year ended 31 March 2004

	2004 £000	2003 £000
Surplus for the financial year	<b>18,708</b>	10,765
Unrealised surplus on revaluation of fixed assets after backlog depreciation	<b>468</b>	495
<b>Total recognised gains and losses relating to the year</b>	<b>19,176</b>	11,260

The notes on pages 50 to 63 form part of these accounts.



## balance sheet

As At 31 March 2004

	NOTES	2004 £000	2003 £000
<b>Fixed Assets</b>			
Intangible Assets	4	<b>399</b>	338
Tangible Assets	5	<b>17,450</b>	19,846
		<b>17,849</b>	20,184
<b>Current Assets</b>			
Stock and Work in Progress	11	<b>2,832</b>	3,134
Debtors: amounts falling due after one year	12	<b>30</b>	47
Debtors: amounts falling due within one year	12	<b>2,309</b>	2,062
Current asset investment	Cash Flow Note 2	<b>66,000</b>	44,000
Cash at bank and in hand	Cash Flow Note 2	<b>11,102</b>	6,761
		<b>82,273</b>	56,004
Creditors: Amounts falling due within one year	13	<b>40,106</b>	32,067
Net Current Assets		<b>42,167</b>	23,937
<b>Total Assets Less Current Liabilities</b>		<b>60,016</b>	44,121
<b>Financed By:</b>			
Provision for Liabilities and Charges	14	<b>1,116</b>	1,383
Capital Loan	15	<b>3,347</b>	3,453
Public Dividend Capital	15	<b>4,289</b>	4,289
Income and Expenditure Account	16	<b>41,709</b>	25,909
Revaluation Reserve	17	<b>9,555</b>	9,087
		<b>60,016</b>	44,121

The notes on pages 50 to 63 form part of these accounts.



FRANK W MANSON  
Managing Director

31 August 2004

## cash flow statement

For the year ended 31 March 2004

	2004 £000	2003 £000
<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>		
Operating surplus	16,800	9,462
Depreciation charge	4,588	4,891
Decrease (Increase) in stocks and work in progress	303	(45)
(Decrease) in work in progress provision	-	(1,407)
(Decrease) Increase in indemnity provision	(209)	135
(Decrease) in early retirement provision	(58)	(140)
(Decrease) in dilapidations provision	-	(650)
Decrease in debtors: amounts due after one year	17	58
(Increase) in debtors: amounts due within one year	(130)	(58)
Increase in creditors	7,168	5,169
Loss (Gain) on sale of fixed assets	21	(2)
<b>Net cash inflow from operating activities</b>	<b>28,500</b>	<b>17,413</b>

### Cash Flow Statement

Net cash inflow from operating activities	28,500	17,413
Returns on investments and servicing of finance (Note 1)	(311)	(132)
Capital expenditure (Note 1)	(1,742)	(3,107)
	<b>26,447</b>	<b>14,174</b>
Management of liquid resources		
Short term deposits at National Loans Fund	(22,000)	(13,000)
Financing (Note 1)	(106)	(107)
Increase in cash	<b>4,341</b>	<b>1,067</b>

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

Increase in cash in the period	4,341	1,067
Cash to repay capital loan	106	107
Cash used to increase liquid resources	22,000	13,000
Change in net funds	<b>26,447</b>	<b>14,174</b>
Opening net funds	<b>47,202</b>	<b>33,028</b>
<b>Closing net funds</b>	<b>73,649</b>	<b>47,202</b>

The notes on pages 50 to 63 form part of these accounts.

## notes to the cash flow statement

	2004 £000	2003 £000
<b>Note 1 - Gross Cash Flows</b>		
<b>Returns on investments and servicing of finance</b>		
Interest received	2,082	1,569
Interest paid	(296)	(304)
Dividend paid	(2,097)	(1,397)
	<b>(311)</b>	<b>(132)</b>
<b>Capital expenditure</b>		
Payments to acquire intangible fixed assets	(241)	(229)
Payments to acquire tangible fixed assets	(1,501)	(2,883)
Receipts from sales of tangible fixed assets	-	5
	<b>(1,742)</b>	<b>(3,107)</b>
<b>Financing</b>		
<b>Repayment of Capital Loan</b>	<b>(106)</b>	<b>(107)</b>

### Note 2 - Analysis of Changes in Net Funds

	1 April 2003 £000	Cash flows £000	Other changes £000	31 March 2004 £000
Cash in hand and at bank	6,761	4,341	-	11,102
Debt due within 1 year	(106)	106	(106)	(106)
Debt due after 1 year	(3,453)	-	106	(3,347)
Current asset investment	44,000	22,000	-	66,000
	<b>47,202</b>	<b>26,447</b>	<b>-</b>	<b>73,649</b>

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

The notes on pages 50 to 63 form part of these 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.

### 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 below.

### 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 [25 years](#) ([see Note 5](#))

Software and computer equipment requires to be assessed on an individual basis. Presently the useful lives of both range from 3 to 5 years. The digital mapping back conversion process is anticipated to have a useful life of 10 years. Depreciation is provided on a straight-line basis over 10 years.

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. No depreciation is charged on Payments on Account.

#### 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 department 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.

The method of funding early retirement costs from 1 April 1996 changed due to Trading Fund status. Actual costs are expensed and future costs have been calculated and set up in a provision. Prior to 1 April 1996, under arrangements by HM Treasury, future liabilities for early retirement pensions were prepaid. The net present value of the amounts prepaid have been included as an asset in the balance sheet. The total liability for early retirement costs has been recognised in full in the year in which the prepayment is made and charged against the income and expenditure account. The difference between the reduction in the net present value of the prepayment and the reduction in the total liability each year is credited to the income and expenditure account. Early severance payment obligations are expensed in the year in which the employee retires.

#### Stocks and Work in Progress

Stocks and work in progress are 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.

#### 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.

	2004 £000	2003 £000
<b>2. Turnover</b>		
First Registrations	15,038	14,607
Transfers of Part	4,630	2,803
Dealings with Whole	27,593	20,971
Sasines	7,848	7,615
Registers Direct and Customer Service Centres	4,833	3,980
Chancery and Judicial Registers	1,520	1,334
Reports and Other	1,886	2,401
	<b>63,348</b>	<b>53,711</b>

	2004 £000	2003 £000
<b>3. Staff costs and numbers</b>		
(i) Employee costs during the year amounted to:		
Wages and salaries	26,530	25,601
Social Security costs	1,874	1,590
Other pension costs (see Note 18)	3,339	3,166
Restructuring costs	293	324
Temporary agency staff	106	236
Seconded staff	77	78
Contract staff	65	-
Other staff costs	5	8
Charged to the income and expenditure account	32,289	31,003
Less: recoveries of staff seconded out	77	78
	<b>32,212</b>	<b>30,925</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:

	2004	2003
	£000	£000
At 1 April	805	973
Credited to Income and Expenditure Account within Staff Costs	(277)	(291)
	528	682
Increase during the year	212	123
At 31 March	740	805
Due within one year	(238)	( 245)
Provision - due after more than one year (see Note 14)	502	560

The Agency prepaid future pension liabilities under the Early Retirement Scheme to the Paymaster General's Office up to 31 March 1996 (the Agency falls outside the prefunding arrangements on becoming a Trading Fund). The movements during the year on the prefunding of liability are as follows:

	2004	2003
	£000	£000
At 1 April	29	79
Charged to Income and Expenditure Account within Staff Costs	(28)	(55)
Interest on prefunded amount credited to Income and Expenditure Account within other Operating Income	2	5
At 31 March	3	29

(iii) The actual remuneration including bonus of the retiring Chief Executive (A W Ramage) was £44,330 (2003 : £64,572). The remuneration of the new Chief Executive (J Meldrum) was £41,370. The three most senior managers are members of the Principal Civil Service Pension Scheme, their actual remuneration including bonus and PCSPS pension entitlements are as follows

	Age	Salary £000	Real increase in annual pension at 60 £000	Total accrued annual pension at 60 at 31.3.04 £000
Alan Ramage, (retired 3.12.03)	60	40 – 45	0 – 2.5	–
James Meldrum (started 1.9.03) Keeper and Chief Executive	51	40 – 45	0 – 2.5	25 – 30
Alistair Rennie, (retired 31.1.04)	60	55 – 60	0 – 2.5	–
Bruce Beveridge (started 1.3.04) Deputy Keeper	38	0 – 5	0 – 2.5	5 – 10
Frank Manson, Managing Director	54	60 – 65	0 – 2.5	5 – 10

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.

(iv) The average number of persons directly employed during the year was 1,438 (2003 : 1,401) and was made up as follows:

	2004	2003
Production	<b>1,075</b>	1,051
Corporate Services	<b>363</b>	350
	<b>1,438</b>	1,401
Temporary Agency and Contract staff	<b>5</b>	10
	<b>1,443</b>	1,411
Less seconded out	<b>2</b>	2
	<b>1,441</b>	1,409

	£000	Historic Costs £000
<b>4. Intangible fixed assets</b>		
Licences to use software developed by third parties		
<b>Valuation</b>		
At 1 April 2003	<b>483</b>	473
Additions at cost	<b>241</b>	241
Revaluation in year	<b>15</b>	-
At 31 March 2004	<b>739</b>	714
<b>Depreciation</b>		
At 1 April 2003	<b>145</b>	139
Charge for year	<b>193</b>	189
Backlog depreciation	<b>2</b>	-
	<b>340</b>	328
Net Book Value at 31 March 2004	<b>399</b>	386
Net Book Value at 31 March 2003	<b>338</b>	334

## 5. Tangible fixed assets

### (i) Revalued amounts

	Land- Freehold £000	Buildings- Freehold £000	Back Conversion £000	Plant & Machinery £000	Computers £000	Software £000	Payments on Account £000	Office Equip. £000	Total £000
<b>Valuation</b>									
At 1 April 2003	2,560	8,554	5,312	1,370	5,610	10,684	346	2,170	36,606
Additions at cost	-	-	-	48	352	644	448	73	1,565
Disposals at Valuation	-	-	-	(13)	(197)	-	-	-	(210)
Permanent diminution	-	-	-	-	(442)	-	-	(1)	(443)
Revaluation in year	67	225	140	23	-	195	14	50	714
At 31 March 2004	2,627	8,779	5,452	1,428	5,323	11,523	808	2,292	38,232

### Depreciation

At 1 April 2003	-	342	3,282	922	3,952	7,163	-	1,099	16,760
Charge for year	-	347	539	177	852	1,918	-	384	4,217
Disposals at valuation	-	-	-	(12)	(177)	-	-	-	(189)
Backlog depreciation	-	13	91	12	(264)	117	-	25	(6)
At 31 March 2004	-	702	3,912	1,099	4,363	9,198	-	1,508	20,782
<b>Net Book Value</b>									
at 31 March 2004	2,627	8,077	1,540	329	960	2,325	808	784	17,450
<b>Net Book Value</b>									
at 31 March 2003	2,560	8,212	2,030	448	1,658	3,521	346	1,071	19,846

Note 1 on Accounting policies states that the Agency will professionally revalue freehold land and buildings every 3 years and in the intervening years the figures will be updated by a "desktop" valuation. Freehold land and buildings were revalued at £10,855k as at 31 March 2002 on the basis of existing use value. The valuation at 31 March 2002 has been split £2,500k land and £8,355k buildings. The expected useful life was put at 25 years. This compares to the valuation at 31.3.99 of £4 million, split £600k land and £3,400k buildings, and 25 years expected useful life.

The valuation was carried out by external valuers, Gerald Eve, Chartered Surveyors and was prepared in accordance with the requirements of the RICS Appraisal and Valuation Manual.

Payments on Account relate to the procurement project of the provision of all IS/IT services for the Agency. No depreciation is required on assets under construction until the project is complete.

## (ii) Historic Costs

	Land- Freehold £000	Buildings- Freehold £000	Back Conversion £000	Plant & Machinery £000	Computers £000	Software £000	Payments on Account £000	Office Equip. £000	Total £000
<b>Cost</b>									
At 1 April 2003	637	3,613	4,633	1,234	7,147	10,107	342	2,068	29,781
At 31 March 2004	637	3,613	4,633	1,270	7,237	10,751	790	2,141	31,072
<b>Depreciation</b>									
At 1 April 2003	-	1,012	2,869	805	5,240	6,702	-	1,036	17,664
At 31 March 2004	-	1,156	3,332	961	6,047	8,523	-	1,401	21,420

- (iii) The depreciation charge recorded in the Income and Expenditure account of £4,588,000 (2003: £4,891,000) comprises £443,000 (2003: £179,000) written off the replacement cost of assets to reflect a permanent diminution in value net of backlog depreciation, plus £4,145,000 (2003: £4,712,000) charged to increase the depreciation provision.

	2004 £000	2003 £000
<b>6. Other operating charges</b>		
<b>Staff related costs</b>		
Travel and subsistence expenses	270	221
Staff training	611	552
Other staff costs	237	149
<b>Supplies and services</b>		
Catering	261	152
Security	268	257
Equipment and services	3,023	2,883
Operating leases - vehicles	8	8
General administrative expenditure	1,341	1,603
Services from Ordnance Survey	559	533
SRO copy deeds	110	101
Consultancy	142	131
Bank Charges	58	53
Indemnity and legal costs	242	314
External Audit	47	51
Internal Audit	41	35
<b>Accommodation and Utilities</b>		
Estate Charges	1,133	1,241
Operating leases - rents	601	1,378
Repairs, maintenance and minor works	352	411
Utilities	264	257
Environmental services	267	290
Loss (Gain) on sale of fixed assets	21	(2)
	<b>9,856</b>	<b>10,618</b>

Operating leases – rents have decreased due to no longer occupying St Margaret's House (vacated November 2002) and reducing the rent free creditor in line with rent reviews.

**7. Losses**

The Agency settled 86 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 £410,417 (2003: 53 claims, £76,725).

<b>2004</b>	2003
<b>£000</b>	£000

**8. Interest Receivable**

Investment of surplus cash	<b>2,199</b>	1,603
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**9. Interest Payable**

National Loans Fund originating debt	<b>291</b>	300
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**10. Dividend**

Dividend paid/payable on Public Dividend Capital (see Note 15)	<b>2,908</b>	2,097
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**11. Stocks and work in progress**

Stocks of stationery	<b>7</b>	17
Work in Progress	<b>2,825</b>	3,117
	<b>2,832</b>	3,134

The movement in stocks and work in progress of £300,000 per the Income and Expenditure Account excludes direct issues of stationery stocks and is made up of:

<b>2004</b>	2003
<b>£000</b>	£000

(Decrease) Increase in Asset balances	<b>(300)</b>	101
Decrease in Provision (see Note 14)	-	1,407
	<b>(300)</b>	1,508



	2004	2003
	£000	£000

## 12. Debtors:

### Amounts falling due within one year

Trade debtors	928	1,050
Less: Provision for bad debts	(29)	( 140)
Net trade debtors	899	910
Other debtors	391	354
VAT	-	39
Prepayments and accrued income	1,019	759
	2,309	2,062

### Amounts falling due after more than one year

Early retirement prepayment	-	3
Other debtors (see (a) below)	30	44
	30	47

(a) Other debtors at 31 March 2004 include £6,790 (2003: £30,355) in respect of loans to employees of the Agency for assistance in relocating to the Agency's office previously located at Cowglen Glasgow.

	2004	2003
	£000	£000

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

Trade creditors and accruals	1,758	1,919
Other tax and Social Security	980	871
Fees received in advance	34,246	27,045
Overpayment refunds outstanding	30	29
VAT	78	-
Dividend payable	2,908	2,097
Repayment of Capital Loan	106	106
	40,106	32,067

## 14. Provisions for liabilities and charges

	Early Retirements (see Note 3) £000	Indemnities (see Note 19) £000	Total £000
At 1 April 2003	560	823	1,383
Additional provisions made	154	774	928
Amounts incurred and charged against provision	(212)	(411)	(623)
Unused amounts reversed	-	(572)	(572)
At 31 March 2004	502	614	1,116

## 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	3,559	4,289
Repayment during year	(106)	-
Closing balance	3,453	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.

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%.

Repayments on the Capital Loan are due as follows:

	2004 £000	2003 £000
Between one and two years	106	106
Between two and five years	319	319
In more than five years	2,922	3,028
	3,347	3,453
Within one year (included in Creditors)	106	106
	3,453	3,559

## 16.Income and Expenditure Account

Opening balance	25,909	17,241
Retained surplus for year	15,800	8,668
Closing balance	41,709	25,909

## 17.Revaluation Reserve

At 1 April	9,087	8,592
Revaluation	729	765
Backlog depreciation	(261)	(270)
At 31 March	9,555	9,087

### 18. Pensions

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). This is a defined benefit scheme and is unfunded. 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 3 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 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 current PCSPS 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 contribution, (see Note 3(i)), are paid to the Paymaster General at rates determined by the Government Actuary and advised by the Treasury. For 2003-2004, these rates were 12% to 18.5% (2002-2003 : same). Contributions outstanding at 31.3.04 amounted to £321,050 (31.3.03 £304,544).

### 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.

The Agency moved out of St. Margaret's House in Edinburgh during the financial year 2002-2003 at the end of the agreed period of lease. As part of the lease agreement, for this building, there was a condition to "make good" any dilapidations to the interior of the building. A professional survey was hired in 2001-2002 to estimate the cost of the exercise and an estimate of £650,000 was established and a payment of this amount was made to the landlord to take account of any dilapidations. However, the landlord is of the opinion that further reimbursement is required to make good the dilapidations. The landlord has now proceeded to legal actions in order to try and obtain further reimbursement. Any further payments, if any, will be determined by the Courts.

## 20. Capital commitments

At the year-end there was capital expenditure contracted for but not provided for in the accounts of £71,323 (2003 : £426,309).

	2004 £000	2003 £000
<b>21. Financial commitments</b>		
At 31 March 2004 the Agency had annual commitments under non-cancellable operating leases as follows:		
Land and Buildings		
Expiry within one year	-	-
Expiry between two and five years inclusive	564	425
Expiry in over five years	369	369
Other Leases		
Expiry within one year	-	3
Expiry between two and five years inclusive	9	5
Expiry in over five years	-	-
	<b>942</b>	<b>802</b>

## 22. Post Balance Sheet Events

There were no post balance sheet events.

## 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, Roads Directorate of the Scottish Executive, Cabinet Office (CMPS), National Archives of Scotland, Department for International Development, Department for Work and Pensions, Scottish Executive Environment and Rural Affairs Department, Office of Government Commerce, HM Land Registry and the Stationery Office.

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 2004 was the eighth year of trading fund status. Return on average net assets (after deduction of allowable provisions) for the three years to 31 March 2004 amounts to 26.4% (calculated before allowing for interest receivable).

## FINANCIAL SUMMARY

	2004 £000	2003 £000	2002 £000	2001 £000	2000 £000
<b>Income and Expenditure</b>					
Income	63,533	55,974	48,734	49,941	37,601
Operating expenses	(46,733)	(46,512)	(42,815)	(44,496)	(42,343)
Interest receivable	2,199	1,603	1,387	1,641	1,374
Interest payable	(291)	(300)	(309)	(341)	(381)
Dividend paid/payable	(2,908)	(2,097)	(1,397)	(785)	(697)
Surplus (Loss) for the year	15,800	8,668	5,600	5,960	(4,446)
<b>Balance Sheet</b>					
Fixed assets	17,849	20,184	21,507	15,227	15,519
Net current assets	42,167	23,937	15,619	9,996	4,960
	60,016	44,121	37,126	25,223	20,479
<b>Financed by</b>					
Provisions	1,116	1,383	3,445	4,227	5,394
Capital Loan	3,347	3,453	3,559	3,666	3,991
Public Dividend Capital	4,289	4,289	4,289	4,289	4,289
Income and Expenditure Account	41,709	25,909	17,241	11,641	5,681
Revaluation reserve	9,555	9,087	8,592	1,400	1,124
	60,016	44,121	37,126	25,223	20,479

**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.



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