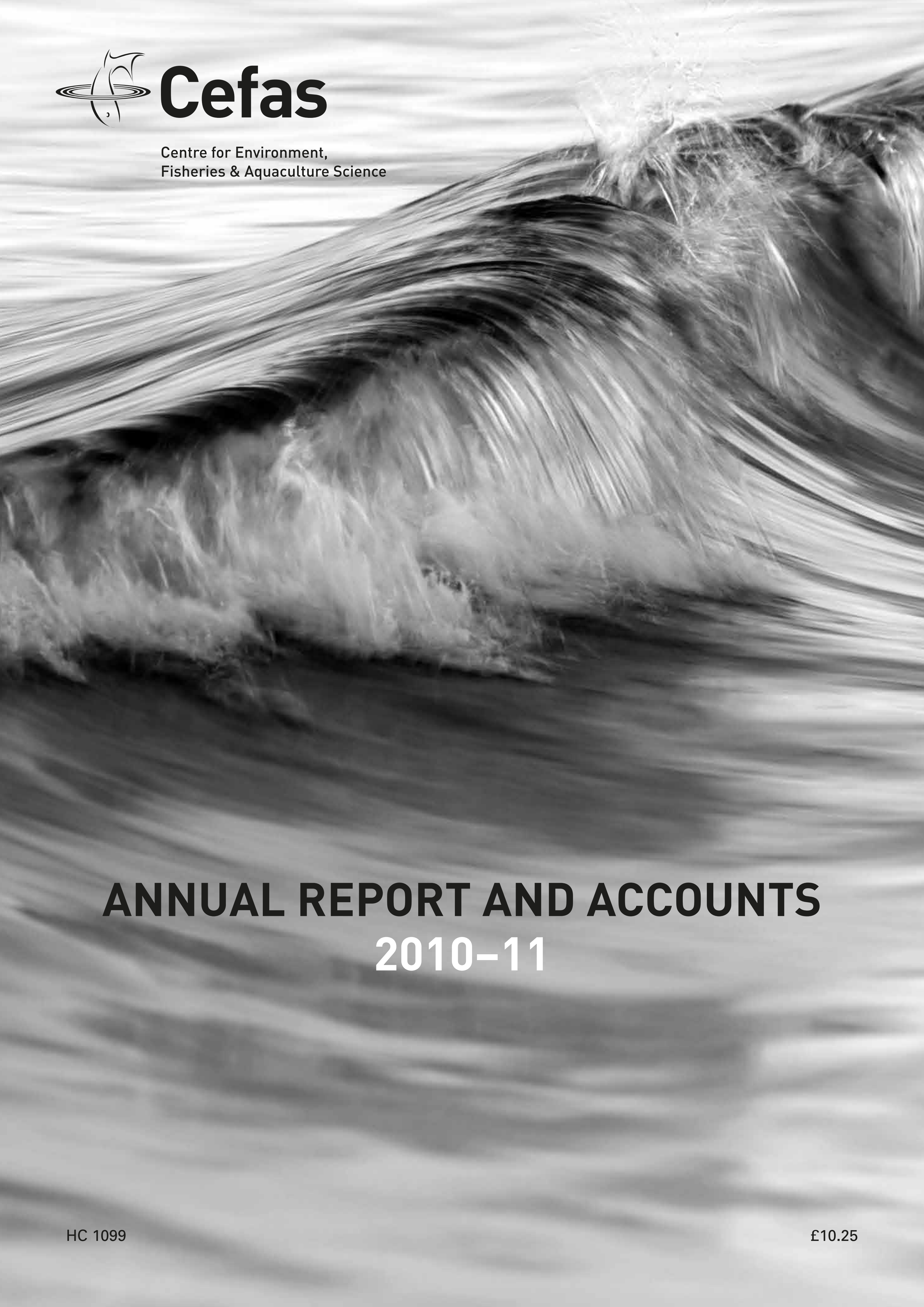

Cefas

Centre for Environment,
Fisheries & Aquaculture Science

ANNUAL REPORT AND ACCOUNTS 2010–11

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01 MANAGEMENT COMMENTARY

INTRODUCTION

The marine sector is an exciting place to be. Common Fisheries Policy reform, implementation of the Marine and Coastal Access Act, EU Directives, and energy and food agendas all create a growing demand for our expert advice, applied science and evidence.

Working closely with industry and colleagues across the public sector, we continue to play a key role in ensuring effective delivery of the government's marine-related priorities. Just a few examples of the way in which we have made a difference over the past year are:

- **fisheries reform:** working with Defra colleagues to contribute to the European policy debate and with industry to lead the way on solutions for reducing the wasteful practice of discarding fish
- **marine planning and licensing:** supporting the Marine Management Organisation (MMO) through our scientific and technical expertise, to inform a more coherent approach to the use of shared resources and better protection for the environment
- **avoiding the spread of aquatic diseases:** developing new detection methods and acting to prevent harm to human health and business failures
- **the assessment of UK seas:** leading the gathering of wide-ranging evidence to enhance our understanding of the state of UK seas and ultimately protect precious habitats and biodiversity.

We made excellent progress against strategic objectives and our performance targets. Amongst other things, we have:

- grown turnover from sources other than core Defra by £1.4 million (7%) to offset the impact of £1.5 million in-year reductions in Defra funding, and capitalised on changes made in recent years to deliver £2 million of gains in effectiveness. In turn, this enabled targeted investments in infrastructure and our people to secure long-term capability
- produced 183 peer-reviewed scientific journal papers – well above our target – and extended our portfolio by self-investing in more than 40 research projects. These ranged from microbial ecology and diagnostic tools for crustacean diseases to novel techniques for collecting data and understanding the effects of ocean acidification
- embedded our approach to corporate responsibility more fully. This includes achieving a reduction in safety-related incidents, and accreditation for our safety management systems against OHSAS 18001 (a "first" in Defra). We also launched the Cefas Connects initiative to encourage volunteering and support for our local communities, raising some £5,000 for charity in the process through staff-led events.

Our achievements have been particularly impressive given the financial and resourcing challenges we faced. None of this would have been possible without the magnificent response of our people, who demonstrated just how much we can achieve together – even when faced with difficult circumstances. Their involvement, ideas, effort and commitment have been hugely appreciated.

The energy, innovation and teamwork that we have seen in abundance over the past 12 months, combined with growing market opportunities, gives us confidence for the years ahead. I look forward to building on what we have already achieved.

Richard Judge

Richard Judge
Chief Executive

MAKING AN IMPACT

We align our work to the Department for Environment, Food and Rural Affairs' (Defra's) own priorities – our advice and evidence supports current Government decision-making and future strategy, provides long-term assurance and responds to EU/UK legislation and obligations.

We work closely with our customers and collaborators to leverage the greatest value from mutual contributions. The following four examples of our applied science, whilst only a sub-set of our wider capability, demonstrate the important national and international impact of our work:

REFORMING FISHERIES POLICY AND PRACTICE
Our scientists have made a direct contribution to the Common Fisheries Policy (CFP) debate. Their analysis of the state of important commercial fish stocks, and insight into the potential implications of management options – balancing environmental and economic considerations, are helping the UK to take a lead on CFP reform.

Underpinning that reform is effective regional fisheries management and the reduction or elimination of the practice of discarding fish. Cefas scientists routinely provide evidence and advice to help the UK benefit from fisheries with long-term viability. In addition, our gear technology specialists have played a central role in evaluating discard-reduction schemes (catch-quota and closed areas) and developing discard-reducing fishing nets, in collaboration with the fishing industry.

MARINE PLANNING AND LICENSING
We supported the MMO through its first year of operation to deliver their regulatory and marine-planning functions. Our experts have formed a strong operational relationship with the MMO, providing technical and scientific input into the initial selection process for new Marine Planning Areas; delivered a risk-assessment approach that helps to streamline elements of the regulatory burden on industry; and provided impartial scientific advice to underpin MMO's regulatory responsibilities.

We continued to supply independently reviewed scientific data and evidence to support our advice on the impacts of the ongoing disposal of dredged material at Rame Head, in Cornwall – a sensitive local issue with implications for port developments elsewhere in the UK.

AQUATIC DISEASES: PREVENTION AND DETECTION
The shellfish industry was threatened by a new strain of oyster herpes virus following a UK outbreak. Cefas scientists and the Fish Health Inspectorate recommended biosecurity measures to control and prevent further spread in the UK of this infection, which has already severely affected oyster production in France. Our experts also took a lead role in defining principles to manage the disease across Europe.

In addition, Cefas scientists have reduced the use of tests on animals by instead developing chemical techniques for the identification of naturally occurring toxins in shellfish. Such toxins, if consumed, can potentially have serious consequences for humans. The UK was the first country to implement this validated method – which reduces animal use by more than 90% – into its official monitoring programmes. The streamlined process conforms to international guidelines and improves both the diagnostic capability and accuracy of analysis – important factors for shellfish producers and public health.

ASSESSING THE STATUS OF UK SEAS

Understanding the status of the seas around the UK is essential for managing and protecting marine resources and services, which support sustainable economic growth and provide healthy, secure food supplies. The *Charting Progress 2* report, published in 2010, was endorsed as the most comprehensive and authoritative assessment of the status of our marine environment yet produced.

Cefas led the wide-ranging UKMMAS team that designed, managed and delivered the overall assessment. This was a major collaborative project that involved evidence gathered from government departments and agencies, the devolved administrations and science organisations and universities.

Charting Progress 2 provides the foundation for an initial assessment of UK seas (required by the EU Marine Strategy Framework Directive in 2012), and is the evidence base to support the marine chapter of the UK *National Ecosystem Assessment* (due in June 2011).

Our monitoring programmes and the evidence we collect mean that we are able to establish the baseline for good environmental status indicators for UK seas, allowing the EU to judge progress towards sustainable use of the seas.

LOOKING AHEAD

In line with our vision of "making a real difference for society", we will continue to contribute towards establishing good environmental status for our seas, support sustainable economic growth, and enable the nation to provide healthy and secure food supplies.

We will do this by sustaining our focus on strengthening external relationships. For example, we have a significant relationship with the Food Standards Agency, contributing a range of services directly supporting the safety and security of the UK food chain. Our partnerships with Natural England and the Joint Nature Conservation Committee – where we share data and information on the marine environment – generate mutual value and cost savings through effective collaboration.

To enhance impact and encourage innovation, we will continue to diversify income streams across the public sector and into wider markets. This approach generates knowledge, drives efficiencies and gives us greater resilience in challenging times.

We will continue to invest in our future: rebalancing and refreshing skills and techniques in line with customer needs, so enabling us to retain long-term capability in our world-class science.

Through these actions we will be in a strong position to rise to the challenges posed by the dynamism of both the fiscal and natural environment.

> "OUR WORK HELPS TO ENSURE THE LONG-TERM PROSPERITY AND WELL-BEING OF INDUSTRIES, COMMUNITIES AND INDIVIDUALS THAT ENJOY AND DEPEND ON THE RICH NATURAL ASSETS FOUND IN OUR MARINE AND FRESHWATER ENVIRONMENTS."

MANAGING OUR DELIVERY

Cefas was created on 1 April 1997 from the former Directorate of Fisheries Research under the Next Steps programme. As an executive agency of Defra, Cefas is fully accountable to Parliament through ministers.

GOVERNANCE ARRANGEMENTS
The Parliamentary Under-Secretary for Natural Environment and Fisheries (the "Minister"), on behalf of the Secretary of State for Defra, acts on all ownership matters relating to Cefas. The Minister sets annual performance targets for the agency, agrees corporate business plans, and nominates a "Corporate Owner" within Defra to discharge his ownership responsibilities.

The Corporate Owner takes into account Cefas' strategic fit with that of Defra's own plans, agrees any Defra-funded investment decisions and ensures that Cefas' risk profile is acceptable to the department. Members of the Defra Management Board remain collectively responsible and are accountable to ministers for Cefas' delivery.

Governance arrangements are described in more detail in the *Cefas Framework Document* (which is available to download from our website: www.cefas.defra.co.uk) and in the Statement on Internal Control (see p 19), which also covers our approach to business risk.

THE CEFAS MANAGEMENT BOARD
Cefas' Chief Executive and Accounting Officer is Richard Judge. The Cefas Management Board (CMB) supports the Chief Executive and the executive management team in their responsibilities for directing and leading the agency. It includes the Chief Executive, and the following Cefas executives:

- Mike Waldock, Chief Scientific Adviser
- Tim Green, Finance and Corporate Services Director
- Reg Eayrs, Operations Director.

The following non-executive advisory directors are all external members of the CMB:

- Andrew Field
- Michael Gates
- Sue Sharland
- Joe Horwood (internal until 30 June 2010, then external).

FUNCTIONS OF THE BOARD
The CMB's principal functions are to:

- determine Cefas' strategy (taking account of government needs and broader market dynamics), allocating resources accordingly and monitoring progress against strategy
- ensure effective corporate governance
- manage business risks
- ensure capability matches customers' current and future requirements
- ensure appropriate focus on the external world and the context within which Cefas operates
- reinforce cultural change and Cefas' values
- approve Cefas policy on strategic matters at the discretion of the Chief Executive.

CMB COMMITTEES

The Audit and Risk Committee is a formally constituted committee of the CMB. Its purpose is to support the Accounting Officer and the CMB in monitoring the corporate governance and control systems in the organisation. It advises on internal and external audit matters, risk, control and governance within the agency.

The Cefas Science Advisory Committee is the second formal sub-committee of the CMB. It has a remit to challenge and advise on science, and in particular science and technology quality. This assures the Board and our external customers, including Defra.

PERFORMANCE MANAGEMENT

Cefas' performance against its ministerial targets (see p 11) is regularly and routinely measured against key objectives set by the CMB, creating a framework of management control to continually improve performance. In summary, the key processes within that framework are:

- **performance cycle:** the organisation's vision is clearly established and publicised. All subsequent strategy, business plans, set objectives and training plans are designed to support the vision
- **business planning and prioritisation:** a five-year strategy and a more detailed annual budget are set before the start of each year. Performance against these and additional targets is reported to and reviewed quarterly by the CMB
- **key performance indicators:** these are reported against monthly. They link to Cefas' strategic aims and to the management of key risks. Such indicators are both robust, to ensure comparability, and flexible, to adapt to changing needs
- **rewarding performance:** good performance is recognised through internal publicity; celebrated through, for example, civil service-wide Team Awards; and rewarded through performance-related pay (PRP), which explicitly links payment and performance. The latter includes a variable corporate element – linked to the achievement of ministerial targets and the growth of non-Defra contract margins – and an individual element that reflects exceptional personal contribution. The total budget for PRP potentially rises to approximately 5% of Cefas' base salary bill. Payment is subject to audited performance and, ultimately, to any wider government instructions
- **improving performance:** plans and objectives are regularly updated to improve performance. Surveys and other engagement of customers and staff are conducted to input to this process.

STANDARDS AND ACCREDITATIONS

Our service standards and key policies are described on our website. This year, 100% of enquiries (by letter) met their response targets, and all visitors to our laboratories were met within ten minutes of their arrival. There was one complaint received during the report period, relevant to the Cefas Charter.

We continued to provide customer assurance by maintaining and/or increasing our quality accreditation, certification and approvals. This year we obtained a "flexible scope" UKAS accreditation for the detection and identification of viruses, bacteria, fungi and parasites in fish, shellfish and crustacean tissues; ISO 17025 accreditation for age-reading fish otoliths; GLP approval for our Lowestoft ecotoxicology facilities; UKAS accreditation for norovirus testing; and a recognised health and safety (H&S) certification, OHSAS 18001 (a first for the Defra network). We extended our ISO 9001 certification to include our Regulatory Advisory team, and maintained ISO 14001 certification for environmental management.

"WE CONTINUED TO PROVIDE CUSTOMER ASSURANCE BY MAINTAINING AND/OR INCREASING OUR QUALITY ACCREDITATION."

ENCOURAGING INVOLVEMENT

Our 83% staff response level to the second civil service People Survey beat our own target (of 80%), and far exceeded the average response rate for the entire civil service (62%).

The survey is designed to measure staff engagement, and our overall engagement index was 61% (2009–10: 62%). This placed Cefas only 1% lower than the average civil service highest-performing organisations.

We encourage employee involvement in our business through the Cefas Staff Focus group, drop-in sessions, divisional meetings and workshops and senior management road shows, as well as formal consultation with recognised trade unions.

We introduced the Cefas Connects scheme to encourage ideas and innovation, and to support community-based initiatives. Staff raised funds for charities, did beach clean-ups, and took up posts on two of the new Inshore Fisheries and Conservation Authorities.

REFRESHING OUR POLICIES AND SUPPORT

We reviewed our human resources (HR) policies and made the Staff Handbook more accessible with updated guidance on career development and performance areas, for instance.

We refreshed our Equality group with a new champion and retained our "Two Ticks" disability symbol following an external audit. Learning and Development sessions were held, with staff encouraged to try web-based training packages such as those on the Civil Learning site.

Our new management information system, implemented on 1 April, is actively informing management decision-making. For instance, in 2010–11 the average number of days lost to absence per full-time equivalent employee was 6.0, more than a 10% reduction on 2009–10 (7.6 days).

SUSTAINABLE DEVELOPMENT

Our Sustainable Development Action Plan (November 2009 – March 2011), available on our website, demonstrates continuing progress in embedding sustainability at the core of our work. An example is the recruitment of two socio-economists during 2010, who are analysing social and cost implications of measures to implement the Marine Strategy Framework Directive.

OUR WORK ENVIRONMENT

We continue to address our environmental impact. Key improvements include:

- a new initiative to improve recycling through waste segregation
- installing voltage optimisation technology at Lowestoft to optimise the site's electricity supply
- removing individual electrical appliances and installing centralised staff amenities and printing services, delivering efficiencies in energy consumption.

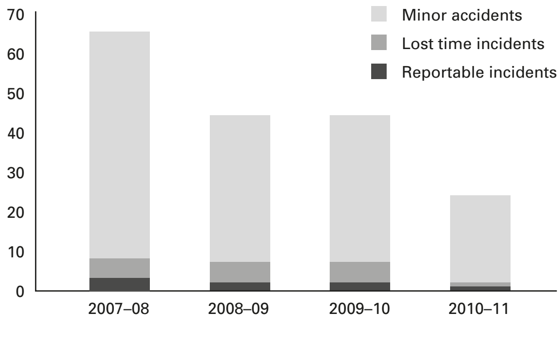
ENVIRONMENTAL MANAGEMENT TARGETS

	1999–2000	2009–10	2010–11[2]	Target
Carbon dioxide emissions from buildings (tonnes)[1]	3,729	3,205	3,244	3,263
Percentage below 1999–2000 emissions	–	14	13	Reduce by 12.5% by 2010–11, relative to 1999–2000
Carbon dioxide emissions per £1 million turnover (tonnes)	132	56	59	No specific target
Percentage of recycling[3]	–[4]	45	51	40% of waste arisings by 2010

[1] Not weather corrected.
[2] Estimated.
[3] Excludes waste recovered for energy use.
[4] Recycling percentages only began to be recorded in 2005–06.

EMBEDDING A SAFETY CULTURE

Improvements in our H&S performance have been an agency-wide effort. The OHSAS 18001 certification provides a robust framework from which to continue our progress. This emphasis is delivering results, with reductions in reported incidents and accidents:



PERFORMANCE AGAINST MINISTERIAL TARGETS

The Cefas business plan and associated ministerial targets are reviewed each year to ensure they continue to be relevant to the agency and support broader government objectives and agreements, and Cefas' ambitions. For example, the inclusion of H&S actions in a social responsibility target reflects our intention to reach standards that go well beyond compliance.

Our ministerial targets are announced in the House of Commons and audited by Defra at the end of each financial year.

MEASUREMENTS OF ACHIEVEMENT[1]

Metric	Target	Measurement	Weight	Achievement
Value for public money	N/A	Achieve break even performance and deliver efficiency gains	30%	**2010–11: Target achieved** 2009–10 Target achieved 2008–09 Target achieved
Customer satisfaction	82%	Weighted average of customer response to post-contract survey	17.5%	**2010–11: Target achieved (89%)** 2009–10 Target achieved 2008–09 Target achieved
Scientific excellence	75%	Indicators include publication and media records, customer views of our science and ongoing investment in new science and capabilities	17.5%	**2010–11: Target achieved (86%)** 2009–10 Target achieved 2008–09 Target achieved
Social responsibility	75%	Achieving and improving key performance indicators, delivering planned improvements and external accreditations	17.5%	**2010–11: Target achieved (81%)** 2009–10 Target achieved[2]
Staff engagement	63%	Performance in the annual questionnaire to all civil service staff using a weighted scale of categories	17.5%	**2010–11: Not achieved (61%)** 2009–10 Target achieved 2008–09 Target achieved

[1] The measurement of achievement cover our core targets, additional targets from our published Plan were fully achieved. Where targets are refined and restated for 2010-11 previous years' outcomes are nearest equivalents.

[2] Target was new for 2009–10 so 2008–09 achievement cannot be given.

FINANCIAL PERFORMANCE

Cefas has delivered a strong financial performance in a challenging year for public sector finances. We have met the key ministerial targets set for financial performance and efficiency for the year ended 31 March 2011. In 2010–11 we delivered more than 500 customer projects totalling in excess of £53 million, improved our operating effectiveness by £2 million, and invested in our science, infrastructure and people to support a sustainable future for the agency.

As an agency under the net accounting regime we have a continuing requirement to recover the full economic cost of the services we provide. This was achieved and an overall net surplus of £1,898,000 (2009–10: £1,824,000) was generated.

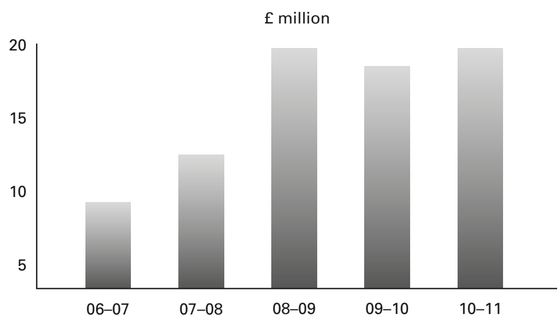
This result was achieved despite reductions in Defra income of £5 million. This large reduction was in part due to the removal of notional interest charges totalling £1.2 million; and the further use of our infrastructure and capability to fully utilise our assets to the value of £3 million. This reduction was countered through income growth beyond Defra of more than £1 million year-on-year, principally driven by energy-sector customers. Further improved operating efficiencies and overhead cost reductions contributed £2 million during the year but are set against one-off charges of £2.9 million, which arose from the Lowestoft site legacy-maintenance project, and £0.6 million incurred in funding the voluntary exit of 15 staff.

Reported turnover totalled £53,588,000 (2009–10: £57,347,000). Total turnover includes our programme management business, in which we lead and co-ordinate major programmes and in which sizeable sums flow through to partners and sub-contractors. These major sub-contracts and other external costs account for approximately £22 million of turnover.

Turnover from core Defra made up 63% of our work for the year (2009–10: 68%), or £33,684,000 (2009–10: £38,788,000). Of this, approximately £28 million reflects a strategic partnership between Cefas and Defra. This includes a long-term commitment to provide funding stability for essential services, required by government.

Turnover from sources other than core Defra – £19,904,000 (2009–10: £18,560,000) – plays a critical role in broadening our capabilities and experience, in demonstrating our competitiveness and in contributing significantly to our fixed costs. This work continues to make up around one-third of all our work despite the challenging economic climate in wider markets.

TURNOVER FROM SOURCES OTHER THAN CORE DEFRA



Base costs were controlled through the year: external costs were generally being kept below retail price inflation of 5.3% (excludes mortgage repayments), and salary costs stayed flat in line with the public-sector pay freeze.

There were no charitable donations greater than £200 made in the year (2009–10: £NIL).

EVENTS AFTER THE REPORTING DATE

These accounts were authorised for issue by the Cefas Accounting Officer on 30 June 2011. There were no events after the reporting date that should be reflected in the accounts, which are prepared on a going concern basis.

PENSION LIABILITIES AND ENTITLEMENTS

Pension liabilities arising from early retirement or other enhancements are accrued in total in the year in which the liability arises. These charges are paid either to the Principal Civil Service Pension Scheme, which is responsible for meeting future pension obligations on behalf of Cefas, or to employees' stakeholder-based arrangements. Further details are provided in Note 2(c) to the accounts.

ASSETS

Capital investment in the business of £1,591,000 (2009–10: £1,894,000) was principally incurred on scientific equipment – £642,000 (2009–10: £1,433,000).

The Lowestoft site legacy-maintenance project was completed this year, costing a total of £3,440,000 in mitigating maintenance risks and thereby reasonably increasing the working life of the site for a further five to seven years. A figure of £513,000 of this cost was capitalised.

Cefas acquired 100% of the share capital of Cefas Technology Limited (CTL) in 2001. CTL provides a channel to wider markets for specific Cefas products and services. Examples include electronic fish-tag production and fish-disease testing.

In line with *Financial Report Manual* (FReM) requirements, CTL accounts are not consolidated into Cefas' statements of accounts. In 2010–11, CTL traded profitably, making £69,000 before tax on turnover of £567,000.

CASH MANAGEMENT

The business generated a positive operating cash flow of £10,111,000 (2009–10: £8,517,000), primarily because of the non-cash nature of depreciation, notional charges (Note 1.19) and changes in working-capital management.

Having reviewed the cash requirements of the agency with Defra, we have repaid £4,725,000 (2009–10: £7,000,000) to them, which reduces the General Fund reserve balance. This leaves us in a sound cash position with sufficient liquid funds and customer contracts to meet all of our expected obligations within the coming financial year.

FINANCIAL RISK

The primary financial instrument risk that we are exposed to is the receipt of payments from customers, 93% in pounds sterling and 7% in foreign currencies; and the payments of certain goods and services in foreign currencies. This risk is believed to be low-level, and the policy is to accept net currency conversion risk of euros and US dollars or closely linked currencies.

FUTURE PLANS

A review of Defra's delivery bodies has not resulted in any specific proposals for Cefas.

Our future plans reflect income reductions from core Defra, in line with the government's Spending Review. Replacement of that income is anticipated through growth in the renewables sector, the management of marine data/evidence, major marine capital projects support and, over a longer timescale, food security. Our commercial approach and customer focus enable us to face the future with confidence.

AUDITOR

Our external auditor is the Comptroller and Auditor General, whose address is:

The Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria, London SW1W 9SP

The cost of work performed by the external auditor is £42,000 (2009–10: £58,000). No other fees were paid to the external auditor.

As far as I, the Accounting Officer, am aware, there is no relevant information of which the auditor is unaware. I have taken all the steps that ought to have been taken to make myself aware of any relevant audit information, and to establish that the auditors are aware of that information.

Richard Judge

Richard Judge
Chief Executive
30 June 2011

> OUR COMMERCIAL APPROACH AND CUSTOMER FOCUS ENABLE US TO FACE THE FUTURE WITH CONFIDENCE.

REMUNERATION REPORT

The Cabinet Office, subject to HM Treasury remits, sets the remuneration of the Cefas Management Board's (CMB's) executive directors. They are senior civil servants and their contract of employment is with Defra. Cefas, however, bears the cost of their employment. Up to 15% of their remuneration is performance-related and is reviewed by Defra against achievement of ministerial and personal targets.

Chief Executive Richard Judge is contracted with Defra for a fixed term to February 2012. For the period from 2 August 2010 until 17 January 2011 Richard Judge worked on secondment to the Rural Payments Agency (RPA) as their Interim Chief Executive. All associated costs during that period were borne by the RPA. During this secondment period he retained his role as Cefas' Chief Executive, whilst Tim Green assumed responsibility for day-to-day management activities as Acting Accounting Officer.

Tim Green, Finance and Corporate Services Director, and Mike Waldock, Chief Scientific Adviser, are under permanent contracts of employment with Defra. Reg Eayrs joined the CMB on 17 May 2010 as Operations Director on a three-year fixed-term appointment with Defra, with an option to extend to five years.

There is a maximum notice period of six months from Defra and a minimum of three months from the employee. The length of service, salary and age of the employee determine any termination payments payable.

Joe Horwood retired as Cefas' Chief Scientific Adviser on 30 June 2010 but still operates as a non-executive director on the CMB. All non-executive CMB members are contracted by Cefas and have notice periods of three months, from either Cefas or the individual.

No awards for early termination were made to existing or former directors in the year.

REMUNERATION OF CEFAS DIRECTORS (AUDITED)

	Salary for period		Performance bonus		Total remuneration	
CMB executive directors	**2010–11 £'000**	**2009–10 £'000**	**2010–11 £'000**	**2009–10 £'000**	**2010–11 £'000**	**2009–10 £'000**
Chief Executive						
Richard Judge[1]	65–70	120–125	10–15	10–15	75–80	130–135
Chief Scientific Adviser						
Mike Waldock	65–70	65–70	0–5	5–10	65–70	75–80
Finance and Corporate Services Director						
Tim Green	70–75	70–75	5–10	10–15	75–80	80–85
Operations Director						
Reg Eayrs[2]	60–65	0	0–5	0	60–65	0

Salaries include gross salaries, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private-office allowances and any other allowance to the extent that it is subject to UK taxation. In line with other senior civil servants, contractual performance bonus payments were capped in 2009–10 and 2010–11.

No CMB executive directors were in receipt of any benefits in kind (2009–10: £NIL); nor did they hold any company directorships or other significant interests that may have conflicted with their management responsibilities.

	Fee band		Performance bonus		Total remuneration	
CMB non-executive directors	**2010–11 £'000**	**2009–10 £'000**	**2010–11 £'000**	**2009–10 £'000**	**2010–11 £'000**	**2009–10 £'000**
Hugh Walker[3]	0	5–10	0	0	0	5–10
Alex Tweedie[3]	0	5–10	0	0	0	5–10
Joe Horwood[4]	5–10	0	0	0	5–10	0
Andrew Field	10–15	10–15	0	0	10–15	10–15
Michael Gates[5]	10–15	0–5	0	0	10–15	0–5
Sue Sharland[5]	10–15	0–5	0	0	10–15	0–5

Notes to tables on pp 14–15

[1] Richard Judge's salary for 2010–11 was paid by the RPA for the period 2 August 2010 to 17 January 2011 when he was their Interim Chief Executive. His full-year equivalent salary was in the band £120–125,000.

[2] Reg Eayrs joined Cefas on 17 May 2010 as Operations Director. His full-year equivalent salary was in the band £65–70,000.

[3] Hugh Walker and Alex Tweedie stood down as non-executive directors during 2009–10, having reached the end of their appointed term.

[4] Joe Horwood was employed by Cefas as Chief Scientific Adviser (under permanent contract with Defra) until 30 June 2010. This was an advisory role, without executive responsibility. His salary during 2010–11 in this advisory role was chargeable to Cefas and in the band £75–80,000 (2009–10: £75–80,000) with a performance bonus in the range £5–10,000 (2009–10: £5–10,000).

[5] Michael Gates and Sue Sharland joined the CMB as non-executive directors on 1 January 2010.

PENSION ENTITLEMENTS OF CEFAS DIRECTORS (AUDITED)

CMB executive directors	Real increase in pension and related lump sum at age 60 £'000	Total accrued pension and related lump sum at age 60 £'000	CETV[3] at 31 March 2011 £'000	CETV[4] at 31 March 2010 £'000	Real increase in CETV £'000
Chief Executive					
Richard Judge[1]	2.5–5 plus 0 lump sum	42.5–45 plus 0 lump sum	596	476	47
Chief Scientific Adviser					
Mike Waldock	0–2.5 plus 0–2.5 lump sum	25–27.5 plus 80–82.5 lump sum	605	538	-1
Finance and Corporate Services Director					
Tim Green	0–2.5 plus 0 lump sum	5–7.5 plus 0 lump sum	79	53	15
Operations Director					
Reg Eayrs[2]	0–2.5 plus 0 lump sum	0–2.5 plus 0 lump sum	13	0	11

Notes

[1] Richard Judge's salary for 2010–11 was paid by the RPA for the period 2 August 2010 to 17 January 2011 when he was their Interim Chief Executive. His full-year equivalent salary was in the band £120–125,000.

[2] Reg Eayrs joined Cefas on 17 May 2010 as Operations Director. His full-year equivalent salary was in the band £65–70,000.

[3] CETV: cash equivalent transfer value.

[4] The figures in this column may be different from the closing figures in last year's accounts. This is because CETV factors have been updated, to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

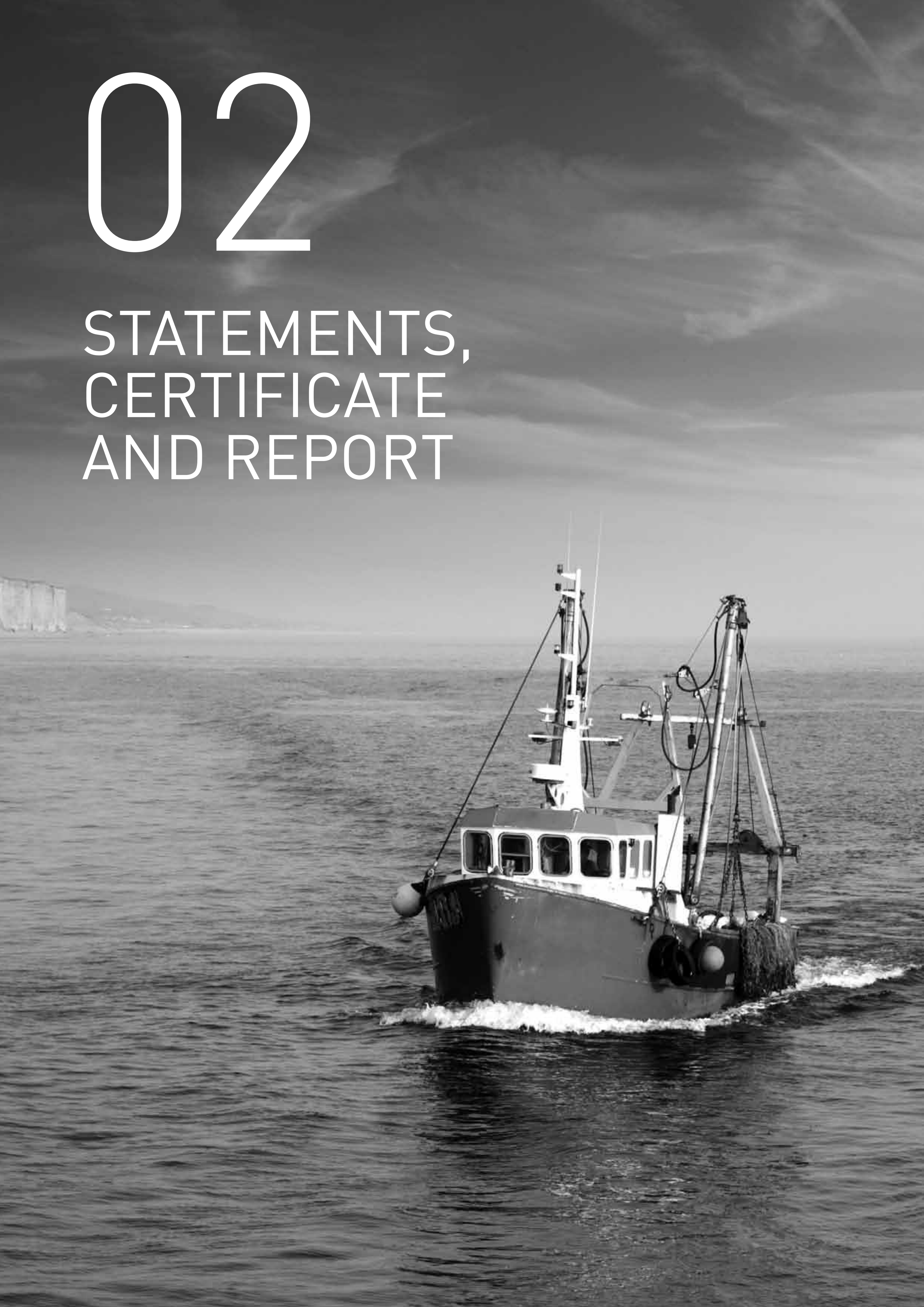
Details of the presiding pension schemes are detailed in Note 2(c) to the accounts.

Richard Judge

Richard Judge
Chief Executive
30 June 2011

02

STATEMENTS, CERTIFICATE AND REPORT



STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, HM Treasury has directed Cefas 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 Cefas and of its net operating costs, changes in taxpayers' equity and cash flows for the financial year.

In preparing the Statement of 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 HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the agency will continue in operation.

The Accounting Officer of Defra has designated the Chief Executive of Cefas as Accounting Officer for the agency. 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 Cefas' assets, are set out in *Managing Public Money*, published by HM Treasury.

STATEMENT ON INTERNAL CONTROL

SCOPE OF RESPONSIBILITY

1. As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Cefas' policies, aims and objectives whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

2. I ensure that the Defra Permanent Secretary, the principal Accounting Officer for the department, is aware of the main risks managed by the agency through regular reporting of the top risks. Additionally:

- I ensure that the agency's business plans submitted to, and approved by, ministers include sections on risk
- I work with the Defra Corporate Owner and the Cefas Owner's Advisory Board to assure governance and dovetail strategy
- I am responsible for the timely production of data required by Defra for in-year monitoring of its accounts. I ensure that Cefas observes any general guidance issued by HM Treasury or the Cabinet Office, and effects any recommendations of the Public Accounts Committee, other parliamentary Select Committees or other parliamentary authority insofar as government accepts them.

3. From 2 August 2010 until 17 January 2011 I worked on secondment to the RPA as their Interim Chief Executive. During this secondment period I retained my role as Cefas' Chief Executive, whilst Tim Green assumed responsibility for day-to-day management activities as Acting Accounting Officer. He also contributed to the annual review of the effectiveness of controls.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

4. 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 Cefas' 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 for the year ended 31 March 2011 and up to the date of approval of the *Annual Report and Accounts*, and accords with HM Treasury guidance.

CAPACITY TO HANDLE RISK

5. As Chief Executive and Accounting Officer, I am advised by the Cefas Management Board (CMB), which is the top level of management within the agency. The CMB supports me in delivering my responsibilities for providing overall direction and governance of Cefas' activities and managing risk. It provides a forum for planning strategy, setting policies, reviewing performance, and making decisions that direct Cefas as a whole. The CMB achieves its objectives through six formal board meetings per year, supplemented by planning meetings. The CMB actively communicates its activities and decisions to all Cefas staff. The CMB is presented with financial and management information designed to monitor performance and manage risk. Decisions are supported by papers presented in a standard format.

6. A clear distinction is made between strategic management by the CMB and operational management that is delivered through a divisional organisation. The senior management team (SMT) provides an operational overview of day-to-day issues, and comprises the CMB executive members, Divisional Directors and the HR and Organisational Development Director. The SMT meets at least monthly and covers a range of operational issues. This includes review of a monthly performance and forecast pack. Divisional Directors carry responsibility for specific activities within their areas of operation, and report through the Operations Director to the CMB. Within the Corporate Centre, individual Group Managers are responsible for specific areas of operation (for example financial, commercial, governance, IT and HR risks) and report through the Finance and Corporate Services Director.

7. Risk appetite is set within the risk-register rating method, categorising CMB and divisional-level risks allowing escalation as explained in the Cefas risk-management plan. The plan is made readily available to staff and referred to in the Staff Handbook. It describes the approach to risk management, its principles, cycle, the control framework and documentation. Cefas takes advantage of the sharing of best practice provided by Defra and its network.

8. New staff are introduced to the system of internal control as part of a formal induction process.

THE RISK AND CONTROL FRAMEWORK

9. In Cefas, the main processes in place for identifying, evaluating and managing risk are:

- the CMB setting the priorities for risk in key business areas by prioritising and delegating specific activity to identify, evaluate and review the risks facing Cefas
- a risk-management plan and a register of top Cefas risks reported at each CMB meeting, with mitigating action plans assigned to and managed by individual managers
- risk management and business-continuity planning by Divisional Directors and Corporate Centre Group Managers
- discussion in meetings at all levels of Cefas management
- a system of internal control based on a framework of regular management information and administrative procedures in which Cefas' objectives are embedded as personal objectives for CMB members, who in turn cascade these throughout the organisation
- application of the standard contract-tendering procedures to manage the risk inherent in this activity (with system improvements to this procedure during the year)
- specific project-management processes governing all projects and an IT system designed to monitor resource and performance. Corporate projects are subject to Office of Government Commerce "Gateway" reviews as appropriate.

10. Our management of risk is embedded in policy-making, planning and delivery by:

- leadership in the form of regular comment and instruction from myself at CMB and SMT meetings, regular reviews of actions with the CMB executive members and less formal discussion with CMB members, Divisional Directors and other managers
- advice on the content and implementation of Cefas' science strategy and the challenge to scientific evidence provided by the Cefas Science Advisory Committee
- a risk co-ordinator who meets all members of senior management individually to discuss and embed risk management
- risk management at divisional, group and team meetings
- embedding risk management in mandatory business planning and tendering procedures
- the operation of both a whistle-blowing and an anti-fraud policy, including annual written declarations by senior managers
- risk-management documentation that is available to staff via an intranet site.

11. An Information Security Officer oversees the management of information risk and chairs a Security Forum that oversees control by assessing compliance with the Cabinet Office Security Policy Framework and Cefas' information-security policy, facilitating the management of all security matters and informing the CMB through the Corporate Secretary, who has been appointed as the Cefas Senior Information Risk Officer.

12. To control information risk, all databases have been reviewed for data risk and, where significant risk exists, the information owners make a quarterly risk assessment and report via the Information Security Officer to Defra, as well as taking specific actions to reduce risk.

13. All laptops and writeable removable media devices have been encrypted unless specifically excepted for approved reasons. Papers and removable media containing information with security markings are disposed of using secure collection units by a specialist contractor.

14. Guidance on information security is promulgated internally, generally and more specifically for information owners. All staff have been trained in information security.

15. Cefas has no data-related incidents to report.

REVIEW OF EFFECTIVENESS

16. As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system is informed by the work of the internal auditors and the managers within Cefas who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I am advised on the content and implementation of Cefas' science strategy by the Cefas Science Advisory Committee, comprised of two or more non-executive appointments and supported by the Cefas Chief Science Adviser and other executives.

17. I am responsible for commissioning the internal audit and technical advisory services required to ensure the proper and efficient conduct of Cefas' affairs and to discharge my responsibilities. These services comply with the objectives, standards and practices laid down by HM Treasury. Cefas receives regular reports by internal audit, to government internal-audit standards, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the agency's system of governance, internal control and the system for risk management, together with recommendations for improvement. The internal-audit service has been provided by RSM Tenon Limited. The work of internal audit is informed by an analysis of the risks to which Cefas is exposed, and annual audit plans are based on this analysis.

18. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the CMB and its Audit and Risk Committee (ARC). This body is formed exclusively of three external independent non-executive members of the CMB. Internal and external auditors and executives attend the meetings to report, with others attending as required by the committee. The committee meets at least quarterly and considers and provides advice on risk management, internal control and governance, financial reporting and internal and external audit.

19. Divisional Directors report to me formally in monthly SMT meetings that review operational performance across Cefas. They provide annual written statements on internal control in their divisions to assist my review of effectiveness.

20. The most significant risk priorities managed in the Cefas risk register throughout the year concerned:

- public-sector reviews, the increased centralisation of control and the consequent impacts on the ability of Cefas to manage the timely recruitment of appropriate staff to meet contractual obligations with customers
- the uncertain economic climate and its potential impact on income, particularly from government customers in the earlier part of the year
- the need to improve the commercial capability to secure sales and deliver effective contract management
- the implementation of a new management information system, key to enhancing project management and efficient operations
- Lowestoft estate suitability and legacy-maintenance management
- the unacceptable performance of the Sustainable Workplace Management contractor and its negative impact on operations, H&S standards, cost-effectiveness and reputation.

21. The first five risks have all been provided with written action and/or project plans that manage risk to acceptable levels. These plans are delegated to senior managers, reviewed by the CMB executive members and reported to the CMB each quarter.

22. The final risk is not managed by Cefas but by Defra, therefore our mitigating actions have been to appropriately escalate our real concerns to Defra as the contract manager and to monitor and report back on performance.

23. A plan to address weaknesses and ensure continuous improvement of the system is in place. Weaknesses are identified using feedback from the CMB, SMT, ARC, internal-audit review and performance reporting, as well as through divisional management team discussion with the risk co-ordinator.

SIGNIFICANT INTERNAL CONTROL ISSUES

24. There are no significant internal control issues to report.

Richard Judge

Richard Judge
Chief Executive
30 June 2011

CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Centre for Environment, Fisheries and Aquaculture Science (Cefas) for the year ended 31 March 2011 under the Government Resources and Accounts Act 2000. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity, 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 been audited.

RESPECTIVE RESPONSIBILITIES OF THE ACCOUNTING OFFICER AND AUDITOR

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to Cefas' circumstances and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made by Cefas; and
- the overall presentation of the financial statements.

In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

OPINION ON REGULARITY

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.

OPINION ON THE FINANCIAL STATEMENTS

In my opinion:

- the financial statements give a true and fair view of the state of Cefas' affairs as at 31 March 2011 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

OPINION ON OTHER MATTERS

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Introduction, Making an Impact, Managing our Delivery, Encouraging Involvement and Financial Performance sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH I REPORT BY EXCEPTION

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

REPORT

I have no observations to make on these financial statements.

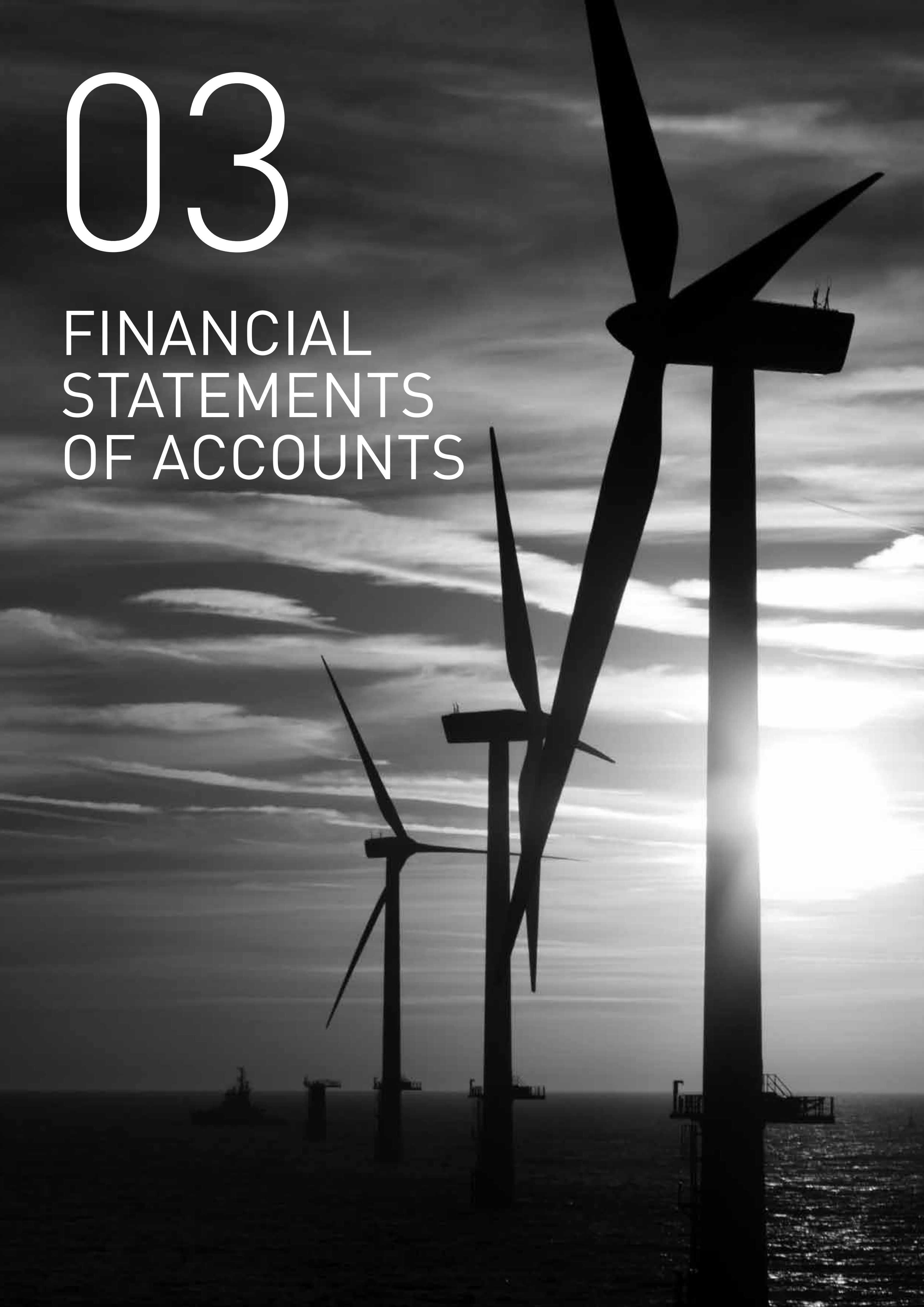
Amyas C E Morse
Comptroller and Auditor General

National Audit Office
157–197 Buckingham Palace Road
Victoria
London SW1W 9SP

7 July 2011

03

FINANCIAL STATEMENTS OF ACCOUNTS



STATEMENT OF COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2010–11 £'000	2009–10 (Restated) £'000
Staff costs	**2**	21,240	22,158
Other administration costs	**4**	30,450	33,365
Operating income	**5**	(53,588)	(57,347)
Net operating cost		**(1,898)**	**(1,824)**
Other comprehensive expenditure			
Net gain/(loss) on revaluation of property, plant and equipment	**7**	(1,233)	(368)
Net gain/(loss) on revaluation of intangibles	**8**	1	0
Net gain/(loss) on revaluation of available for sale financial assets		0	0
		(1,232)	**(368)**
Total comprehensive expenditure for the year ended 31 March 2011		**(666)**	**(1,456)**

The Notes on pp 29–48 form part of these accounts.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011

	Note	31 March 2011 £'000	£'000	31 March 2010 £'000	1 April 2009 £'000
Non-current assets					
Property, plant and equipment	**7**		41,132	44,670	46,951
Intangible assets	**8**		302	433	389
Investments	**10**		150	150	150
Total non-current assets			**41,584**	**45,253**	**47,490**
Current assets					
Assets held for sale		0		0	400
Trade receivables	**12**	3,563		2,201	2,947
Other current assets	**12**	4,196		7,898	5,492
Cash and cash equivalents	**13**	15,360		11,680	11,611
Total current assets			**23,119**	**21,779**	**20,450**
Total assets			**64,703**	**67,032**	**67,940**
Current liabilities					
Trade payables	**14**	(710)		0	(2,633)
Other current liabilities	**14**	(11,642)		(14,224)	(11,160)
Provisions	**15**	(2,152)		(2,522)	(2,144)
Total current liabilities			**(14,504)**	**(16,746)**	**(15,937)**
Non-current assets plus/less net current assets/liabilities			**50,199**	**50,286**	**52,003**
Non-current liabilities					
Provisions	**15**		(3,176)	(3,267)	(2,778)
Assets less liabilities			**47,023**	**47,019**	**49,225**
Taxpayers' equity					
General Fund			36,766	35,530	37,368
Revaluation Reserve			10,257	11,489	11,857
Total taxpayers' equity			**47,023**	**47,019**	**49,225**

Richard Judge
Chief Executive and Agency Accounting Officer
30 June 2011

The Notes on pp 29–48 form part of these accounts.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	2010–11		2009–10	
	£'000	**£'000**	**£'000**	**£'000**
Cash flows from operating activities				
Net operating cost		1,898		1,824
Adjustments for non-cash transactions				
Depreciation charges	3,535		3,446	
Amortisation	232		0	
Impairment	256		344	
Notional charges	4,063		3,246	
Profit on disposal	(23)		(6)	
		8,063		7,030
Decrease/(increase) in receivables	2,340		(1,660)	
Increase/(Decrease) in payables	(1,729)		456	
		611		(1,204)
Use of provisions		(461)		867
Net cash inflow from operating activities		**10,111**		**8,517**
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,691)		(1,875)	
Purchase of intangible assets	(48)		(44)	
Proceeds of disposal of property, plant and equipment	33		471	
Proceeds of disposal of intangibles	0		0	
Net cash flow from investing activities		**(1,706)**		**(1,448)**
Cash flows from financing activities				
Excess cash funding repaid to Defra	(4,725)		(7,000)	
		(4,725)		**(7,000)**
Net financing				
Net increase/(decrease) in cash and cash equivalents in the period		**3,680**		**69**
Cash and cash equivalents at the beginning of the year		11,680		11,611
Cash and cash equivalents at the end of the year		**15,360**		**11,680**

The Notes on pp 29–48 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

	General Fund £'000	Revaluation Reserve £'000	Total £'000
Balance at 31 March 2009	37,368	11,857	49,225
Comprehensive expenditure for the year			
Non-cash adjustments			
Notional charges	50	0	50
Defra estate charges	3,196	0	3,196
Asset additions	92	0	92
Movements in reserves			
Net operating surplus	1,824		1,824
Recognised in Statement of Comprehensive Net Expenditure revaluation	0	(368)	(368)
Total recognised income and expense for 2009–10	5,162	(368)	4,794
Excess cash funding repayable to Defra	(7,000)	0	(7,000)
Balance at 31 March 2010	**35,530**	**11,489**	**47,019**
Comprehensive expenditure for the year			
Non-cash adjustments			
Notional charges	50	0	50
Defra estate charges	4,013	0	4,013
Asset additions	0	0	0
Movements in reserves			
Net operating surplus	1,898	0	1,898
Recognised in Statement of Comprehensive Net Expenditure revaluation	0	(1,232)	(1,232)
Total recognised income and expense for 2010–11	5,961	(1,232)	4,729
Excess cash funding repayable to Defra	(4,725)	0	(4,725)
Balance at 31 March 2011	**36,766**	**10,257**	**47,023**

The Notes on pp 29–48 form part of these accounts.

NOTES TO THE ACCOUNTS

NOTE 1. STATEMENT OF ACCOUNTING POLICIES

1.1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2010–11 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. Where the FReM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of Cefas for the purpose of giving a true and fair view has been selected. The particular policies adopted by Cefas are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.2 Accounting convention

These accounts have been prepared on a going concern basis under the historical cost convention, modified to account for the revaluation of investment property, property, plant and equipment, intangible assets, inventories and certain financial assets and liabilities.

1.3 Changes to government accounting framework

In line with HM Treasury advice, a Prior Period Adjustment has been included for the removal of the cost of capital charge. The impact of this accounting policy change on net operating cost in respect of 2009–10 is shown in Note 1.3.1.

1.3.1 Effect on the net operating cost

	2009–10 £'000
Net operating cost	(200)
Removal of the cost of capital	(1,624)
Adjusted net operating cost	**(1,824)**

1.4 Scheme costs and grants

European Union (EU) income is accrued where the related expenditure has been accrued and is deferred where the related expenditure has been pre-paid.

1.5 Property, plant and equipment

1.5.1 Freehold land and buildings

Due to the specialised nature of the laboratory premises used by Cefas, freehold land and buildings are stated at their depreciated replacement cost and are professionally revalued at least every five years at existing use value, in accordance with guidance issued by the Royal Institute of Chartered Surveyors. The last revaluation took place in 2010.
Non-specialised properties are revised annually by means of a desk-top review, undertaken by the Valuation Office, where every valuation is reviewed having regard to local and national indices and local knowledge. Specialised properties are updated annually by adopting the Building Cost Information Service All-in Tender Price Index supplied by the Royal Institute of Chartered Surveyors.

Non-property tangible assets have been stated at fair value using appropriate indices provided by the Office of National Statistics.

The minimum level of capitalisation in Cefas is £3,000.

Subsequent expenditure is capitalised if the criteria for initial capitalisation are met, that is if it is probable that economic benefits will flow to Cefas, and that the cost of the expenditure can be reliably measured.

1.5.2 Depreciation

Depreciation is provided at rates calculated to write off the valuation of freehold buildings and other items of property, plant and equipment on a straight-line basis over the estimated useful life of the asset, and is charged in the month of disposal but not in the month of purchase. Depreciation is not charged on assets "held for sale", freehold land and assets under the course of construction.

Lives are normally in the following ranges:

Freehold buildings	4–60 years
Property on historic lease	remaining life of lease
Scientific equipment	5–15 years
IT hardware	3–6 years
Furniture and fittings	3–30 years
Vehicles, plant and machinery	4–25 years
Office equipment	5–11 years
Vessels	15–30 years

1.5.3 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. Depreciation ceases immediately on the classification of the assets as surplus. They are stated at the lower of their carrying amount and fair value less costs to sell. They are recorded in the "current" section of Cefas' Statement of Financial Position.

NOTES TO THE ACCOUNTS

1.6 Intangible non-current assets
These comprise software licences and internally developed IT software, including construction in progress (CIP).

In addition, Cefas holds various software licences, which were capitalised at purchase cost where this exceeds capitalisation thresholds. Such assets are revalued only where it is possible to obtain a reliable estimate of their market value. They are reviewed annually for any impairment, to ensure they are not carried in the Statement of Financial Position above their recoverable amounts.

Internally generated assets are recognised as CIP, and not amortised or revalued until the completed asset is brought into service. The costs are classified as relating to either research or development phases. Cefas' expenditure on research activities is written off to the Statement of Comprehensive Net Expenditure as incurred, due to the inherent uncertainty surrounding the economic benefit resulting from it. Capitalisation of development costs is contingent on fulfilment of the criteria noted in IAS 38 (intangible assets).

1.7 Amortisation
Intangible assets are amortised at rates calculated to write off the value of software on a straight-line basis over the estimated useful life of the asset and charged in the month of disposal but not in the month of purchase. Assets under development or during the implementation phase are not subject to amortisation.

Lives are normally in the following ranges:

IT software	2–12 years
Software licences	5–20 years

1.8 Impairment
The carrying amounts of Cefas' tangible and finite-life intangible assets are reviewed at each reporting date and the estimated recoverable amount of the assets is compared to their carrying amounts. If the carrying amounts exceed the recoverable amount, an impairment loss is immediately recognised. The recoverable amount is the greater of the fair value less costs to sell, and the value in use. The value in use is an estimate of the future cash-flow benefits expected to derive from the asset, discounted by a rate that reflects current market assessments of the time-value of money and the risks specific to the asset. Any impairment arising from the consumption of economic benefit is charged to the Statement of Comprehensive Net Expenditure.

1.9 Investments
Investments are reported at market value or at cost where market value cannot be readily ascertained.
In accordance with the FReM, the fixed-asset investment has not been consolidated as it is outside the departmental boundary.

1.10 Research and development (R&D)
Expenditure on R&D (seedcorn projects) is treated as an operating cost in the year in which it is incurred and taken to the income and expenditure account. Assets acquired for use in R&D are depreciated over their useful economic life.

1.11 Operating income (turnover)
Operating income (turnover) is shown net of value-added tax (VAT) and comprises fees and charges for services provided to core Defra, external customers, other government agencies and public-sector repayment work receipts from the EU.

Turnover is recognised over the term of the individual contract in line with work done.

1.12 Financial instruments

1.12.1 Financial assets
Cefas holds receivables and available-for-sale assets in this category.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are carried in the Statement of Financial Position at cost less appropriate provisions for specific doubtful receivables.

Available-for-sale assets are non-derivative financial assets that are classed as available for sale on initial recognition, or are not categorised in line with any other financial asset classification. They include cash and cash equivalents, and the entire share capital of Cefas Technology Limited (CTL). All unrealised gains or losses are set against equity reserves, with gains or losses on disposal recognised in the Statement of Comprehensive Net Expenditure.

1.12.2 Financial liabilities
These comprise trade and other payables, and other financial liabilities. They are initially recognised at the fair value of consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost.

1.13 Employee benefits

1.13.1 Pensions
Pension benefits are provided through the civil service pension (CSP) arrangements, full details of which can be found in the Remuneration Report and in Note 2(c).

Although the Principal Civil Service Pension Scheme (PCSPS) is a defined-benefit scheme, departments, agencies and other bodies covered by the scheme recognise the cost of the elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on PCSPS. In respect of defined-contribution schemes, Cefas recognises the contributions payable for the year.

Cefas recognises a liability in respect of any deficit, being the excess of the present value of the scheme's liabilities over the value of the assets in the scheme, to the extent that Cefas has a legal or constructive obligation to make good the deficit in the scheme.

1.13.2 Other employee benefits

Cefas recognises a liability and expense for all other employee benefits, including unused annual leave, accrued at the reporting date, provided these amounts are material in the context of the overall staff costs.

Termination benefits are recognised as a liability when Cefas has a binding commitment to terminate the employment of an employee or group of employees before the normal retirement date, or as a result of an offer to encourage voluntary redundancy.

1.13.3 Early-retirement costs

Cefas is required to meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early. Cefas provides in full for this cost when the early-retirement programme has been announced and is binding on the agency. Cefas may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The amount provided is shown net of any such payments.

Further information is provided in Note 15.

1.14 Judgments

Property, plant and equipment are valued using Modified Historic Cost accounting. In the process of applying Cefas' accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

1.14.1 Indexation of non-current assets

Cefas restates the non-current tangible and intangible assets using the Modified Historic Cost Adjustment each year. Depreciation of these assets is spread across the deemed useful economic life, which also requires the use of judgment.

1.14.2 Employee benefit accrual

Cefas recognises a liability and expense for unused annual leave which is accrued to individual staff members at the reporting date in accordance with IAS 19 (employee benefits). This requires the use of estimation and judgment.

1.14.3 Accrued and deferred income from contracts

Cefas calculates the balance of accrued income on contracts where income has been received prior to contracts being fully complete. A balance of deferred income is also calculated from contracts where contracts have been completed in advance of income being received.

1.15 Provisions

Cefas provides for obligations arising from past events where it has a present obligation at the reporting date, and where it is probable that it will be required to settle the obligation and a reliable estimate can be made. Where material, the future costs have been discounted using the rate of 2.2%, as directed by HM Treasury.

The short-term commitments relating to expected spending within one year are presented under current liabilities.

1.16 Leases

A finance lease is one that transfers substantially all the risks and rewards of ownership to the lessee. If a leasing arrangement is in force for a substantial period of the useful expected life of the asset, then the lessee is assumed to carry all of the risk. An operating lease is a lease other than a finance lease.

The determination of whether an arrangement is, or contains, a lease is based on the substance of that arrangement. This assessment is based on whether the arrangement is dependent on the use of a specific asset and conveys the right to use the asset. Cefas evaluates contractual arrangements in accordance with the above criteria.

Both the asset value and liability to pay future rentals under a finance lease are discounted at the interest rate implicit in the lease to derive the present value. Assets obtained under a finance lease are revalued and depreciated. Cefas does not have material finance lease commitments.

All payments under operating leases are charged to the Statement of Comprehensive Net Expenditure as they are incurred.

NOTES TO THE ACCOUNTS

1.17 Taxation
No taxation is payable on the surplus generated by Cefas.

1.17.1 Value-added tax (VAT)
Most of Cefas' activities are outside the scope of VAT. In general, output tax does not apply and input tax on purchases is not recoverable. Some recoveries of input tax do take place under the contracted-out services provisions applicable to government departments. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged, or input tax is recoverable, the amounts are stated net of VAT.

1.18 Contingent liabilities
In addition to contingent liabilities disclosed in accordance with IAS 37 (provisions, contingent liabilities and contingent assets), Cefas discloses, for parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote but which has been reported to Parliament in accordance with the requirements of *Managing Public Money*.

Where the time-value of money is material, contingent liabilities, which are required to be disclosed under IAS 37, are stated at discounted amounts (discount rate 2.2%) and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

Further information is provided in Note 18.

1.19 Notional charges
The following notional costs borne on the income and expenditure account are credited to the General Fund:

- Defra maintenance charges
- Defra central overhead charges
- audit fee
- redundancy and early retirement.

1.20 Insurance
Cefas, in common with other government bodies, does not insure the majority of its assets. Losses and compensations are charged to the income and expenditure account.

1.21 Doubtful debt provision
A provision is held against specific debtor balances.

1.22 Impending application of newly issued accounting standards not yet effective
Cefas has reviewed the IFRSs in issue but not yet effective to determine if it needs to make any disclosures in respect of those that are or will be applicable. It has been determined that IFRS 9 (Financial Instruments) is relevant to Cefas but that it will have no significant impact on the financial statements.

NOTE 2. STAFF-RELATED EXPENDITURE

(a) Staff costs

	Permanently employed staff £'000	Temporarily employed staff £'000	2010–11 Total £'000	2009–10 Total £'000
Wages and salaries	16,059	635	16,694	18,219
Social Security costs	1,182	0	1,182	1,224
Superannuation	2,812	0	2,812	2,829
Early-departure and related costs	552	0	552	(114)
Total staff expenditure	**20,605**	**635**	**21,240**	**22,158**
Less recoveries in respect of outward secondments	(75)		(75)	(305)
Total net costs	**20,530**	**635**	**21,165**	**21,853**

Included in the permanently employed staff costs for 2010–11 is an accrual for untaken leave and leave-in-lieu balances of £1,068,000 (2009–10: £801,000).

The salary and pension entitlements of Cefas' senior managers and an explanation of pension benefits are included in the Remuneration Report.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined-benefit scheme but Cefas is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2010–11, employers' contributions of £2,812,000 were payable to the PCSPS (2009–10: £2,829,000) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands (the rates in 2009–10 were between 16.7% and 24.3%).

The scheme's actuary reviews employer contributions every four years following a full scheme valuation.

The contribution rates are set to meet the cost of the benefits accruing during 2010–11 to be paid when the member retires and not the benefits paid during this period to existing pensioners. Employees can opt to open a Partnership Pension Account, a stakeholder pension with an employer contribution. Employer's contributions of £1,000 (2009–10: £1,000) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are aggregated and range from 3% to 12.5% of pensionable pay. Cefas also matches employee contributions up to 3% of pensionable pay.

Contributions due to the partnership pension providers at the reporting date were £NIL (2009–10: £NIL) and contributions pre-paid at that date were £NIL (2009–10: £NIL).

No individuals retired early on ill-health grounds during the year and therefore no additional pension liabilities have been accrued for this purpose.

(b) The average number of people employed by Cefas during the year

	Employed staff	Others	2010–11 Total	2009–10 Total
Staff resource	523	20	543	549
Total	**523**	**20**	**543**	**549**

NOTES TO THE ACCOUNTS

(c) Pension benefits
Pension benefits are provided through the civil service pension (CSP) arrangements. From 1 October 2002, civil servants may be in one of three statutory-based "final salary" defined-benefit schemes (Classic, Premium or Classic Plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium and Classic Plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of Premium or joining a good-quality "money purchase" stakeholder arrangement with a significant employer contribution (the Partnership Pension Account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium and Classic Plus. Benefits in Classic accrue at the rate of 1/80th of pensionable earnings for each year of service. In addition, a lump-sum equivalent to three years' pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum but members may give up (commute) some of their pension to provide a lump sum. Classic Plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

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

Further details about the CSP arrangements can be found at www.civilservice-pensions.gov.uk.

The cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension-scheme benefits accrued by a member at a particular point in time. The benefits are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the CSP arrangements and for which the civil service Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost.

The real increase in the value of the CETV reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation and contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and uses common market-valuation factors for the start and end of the period.

CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The pension entitlements of Cefas' most senior managers are shown on p 16 of this report.

(d) Early-departure costs
Early-departure costs paid in 2010–11 amounted to £173,000 (2009–10: £1,171,000), exclusive of employer's contributions to National Insurance and superannuation, for lieu of notice and compensation for loss of pension.

NOTE 3. REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – EXIT PACKAGES

	Compulsory exits Numbers	Other exits Numbers	2010–11 Total Numbers	2009–10 Total Numbers
< £10,000	0	0	0	0
£10,000 – £25,000	0	5	5	0
£25,000 – £50,000	0	9	9	0
£100,000 – £150,000	0	1	1	0
£150,000 – £200,000	0	0	0	0
	0	**15**	**15**	**0**
Total cost £'000			**570**	**0**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure.

Where Cefas has agreed early retirements, the additional costs are met by the agency and not by the CSP scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The differences between the total costs in Note 3 of £570,000 (2009–10: £NIL) and the early-departure and related costs reported in Note 2 of £552,000 (2009–10: (£114,000)) relate to movements in provisions.

NOTES TO THE ACCOUNTS

NOTE 4. OTHER ADMINISTRATION COSTS

	Note	2010–11 £'000	2009–10 (Restated) £'000
(a) Direct sub-contracting costs			
Professional services		6,762	7,018
(b) Facilities management			
Facility developments and accommodation*		3,076	2,505
Charters		324	263
Facilities management		4,244	3,439
Vessel management		4,253	4,602
		11,897	**10,809**
(c) Others			
Consultancy		68	908
Doubtful debts		56	19
Effect of exchange movement		40	(1)
IT and communications		1,128	1,844
Laboratory consumables		1,783	2,779
Library purchases		172	132
Other expenditure		119	266
Postage		243	256
Recruitment and training		333	779
Relocation and severance		(121)	(327)
Stationery and printing		200	198
Telecommunications		96	133
Travel and subsistence		1,541	1,886
		5,658	**8,872**
(d) Internal and external audit			
External audit		42	58
Other audits		87	33
Total for internal and external audit		**129**	**91**
(e) Provisions			
Provisions	**15**	1,734	2,514
(f) Defra management overhead		270	277
(g) Charges related to the consumption of assets			
Amortisation	**8**	232	0
Asset disposal		(23)	(6)
Depreciation	**7**	3,535	3,446
Impairment of assets		256	344
Total for charges related to the consumption of assets		**4,000**	**3,784**
Total for non-pay costs		**30,450**	**33,365**

* Facility developments and accommodation costs in 2010–11 include £2,927,000 relating to the Lowestoft site legacy-maintenance project. In 2009–10, costs included relate to the aborted Waveney Campus project.

NOTE 5. INCOME

	2010–11 £'000	2009–10 £'000
Advice, evidence and research	51,023	54,004
European Union		
Expenditure met by Cefas	2,076	1,386
Cefas as agent for the European Union	489	1,957
	53,588	**57,347**
European Union outsourced work	(489)	(1,957)

NOTE 6. SEGMENTAL REPORT

Income was earned from the following business segments:

	2010–11 £'000	2009–10 £'000
Operating income		
Core Defra	33,684	38,787
Defra network	2,936	3,109
Public sector	6,453	6,688
European Union	2,361	3,294
Industry and other	8,154	5,469
Total	**53,588**	**57,347**
Contribution towards indirect overheads		
Core Defra	5,710	6,622
Defra network	796	861
Public sector	1,938	2,012
European Union	508	105
Industry and other	2,081	1,287
Total	**11,033**	**10,887**
Indirect overheads	(9,135)	(9,063)
Net operating surplus	**1,898**	**1,824**

NOTES TO THE ACCOUNTS

NOTE 7. PROPERTY, PLANT AND EQUIPMENT

Cost or valuation	Land and buildings £'000	Vessel £'000	Information technology £'000
At 1 April 2010	29,073	31,419	3,534
Indexation	0	0	17
Revaluation	291	(2,529)	0
Additions	591	4	194
Reclassifications and transfers	0	(1)	(499)
Disposals	0	0	(1,142)
At 31 March 2011	**29,955**	**28,893**	**2,104**
Depreciation			
At 1 April 2010	(13,359)	(7,537)	(2,872)
Indexation	0	(1)	(10)
Revaluation	0	941	0
Provided in year	(851)	(1,035)	(153)
Impairment	(256)	0	0
Reclassifications and transfers	0	0	246
Disposals	0	0	1,142
At 31 March 2011	**(14,466)**	**(7,632)**	**(1,647)**
Net book value			
At 31 March 2011	**15,489**	**21,261**	**457**
At 1 April 2010	**15,714**	**23,882**	**662**
Owned	**15,489**	**21,261**	**457**

Cost or valuation			
At 1 April 2009	29,572	30,994	3,387
Indexation	0	425	0
Revaluation	(775)	0	0
Additions	184	0	177
Transfers	92	0	0
Disposals	0	0	(30)
At 1 April 2010	**29,073**	**31,419**	**3,534**
Depreciation			
At 1 April 2009	(12,116)	(6,179)	(2,678)
Indexation	0	(85)	0
Revaluation	0	0	0
Provided in year	(1,125)	(1,047)	(224)
Impairment	(118)	(226)	0
Transfers	0	0	0
Disposals	0	0	30
At 1 April 2010	**(13,359)**	**(7,537)**	**(2,872)**
Net book value			
At 1 April 2010	**15,714**	**23,882**	**662**
At 1 April 2009	**17,456**	**24,815**	**709**
Owned	**15,714**	**23,882**	**662**

Land and buildings were revalued with effect from 31 March 2011 by DTZ Debenham Tie Leung Limited, 125 Old Broad Street, London EC2N 2BQ. The research vessel was revalued with effect from 31 March 2011 by Burness Corlett Three Quays, 19–21 Great Tower Street, London EC3R 5AR. These assets were revalued on a "depreciated replacement cost" basis. These valuations and, where applicable, management judgments of impairment have been used in preparing the accounts up to 31 March 2011.

Scientific equipment £'000	General equipment £'000	Assets in course of construction £'000	Total £'000	Assets held for sale £'000
13,403	1,029	38	78,496	0
142	(13)	0	146	0
0	0	(2)	(2,240)	0
642	8	104	1,543	0
125	75	2	(298)	0
(2,230)	(677)	0	(4,049)	0
12,082	**422**	**142**	**73,598**	**0**
(9,124)	(934)	0	(33,826)	0
(76)	12	0	(75)	0
0	0	0	941	0
(1,458)	(38)	0	(3,535)	0
0	0	0	(256)	0
0	0	0	246	0
2,222	675	0	4,039	0
(8,436)	**(285)**	**0**	**(32,466)**	**0**
3,646	**137**	**142**	**41,132**	**0**
4,279	**95**	**38**	**44,670**	**0**
3,646	**137**	**142**	**41,132**	**0**
12,443	1,000	0	77,396	400
91	12	0	528	0
0	0	0	(775)	0
1,433	18	38	1,850	0
0	0	0	92	0
(564)	(1)	0	(595)	(400)
13,403	**1,029**	**38**	**78,496**	**0**
(8,617)	(855)	0	(30,445)	0
(32)	(4)	0	(121)	0
0	0	0	0	0
(974)	(76)	0	(3,446)	0
0	0	0	(344)	0
0	0	0	0	0
499	1	0	530	0
(9,124)	**(934)**	**0**	**(33,826)**	**0**
4,279	**95**	**38**	**44,670**	**0**
3,826	**145**	**0**	**46,951**	**400**
4,279	**95**	**38**	**44,670**	**0**

Disposals include a total amount of £3,962,000 from both cost and depreciation as a result of a review of Cefas' asset ledgers, in compliance with IAS 36.

NOTES TO THE ACCOUNTS

NOTE 8. INTANGIBLE ASSETS

Intangible assets comprise software licences.

	Information technology £'000
Cost or valuation	
At 1 April 2010	719
Indexation	1
Revaluation	0
Additions	48
Transfers	298
Disposals	0
At 31 March 2011	**1,066**
Amortisation	
At 1 April 2010	(286)
Indexation	0
Revaluation	0
Provided in year	(232)
Impairment	0
Transfers	(246)
Disposals	0
At 31 March 2011	**(764)**
Net book value	
At 31 March 2011	**302**
At 1 April 2010	**433**
Owned	**302**

Cost or valuation	
At 1 April 2009	675
Indexation	0
Revaluation	0
Additions	44
Transfers	0
Disposals	0
At 1 April 2010	**719**
Amortisation	
At 1 April 2009	(286)
Indexation	0
Revaluation	0
Provided in year	0
Impairment	0
Transfers	0
Disposals	0
At 1 April 2010	**(286)**
Net book value	
At 1 April 2010	**433**
At 1 April 2009	**389**
Owned	**433**

NOTE 9. IMPAIRMENTS

Property, plant and equipment	2010–11 £'000	2009–10 £'000
Ozone plant		
Impairment charge to operating costs	256	0
Lowestoft laboratory		
Impairment charge to operating costs	0	118
Research vessel rescue boats		
Impairment charge to operating costs	0	226

For the above assets, the expected market value has fallen below the original cost and therefore the indexation reserves have been fully exhausted.

NOTE 10. FIXED-ASSET INVESTMENTS

Cost	£'000
At 1 April 2010	150
Additions	0
Disposals	0
At 31 March 2011	**150**
Provisions	
At 1 April 2010	0
Movement	0
At 31 March 2011	**0**
Net book value	
At 31 March 2011	**150**
At 1 April 2010	**150**

In 2001, Cefas purchased the entire share capital of CTL for £150,000.

The CMB has considered the value of the investment and has recorded the investment at cost. This will be reviewed on a regular basis and provision made for any impairment in value.

In accordance with the FReM, the fixed-asset investment has not been consolidated as it is outside the departmental boundary.

Cefas' pre-audited share of the net assets and results of the above investment are as follows:

	2010–11 £'000	2009–10 (Restated)* £'000
Net assets at 31 March	883	815
Turnover	567	341
Profit/(loss) (before tax) for the year	69	43

* The restatement reflects audited results.

NOTES TO THE ACCOUNTS

NOTE 11. FINANCIAL INSTRUMENTS

As the majority of Cefas' cash requirements are met through the Defra high-level agreement, financial instruments play a more limited role in creating and managing risk than would apply to a non-public-sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with Cefas' expected purchase and usage requirements. Cefas is therefore exposed to little credit, liquidity or market risk.

	Receivables £'000	Other financial liabilities £'000
Balance at 31 March 2011		
Cash and cash equivalents	15,360	0
Trade and other receivables	4,696	0
Trade and other payables	0	(1,586)
	20,056	**(1,586)**
Balance at 31 March 2010		
Cash and cash equivalents	11,680	0
Trade and other receivables	7,581	0
Trade and other payables	0	(675)
	19,261	**(675)**

Cash Represents money with government and UK commercial banks, the majority being held with government to minimise risk.

Trade and other receivables Represents contracts for monies or services due. Less than 30% of this total is a non-government credit risk. This amount is net of a doubtful debt provision of £250,000 (2009–10: £194,000) representing specific debts.

Foreign-exchange risk Around 7% of receipts from customers are in foreign currencies, and certain goods and services are purchased in foreign currencies. This is believed to be a low-level risk, and the policy is to accept the net conversion risk of euros and US dollars, or closely linked currencies. Cefas manages its own collections risk and reduces its exposure to foreign currencies by netting receipts and payments in the same currencies before translating any remaining funds to pounds sterling.

11.1 Prompt-payment policy

Cefas pays suppliers to meet the HM Treasury five-day payment policy. During the year, the percentage of invoices that met the policy was 54% (2009–10: different metric used).

No interest was paid in respect of late payment of commercial debt (2009–10: £NIL).

The trade payable outstanding at 31 March 2011 as a proportion of Cefas' total purchases from suppliers during the year was equivalent to two days trading (2009–10: NIL days).

11.2 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the average exchange rate set for the year ruling or a rate agreed for a specific project. Balances held in foreign currencies are translated at the rate of exchange ruling at the date of the Statement of Financial Position.

Exchange differences comprise:

	2010–11 Gain/(loss) £'000	2009–10 Gain/(loss) £'000
Arising at a transactional level	40	(5)
Resulting from translation	0	6

NOTE 12. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2010–11 £'000	2009–10 £'000	2008–09 £'000
Amounts falling due within one year			
Trade receivables	3,563	2,201	2,947
Other receivables			
VAT	0	96	137
Defra	1,133	5,284	2,157
Accrued income – EU	720	896	804
Pre-payments and accrued income	2,343	1,598	2,385
Sundry receivables	0	24	9
	4,196	**7,898**	**5,492**

Intra-government receivable balances as at 31 March 2011 with the following bodies were: other central government bodies £2,124,000 (2009–10: £5,397,000), local authorities £NIL (2009–10: £NIL), bodies external to government £5,635,000 (2009–10: £4,702,000).

NOTES TO THE ACCOUNTS

NOTE 13. CASH AND CASH EQUIVALENTS

	2010–11 £'000	2009–10 £'000	2008–09 £'000
Balance at 1 April	11,680	11,611	9,561
Net change in cash and cash equivalent balances	3,680	69	2,050
Balance at 31 March	**15,360**	**11,680**	**11,611**

The following balances at 31 March were held at:

Commercial banks and cash in hand	15,360	11,680	10,831
Cash in hand	0	0	780
Balance at 31 March	**15,360**	**11,680**	**11,611**

NOTE 14. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2010–11 £'000	2009–10 £'000	2008–09 £'000
Amounts falling due within one year			
Trade payables	710	0	2,633
Other taxation and Social Security	382	397	371
VAT	226	0	0
Accruals	6,873	8,183	5,016
Defra	0	0	271
Other creditors	268	278	279
Deferred income	2,563	2,432	1,988
Deferred income Defra	1,330	2,934	3,235
Total under-one-year creditors	**11,642**	**14,224**	**11,160**

Other creditors include employee pension contributions as at 31 March 2011 totalling £267,000 (2009–10: £278,000).

Intra-government payable balances as at 31 March 2011 with the following bodies were: other central government bodies £4,842,000 (2009–10: £3,067,000), local authorities £NIL (2009–10: £NIL), public corporations and trading funds £NIL (2009–10: £NIL), bodies external to government £7,510,000 (2009–10: £11,157,000).

NOTE 15. PROVISIONS FOR LIABILITIES AND CHARGES

	Early retirement	Severance/ relocation	Facility	Contract provisions/ losses	Legal claims	Compliance	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2009	744	1,367	2,191	336	285	0	4,923
Provided in the year	0	50	539	1,454	302	169	2,514
Transfers/provisions not required written back	235	(250)	0	0	15	0	0
Provisions utilised in the year	(154)	(1,017)	(338)	(120)	(26)	0	(1,655)
Unwinding of discount	7	0	0	0	0	0	7
Balance at 31 March 2010	832	150	2,392	1,670	576	169	5,789
Balance at 1 April 2010	832	150	2,392	1,670	576	169	5,789
Provided in the year	6	0	17	1,025	677	0	1,725
Provisions not required written back	(38)	(125)	(40)	0	(125)	(16)	(344)
Provisions utilised in the year	(159)	(25)	(151)	(1,184)	(235)	(97)	(1,851)
Unwinding of discount	9	0	0	0	0	0	9
Balance at 31 March 2011	650	0	2,218	1,511	893	56	5,328

Analysis of expected timings of discounted flows

Not later than one year	89	0	78	1,211	718	56	2,152
Later than one year and not later than five years	496	0	210	300	175	0	1,181
Later than five years	65	0	1,930	0	0	0	1,995
Balance at 31 March 2011	650	0	2,218	1,511	893	56	5,328

NOTES TO THE ACCOUNTS

15.1 Early-departure costs
The provision relates to early-retirement and pension commitments, to provide for the cost of future pension payments to staff who have retired before their 60th birthday. The timing and amounts payable are reviewed annually by the People Pay and Pension Agency.

15.2 Severance/relocation
This relates to business change and relocation costs.

15.3 Facilities
This relates to existing leases on properties that include terms that require Cefas to make good the respective sites into the state in which the leases were entered into. The provision is based on estimates as to the potential cost of making good the premises at the end of the lease.

Further amounts are also provided to maintain the suitability of the research vessel and the Lowestoft site, and to prepare for the decommissioning of that site prior to relocation.

15.4 Contract provisions/losses
This relates to provisions for losses that are reasonably likely to be incurred in respect of ongoing contracts. The provision is based on an assessment of the cost of the effort required to make good the delivery in excess of any benefit due under the terms of the contract to Cefas.

15.5 Legal and other claims
This represents legal claims reasonably likely to be incurred against Cefas and the expected liabilities arising, the timing and outcome of which are uncertain. The amount provided reflects an estimate of the potential settlements that Cefas may incur, including costs of defending the case.

15.6 Compliance
This reflects project costs to ensure commercial legislative requirements are met.

No reimbursement is expected in relation to any of the amounts provided for.

NOTE 16. CAPITAL COMMITMENTS

Contracted capital commitments at 31 March 2011 not otherwise included in these accounts.	**2010–11 £'000**	**2009–10 £'000**
Property, plant and equipment	401	234

NOTE 17. COMMITMENTS UNDER LEASES

Rentals under operating leases are charged to the income and expenditure account on a straight-line basis over the terms of the lease.

17.1 Operating leases

Total future minimum lease payments under operating leases:

	2010–11	2009–10
Obligations under operating leases comprise	**£'000**	**£'000**
Land		
Not later than one year	5	5
Later than one year and not later than five years	3	2
Later than five years	7	7
Total	**15**	**14**
Buildings		
Not later than one year	63	57
Later than one year and not later than five years	74	123
Later than five years	3	3
Total	**140**	**183**
Other		
Not later than one year	97	94
Later than one year and not later than five years	128	194
Later than five years	0	0
Total	**225**	**288**

17.2 Other financial commitments

Commitments relating to facilities management in buildings owned or leased by Defra.

	2010–11	2009–10
Other financial commitments	**£'000**	**£'000**
Not later than one year	1,930	2,402
Later than one year and not later than five years	7,402	9,557
Later than five years	14,803	21,503
Total	**24,135**	**33,462**

NOTE 18. CONTINGENT LIABILITIES

Management consider specific risks exist relating to potential claims. The range of these contingent liabilities is currently believed to be between no claim and £150,000.

NOTES TO THE ACCOUNTS

NOTE 19. RELATED-PARTY TRANSACTIONS

Cefas is an executive agency of Defra and is sponsored by it. Defra is regarded as a related party. Cefas has dealings with Defra and its sponsored bodies. One of Cefas' non-executive directors was employed by Defra for part of the year.

During the year, Cefas has had significant transactions with Defra, a number of its agencies and NDPBs, including the Marine Management Organisation, Natural England, the Joint Nature Conservation Committee, the Environment Agency, the Veterinary Laboratories Agency, and the Food and Environment Research Agency.

Turnover of £33,684,000 was derived from core Defra (2009–10: £38,787,000) and £NIL costs were payable to core Defra (2009–10: £NIL). At 31 March 2011, £1,133,000 was due from core Defra (2009–10: £5,284,000) and £NIL was owed to core Defra (2009–10: £NIL).

Cefas has transacted with various other central government bodies, and most of these transactions have been with the Food Standards Agency. Cefas has also transacted with local authorities.

No Board members, key managerial staff or other related parties have undertaken any material transactions with Cefas, CTL or other related parties during the year other than reimbursement for travel and subsistence in the normal course of business.

CTL is a fixed-asset investment (see Note 10). The shares are held by Richard Judge as nominee of the trustees for Cefas. Turnover of £472,000 was derived from CTL (2009–10: £381 000) and costs of £162,000 were payable to CTL (2009–10: £59,000). At 31 March 2011, £281,000 was due from CTL (2009–10: £9,000) and £37,000 was owed to CTL (2009–10: £54,000).

NOTE 20. EVENTS AFTER THE REPORTING DATE

There are no events to report. The accounts were authorised for issue on 7 July 2011 by Richard Judge as Accounting Officer.

NOTE 21. LOSSES AND SPECIAL PAYMENTS

Losses statement	**2010–11 £'000**	**2009–10 £'000**
Charges falling under the "constructive losses" definition were incurred during 2009–10 on the dissolved Waveney Campus project to provide new facilities for the Lowestoft laboratory. This project had been running for more than three years and costs incurred in design, procurement, project management, and legal and financial advice were predominately provided through a project partner, with contractual obligation for Cefas to reimburse its share should the project dissolve. The costs expensed in 2009–10 related to closing the whole project were in the region of £2.5 million.	0	2,505

Special payments
There were no special payments totalling more than £250,000 in the year.

ABBREVIATIONS

ARC	Audit and Risk Committee
Cefas	Centre for Environment, Fisheries & Aquaculture Science
CETV	cash equivalent transfer value
CIP	construction in progress
CFP	Common Fisheries Policy
CMB	Cefas Management Board
CSP	civil service pension
CTL	Cefas Technology Limited
Defra	Department for Environment, Food and Rural Affairs
FReM	*Government Financial Reporting Manual*
GLP	Good Laboratory Practice
HR	human resources
H&S	health and safety
IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
ISO	International Standards Organisation
MMO	Marine Management Organisation
OHSAS	Occupational Health & Safety Advisory Service
PCSPS	Principal Civil Service Pension Scheme
PRP	performance-related pay
R&D	research and development
RPA	Rural Payments Agency
SMT	senior management team
UKAS	United Kingdom Accreditation Services
UKMMAS	UK Marine Monitoring and Assessment Strategy
VAT	value-added tax

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Further information about Cefas, our activities and services, and news of recent developments can be found on our website: www.cefas.defra.gov.uk

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