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REPORT OF THE BOARD

To the Members of the Scottish Council for Development and Industry Limited (a company limited by guarantee) The Board of Directors submits its report together with financial statements for the year to 30 September 2007

Principal Activities

The Council is principally engaged in making representations to Government and others regarding matters of public policy

Financial Commentary

The financial performance of the year has resulted in a satisfactory outcome The surplus after taxation of £229,986 has been transferred to reserves In light of the obligations under the pension scheme this is a satisfactory state of affairs

In addition, the gain in the stock market throughout the year has resulted in an appreciation in the investment portfolio of £23,047 and this has been taken to reserves

Operational income was £1,785,427. The various categories of operational expenditures were broadly in line with expectations

The Board has monitored its commitment to the defined benefits pension scheme This scheme was closed to the accrual of future employee benefits at 31 December 2004 The Council is committed to honouring the liabilities and will continue to contribute to the scheme with occasional transfers from reserves and regular payments, agreed with the trustees, as considered appropriate by the Directors A Stakeholder Group Personal Pension plan commenced on 1 January 2005

The reserve are satisfactory.

The Directors continue to promote the Council's activities and to direct its future development

A summary of key performance indicators is set out in the Annual Review which is distributed to members with these accounts and with associated papers for the Annual General Meeting The comprehensive review describes activities in the following categories membership relations, public policy, government affairs, business development, education business links, committee membership and staff



Financial Risk Management Objectives and Policies

The Council does not enter into any hedging transactions

The Council manages its liquidity and cash flow risks by the constant monitoring of cash position and projections

Price risk in financial instruments may exist where their value varies in accordance with currency, interest rate or other market movement.

The Council's financial instruments comprise amounts receivable from debtors and amounts payable to suppliers. All of these balances are conducted in Sterling and so there is no currency risk

None of the financial instruments are subject to any other market movements affecting price risk. In summary therefore exposure to price risk is not considered material

The Council monitors credit risk via continual review of balances due from debtors

Auditors

Grant Thornton UK LLP offers itself for reappointment as auditor in accordance with section 385 of the Companies Act 1985

Directors' Responsibilities for the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing those financial statements, the Directors are required to

- *select suitable accounting policies and then apply them consistently;*
- *make judgments and estimates that are reasonable and prudent;*
- *state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;*
- *prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.*

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Council and for taking reasonable steps for the prevention and detection of fraud and other irregularities

In so far as the Directors are aware there is no relevant audit information of which the company's auditors are unaware and the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Directors

The membership of the Board for 2006/2007 is set out below All Directors served throughout the year except as indicated

Geoff Aitkenhead	Scottish Water (elected 6 March 2007)
Robert Armour	British Energy
Cheryl Black	Scottish Water (resigned 7 December 2006)
Allan Burns	Private Member (resigned 7 December 2006)
Dr Tam Dalyell	President
Brendan Dick	BT Scotland
Professor Gavin Don	equitas
Bill Drummond	Legal Adviser
James Fowlie	COSLA (elected 12 September 2007)
Alan Kilpatrick	Chairman, International Business Committee
Barbara Lindsay	COSLA (resigned 12 September 2007)
Shonaig Macpherson CBE	Chairman of the Board and Executive Committee
Iain McLaren	Finance Adviser
Joe Moore	Chairman, Highlands & Islands Committee
Norman Quirk	Scottish Chambers of Commerce (elected 1 August 2007)
Audrey Ramsay	Diageo
Esther Robertson	Private Member
David Ross	Scottish Chamber of Commerce (resigned 10 May 2007)
Duncan Skinner	Chairman, North East Committee
Grahame Smith	STUC (elected 6 March 2007)
Professor Bill Stevely CBE	Private Member

Brian Veitch Arup Scotland

1 November 2007
23 Chester Street, Edinburgh, EH3 7ET

FINANCIAL REPORT

Income and Expenditure Account for the year ended 30 September 2007

		2007	2006
	Notes	£	£
Income	2		
Subscriptions		989,025	954,223
Activities			
Projects		778,557	709,816
Property		<u>17,845</u>	<u>17,989</u>
Total Income		1,785,427	1,682,028
		-	-
Expenditure			
Staff Costs	6	856,641	820,439
Training and Other Staff Costs	6	24,332	17,507
Property and Equipment		164,482	156,686
Office Costs		22,099	24,675
Communications		19,102	21,558
Travel and Motor Expenses		39,471	44,801
Programme and Project Costs		476,342	443,437
Donation to Scottish Council Foundation	20	12,500	12,500
Irrecoverable Value Added Tax	3	11,315	13,563
Depreciation	8	<u>8,533</u>	<u>13,031</u>
Total Administrative Expenses		<u>1,634,817</u>	<u>1,568,197</u>
Operational Surplus	3	150,610	113,831
Income from Investments	4	36,111	35,815
Net gain on sale of tangible fixed asset		14,265	16,460
Other Finance Income	5	<u>29,000</u>	<u>10,000</u>
Surplus on Ordinary Activities before Taxation		229,986	176,106
Taxation on Surplus on Ordinary Activities	7	<u> </u>	<u>(1,418)</u>
Surplus for the Financial Year	13	<u>229,986</u>	<u>174,688</u>
Statement of Total Recognised Gains and Losses			
Surplus for the year		229,986	174,688
Unrealised Gain on Investments	9	23,047	64,880
Actuarial Gain Arising on Pension Scheme	18	<u>517,000</u>	<u>103,000</u>
Total Recognised Gains since the last financial statement		<u>770,033</u>	<u>342,568</u>

The accompanying Accounting Policies and Notes form an integral part of these financial statements

FINANCIAL REPORT

Balance Sheet at 30 September 2007

	Notes	£	2007 £	2006 £
Fixed Assets				
Tangible Assets	8		13,166	15,737
Investments	9		<u>996,092</u>	<u>1,036,273</u>
			1,009,258	1,052,010
Current Assets				
Debtors	10	116,152		248,587
Cash at Bank and in Hand	15	<u>119,964</u>		<u>104,966</u>
		236,116		353,553
Creditors: Amounts falling due within one year	11	<u>(230,779)</u>		<u>(380,653)</u>
Net Current Assets/(Liabilities) excluding pension liability			5,337	(27,100)
Pension Asset/(Liability)	18		<u>320,000</u>	<u>(479,000)</u>
Net Assets including pension asset/(liability)			1,334,595	545,910
Provision for Liabilities and Charges	12		<u>(69,989)</u>	<u>(51,337)</u>
Total Assets			<u><u>1,264,606</u></u>	<u><u>494,573</u></u>
Revenue Reserve	13		1,125,056	315,444
Revaluation Reserve	13		<u>139,550</u>	<u>179,129</u>
			<u><u>1,264,606</u></u>	<u><u>494,573</u></u>

The financial statements were approved by the Board on 1 November 2007


Shonaig Macpherson CBE, Chairman of the Board

The accompanying Accounting Policies and Notes form an integral part of these financial statements

FINANCIAL REPORT

Cash Flow Statement for the year ended 30 September 2007

	Notes	£	2007 £	£	2006 £
Net Cash (Outflow)/Inflow from Operating Activities	14		(91,360)		69,294
Returns on Investments					
Interest Received		19,802		18,129	
Dividends Received		<u>14,836</u>		<u>15,865</u>	
Net Cash Inflow from Returns on Investments			34,638		33,994
Taxation					
UK Corporation Tax (Paid)/Refunded			(595)		2,903
Capital Expenditure and Financial Investment					
Purchase of Tangible Fixed Assets		(5,179)		(5,345)	
Purchase of Investments		(237,638)		(102,225)	
Sale of Investments		327,225		103,667	
Investment cash movement		<u>(12,093)</u>		<u>(74,642)</u>	
Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment			<u>72,315</u>		<u>(78,545)</u>
Increase in Cash	15		<u><u>14,998</u></u>		<u><u>27,646</u></u>

The accompanying Accounting Policies and Notes form an integral part of these financial statements

FINANCIAL REPORT

Notes to the Financial Statements

1 Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention except that investments are stated at market value. The principal accounting policies of the Council are set out below. The policies have remained unchanged from the previous year except as set out below.

- a Depreciation is calculated to write down the cost of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Furniture and Fittings	15%
IT Equipment	50%
- b Stocks of publications held at the year end are not valued for accounting purposes as they are of no intrinsic value.
- c Subscriptions are received throughout the financial year and are credited to the Income and Expenditure account when received.
- d Project Activities are accounted for when the related administration has been completed.
- e Investment Income comprises interest received, receivable and dividends on listed and unlisted investments.
- f Deferred tax is recognised on all timing differences where the transactions or events that give the Council an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax on defined benefit pension scheme surpluses or deficits is adjusted against these surpluses. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.
- g Fixed Asset Investments are included at market value.
- h All leases are operating leases and the total payments made under them are charged to the Income and Expenditure account on a straight line basis over the lease term.
- i Contributions to Pension Funds: the Council operates a defined benefits pension scheme under which contributions by employees and the Council are administered by trustees in a fund which has no connection with the Council's assets. The defined benefits pension scheme was closed to the accrual of further employee contributions at 31 December 2004. The Council will continue to make contributions. The Council implemented a stakeholder pension scheme from 1 January 2005 under which contributions by employees and the Council are paid. The annual Council contributions payable are charged to the Income and Expenditure account. The Council has fully adopted the accounting and disclosure requirements of FRS17 Retirement Benefits (see note 18).
- j Grants which are of a revenue nature are credited to the Income and Expenditure account in the same period as the related expenditure.
- k Property income generated by the Council's offices is accounted for on the accruals basis.

2 Income

The income and surplus before taxation is attributable to the principal continuing activity which is making representations to Government and others regarding matters of public policy.

3 Operational Surplus

	2007 £	2006 £
This is stated after charging		
Auditors' Remuneration	8,200	7,600
Operating lease rentals: property	80,901	75,371
motor vehicles and equipment	30,603	34,191
Depreciation: Tangible Fixed Assets, owned: Furniture and Fittings	3,835	4,030
IT Equipment	<u>4,698</u>	<u>9,001</u>

A proportion of the input tax suffered by the Council is irrecoverable and this has been calculated according to the Council's agreement with HM Revenue and Customs.

4 Income from Investments

	2007 £	2006 £
From Fixed Asset Investments: Listed	31,087	31,728
From Current Asset Investments – Bank Interest	<u>5,024</u>	<u>4,087</u>
	<u>36,111</u>	<u>35,815</u>

FINANCIAL REPORT

Notes to the Financial Statements

5 Other Finance Income

	2007	2006
	£	£
Expected return on pension scheme assets	242,000	218,000
Interest costs on pension scheme liabilities	<u>(213,000)</u>	<u>(208,000)</u>
Other finance income	<u>29,000</u>	<u>10,000</u>

6 Staff Costs

	2007	2006
	£	£
Salaries	677,401	646,168
Social Security Costs	75,082	69,172
Pension Costs defined contributions scheme	69,158	67,099
Pension Costs defined benefits scheme	<u>35,000</u>	<u>38,000</u>
	<u><u>856,641</u></u>	<u><u>820,439</u></u>

The average monthly number of employees, excluding secondees but including contract staff, the cost of whom is charged to Projects, was as follows The figures are expressed as full time equivalents

	2007	2006
Office and Management	<u>21</u>	<u>21</u>

No member of The Board and Executive Committee received any remuneration during the year (2006 £ nil)

	2007	2006
	£	£
Training and Other Staff Costs	<u>24,332</u>	<u>17,507</u>

Training is supplemented by the provision of in kind training support by the membership

7 Taxation on Surplus on Ordinary Activities

In accordance with an agreement with the Inland Revenue, Corporation Tax is payable on

- a Interest received on Investments and Dividends from non UK sources
- b Net Rental Income, and
- c A proportion of any surplus subscription and other income over expenditure

The tax charge is based on the result of the year and represents

	2007	2006
	£	£
Corporation Tax at 19% (2006 19%)		2,415
Adjustment in respect of prior year's Corporation Tax		<u>(997)</u>
		<u><u>1,418</u></u>

Factors Affecting the Tax Charge

The UK tax assessed for the period is lower than the standard rate of corporate tax in the UK of 19% (2005 19%)

The differences are explained as follows

	2007	2006
	£	£
Surplus on ordinary activities before tax	<u>229,986</u>	<u>176,106</u>
Surplus on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 19% (2006 19%)	43,697	33,460
Effects of		
Income/(Expenses) not deductible for tax purposes	278	(2,790)
Depreciation for period in excess of capital allowances	(437)	283
Other timing differences	(53,426)	(11,121)
Income not subject to taxation	(849)	(1,208)
Tax profit/(losses) carried forward	10,737	(15,779)
Adjustments to tax charge in respect of prior periods		(997)
Marginal Relief		<u>(430)</u>
Current tax charge for the period		<u><u>1,418</u></u>

8 Tangible Fixed Assets

	Furniture And Equipment
	£
Cost	
At 1 October 2006	207,186
Additions	<u>5,962</u>
At 30 September 2007	<u>213,148</u>
Depreciation	
At 1 October 2006	191,449
Charge for the year	<u>8,533</u>
At 30 September 2007	<u>199,982</u>
Net Book Amount at 30 September 2007	<u><u>13,166</u></u>
Net Book Amount at 30 September 2006	<u><u>15,737</u></u>

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Notes to Financial Statements

9 Fixed Asset Investments

	Shares in Subsidiary Undertaking	UK Listed Investments	Cash	Total
	£	£	£	£
Market Value				
At 1 October 2006	60	789,260	246,953	1,036,273
Additions at cost		237,638		237,638
Disposal at opening market value		(312,959)		(312,959)
Cash inflow			12,093	12,093
Revaluation		23,047		23,047
Market Value at 30 September 2007	<u>60</u>	<u>736,986</u>	<u>259,046</u>	<u>996,092</u>
Market Value at 30 September 2006	<u>60</u>	<u>789,260</u>	<u>246,953</u>	<u>1,036,273</u>

The historical cost of the listed investments at 30 September 2007 was £597,436 (2006 £610,131)

The Council's subsidiary undertaking, the Scottish Council Research Institute Limited did not trade during the year. The investment in this company represents the cost of its allotted and fully paid share capital of 60 shares of £1 each. No consolidation of the financial statements of the subsidiary undertaking has been made as the amounts involved are not material but, where applicable, past losses have been fully provided for in the financial statements of the Council. The financial statements therefore present information about the company as an individual undertaking and not about its group.

10 Debtors

	2007 £	2006 £
Trade Debtors	37,873	197,765
Other Debtors (see below)	31,528	14,168
Other Prepayments and Accrued Income	46,751	36,654
	<u>116,152</u>	<u>248,587</u>

Other Debtors includes expenditure in respect of current Trade and Membership related projects £16,416 (2006 £10,828). The ultimate surplus on these projects will be transferred to the Income and Expenditure account when the related administration has been completed.

11 Creditors Amounts falling due within one year

	2007 £	2006 £
Trade Creditors	93,838	66,332
Pension contribution outstanding	8,947	8,473
Social Security and Other Taxes	26,996	49,769
Other Creditors (see below)	75,993	226,394
Accruals	25,005	29,685
	<u>230,779</u>	<u>380,653</u>

Other Creditors represent advance income received in respect of current projects namely the Trade and Membership related projects £50,235 (2006 £159,971) and other Educational Schemes £25,758 (2006 £66,423). The ultimate surplus on these projects will be transferred to the Income and Expenditure account when the related administration has been completed.

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Notes to Financial Statements

12 Provision for Liabilities and Charges

	Building Maintenance Provision (Note 17) £
At 1 October 2006	51,337
Provided during the year	18,652
Charged	<u> </u>
At 30 September 2007	<u><u>69,989</u></u>

13 Reserves

	Revenue Reserve	Revaluation Reserve	Total
	£	£	£
At 1 October 2006	315,444	179,129	494,573
Actuarial gain (recognised through STRGL)	517,000		517,000
Surplus for year to 30 September 2007	229,986		229,986
Transfer to/(from) Revaluation Reserve	62,626	(62,626)	
Unrealised Gain on Investments	<u> </u>	<u>23,047</u>	<u>23,047</u>
At 30 September 2007	<u><u>1,125,056</u></u>	<u><u>139,550</u></u>	<u><u>1,264,606</u></u>

14 Reconciliation of Operational Surplus to Net Cash Outflow from Operating Activities

	2007 £	2006 £
Operational Surplus	150,610	113,831
Depreciation	8,533	13,031
Other Finance Income	29,000	10,000
Actuarial Gain	517,000	103,000
Decrease/ (Increase) in Debtors	133,908	(6,831)
(Decrease)/Increase in Creditors	(150,063)	24,107
(Decrease) in Pension Liability	(799,000)	(160,000)
Increase/ (Decrease) on for Liabilities and Charges	<u>18,652</u>	<u>(27,844)</u>
Net Cash (Outflow)/Inflow from Operating Activities	<u><u>(91,360)</u></u>	<u><u>69,294</u></u>

15 Analysis of Changes in Net Funds

	At 1/10/05 £	Cash Flow £	At 1/10/06 £	Cash Flow £	At 30/9/07 £
Cash at bank and in hand	92,144	12,822	104,966	14,998	119,964
Overdrafts	<u>(14,824)</u>	<u>14,824</u>	<u>104,966</u>	<u>14,998</u>	<u><u>119,964</u></u>
	<u><u>77,320</u></u>	<u><u>27,646</u></u>	<u><u>104,966</u></u>	<u><u>14,998</u></u>	<u><u>119,964</u></u>

16 Capital Commitments

The Council had no capital commitments at 30 September 2007 (30 September 2006 nil)

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Notes to Financial Statements

17 Contingent Liabilities

The Council's leases of its Glasgow and Inverness office properties are on a full repair and maintenance basis

Provision has been made in the amount referred to in note 12 above which is considered adequate to meet the Council's obligations in respect of the properties it currently occupies

18 Pension Commitments

The Council operates a defined benefit pension scheme for the benefit of the employees. This scheme was closed to the accrual of future benefits on 31 December 2004. The assets of the scheme are administered by trustees in a fund independent from the assets of the Council. Costs and liabilities of the scheme are based on actuarial valuations. The latest full actuarial valuation, using the projected unit method of funding, was carried out at 6 April 2005. At 6 April 2005 the scheme was 83% funded. The deficiency at 6 April 2005 of £648,000 is being addressed by Council contributions agreed with the trustees with a view to recovery within 10 years.

The contributions for the Council and the employees from 1 April 2002 were 26.2% (1.2% disability) and 5.5% respectively. From 1 April 2003 the rates were reduced to 25.75% (0.75% disability) and 5.5% respectively. The scheme was closed to the employee contributions at 31 December 2004 and a stakeholder pension scheme started. From 1 January 2005 contributions from the Council for the defined benefits scheme were 10% and to the stakeholder pension scheme 10% and employees at least 5.5% to the stakeholder pension scheme. Employees were paid 5% of salary at 31 December 2004 in January 2005 as compensation for the acceptance of the closure of the defined benefit scheme.

The pension cost charge for the year in respect of the defined contribution scheme is £69,158 (2006 £67,099) and the defined benefits scheme is £35,000 (2006 £38,000). See note 6. For the financial year 2006/2007 the contribution from the Council for the defined benefit scheme was £287,825 (2006 £85,267) which has been agreed by the directors, the trustees and the actuary.

The provisions of Financial Reporting Standard 17, issued in November 2000 have been fully implemented.

The directors have obtained the information required under FRS17 from the scheme's actuary based on an update of the most recent actuarial valuation completed as at 6 April 2005.

The main assumptions used by the actuary were

	2007 %	2006 %	2005 %
Rate of increase in salaries	N/A	N/A	N/A
Rate of increase for pensions in payment accrued before 5 April 1997	3.40	3.00	3.00
Rate of increase for pensions in payment accrued after 6 April 1997	3.40	3.00	3.00
Discount rate	5.90	5.00	5.00
Inflation	3.40	3.00	3.00
Increases to deferred pensions in excess of GMP in the period prior to retirement	5.00	5.00	5.00

The assets in the scheme and the expected long term rate of return were

	Rate Of Return %	2007 £	Rate Of Return %	2006 £	Rate of Return %	2005 £
Equities	7.50	2,091,000	7.50	1,926,000	7.50	1,753,000
Government Bonds	4.70	882,000	4.45	809,000	4.35	736,000
Corporate Bonds	5.90	882,000	5.00	809,000	5.00	735,000
Property	6.50	189,000	6.50	193,000	6.50	175,000
Cash	5.75	<u>136,000</u>	4.75	<u>132,000</u>	4.75	<u>121,000</u>
Total market value of assets		4,180,000		3,869,000		3,520,000
Present value of scheme liabilities		<u>3,860,000</u>		<u>4,348,000</u>		<u>4,159,000</u>
Surplus/(Deficit) in the scheme		<u>320,000</u>		<u>(479,000)</u>		<u>(639,000)</u>
Net pension Asset/(Liability)		<u>320,000</u>		<u>(479,000)</u>		<u>(639,000)</u>

Financial Report

Notes to Financial Statements

	2007 £	2006 £	2005 £
The history of experience gains and losses has been			
Difference between expected and actual return on scheme assets	(3,000)	85,000	344,000
Percentage of scheme assets	(0.07%)	2.20%	9.77%
Experience gains/ (losses) on scheme liabilities	55,000	34,000	15,000
Percentage of present value of scheme liabilities	1.42%	0.78%	0.36%
Total actuarial gains/(losses)	517,000	119,000	(263,000)
Percentage of present value of scheme liabilities	13.38%	2.71%	(2.86%)

	2007 £	2006 £	2005 £
The movement in the (deficit)/surplus in the year was			
Deficit in scheme at beginning of year	(479,000)	(639,000)	(664,000)
Current service cost	(35,000)	(38,000)	(60,000)
Legal fees relating to pensions			(4,000)
Pension Costs defined benefits			(36,000)
Losses in settlement & curtailment			13,000
Contributions	288,000	85,000	359,000
Other outgoings		(16,000)	
Net finance cost	29,000	10,000	16,000
Actuarial gains/(losses)	517,000	119,000	(263,000)
Surplus/(Deficit) in scheme at end of year	<u>320,000</u>	<u>(479,000)</u>	<u>(639,000)</u>

The movement in the deficit during the year on implementation of FRS17 has been reflected in the financial statements as follows

	2007 £	2006 £	2005 £
i Amount charged to operating profit			
Current service costs and other outgoings	35,000	38,000	60,000
Accrual of benefits			36,000
Loss on settlement & curtailments			(13,000)
	<u>35,000</u>	<u>38,000</u>	<u>83,000</u>
Legal Fees of defined benefits pension			4,000
Professional fees relating to defined benefits pension			9,013
	<u>35,000</u>	<u>38,000</u>	<u>96,013</u>
ii Amount charged to other financial income			
Expected returns on pension scheme assets	242,000	218,000	202,000
Interest cost on pension scheme liabilities	(213,000)	(208,000)	(186,000)
Net Return	<u>29,000</u>	<u>10,000</u>	<u>16,000</u>
iii Amount recognised in the Statement of			
Total recognised Gains and Losses			
Actual returns less expected returns on pension scheme assets	(3,000)	85,000	344,000
Experienced gains and losses on pension scheme assets	55,000	34,000	(49,000)
Changes in assumptions underlying the scheme liabilities	465,000		(558,000)
Other Outgoings		(16,000)	
Actuarial Gain/(Loss) in the STRGL	<u>517,000</u>	<u>103,000</u>	<u>(263,000)</u>

19 Other Financial Commitments

At 30 September 2007 the Council had gross annual commitments under non cancelable operating leases as set out below

The commitments are reduced by rental income received in respect of subleases

	Property		Motor Vehicles and Equipment	
	2007 £	2006 £	2007 £	2006 £
Operating leases which expire				
In one year or less			6,657	4,173
Between one and five years			27,540	29,511
In five years or more	<u>80,901</u>	<u>75,371</u>	<u>34,197</u>	<u>33,684</u>
	<u>80,901</u>	<u>75,371</u>	<u>34,197</u>	<u>33,684</u>

20 The Scottish Council Foundation

The Scottish Council Foundation is a charitable body, the trustees of which are appointed by the SCDI. During the year, the SCDI made a donation of £12,500 (2006 £12,500) to the Foundation to support its expansion and development. Separately, a grant to the Foundation from a third party was specifically to fund the SCDI's network of Young Engineers Clubs. As a result a grant was received by the SCDI from the Foundation to support the Young Engineers Clubs and this amounted to £10,000 (2006 £10,000).

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE SCOTTISH COUNCIL FOR DEVELOPMENT AND INDUSTRY LIMITED

We have audited the financial statements of the Scottish Council for Development and Industry Limited for the year ended 30 September 2007 which comprise the principal accounting policies, the income and expenditure account, the balance sheet, the statement of total recognised gains and losses, the cash flow statement and notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether they are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements for the year ended 30 September 2007

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
EDINBURGH

1 November 2007