

The Sea Fish Industry Authority

ANNUAL REPORT & ACCOUNTS 2006/07

**Presented to the House of Commons pursuant to section 7 of the
Government Resources and Accounts Act 2000**

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DIRECTORS' REPORT

For the year ended 31 March 2007

History and statutory background

The Sea Fish Industry Authority (Seafish) was established under the Fisheries Act 1981. Under the provisions of the Act all rights, obligations and property of the White Fish Authority and the Herring Industry Board became rights, obligations and property of the Sea Fish Industry Authority. The White Fish Authority and the Herring Industry Board ceased to exist on 1 October 1981.

The accounts have been prepared in a form directed by the Secretary of State for Environment, Food and Rural Affairs, the Cabinet Secretary for Rural Affairs and the Environment (Scotland), the Minister for Rural Affairs (Wales) and the Secretary of State for Northern Ireland ('the Ministers') with the consent of Treasury and in accordance with Section 11 of the Fisheries Act 1981 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2004.

Principal activities

The main activities of Seafish are unchanged since its establishment on 1 October 1981, these activities being:

- (a) to promote the marketing and consumption of sea fish and sea fish products in the United Kingdom;
- (b) to provide or assist in the provision of training; and
- (c) to carry out and give advice on research and development in respect of any matters relating to the sea fish industry.

Although under the terms of the Fisheries Act 1981 Seafish has the role of administering financial assistance to the fishing industry, the facility to make loan arrangements does not presently exist.

Business review and future developments

The income and expenditure account is set out on page 20 of the accounts. The deficit for the year, after taxation, amounted to £1,306k (2006: surplus £200k).

The Annual Report provides a detailed Management Commentary and financial review of the activities undertaken by Seafish during 2006/07 and information on future developments.

DIRECTORS' REPORT

For the year ended 31 March 2007 (continued)

Political and charitable donations

Seafish did not make any donations towards charitable or political purposes during the year.

Post balance sheet events

In February 2007, Seafish published its proposed three year plan. These proposals were shared with all sectors of industry for a period of twelve weeks. Seafish also visited all major stakeholders to obtain feedback. The twelve week consultation period ended on 14 May 2007 and there was a broad measure of support for the Seafish proposals (see Note 16 to the accounts).

Disabled persons

Seafish operates an equal opportunities policy and treats all job applicants in the same way regardless of their disability. If an employee becomes disabled during employment, all practical efforts will be made to enable them to continue in their employment.

Employee involvement

Seafish recognises the benefits of involving staff in a range of business matters and encourages open discussion and availability of information. Involvement is encouraged through participation in a range of team meetings, short-term working groups and through the Staff Council.

Payment of creditors

The Better Payments Practice Code is not observed in its entirety. Seafish policy is to pay creditors' accounts by the due date specified under each creditor's terms of payment, unless under dispute. During the year ended 31 March 2007, an extensive sample of Seafish payments of creditors revealed that 89% were paid by the due date (2006: 92%).

Pension liabilities

Seafish is an admitted body to a funded defined benefit scheme operated by the West Yorkshire Pension Fund (WYPF), which is independently invested and administered. From 1 April 2006, the WYPF scheme has not been offered to new members of staff. New staff are instead offered a defined contribution scheme administered by the Legal & General Group. In addition to the WYPF, Seafish has a liability for a Scheme on behalf of former Herring Industry Board employees, The Sea Fish Industry Pension and Life Assurance Fund. Details for both schemes are shown at note 1(g) of the accounts.

DIRECTORS' REPORT

For the year ended 31 March 2007 (continued)

Board members

There are twelve non-executive Board Members, appointed jointly by the Secretary of State for Environment, Food and Rural Affairs the Cabinet Secretary for Rural Affairs and the Environment (Scotland), the Minister for Rural Affairs (Wales) and the Secretary of State for Northern Ireland. Four Board Members are independent of the sea fish industry and the remaining eight Members have expertise in and represent the interests of the sea fish industry.

Independent:	Mr. A. Dewar-Durie CBE DL (retired 31 May 07) Mr. J. S. Whitehead OBE Dr. S. Lockwood (retired 31 March 07) Mr. N. W. Shaw CBE
Industry:	Mr. N. Atkins (retired 31 March 07) Mrs. L. Cross Mr. I. M. MacSween OBE (retired 31 March 07) Mr. G. Maddan Mr. O. Norgaard (appointed 5 May 06) Mr. M. Parker (appointed 5 May 06) Mr. C. Venmore Mr. A. West MBE (appointed 5 May 06)

A Register of Board Members' interests details company directorships and other significant interests held by Board Members which may conflict with their responsibilities. The Register is available on the website (www.seafish.org), or by contacting Seafish.

Board meetings, which are properly conducted and minuted, are held regularly to ensure overall control over the operations of Seafish is exercised. The Chief Executive, two executive directors, the Corporate Services Manager and the Head of Communications attend and participate fully in all board meetings.

Board members' responsibilities

The Board Members have adopted a Code of Practice as recommended by Government which covers all responsibilities including public service values, corporate responsibilities, strategic planning and control, handling conflicts of interest and annual report and accounts preparation.

The Fisheries Act 1981, as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2004, requires the Board Members to prepare financial statements for each financial year that give a true and fair view of Seafish state of affairs at the year end and of the income and expenditure for that year, and for ensuring regularity of financial transactions.

In preparing the accounts, the Board Members are required to ensure the accounts are prepared on an accruals basis, observe the accounts direction given by Ministers, apply suitable accounting policies on a consistent basis, make reasonable judgements and estimates and comply with all applicable accounting standards.

The Board Members are also responsible for ensuring the keeping of proper accounting records which disclose with reasonable accuracy at any time the financial position of Seafish. They are also responsible for safeguarding the assets of Seafish and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT
For the year ended 31 March 2007 (continued)

Management

The management of Seafish comprised the following Executive Directors during 2006/07:

Mr. J. A. Rutherford (Chief Executive)
Dr. J. Harman (Development Director)
Ms. H. Stevenson (Business Services Director) – position redundant from 31 December 06
Dr. P. Williams (Research Director)

Corporate governance

Seafish supports the highest standards in corporate governance and has in place a variety of Codes of Best Practice which are monitored by an Audit Committee and a Remuneration Committee.

The respective roles of Seafish and its sponsor department, the Department for the Environment, Food and Rural Affairs, are set out in an agreed Memorandum of Understanding.

The **Audit Committee** comprises four Board Members: Mr J. S. Whitehead (Chairman), Mr N .W. Shaw, Mrs. L. Cross and Mr. I. M. MacSween (retired 31 March 07). The Accounting Officer (Chief Executive) and the Corporate Services Manager normally attend the meetings. Responsibilities of the Audit Committee include internal control and corporate governance, external audit, internal audit, monitoring compliance with statutory and other codes of practice. Meetings are held at least three times a year.

Auditors

The Comptroller and Auditor General is our external auditor. Services are limited to the statutory audit and the fee for the work is £19,000.



J. A. Rutherford
Chief Executive
14 June 2007

MANAGEMENT COMMENTARY

For the year ended 31 March 2007

Introduction

Our mission statement: *From sea to plate, Seafish delivers expert knowledge, skills and support which help the UK seafood industry secure a sustainable and profitable future.*

Seafish is an executive non-departmental public body, established under the 1981 Fisheries Act. It is funded primarily by a levy on seafood (landed, farmed and imported, but excluding salmon and trout) and is sponsored by the Department for Environment, Food and Rural Affairs (Defra), the Scottish Executive (SE), the Welsh Assembly Government (WAG) and the Department of Agriculture and Rural Development in Northern Ireland (DARDNI). Our annual budget is about £11.5 million, with approximately 75% of this obtained from levy and the remainder from grant funding and consultancy work.

Seafish works with all sectors of the UK seafood industry – fishermen, seafood farmers, processors, distributors, wholesalers, importers, exporters, fish friers, caterers and retailers – delivering the expert knowledge, skills and support to help the UK seafood industry secure a sustainable and profitable future.

The Governments' response to the independent review of Seafish was published in October 2006. At the same time we published 'Our Commitment – improving economic performance in the seafood industry', our own explanation of the internal review and restructuring to position Seafish to better meet the future needs of the industry. This process involved 27 redundancies, the closure of the flume tank in Hull and the improvement of IT systems and project management procedures.

Performance – 2006/07

Seafish has realigned its work programmes to reflect our new strategic priorities: cost reduction; improving sales revenue; and responsible sourcing. The new programmes, built after consultation with the industry, aim to deliver the results the UK seafood industry needs in a cost effective way. They are:

- Customer account management;
- Communications to promote a responsible industry;
- Marketing;
- Economics;
- Research and development (including aquaculture);
- Training and accreditation;
- Legislation; and
- Marine services.

Seafish had ten agreed targets for the 2006/07 operational year. The synopses of performance against these targets are as follows:

1. Seafood Week, October 2006

Target: Seafood Week will introduce the '2 a week' message, with a consumer audience potential of more than 1.5 million, and evidence of positive press coverage.

Outcome: A successful campaign centred on communicating the '2 a week' message in which the visibility of the campaign increased by 11% on 2005. Buy-in from the foodservice sector exceeded 6,000 outlets. Take-up by retailers, including fish and chip shops, was extremely high, as was the level of promotional funding applications from multiple retailers. Overall, Seafood Week 2006 generated PR worth almost £430k of Advertising Value Equivalent and more than 200 stories and news items appeared across all media.

MANAGEMENT COMMENTARY

For the year ended 31 March 2007 (continued)

2. 2007 Seafood Awards

Target: The Seafood Awards will attract 400 paying guests with an emphasis on networking and industry success.

Outcome: The 2007 Seafood Awards generated widespread interest with almost 450 representatives from every major seafood sector attending the event in London in March 2007. Highlights included the addition of new categories for the Sustainable Future Award, the Schools Supporting Seafood Award and the Outstanding Achievement Award, the latter being won by Young's Seafood. The event provided a high profile platform for excellence throughout the seafood industry, resulting in significant press coverage that continued well into April, including more than 60 articles in *The Grocer*, *Sunday Mail* and lifestyle magazines such as *Olive*.

3. Responsible Fishing Scheme

Target: The Responsible Fishing Scheme will have 125 vessel accredited from diverse fleet sectors and areas.

Outcome: The Responsible Fishing Scheme was launched in May 2006 to demonstrate the seafood supply chain's commitment to responsible sourcing, to raise standards in the catching sector and become a condition of supply. Forty-eight vessels have been fully certified, with another 71 in the latter stages of the application process. There has been steadily growing interest in the scheme and, although the target of 125 fully accredited vessels has not been met, a total of 252 vessels have registered their interest and are engaged at various stages in the process. A network of coaches has been established to help vessels prepare for audit and links with multiple retailers and organisations such as the Marine Stewardship Council are being cultivated.

4. Promoting a responsible industry

Target: The campaign will generate measurable, positive stories in consumer-facing press that enhance the reputation of the seafood industry.

Outcome: This work programme is two-pronged - it involves promoting responsible practices to the industry and then communicating these to the public through the media.

With industry, we have undertaken a series of forums and working groups on key topics. These working groups have focused on finding a 'common language' between different stakeholder groups, including industry, conservation and government interests and have focused on different industry issues when appropriate, such as discards and skates and rays.

We have been working to gain balanced coverage for the seafood industry in the press by actively managing negative stories and proactively placing positive pieces and have hired the services of a PR agency to focus on this area. We have a framework in place for dealing with negative press in a robust and speedy way. We have secured at least 200 pieces of coverage in trade, local, regional and national press, including broadcast, which focus on the positive work our industry is undertaking on subjects such as gear developments, biofuels for the marine sector, the Responsible Fishing Scheme, the Sustainable Future Award at the Seafood Awards, conservation legislation, skates and rays and others.

5. Customer satisfaction research

Target: The first run of the customer satisfaction research will be carried out and a base-line score established.

Outcome: Seafish commissioned a customer satisfaction survey in mid-2006 to understand customer requirements better and improve performance. This survey aimed to find out how customers rated Seafish and its core activities, to enable ongoing monitoring on this, so changes and improvements in performance could be noted. The first wave of the survey took place in January 2007 and a base score of 6.3 out of 10 was established. The results of the study have been disseminated throughout Seafish so key outcomes can be addressed. The tracking stage of the survey will commence in early 2008.

MANAGEMENT COMMENTARY

For the year ended 31 March 2007 (continued)

6. Business 2 Business website

Target: The Business 2 Business (B2B) website will be launched and will host departmental information including project details as well as Seafish publications.

Outcome: Seafish launched Business 2 Business (B2B) website in August 2006, offering the industry up to date information from the Seafish Legislation and Research and Development departments. To date, the site averages at least 15,000 hits per month and has more than 500 regular visitors. It also displays details of Seafish projects and is regularly updated – helping to fulfil our aim to increase the transparency of our work. Over the next 12 months, we intend to expand this service, bringing in further Seafish departments and information.

7. Responsible Sourcing Guides

Target: The first ten of a series of 20 Responsible Sourcing Guides will be completed.

Outcome: To date, we have published eight of the ten sheets (cod, haddock, plaice, nephrops, mackerel, herring, mussels and prawns) and a further two will be available on the Responsible Sourcing section of the B2B website in July. Targeted specifically at seafood buyers, these guides give users the necessary information to make well informed buying decisions in terms of sustainability and have been well received as a valuable business to business tool. Additional supporting information and references are also available on the website.

8. Investigating single and twin-rig trawls

Target: Trials on the relative performance of twin-rig trawls versus single-rig trawls will be carried out, addressing energy efficiency and catch comparison.

Outcome: Sustainability and efficiency are two of the key strategic priorities for Seafish and this project addressed both, examining single-rig compared to twin-rig fishing methods. The collaborative project, run in conjunction with Bord Iascaigh Mhara, the Irish Sea Fisheries Board, required Seafish to design the nets and test them in a flume tank. The results of the tank tests clearly demonstrated the improved drag efficiency of the twin-rig over the single-rig method. Due to poor weather conditions over winter 2006, the sea trials have yet to be completed but are now scheduled for summer 2007. The results will be published to industry and publicised through the Seafish website and the media.

9. Improve profitability in the UK processing sector

Target: The creation of a cross-department business improvement group will improve profitability in the UK processing sector by helping five companies identify total savings of £200k.

Outcome: The Business Improvement Group is a new way of providing tailored, coordinated business advice to industry. Staff throughout Seafish collaborated to apply the most appropriate skill sets and business tools to the needs of client companies. Five companies were engaged and work was under way with four of those by March 2007. Benefits were delivered and for some companies these business benefits, such as manufacturing cost savings and efficiency improvements, were quantified, though these are commercial in confidence. During 2007, the group will ensure that benefits are quantified for all companies currently engaged in the process and that more companies become involved.

10. Flume tank gear testing

Target: Gear technology trials will be carried out on twin-rig operations at the Hirtshals flume tank to offer continuing support services for trawl fishing.

Outcome: Seafish has moved its flume tank research and development work from Hull to a larger facility in Hirtshals, Denmark, managed by Norwegian company SINTEF. In securing this collaboration, Seafish has made a significant financial saving. To date there have been five visits to the facility, including an industry/Seafish Board visit and a training visit. Researchers from both organisations have found many common interests and, in 2007/08, at least two joint projects will take place, with the potential for many other joint activities.

MANAGEMENT COMMENTARY

For the year ended 31 March 2007 (continued)

Financial position at 31 March 2007

Levy income was 0.6% higher than last year, reflecting a small increase in seafood consumption over the same period.

Employment costs - the restructuring programme associated with the new strategic direction saw 27 staff leave, 20 accepting a voluntary redundancy package, with direct redundancy costs of £576k. Costs associated with this included a liability in relation to the West Yorkshire Pension Fund (WYPF) scheme – a local government pension scheme that provides for early release of pension benefits for eligible staff over 50 who are made redundant – amounting to £1,675k.

The Board takes professional advice about the costs of providing pension benefits both to current and former staff. Employment costs include additional voluntary employer pension contributions of £222k to Fund WYPF to bring total contributions for the year to an amount estimated by our independent pension adviser to be equivalent to the increase in pension liability. The equivalent amount paid last year was £310k. A triennial actuarial valuation is being carried out on the WYPF as at 31 March 2007, and the results should be known by the end of 2007. Following the actuarial gain to the WYPF, recognised in the balance sheet in 2006, the Board was disappointed that this and further asset gains have been wiped out by a change in actuarial assumptions adopted by the Administering Authority. As reported in previous years, the Board continue to monitor performance in cash terms.

The reduction in our bank balance from £2.9m at the start of the year to £2.7m at 31 March 2007 is due to the costs of restructuring and redundancy offset by a planned reduction in the cost of activities. We are glad to note the improved efficiency by the Marine and Fisheries Agency (M&FA) and SEERAD in processing claims for Financial Instrument for Fisheries Guidance (FIFG) funding. We managed to resolve many of the aged claims during the year and have submitted many new claims for the increased number of projects. Despite this increased number of projects, we have reduced the 2006 debtor figure from £3.8m to £3m at March 2007.

The annual accounts have been prepared on the going concern basis under the historical cost convention. The Board believes Seafish has sufficient net current assets to support adoption of its strategic proposals and looks forward to the adoption shortly of the Seafish three-year strategic plan by all UK Fisheries Ministers.

Current and future trends and developments

Seafood and business trends

Seafood continues to be an important food category in the UK, although volume sales now are showing a small decline due primarily to price inflation. Within the retail sector, frozen seafood is outperforming the total frozen market whilst chilled seafood is being used to attract customers. Seafood is playing an increasing role in the foodservice sector with the arrival of new and exotic species into the UK. Given these changes in the marketplace, we are budgeting prudently for a small decrease in levy income to approximately £8.5 million in 2007/08.

Consolidation in the fish processing sector continues with larger companies rationalising on a European and world-wide basis and smaller businesses struggling to survive. Particular attention has focused on the major retailers' fish procurement policies and the introduction of a Seafish-developed Responsible Fishing Scheme has been welcomed. Seafish is helping processors and catchers gather data to build an evidence base to help inform discussion about sustainability and the ethical considerations associated with wild-catch fisheries.

Delivery of future solutions will depend on close working relationships with industry partners. A specific, customer-facing team has been established with responsibility for account management and communication to achieve a higher level of engagement within these key relationships.

MANAGEMENT COMMENTARY

For the year ended 31 March 2007 (continued)

Financial exposure

The Board has continued its policy of positive actions to limit future exposure of employer's pension contributions by making additional voluntary payments to the WYPF for 2006-2007 at a rate advised by an independent pension adviser and the closure of that defined benefit scheme to new entrants. Staff joining from April 2006 are eligible for a defined contribution scheme into which the maximum employer's contribution is 10%.

The Board has noted the reported increase in pension liability reported in these accounts and, having taken steps to increase contributions over the last three years, looks forward to the next triennial actuarial review of the WYPF in 2007 with confidence.

Tenancy agreements for the flume tank and office premises in Hull were successfully surrendered at the end of 2006 and new office accommodation is now being sought in the area. Lower staff numbers in Edinburgh mean that the property we own at Logie Mill is too large and national property consultants have been appointed to help identify an appropriate solution.

Seafish has no borrowings and relies primarily on levy income for its cash requirements and is therefore not exposed to liquidity risks. Seafish has no material deposits and all material assets and liabilities are denominated in sterling so it is not exposed to interest rate risk or currency risk.

Seafish land and buildings comprise two sites, offices in Edinburgh and Hull. The Edinburgh office was surveyed and valued by independent Chartered Surveyors as at March 2006 in accordance with the RICS Appraisal and Valuation Manual. This valuation, at open market value for existing use, is incorporated in Seafish accounts. The Board are not aware of nor do they consider it likely that there has been a material change in value therefore the valuation has not been updated.

Future strategic direction

Seafish has embraced principles of openness and transparency and, as agreed with the Fisheries Administrations in the joint government response to our independent review published in October 2006, circulated proposals for our 2007-2010 strategic plan for industry comment. Consultation closed on 14 May 2007 and the Board anticipate the acceptance of their final three-year plan by all UK Fisheries Ministers later this summer.

Proposals for our future would have been clustered under the three agreed themes of responsible sourcing, sales revenue and cost reduction. The annual budget for 2007-2008 is based on levy continuing at current rates and has deliberately left some unallocated staff time and cash for industry support and emerging ideas.

Associated with the longer term planning process, Seafish has adopted a formal, twice-yearly process of inviting industry to suggest ideas for Seafish-funded projects. These concepts are reviewed first by our sector Advisory Committees, then referred to a Board subcommittee for evaluation against published criteria, before review by the Board and acceptance into the annual budget.

The final budget is being built now, taking account of feedback on proposals for the three-year plan and a second round of industry bids for project funding.

MANAGEMENT COMMENTARY

For the year ended 31 March 2007 (continued)

Risks and uncertainties

Seafish faces three different levels of risk which require different mitigation strategies.

At the highest level, we exist because all four UK Fisheries Administrations (Ministers) believe that there is an important role for us to fulfil. That decision was evidenced in their 2006 response to our independent review, and confirmed our right to raise a levy. Seafish is, however, not a government delivery agency and the Seafish Board – made up of a majority of industry representatives – set our work programme to deliver economic benefit to our industry stakeholders. In response to recommendations in the Review of the Sea Fish Industry Authority published in 2005, and supported by the Governments' response, we have established a new process for consultation as part of the development of our three-year strategic plan, to ensure that the industry supports our work programme. New Fisheries Ministers have been appointed in Northern Ireland, Scotland and Wales, and we will be taking the earliest opportunity to brief them on our role and show national benefits consistent with their administrations' priorities.

At a secondary, financial level, our income has been a combination of levy and FIG grant support. Levy, for historic reasons, is based on sea fish species which do not include salmon, trout, and the newer emerging vegetable-fed farmed species such as tilapia, barramundi and *Pangasius*. Seafood consumption is being driven by these, rather than the traditional wild-catch species, so our levy income may plateau despite growth in consumption. The European Fisheries Fund, replacing FIG, will provide much less support to the UK. Seafish has reacted to these limitations by restructuring, in 2006, to reduce our staff and other fixed costs, and generally to focus more closely on areas of demonstrable benefit to our customer base.

Finally, at a tactical level, Seafish has to deliver its industry objectives through well managed projects, often involving third party contractors or consultants. All Seafish staff have been trained in a formal project management methodology designed and tailored to our needs and procedures. The methodology is based on Prince2 and standard Managing Successful Programmes (MSP) techniques. All staff understand the importance of delivering practical solutions within realistic timescales and manage risk as part of the project management process.

The Board monitors risks at all levels and has implemented a strategy for risk management within Seafish. The strategy covers risk identification, evaluation, appetite, avoidance, control, review and learning. Seafish uses a risk register to record actions taken around the management of risk and have clear responsibilities assigned for the management of risk.

How well are we performing?

While eight of our Board members are appointed with particular knowledge of various industry sectors, we need to know what all our many, diverse customers think of us and our performance. In 2006, we engaged an independent firm of market research consultants to develop a performance monitoring process on our behalf. This involved interviews with 30 leading industry representatives in all sectors, from which a questionnaire was developed. 200 customers were then telephoned to complete the questionnaire, from which a range of performance indices have been compiled.

The most important of these is called simply our customer satisfaction index. The first interviews were carried out in January and early February 2007 before our new plans for 2007–2010 were published. The overall score for this was 6.3 on a ten point scale. The Board monitors management plans and performance carefully and is determined to see this customer satisfaction index increase steadily over the next three years. It welcomes feedback on how we might improve Seafish performance overall.

The Board thanks Seafish customers and staff for support during this important period.



J. A. Rutherford, Chief Executive
14 June 2007

REMUNERATION REPORT

For the year ended 31 March 2007

The Remuneration Committee functions as a subcommittee of the Seafish Board with formal delegated responsibilities and terms of reference. The Committee's primary role is to contribute to the Board's overall process for ensuring adequate arrangements are in place regarding staff pay and benefits.

The Committee comprises five members, of whom all are non executive Board Members of Seafish and is chaired by the Deputy Chairman. Members at 31 March 2007 were Mr. J. S. Whitehead (Chairman), Mr. A. Dewar-Durie, Mr. G. Maddan, Mr. M. Parker and Mr. A. West. Meetings are held not less than twice a year and all meetings are minuted.

Seafish Executive Directors are employed on standard contracts of employment which are in line with all other employees except for notice periods where Seafish are required to give six months notice of termination of their employment. Executive Directors' remuneration is by way of a fixed annual salary, membership of defined benefit pension scheme and benefits in kind including car benefit, medical insurance and subscriptions.

Pay policy is formally reviewed annually by the Committee. In seeking to ensure pay and other conditions are fair, competitive and affordable, market data and other relevant data are taken into account. Like all other Seafish employees, the pay associated with Executive posts is derived from a formal grading structure, and pay increases are linked to performance. In 2006/07 annual pay awards ranged from 0% to 9%.

In assessing individual performance, Seafish has a formal performance management system which is a core management process. It enables Seafish to: be clear and consistent in focusing performance on the delivery of strategic objectives; assess contribution and recognise achievement; support and inform personal development, career development and succession planning as well as provide for growth of knowledge, skills and experience.

Executive Directors' Emoluments

	2007		2007	2006
	Emoluments (£)	Benefits in kind (£)	Total (£)	Total (£)
Chief Executive	94,064	6,298	100,362	93,840
Development Director	67,810	4,585	72,395	70,366
Research Director	68,495	3,882	72,377	71,879
Business Services Director	50,502	2,709	53,211	63,338

Benefits in kind comprise car benefit, medical insurance and subscriptions.

REMUNERATION REPORT
For the year ended 31 March 2007 (continued)

Executive Directors' Pension Benefits

	Real increase in pension at age 60 for year to 31 March 2007 (£)	Accrued pension at age 60 at 31 March 2007 (£)	CETV at 31 March 2007 (£)	CETV at 1 April 2006 (£)	Real increase in CETV for year to 31 March 2007 (£)
Chief Executive	5,277	25,230	93,784	66,108	22,032
Development Director	3,327	14,352	49,467	33,929	11,469
Research Director	3,380	11,119	34,234	21,290	8,834
Business Services Director *	2,284	10,971	30,383	23,537	4,048

The real increase in pension and accrued pension includes the pension and related lump sum.

CETV represents the cash equivalent transfer value.

* The Business Services Director position was made redundant on 31 December 2006.

All executive directors are ordinary members of the West Yorkshire Pension Fund, a local government pension scheme of which Seafish is an admitted body as described at notes 1(g) and 11.



J. A. Rutherford
Chief Executive
14 June 2007

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

For the year ended 31 March 2007

Under the Fisheries Act 1981, as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2004, and Fisheries Ministers' directions made thereunder, the Secretary of State for Environment, Food and Rural Affairs, the Cabinet Secretary for Rural Affairs and the Environment (Scotland), the Minister for Rural Affairs (Wales) and the Secretary of State for Northern Ireland ('the Ministers') with the consent of Treasury have directed the Sea Fish Industry Authority to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Sea Fish Industry Authority and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Ministers with the consent of Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Ministers have appointed the Chief Executive as Accounting Officer of the Sea Fish Industry Authority. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Sea Fish Industry Authority's assets, are set out in the Accounting Officers' Memorandum issued by the Ministers and published in a Memorandum of Understanding between the Ministers and the Sea Fish Industry Authority.

So far as the Accounting Officer is aware, there is no relevant audit information of which the Comptroller and Auditor General is unaware and the Accounting Officer has taken all necessary steps to make himself aware of any relevant audit information and to establish that the Comptroller and Auditor General is aware of that information.

STATEMENT ON INTERNAL CONTROL

For the year ended 31 March 2007

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Seafish policies, aims and objectives, whilst safeguarding the public funds and Seafish assets for which I am personally responsible, in accordance with the responsibilities assigned to me by the Department for Environment, Food and Rural Affairs (Defra).

The purpose of the system of internal control

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 Seafish 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 Seafish for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Seafish has in place a robust system of corporate governance and this underpins the internal control systems.

Capacity to handle risk

Seafish executive directors, under my direction, provide the strategic lead on risk management. A facilitated workshop for managers, executive directors and Board members identified a Risk Register which informed the internal audit programme and established a formal internal risk management review process, the output of which is reviewed annually by the Audit Committee. As Accounting Officer I have made it a priority to ensure that Board Members, Executive Directors and the management team are familiar with the concept of risk management.

The risk and control framework

Seafish has a Risk Management Strategy which formalises the principles of corporate governance adopted in identifying, assessing, addressing and reviewing and reporting our risks through:

- formal bi-annual executive review of the Risk Register across the following areas: external; operational and compliance and financial. The predominant risk area is external. The Risk Register is ranked in terms of probability and notes the consequences, controls, action plan and owner of each risk. The Risk Register is presented annually to the Audit Committee for review;
- informing the internal auditors in their annual audit plan compilation, which is submitted for Audit Committee approval, resulting in regular and independent internal control reviews and reports; and
- formal reporting annually to the Board by the Audit Committee Chairman on internal control.

STATEMENT ON INTERNAL CONTROL
For the year ended 31 March 2007 (continued)

Review of effectiveness

As Accounting 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 as well as managers who have the responsibility for the development and maintenance of the internal control framework. I also consider 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 address weaknesses and ensure continuous improvement of the system is in place.

The effectiveness of the system of internal control is reviewed and maintained by:

- the Board reviewing Audit Committee minutes and regular reports by the Audit Committee Chairman including an annual assessment of the effectiveness of the Audit Committee;
- the Audit Committee reviewing management's reports on the effectiveness of the system for internal financial control and risk management and ensuring that internal and external audit report to them on what they perceive as the key risks in the short and long-term; and
- internal audit compiling and undertaking an annual operating plan that focuses on controls and systems as identified from the Risk Register and providing regular reports to the Audit Committee.

As Accounting Officer I am not aware of any significant control issues.

During the year we identified and thoroughly investigated a misappropriation of funds of £17k involving a social club bank account. Appropriate action, as agreed with Defra, the Head of Internal Audit, the Audit Committee and the Board, was taken to mitigate the loss and prevent a recurrence.

We are aware that following our restructure the procedures notes covering some of our main financial processes are out of date. This has been discussed with Internal and External Audit and we will update the procedure notes this year.



J. A. Rutherford
Chief Executive
14 June 2007

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT AND THE SCOTTISH PARLIAMENT

I certify that I have audited the financial statements of the Sea Fish Industry Authority for the year ended 31 March 2007 under the Fisheries Act 1981, as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2004. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having being audited.

Respective responsibilities of the Board, Chief Executive and auditor

The Board and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Fisheries Act 1981, as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2004 and Fisheries Ministers' directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Fisheries Act 1981, as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2004 and Fisheries Ministers' directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Directors' Report, Management Commentary and the unaudited part of the Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Sea Fish Industry Authority has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the Sea Fish Industry Authority's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Sea Fish Industry Authority's corporate governance procedures or its risk and control procedures.

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

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT AND THE SCOTTISH PARLIAMENT (CONTINUED)

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Sea Fish Industry Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Fisheries Act 1981, as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2004 and directions made thereunder by Fisheries Ministers, of the state of Sea Fish Industry Authority's affairs as at 31 March 2007 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Fisheries Act 1981, as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2004 and directions made thereunder by Fisheries Ministers; and
- information given within the Annual Report, which comprises the Directors' Report, Management Commentary and the unaudited part of the Remuneration Report, is consistent with the financial statements.

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

3 July 2007

INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2007

	NOTES	2007		2006	
		£000	£000	£000	£000
Income					
Levies	1d		8,624		8,570
EU Income	2		2,029		2,182
Other Income	2		978		1,049
			11,631		11,801
Less:					
Expenditure					
Employment Costs	7b	4,921		4,064	
Depreciation	8	255		253	
Other Operating Expenditure	3	6,551		7,301	
			(11,727)		(11,618)
Operating Surplus/(Deficit)			(96)		183
Exceptional Items					
Buildings Impairments			-		(79)
Restructuring Redundancy	4		(1,465)		-
Interest Receivable					
Banks and Other Interest			115		134
Net Pension Finance Gain / (Cost)	11		140		(66)
(Deficit)/Surplus before Taxation			(1,306)		172
Taxation	1e & 5		-		28
(Deficit)/Surplus for the Year	21		(1,306)		200

All of the above figures relate to continuing operations.

The notes on pages 24 to 40 form part of these accounts.

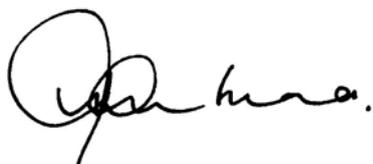
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2007

		2007	2006
	NOTES	£000	£000
(Deficit)/Surplus for the Financial Year		(1,306)	200
Actuarial (Loss)/Gain	11	(1,995)	1,094
Adjustment to Revaluation Reserve		-	471
		—	—
Total Recognised (Losses)/Gains		(3,301)	1,765
		=====	=====

The notes on pages 24 to 40 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2007

		2007		2006	
	NOTES	£000	£000	£000	£000
Fixed Assets					
Tangible Assets	8		2,824		2,871
Current Assets					
Debtors	9	3,027		3,808	
Cash at bank and in hand	19 & 20	2,668		2,940	
		5,695		6,748	
Creditors - Amounts Falling Due Within One Year	10	(1,448)		(2,083)	
		4,247		4,665	
Net Current Assets			4,247		4,665
Total Assets less Current Liabilities			7,071		7,536
Provisions for Liabilities and Charges					
Ardtoe Closure	12	-		90	
Restructure – early retirement costs	13	(889)			
		(889)		(90)	
Deferred Income	14		(7)		(12)
Net Pension Liability	11		(3,573)		(1,531)
			2,602		5,903
			2,602		5,903
Capital and Reserves					
Revaluation Reserve			1,439		1,439
Accumulated Fund Excluding Retirement Benefits		4,736		5,995	
FRS 17 Retirement Benefits		(3,573)		(1,531)	
		1,163		4,464	
	21		2,602		5,903
			2,602		5,903



J.S. Whitehead – Deputy Chairman
14 June 2007



J. A. RUTHERFORD - Chief Executive
14 June 2007

The notes on pages 24 to 40 form part of these accounts.

CASH FLOW STATEMENT
For the year ended 31 March 2007

		2007		2006	
	NOTES	£000	£000	£000	£000
Net Cash Outflow from Operating Activities	18		(177)		(591)
Returns on Investments and Servicing of Finance					
Interest received		115		114	
Interest paid		-		-	
		—		—	
Net Cash Inflow from Returns on Investments and Servicing of Finance			115		114
Taxation					
UK corporation tax paid			-		-
Capital Expenditure and Financial Investment					
Purchase of tangible fixed assets		(210)		(93)	
Capital grants		-		-	
		—		—	
		(210)		(93)	
Loans repaid by Industry		-		-	
		—		—	
Net Cash Outflow from Capital Expenditure and Financial Investment			(210)		(93)
Additions and Disposals					
Ardtoe provision payments		-		(32)	
		—		—	
Net Cash Outflow from Disposals			-		(32)
Management of Liquid Resources					
Decrease in Money Market	19 & 20		70		500
Financing					
Loans repaid to Government			-		-
			—		—
(Decrease) in Cash	20 & 21		(202)		(102)

Cash flow relating to exceptional items – The Net Cash Outflow from operating activities includes an exceptional amount of £576k relating to redundancy payments made as a result of restructuring.

The notes on pages 24 to 40 form part of these accounts.

NOTES TO THE ACCOUNTS For the year ended 31 March 2007

1. Principal Accounting Policies

The accounts are prepared in the form directed by the Ministers in accordance with relevant Treasury guidance and other specific disclosures required by the Ministers. The accounts meet the requirements of the Companies Act 1985, Statements of Standard Accounting Practice and Financial Reporting Standards issued by the Accounting Standards Board, so far as these requirements are appropriate, without limiting the information given.

The accounting policies adopted by Seafish, which have been applied consistently, are noted below. The accounts are prepared under the historical cost convention, modified for the revaluation of tangible fixed assets.

(a) Tangible Assets

Land and buildings - the value to Seafish of land and buildings is included at open-market value for existing use.

Land and buildings are valued by independent Chartered Surveyors every three years. A valuation was last undertaken as at 31 March 2006.

Other categories - due to the modest effect of revaluation and the continuing fall in the price of technology equipment, Seafish has discontinued its policy of revaluing other categories of assets at replacement cost. Up to 31 March 2002 all other categories of assets are valued at replacement cost. From 1 April 2002 new assets falling into these categories have been included at historical cost.

Historical cost - Seafish has been granted a dispensation by Ministers from providing information about the historical cost of assets.

Depreciation - depreciation is calculated so as to write off the cost of those assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual depreciation rates are as follows:

	(%)
Freehold Buildings	2
Furniture & equipment	10-20
Computer equipment	33

Freehold land is not depreciated. Leasehold Buildings are depreciated over the shorter of the lease period and their estimated useful life.

Capital grants receivable are included in the Balance Sheet as deferred income and released through the Income and Expenditure account as an offset against the depreciation charge over the expected life of the asset.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

1. Principal Accounting Policies (continued)

(b) Government Grants

Grants are of a revenue nature and are credited to income in the year in which they are receivable.

The European Union and United Kingdom Fisheries Departments reserve the right for grants to be repaid if during a period of six years from the date of final claim it is found that the conditions of grant were breached. Seafish are confident that the conditions of grant are adhered to and that no such repayments are likely to be required.

(c) Market Development Expenditure and Training Materials

Market development expenditure, which includes expenditure on merchandising material used in marketing promotions and expenditure on training materials, is written off as incurred.

(d) Levy Income and Debtors

Levy income is stated net of agents' commission. The amounts included in levy income and debtors as levy receivable for the year ended 31 March 2007 are the amounts actually received by 30 April 2007. This is to avoid unsubstantiated year-end accruals caused by documentation delays.

(e) Taxation

Under a specific agreement with the Inland Revenue, the liability of Seafish to corporation tax is limited to the total of its net investment income (which excludes interest arising from loans to the industry) and its chargeable gains.

Seafish is unable to recover Value Added Tax on the majority of its purchases. Expenditure shown in the accounts is therefore inclusive of this Value Added Tax.

(f) Research and Development Expenditure

Research and development expenditure is written off as incurred.

(g) Pension Scheme Arrangements

Seafish is an admitted body to a funded, defined benefit scheme operated by the West Yorkshire Pension Fund, which is independently invested and administered. Seafish has not offered this scheme to new employees since 1 April 2006 but instead makes contributions to a defined contribution scheme administered by Legal & General Group.

Employees employed before 1 April 2006

Seafish contributes to the West Yorkshire Pension Fund in respect of the pension obligations to employees employed before 1 April 2006. The contribution rates are advised by independent actuaries and the fund is actuarially valued every three years.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

1. Principal Accounting Policies (continued)

Former Employees

Provision is made, on actuarial advice, in respect of obligations arising for supplementation commitments and indexation thereon of certain categories of ex-employees of Seafish.

In addition to the West Yorkshire Pension Fund, Seafish provisionally operated a Scheme on behalf of former Herring Industry Board employees, which was also independently invested and administered. The Sea Fish Industry Pension and Life Assurance Fund (ex Herring Industry Board Scheme) was closed to new members and was a fully paid-up Scheme; however the Scheme was formally wound-up on 31 May 1999. The annuities which had been established to cover basic pension rights of the existing pensionable members will be met by the Norwich Union. Seafish will continue to meet the indexation costs associated with basic pension rights.

The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to operating profit.

The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income.

Actuarial gains and losses are recognised in the Statement of Total Recognised Gains and Losses.

(h) Finance and Operating Leases

Costs in respect of operating leases are charged in arriving at the operating surplus. There are no material assets held under finance leases.

(i) Foreign Currency Transactions

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year.

Foreign exchange differences are taken to the income and expenditure account during the year in which they arise.

(j) Project Income and Associated Expenditure

Income received for specific research projects which can only be applied to those specific purposes has been dealt with on an accruals basis so that the income and associated expenditure are matched in the income and expenditure account.

(k) Liquid Resources

Liquid resources are short-term deposits to which there is no access within 24 hours.

(l) Financial Instruments

As stated in the Management Commentary on Financial exposure, Seafish has no borrowings and relies primarily on levy income for its cash requirements and is therefore not exposed to liquidity risks. Seafish has no material deposits and all material assets and liabilities are denominated in sterling so it is not exposed to interest rate risk or currency risk.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

2. Other Operating Income

Other Operating Income is made up as follows:

	2007		2006	
	EU £000	Other £000	EU £000	Other £000
Marine & Fisheries Agency	1,224	235	1,025	225
SEERAD	514	137	1,024	88
DARDNI	43	-	37	-
WEFO/WAG	153	34	-	-
European Union	95	-	96	-
Miscellaneous Other Income	-	572	-	736
	<u>2,029</u>	<u>978</u>	<u>2,182</u>	<u>1,049</u>

3. Total Expenditure

Details of Seafish expenditure is made up as follows:

	2007 £000	2006 £000
Research Activities	2,753	2,084
Business Development Activities	2,367	3,635
Travel & Subsistence	164	152
Motor Vehicle Costs	275	321
Staff Training & Recruitment	186	111
Professional Fees	202	160
Other Department Costs	153	353
Repairs & Maintenance	58	115
Computing Costs	53	74
Other Location Costs	340	296
	<u>6,551</u>	<u>7,301</u>

The corresponding amount for Business Development Activities in 2006 has been amended to exclude staff costs. In 2006 and earlier years where staff were employed full time on a project and where external funding was received against their employment these costs were shown as other operating expenditure, from 2007 all payroll costs are shown as staff costs (see note 7b.)

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

3. Total Expenditure (continued)

The operating (deficit)/surplus is stated after charging:

	2007	2006
	£000	£000
Auditors' remuneration	19	17
	—	—
Operating lease rental - Land and buildings	16	42
- Motor vehicles	125	140
	—	—
	141	182
	—	—

4. Restructuring Redundancy

The Government's response to the independent review of Seafish was published in October 2006. At the same time we published 'Our Commitment – Improving economic performance in the seafood industry', our own explanation of the internal review and a statement on our proposed new strategic direction carried out to position Seafish better to meet the future needs of the industry.

The restructuring programme associated with the new strategic direction saw 27 staff leave, mainly accepting a voluntary redundancy package with direct redundancy costs of £576k and early retirement costs of £889k, see Note 13.

5. Taxation on Profit on Ordinary Activities

	2007	2006
	£000	£000
a) Analysis of charge in period		
Current tax:		
UK corporation tax on profits for the period	-	-
Adjustments in respect of previous periods	-	(28)
	—	—
Tax on profit on ordinary activities (note b) below	-	(28)
	—	—
b) Factors affecting tax charge for period		
(Deficit)/Surplus on ordinary activities before tax	(1,306)	172
	—	—
(Deficit)/Surplus on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2006 : 30%)	-	52
Effects of:		
Permanent disallowable expenditure	338	91
Adjustment to tax charge in respect of previous period	-	(28)
Tax Deductible Pension Contributions	(313)	(103)
Tax at marginal rates	-	-
Movement in losses	100	(40)
	—	—
Current tax charge for the period (note 1e)	-	(28)

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

6. Members' Emoluments

The Board Members are remunerated for their services directly by the Department for Environment, Food and Rural Affairs. Members' emoluments are non-pensionable. Details for the year are given below.

		2007	2006
		£	£
Chairman	- A. Dewar-Durie	49,364	48,271
Deputy Chairman	- J.S. Whitehead	20,000	19,560
Board Members		88,939	86,979

The names of Board Members can be found in the Directors' Report on page 5.

Total travel and subsistence of Members reimbursed by Defra	88,096	76,346
	<u> </u>	<u> </u>

7. Employee Information

(a) The average number of staff employed by Seafish during the year is noted below and included seven part-time positions (2006 - 6).

	Management and Staff		Agency/Temp Contract Staff	
	2007	2006	2007	2006
Research	48	49	-	-
Business Development	31	34	1	-
Corporate Services	25	34	-	4
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	104	117	1	4
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

7. Employee Information (continued)

(b) Employment costs for the year, excluding Board Members, were as follows:

	2007	2006
	£000	£000
Gross salaries	3,710	3,460
Social Security Costs	272	277
Pension Costs	821	230
	—	—
Total Direct Costs of permanent staff	4,803	3,967
Total Direct Costs of temporary staff	118	97
Total Direct Costs of employment	<u>4,921</u>	<u>4,064</u>

The corresponding amount for gross salaries in 2006 has been amended to include all staff on the Seafish payroll and therefore be consistent with gross salaries for 2007. In 2006 and earlier years where staff were employed full time on a project and where external funding was received against their employment, these costs were shown as other operating expenditure.

Analysis of Pension Costs:

Pension Current Service cost	602	713
Pension Curtailment cost	390	-
Past Service Gain	-	(284)
Less: Employee contributions	(171)	(199)
	—	—
	<u>821</u>	<u>230</u>

(c) Executive Directors' Emoluments & Pension Benefits

Details of emoluments and pension benefits for the executive directors are shown in the Remuneration Report at pages 13 and 14.

The Business Development Director is a director of Seafood Scotland (1999) Ltd, British Marine Finfish Association, Seafood Cornwall Ltd and Northern Ireland Seafood Ltd and the Research Director is a director of Team Food (Yorkshire and Humber) Ltd Yorkshire & Humber Seafood Group Ltd, British Marine Finfish Association, Whitby and District Fish Industry Training School and Scottish Aquaculture Research Forum.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

8. Tangible Assets

	Freehold Land and Buildings £000	Short Leasehold Buildings £000	Furniture and Equipment	Computer Equipment £000	Total £000
Cost or Valuation					
At 1 April 2006	2,553	79	1,021	819	4,472
Additions		-	29	181	210
Disposals			(125)	(96)	(221)
	————	————	————	————	————
At 31 March 2007	2,553	79	925	904	4,461
	=====	=====	=====	=====	=====
Depreciation					
At 1 April 2006	1	23	878	699	1,601
Charges for the year	70	45	62	78	255
Disposals			(123)	(96)	(219)
Revaluation					
	————	————	————	————	————
At 31 March 2007	71	68	817	681	1,637
	=====	=====	=====	=====	=====
Net Book Value					
As at 31 March 2007	2,482	11	108	223	2,824
	=====	=====	=====	=====	=====
As at 31 March 2006	2,552	56	143	120	2,871
	=====	=====	=====	=====	=====

Seafish land and buildings comprise two sites, offices in Edinburgh and Hull. The Edinburgh office was surveyed and valued by independent Chartered Surveyors as at March 2006 in accordance with the RICS Appraisal and Valuation Manual. This valuation, at open market value for existing use, is incorporated in Seafish accounts. The Hull office is occupied on a short term lease.

Continuing annual financial commitments in respect of short leaseholds are disclosed in note 16. Improvements, which include buildings on leased sites, are capitalised and are normally written off over the life of the leases.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

9. Debtors

	2007	2006
	£000	£000
Trade Debtors (after bad debt provision)	2,185	3,051
Levy Debtors	658	622
Prepayments and Accrued Income	126	97
Interest on Cash at Bank	58	38
	3,027	3,808
	3,027	3,808

10. Creditors - Amounts Falling Due Within One Year

	2007	2006
	£000	£000
Sundry Creditors	1,300	1,744
PAYE and Social Security	83	92
VAT	13	169
Pensions Contributions Payable	39	26
Accruals	13	52
	1,448	2,083
	1,448	2,083

11. Pension Scheme Arrangements

As disclosed in note 1(g), Seafish is an admitted body to a funded defined benefit scheme operated by the West Yorkshire Pension Fund (WYPF), which is independently invested and administered. The level of contribution is determined by a qualified actuary on the basis of a valuation performed every three years, using the projected unit method. A full actuarial valuation was carried out at 31 March 2004 by a qualified independent actuary. As a result, Seafish regular pension cost increased from 1.9% to 4% of pensionable payroll effective 1 April 2005, followed by proposed further increases of 2% every year to reach WYPF's target of 14.5% in six years time. In the year to 31 March 2007, Seafish made employer contributions equivalent to 14% of pensionable payroll, this is a deliberate action toward reducing the pension deficit. The next triennial actuarial valuation is being carried out on the WYPF as at 31 March 2007, and the results should be known by the end of 2007.

The WYPF scheme was closed to new staff from 1 April 2006, as a consequence under the project unit method the current service cost will increase as the members of the scheme approach retirement.

New staff are instead offered a defined contribution scheme administered by the Legal & General Assurance Society. Employer's contributions during the year to 31 March 2007 were £7,272, there were no amounts prepaid or outstanding at the end of the year.

In addition, Seafish has responsibility for the Sea Fish Industry Authority (SFIA) Pension and Life Assurance Fund (see note 1(g)).

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

11. Pension Scheme Arrangements (continued)

The most recent actuarial valuation of the pension fund was to 31 March 2004. The principal assumptions used by the independent qualified actuary in updating this valuation were:

Financial Assumptions

	31 Mar 2007	31 Mar 2006
Rate of inflation	3.1%	2.9%
Rate of increase in salaries	4.85%	4.65%
Rate of increase in pensions	3.1%	2.9%
Discount rate	5.4%	5.7%

Split of assets between investment categories

Equities	73.6%	73.9%
Government bonds	7.3%	6.9%
Other bonds	4.1%	4.8%
Property	5.3%	5.1%
Cash/Liquidity	5.2%	6.2%
Other	4.5%	3.1%

Expected rate of return and the assets of the WYPF scheme were:

	Long-term rate of return expected at 31 Mar 2007	Value at 31 Mar 2007 £000	Long-term rate of return expected at 31 Mar 2006	Value at 31 Mar 2006 £000
Equities	7.5%	22,751	7.0%	22,038
Government bonds	4.7%	2,256	4.3%	2,058
Other bonds	5.4%	1,267	4.9%	1,431
Property	6.5%	1,638	6.0%	1,521
Cash/Liquidity	5.25%	1,607	4.5%	1,849
Other	7.5%	1,391	7.0%	924
Total market value of assets		30,910		29,821
Liabilities		(34,119)		(30,981)
		_____		_____
Deficit		(3,209)		(1,160)
		=====		=====

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

11. Pension Scheme Arrangements (continued)

The movement in deficit during 2006/07 was as follows:

	WYPF 2007 £000	SFIA 2007 £000	TOTAL 2007 £000	WYPF 2006 £000	SFIA 2006 £000	TOTAL 2006 £000
(Deficit) at 1 April 2006	(1,160)	(371)	(1,531)	(2,762)	(364)	(3,126)
Current Service Cost	(602)	-	(602)	(713)	-	(713)
Employer & Employee Contributions	1,173	41	1,214	962	34	996
Past Service Cost/Curtailment Cost	(799)	-	(799)	284	-	284
Net Interest/Return on Assets	160	(20)	140	(45)	(21)	(66)
Actuarial Gain/(Loss)	(1,981)	(14)	(1,995)	1,114	(20)	1,094
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deficit at 31 March 2007	(3,209)	(364)	(3,573)	(1,160)	(371)	(1,531)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The components of the defined benefit cost for 2006/07 were:

	WYPF 2007 £000	SFIA 2007 £000	TOTAL 2007 £000	WYPF 2006 £000	SFIA 2006 £000	TOTAL 2006 £000
Operating						
Current Service Cost	431	-	431	514	-	514
Past Service Gain	-	-	-	(284)	-	(284)
Curtailment Cost	799	-	799	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cost	1,230	-	1,230	230	-	230
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Finance						
Expected Return on Assets	1,877	-	1,877	1,645	-	1,645
Interest on Pension Liabilities	(1,717)	(20)	(1,737)	(1,690)	(21)	(1,711)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Gain/(Cost)	160	(20)	140	(45)	(21)	(66)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Statement of Actuarial Gains/(Losses)						
Asset Gain	344	-	344	4,391	-	4,391
Liability Loss	-	-	-	(389)	-	(389)
Change in Assumptions	(2,325)	(14)	(2,339)	(2,888)	(20)	(2,908)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net (Loss)/Gain	(1,981)	(14)	(1,995)	1,114	(20)	1,094
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

11. Pension Scheme Arrangements (continued)

History of Gains and Losses

	WYPF 2007	WYPF 2006	WYPF 2005	WYPF 2004	WYPF 2003
Gain/(loss) on scheme assets Amount (£000)	344	4,391	1,325	3,030	(6,812)
Percentage of scheme assets at end of year	1.1%	14.7%	5.4%	13.5%	35.2%
Experience of gain/(loss) on scheme Liabilities Amount (£000)	-	(389)	(1,233)	-	-
Percentage of scheme liabilities at end of year	-	1.3%	4.5%	-	-
Total gain/(loss) recognised in STRGL Amount (£000)	(1,981)	1,114	(395)	3,030	(6,812)
Percentage of scheme liabilities at end of year	5.8%	3.6%	1.5%	12.2%	28.1%

History of Gains and Losses

	SFIA 2007	SFIA 2006	SFIA 2005	SFIA 2004	SFIA 2003
Gain/(loss) on scheme assets Amount (£000)	-	-	(20)	(20)	(10)
Percentage of scheme assets at end of year	-	-	-	-	-
Experience of gain/(loss) on scheme Liabilities Amount (£000)	-	-	5	-	-
Percentage of scheme liabilities at end of year	-	-	1.4%	-	-
Total gain/(loss) recognised in STRGL Amount (£000)	(14)	(20)	(6)	(20)	(10)
Percentage of scheme liabilities at end of year	3.8%	5.4%	1.6%	5.3%	2.7%

12. Ardtoe Closure Provision

This provision was established to meet Seafish costs of the discontinuance of its aquaculture research activities at its Ardtoe site. The provision represents agreed funding towards aquaculture research projects under original contract to Seafish as well as ongoing contributions towards the project work of the new owners. The economic benefit accrued gradually up until March 2007 and is now completed.

	£000
At 1 April 2006	90
Provision released during the year	90
	<hr/>
	-
At 31 March 2007	<hr/> <hr/>

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

13. Restructure – Early Retirement Costs Provision

The restructuring programme associated with the new strategic direction saw 27 staff leave. Costs associated with this include a liability of £1,675k in relation to the West Yorkshire Pension Fund (WYPF) Scheme – a local government pension scheme that provides for early release of pension benefits for eligible staff over 50 who are made redundant. A total of £786k is included within the past service cost of £799k shown at Note 11. The remainder of £889k is recognised as a cost of this year and shown separately in the balance sheet.

14. Deferred Income

This was a capital grant received towards the purchase of a 400 MPA processing machine which is used in Ultra High Processing treatments and is being released to revenue over five years.

	£000
Balance at 1 April 2006	12
Released against depreciation	5
	—
At 31 March 2007	7
	7

15. Contingent Liabilities

The 50 year lease over the Hull Offices was surrendered to the landlord in December 2006 and a one year lease entered into in its place. Seafish were able to negotiate the surrender of the lease at no additional cost and therefore no liability materialised.

Also in December 2006 the lease for the Fisheries Development Centre in Hull was surrendered. Seafish agreed to leave £30k in escrow so if no alternative tenant is found within two years the money can be used to assist with redevelopment of the site. No alternative tenant has been identified to date.

16. Post Balance Sheet Events

An independent review, completed in 2006, reconfirmed the Seafish mandate to use levy to support the whole industry and ushered in a new way of working, based on extensive consultation and increased transparency. Seafish issued proposals for a three year plan in February 2007 as part of this consultative approach. The proposals detail the key projects by which Seafish will serve and add value to the industry. The proposals were shared with all sectors of the industry for a period of twelve weeks. Further, Seafish visited all the major stakeholders to obtain feedback and to ensure that this is the work the industry wishes to see Seafish undertake. The twelve week consultation period ended on 14 May 2007 and there was a broad measure of support for the Seafish proposals.

Seafish financial statements are laid before the Houses of Parliament by the Secretary of State for Environment, Food and Rural Affairs and before the Scottish Parliament by the Minister for Environment and Rural Development. FRS 21 requires Seafish to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by Seafish management to the Secretary of State for Environment, Food and Rural Affairs and the Minister for Environment and Rural Development. The authorised date for issue is 6 July 2007.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

17. Financial Commitments

At 31 March 2007 Seafish had continuing annual financial commitments in respect of operating leases as follows:

	Land and Buildings £000	Other £000
Leases expiring: within 1 year	11	6
between 1-5 years	-	115
over 5 years	-	-
	<hr/>	<hr/>
	11	121
	<hr/>	<hr/>

At 31 March 2007 Seafish had no capital commitments.

18. Reconciliation of Operating (Deficit)/Surplus to Net Cash Outflow from Operating Activities

	2007 £000	2006 £000
Operating (Deficit)/Surplus	(96)	183
Exceptional Items	(1,465)	-
Depreciation on tangible fixed assets	255	332
Decrease/(Increase) in Debtors and Prepayments	781	(1,062)
(Decrease)/Increase in Creditors and Accruals	(635)	501
Increase in Provisions	799	(5)
Decrease in Deferred Income	(5)	(5)
Pension Operating Cost	189	(535)
	<hr/>	<hr/>
Net Cash Outflow from Operating Activities	(177)	(591)
	<hr/>	<hr/>

19. Reconciliation of Net Cash Flow to Movement in Net Funds

	2007 £000	2006 £000
Decrease in Cash	(202)	(102)
(Decrease) / Increase in Liquid Resources	(70)	(500)
	<hr/>	<hr/>
	(272)	(602)
Cash outflow from decrease in debt	-	-
	<hr/>	<hr/>
Change in net debt	(272)	(602)
Net funds at 1 April	2,940	3,542
	<hr/>	<hr/>
Net funds at 31 March	2,668	2,940

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

20. Analysis of Changes in Net Funds

	Balances At 1 April 2006 £000	Cash Flows £000	Balances At 31 March 2007 £000
Cash	340	(202)	138
Current Liquid Resources	2,600	(70)	2,530
	-----	-----	-----
Cash at bank and in hand	2,940	(272)	2,668
	=====	=====	=====

21. Movement on Reserves

	Revaluation Reserve (£'000)	General Fund (£'000)	Retirement Benefit Schemes (£'000)	Total (£'000)
At 1 April 2006	1,439	5,995	(1,531)	5,903
Revaluation Reserve adjustment				
Deficit for the period		(1,306)		(1,306)
Other movement in retirement benefit schemes		47	(47)	
Actuarial loss recognised in STRGL			(1,995)	(1,995)
	-----	-----	-----	-----
At 31 March 2007	1,439	4,736	(3,573)	2,602
	=====	=====	=====	=====

Revaluation Reserve

Seafish policy to value land and buildings at open market value for existing use and other assets at current replacement cost has resulted in a revaluation reserve being established.

Retirement Benefits

Other movements in retirement benefit schemes comprise:

	£000
Current Service Cost	(602)
Employer & Employee Contributions	1,214
Curtailment Cost	(799)
Net Interest/Return on Assets	140

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

22. Related Party Transactions

Seafish is a UK non departmental public body, sponsored by Department for Environment, Food and Rural Affairs (Defra). Defra is regarded as a related party. During the year, Seafish has had a number of material transactions with Defra and its sponsored bodies and with other Government Departments and their sponsored bodies, notably – the Scottish Executive Environment and Rural Affairs Department; Department of Agriculture and Rural Development (Northern Ireland); National Assembly for Wales and Welsh European Funding Office.

These transactions predominantly relate to the payment of FIGG grants for approved projects and are disclosed in note 2.

The balances payable to Seafish at the year end were:

	2007	2006
	£	£
Defra	602,740	258,304
Scottish Executive Environment and Rural Affairs Department	223,488	204,447
Department of Agriculture and Rural Development (Northern Ireland)	2,958	5,283
National Assembly for Wales	16,703	4,576
Welsh European Funding Office	3,576	15,698

NOTES TO THE ACCOUNTS
For the year ended 31 March 2007 (continued)

22. Related Party Transactions (continued)

In addition, Seafish was involved in the following related party transactions during the year which are considered to be material. All payments were made by 31 March 2007 and accordingly there are no balances outstanding:-

Chairman of Seafish Mr. A. Dewar-Durie is:

- a director at Billingsgate Seafood Training School which was paid £20,405 by Seafish.

Deputy Chairman Mr. J. S. Whitehead is:

- a consultant at Food From Britain which was paid £13,246 by Seafish
- a director (unpaid) at Improve Limited which was paid £286,820 by Seafish

Board Member Mr. N. Atkins (retired 31 March 07) is:

- a board member and director at National Federation of Fishermen's Organisations (NFFO) and NFFO Services Ltd respectively which were paid £11,945 in total by Seafish.

Board Member Mr. I. M. MacSween (retired 31 March 07) is:

- a director of Seafood Scotland Ltd which was paid £133,458 by Seafish.

Board Member Mr. O. Norgaard (appointed 5 May 06) is:

- a director of Lyons UK which was paid £13,250 by Seafish and from whom Seafish received £162,815.

Board Member Mr. M. Parker (appointed 5 May 06) is:

- a director of Young's Seafood Ltd and several group companies from whom Seafish received £1,040,890.

Board Member Mr. C. Venmore is:

- a member of the Shellfish Association of Great Britain which was paid £20,790 by Seafish.

Board Member Mr. A. West (appointed 5 May 06) is:

- chairman of Westward Fishing Company from whom Seafish received £27,069.
- a director of Seafood Scotland Ltd which was paid £133,458 by Seafish.

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