



The Sea Fish
Industry Authority
Annual Report and
Accounts 2008/09

The Sea Fish Industry Authority

ANNUAL REPORT & ACCOUNTS 2008/09

**Presented to Parliament pursuant to
section 11 (6b) of the Fisheries Act 1981**

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by the Scottish Ministers January 2010**

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DIRECTORS' REPORT

For the year ended 31 March 2009

History and statutory background

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

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

Principal activities

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

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

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

Business review and future developments

The income and expenditure account is set out on page 34 of the accounts. The deficit for the year, after taxation, amounted to £1,267k (2008: surplus £48k).

The Annual Report provides a detailed Management Commentary and financial review of the activities undertaken by Seafish during 2008/2009 and information on future developments.

Political and charitable donations

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

DIRECTORS' REPORT
For the year ended 31 March 2009 (continued)

Criminal investigations into the pelagic industry in Scotland

A number of warrants were executed on Seafish in April 2008 relating to criminal investigations into over quota fishing and related matters in the pelagic fishing industry in Scotland. The pelagic section of the water column is that nearest the surface where fish, such as mackerel and herring, live. The Ministers for Fisheries throughout the UK then directed Seafish to continue to collect and administer the levy as we had been, and that if in doing so, if we suspect any offences have been committed, that we should inform the appropriate authorities. We therefore took steps to implement this instruction immediately.

I wrote to the Defra Principal Accounting Officer in June explaining this and giving a number of specific assurances about internal controls and corporate governance at Seafish, and she replied in July accepting these assurances. Finally, the Crown Office wrote in November 2008, to say that while their wider investigation into over quota fishing in the pelagic fishing industry is continuing, in the context of their present investigation and on the basis of the material currently available, Crown Counsel are of the view that there should be no proceedings in relation to Seafish. Quite apart from the very substantial time required of the Board, senior management and staff, legal costs of £50k to bring us to this conclusion are included in these accounts.

Contingent Liability Note

An action was brought against Seafish in the High Court of England and Wales to test the legality of the levy, in so far as it relates to fish and fish products that have been imported. Defra successfully applied to be joined as a second defendant to make submissions on whom the Act and Regulations intended to be covered by the levy.

The plaintiff's claim was that levy paid by them since 2000 totalling £1.6 million should be repaid together with compound interest.

The trial was held during the week commencing 15 June 2009 and a judgement handed down on 24 July 2009. The judgement was in favour of Seafish and reaffirmed our right and duty to collect a levy on all seafood in the UK irrespective of its origin. The plaintiff is appealing the decision and lodged papers with the Courts on 7 August 2009. We are confident of winning the appeal and welcome Mr Justice Hamblen's instruction that the appeal should be expedited and that both parties should cooperate to ensure that an expedited timetable will be met. We are advised that the appeal will start on either 16 or 17 February 2010 and will last for two to three days, a decision should then follow after approximately six weeks.

Disabled persons

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

DIRECTORS' REPORT
For the year ended 31 March 2009 (continued)

Sickness absence

We have one common absence management policy which covers the whole of the organisation and provides a consistent framework approach to management. The policy is underpinned by an externally provided occupational health service and employee assistance programme which is available 24 hours a day. Our overall level of sickness absence during 2008/2009 was less than 1% of total working days.

Employee involvement

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

Payment of creditors

Seafish aims to comply with the Better Payments Practice Code. Seafish policy is to pay creditors' accounts by the due date specified under each creditor's terms of payment, unless under dispute. During the year ended 31 March 2009, an extensive sample of Seafish payments of creditors revealed that 89% were paid by the due date (2008: 89%).

Pension liabilities

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

DIRECTORS' REPORT
For the year ended 31 March 2009 (continued)

Board members

There are 12 non-executive Board Members, appointed jointly by the Secretary of State for Environment, Food and Rural Affairs, the Cabinet Secretary for Rural Affairs and the Environment (Scotland), the Minister for Rural Affairs (Wales) and the Secretary of State for Northern Ireland. Four Board Members are independent of the sea fish industry and the remaining eight members have expertise in and represent the interests of the sea fish industry.

Independent:	Mr C. Howeson (Chair)
	Mr J. S. Whitehead OBE (Deputy Chair) (retired 31 March 09, reappointed 14 April 09)
	Prof M. Kaiser Mr P. W. Kerr (appointed 15 June 09) Mr N. W. Shaw CBE (retired 31 March 09)
Industry:	Mrs L. Cross Mr I. M. MacSween OBE Mr G. Maddan (retired 31 March 09) Mr O. Norgaard Mr M. Park Mr M. Parker Mr C. Venmore (retired 31 March 09) Mr A. West MBE Mr Q. Clark (appointed 14 April 09) Mr J. Wilson (appointed 14 April 09)

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

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

DIRECTORS' REPORT
For the year ended 31 March 2009 (continued)

Board members' responsibilities

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

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

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

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

Management

The management of Seafish comprised the following Executive Directors during 2008/09:

Mr J. A. Rutherford (Chief Executive)
Dr J. Harman (Development Director)
Dr P. Williams (Research Director)
Mr J. G. Campbell (Finance Director) (appointed 1 September 2008)

Mr J. G. Campbell has worked with Seafish since March 2005 and was promoted from Corporate Services Manager to Finance Director in September 2008.

DIRECTORS' REPORT
For the year ended 31 March 2009 (continued)

Corporate governance

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

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

The Audit Committee comprises four Board members: Mr J. S. Whitehead (Chairman), Mr N. W. Shaw (retired 31 March 09), Mrs L. Cross, Mr I. M. MacSween and Mr P. W. Kerr (appointed 15 June 09). The Accounting Officer (Chief Executive) and the Finance Director usually attend the meetings. Responsibilities of the Audit Committee include internal control and corporate governance, review of external audit activity, internal audit and monitoring compliance with statutory and other codes of practice. Meetings are held at least three times a year.

Auditors

The Comptroller and Auditor General is the external auditor for Seafish and the fee for the statutory audit work this year is £25k. A further fee of £3k for additional audit work relating to the transition to International Financial Reporting Standards (IFRS) was agreed this year but won't be charged until next year.



C. Howeson – Chairman
10 December 2009



J. A. Rutherford
Chief Executive
10 December 2009

MANAGEMENT COMMENTARY

For the year ended 31 March 2009

Introduction

Seafish exists to develop and support a profitable and sustainable seafood industry. Our services range from research and development, economic consulting, market research and training and accreditation through to account management and legislative advice for the seafood industry. Our mission statement is 'supporting the seafood industry for a sustainable, profitable future'.

Seafish is an executive non-departmental public body, established under the 1981 Fisheries Act. It is funded primarily by a levy on the firsthand sale of sea fish, including shellfish, in the UK, but excluding anadromous species such as salmon and trout. Seafish is sponsored by the Department for Environment, Food and Rural Affairs (Defra), the Scottish Government (SG), the Welsh Assembly Government (WAG) and the Department of Agriculture and Rural Development in Northern Ireland (DARDNI).

Our annual income is about £10 million, with approximately 80% of this obtained from levy and the remainder from grant funding and consultancy work. Delays in UK agreement of the new European Fisheries Fund mean that co-funding for Seafish projects only started to become available during 2008/2009.

Performance – 2008/2009

The Seafish work programmes reflect our strategic priorities agreed with industry in 2006: cost reduction; improving sales revenue; and responsible sourcing. Our teams aim to deliver results to the UK seafood industry needs in a cost-effective way. During the year under review our operational teams were:

- Commercial Team;
- Marketing Communications;
- Market planning and strategy;
- Economics;
- Research and development (including aquaculture and inshore fisheries);
- Training and accreditation;
- Legislation; and
- Marine services.

MANAGEMENT COMMENTARY
For the year ended 31 March 2009 (continued)

Commercial Team

Background

The Account Management team at Seafish was restructured and re-launched as the Commercial Team in October 2008. The new name reflects the fact that the team not only promotes Seafish services to industry across the country, but also that it project managed events such as the Fish & Chip Shop of the Year competition, the Seafood Awards and Seafood Fortnight 2008. Its key role is to ensure industry access to the wealth of information, products and services that Seafish can offer, as well as providing feedback to Seafish as the industry continues to evolve and change; the team is the first port of call for a wide range of Seafish services.

The Commercial Team works with industry to provide regional support and a channel for advice, communication and feedback between Seafish and industry on economic and market-related issues. Two members of the team have been seconded to Seafood Scotland, our delivery partner in Scotland, to share their skills and further support the inshore and processing sectors in Scotland.

During 2008, the Commercial Team significantly increased the amount of contact with industry and worked hard to develop a 'value added' approach by ensuring as many seafood businesses as possible were able to benefit from our services.

In a year of unprecedented economic change, seafood suppliers, processors and retailers have frequently needed to initiate rapid changes in their business structure or operation. The Commercial Team, by engaging with seafood businesses and understanding their requirements, has ensured access to a wide array of support services. These have ranged from business efficiency services such as the Process Excellence Service, benchmarking or Business Improvement Group, through to more generic industry support such as promoting the health and nutrition benefits of eating seafood twice a week, providing up-to-date information on sustainability issues or enabling access to detailed market information.

Other activities this year have included support for exporters and export events through grants offered on a competitive bidding basis, as well as managing the successful Seafood Awards 2009 which were held in London.

MANAGEMENT COMMENTARY
For the year ended 31 March 2009 (continued)

Marketing Communications

In 2008/2009, Seafish continued to build on the positive start created in earlier campaigns, as well as refining Seafish messages to industry and improving industry awareness of how Seafish helps to develop their businesses.

Media coverage

The Seafish media profile improved from 400 pieces of coverage secured in 2007/2008 to almost 1,000 pieces in 2008/2009. Included in this figure is a record year for the Fish and Chip Shop of the Year competition, which delivered more than 71 million opportunities to see the Fish and Chip Shop of the Year message and Advertising Value Equivalent of £2.23 million against a spend of £96,000.

Coverage obtained by Seafish for industry focused on the wide range of species available for consumption and the work done by the seafood industry to deliver a sustainable marine environment. Seafish is now the leading voice in the debate about a sustainable marine environment, with an overall share of voice in the press of 45% of all articles either mentioning a Seafish spokesman or being generated by Seafish.

Ensuring balance

Seafish has also been actively managing negative media stories and has a framework in place for dealing with unbalanced press in a robust and speedy manner.

We have launched a new industry magazine, 'The Longliner', which is designed to focus on issues facing our industry, rather than acting as a PR vehicle for Seafish.

MANAGEMENT COMMENTARY
For the year ended 31 March 2009 (continued)

Market Planning and Strategy

During 2008, the Marketing team was restructured and renamed as the Market Planning and Strategy team to emphasise their focus on understanding and predicting consumer demand dynamics for seafood. A key part of this work centres on the management of research projects in response to industry needs. In the last year, this work focused on understanding the behaviour and decision making process of consumers in purchasing seafood.

Understanding consumer behaviour

In consultation with industry, there was a desire for a greater understanding of the issues facing consumers when purchasing seafood – especially in the context of a changing economic climate.

This project has been disseminated to industry via a series of regional workshops across the country and the project forms the basis of the category research to be conducted in 2009.

Export profiles

In 2007, work commenced on a range of export profiles to assist businesses seeking to broaden their customer base abroad. With the assistance of the final round of FIG funding, 20 profiles have now been produced and countries such as Japan and Poland are now included in these useful introductions to export markets.

Consumers and the ‘2 a week’ message

As part of the Seafood Fortnight work and to ensure continued direction of this project, the team run a bi-annual survey of 1,000 consumers to test their awareness of the recommendation to eat two portions of seafood a week for optimal health. Overall, the awareness continues to trail the ‘5 a day’ fruit and vegetable message with only 44% of consumers able to tell us that they should be eating two portions of seafood per week.

This study also examines the concerns of consumers with environmental and economic issues.

Market data

Issues with the stability of the supply of UK market data have been resolved and monthly market data reports are now published on the Seafood Information Network and the Seafish website.

MANAGEMENT COMMENTARY

For the year ended 31 March 2009 (continued)

Economics

Seafish Economics has continued to provide a range of research, analysis and advice to inform business and policy decisions and help improve business efficiency.

Processing Sector Research

Two major research projects aimed at the processing and importing sector have been carried out during the year. These were the 2008 UK Fish Processing Industry Survey and a global and UK supply chain analysis of yellowfin tuna.

Business advice

The Business Improvement Group delivered work packages, including Strategy Workshops, Process Excellence advice and Benchmarking, to more than 20 clients, identifying more than £1million in potential cost savings or increased profit to client companies.

The Process Excellence Service continued to develop and conducted more reviews with small and large companies across the UK. The Seafood Company and Young's (now both part of the Foodvest Group) adopted the lean six sigma approach to manufacturing efficiency through a programme of training their own staff to achieve Green Belt accreditation.

The Seafood Strategic Outlook has published three editions covering long term fish supply availability, implications of the Credit Crunch and an outlook for Icelandic supplies of cod & haddock to the UK.

Consultancy

Seafish Economics contributed to and led several consulting projects, including:

- Energy Saving in Fisheries (working with the Research and Development team), a European project.
- Cost-benefit analysis of investment options relating to use of the fish market for Peterhead Harbour Authority.
- Major project on Profitable Futures for Fishing in Scotland, for the Scottish Government Marine Division. This project was commissioned via the Fuel Task Force of the Scottish Fisheries Council and involved conducting seven major consultation events for different sectors of the fleet all around Scotland. The project is due to deliver a final report on recommended actions to improve fleet profitability in May 2009.
- Value chain report to inform the Business in the Community North Shields project.
- Overview and analysis of the seafood industry in Aberdeen for Aberdeen City Council.

Fisheries economics

The 2006 Fleet Economic Survey was published and individual vessel benchmark reports were distributed to those who had contributed financial accounts to the survey. The 2007 results were submitted to fulfil the UK obligation under EU Data Collection Regulations and Seafish contributed the UK chapter to the Annual Economic Report of European Fishing Fleets. The 2007 fleet report is due for publication early in the next business year.

It was not possible to produce profit forecasts for the UK fleet in 2009 by the end of 2008, in part due to the uncertainty surrounding the complexity of the management regime, which for the first time included kilowatt days at sea and options to 'buy-back' days at sea by participating in various discard reduction and stock conservation schemes.

MANAGEMENT COMMENTARY
For the year ended 31 March 2009 (continued)

Research & Development

This year, the Research & Development team focused on delivering value to industry.

Environmental toolkit

Seafish developed a 'Toolkit for Environmental Impact Reduction' to help the fishing and aquaculture industry prosper in marine protected areas. The toolkit allows users to show how fishing and cultivation operations can be compatible with marine conservation interests.

Beam trawl diversification

This project trialled twin rig trawling for monkfish and megrims in SW beam trawl grounds. The results show that twin rig is not as effective as beam trawls for catching these species in the SW.

Fuel efficiency for the catching industry

2008 saw record fuel prices and Seafish supported fishermen by providing advice which was regularly conveyed through the trade media, in seminars and very often over the phone and on the quay side. Additional research, available on our website, was also carried out on fuel additives, flow meters and numerous other fuel saving devices.

Responsible sourcing guides

Building on previous years work, these guides give an overview, in informed laymen's terms, of the status and management of more than 25 species of fish and shellfish important in the UK market. There is growing evidence that these guides are becoming widely used in sourcing decisions.

Fact sheets

In 2008, Seafish introduced a fact sheet concept. Each fact sheet focuses on a relevant industry topic, such as discards or sustainability, and explains the important facts that the seafood industry needs to consider and outlines the different course of action available to industry.

The Seafood Information Network (SIN)

SIN was launched in 2008. Over the past 12 months, over 600 users have registered with the site. Phase two of its development is about to begin and users will see significant improvements over the coming months.

Yellow haddock

The haddock market in the UK is worth £288M but this market is threatened by the erratic yellow discolouration found in some frozen at sea haddock. New evidence collected by Seafish suggests that the mechanism causing the yellowing is enzymatic. This is a big step forward and allows us to recommend processing the catch quickly, keeping fish cool on deck and rapid freezing as potential remedies.

Fishermen's gear training in Hirtshals

Seafish ran four gear technology training courses at Hirtshals Flume Tank in 2008/09. Thirty-five fishermen attended from all over the UK.

MANAGEMENT COMMENTARY
For the year ended 31 March 2009 (continued)

Training and Accreditation

Projects and training courses developed include:

- Online computer-based learning and assessment system for fishermen. The *Seafish e-Academy* contains learning materials and assessments on navigation, engineering and stability. Over 300 fishermen have already registered.
- A damage control course to help fishermen keep their vessels afloat in the event of a flooding emergency. With sponsorship from the Maritime & Coastguard Agency and the Shipowners' Mutual Protection and Indemnity Association, we produced 300 damage control kit boxes, containing key materials and equipment.
- Seafood Quality Assessment and Bivalve Purification courses. Interest in the Advanced Seafood Quality Assessment course has been good with five courses delivered and over 50 staff from multiple retailers and major processors trained. We approved two training centres to deliver our bivalve purification courses.
- With Department for Transport funding, we supported the delivery of training for skippers of vessels less than 16.5m. Over 750 fishermen took advantage and over 1,300 funded training places were delivered. In addition, grants of up to £1,000 were awarded to 35 fishermen training for Certificates of Competency as skippers, mates and engineers on larger vessels.
- We have continued to lead the development of the Seafood Training Academy with Grimsby Institute of Further and Higher Education. This will become the first point of contact for businesses in the onshore sectors of the seafood industry wanting training.
- The Responsible Fishing Scheme (RFS) has continued to grow, with support this year from Tesco. We have approaching 600 vessels signed up and nearly 350 certificated.
- We launched a new initiative to encourage and support processors towards BRC (British Retail Consortium) and SALSA (Safe and Local Supplier Approval) certification. This has proved very popular with over 50 companies taking advantage and benefiting from our support.
- We launched our revamped Fish Friers Quality Award. The new scheme enables successful businesses to be rated with three, four or five stars. The entry fee has been increased to create funds for promotions, delivering increased benefits for award holders. In three months we received over 100 applications.

We commenced an 18-month trial of two new grant schemes for trainees from the seagoing and onshore sectors of the seafood industry:

- In England, Wales and Northern Ireland we launched Individual Training Support Grants in July. Grants were awarded to over 500 new entrant fishermen towards the cost of their basic safety training and over 300 onshore trainees. Over 1,200 funded training places were delivered.
- In Scotland, we invited tenders from approved training providers for funding from our Scottish Training Fund. The application from Seafood Scotland (on behalf of the Scottish Seafood Training Partnership) was successful and delivery commenced in October. Over 900 funded training places were delivered.

In addition to these grant funded training places, the network of Seafish-approved training providers delivered over 500 training places on other Seafish courses.

MANAGEMENT COMMENTARY
For the year ended 31 March 2009 (continued)

Legislation

The Legislation team has continued to advise industry and maintain its involvement in the development of new and revised regulation on food and the marine environment.

The legislation pages of the Seafish Business to Business website provide guidance and up-to-date information and have continued to see increased visits. The news section, which provides alerts and media reports, has proven to be particularly popular and a new guidance note provides advice on making health benefit claims on Omega-3 content following new regulation.

The food and marine legislation expert groups now meet on a three monthly basis and have continued to provide a forum for discussion and response on new developments impacting on the seafood industry.

Over 30 consultations on seafood have included responses to the Marine Bill and its Scottish equivalent, implementation of the Environmental Liability Directive, review of the Commission Animal By-Products and Fisheries Control Regulations and Food Standards Agency review of its advice on fish consumption.

There has been particular success with the Animal By- Products review and a proposal to return parasite infested material ashore for disposal. Its inclusion was a result of Spanish food safety concerns. These were considered unfounded as this requirement is covered by existing food hygiene legislation. The cost to the catching sector if approved and enforced would have run to many millions of pounds. A request to the EU Parliament's Agriculture Committee to have this requirement removed did not succeed. However, by working closely with Defra, a compromise was eventually reached for the requirement to be retained but only enforced if the European Food Safety Authority consider it justified and proportionate.

The implementation of the Environmental Liability Directive seeks to implement the "polluter pays" principle and a requirement for offenders to restore the environment to its original condition prior to the damage. Although fishing vessels may only occasionally fall foul of this legislation, the cost of such an incident is likely to be high. It was argued there should be a statutory defence for fishermen from prosecution who are fishing in accordance with Common Fisheries Policy rules. Defra have now accepted this.

This year, further efforts have been made to engage with those importing seafood into the UK and the Legislation team has been directly engaged with the British Frozen Food Federation/Seafish Importers Forum. Contacts have also continued to be developed with those EU, government departments and agencies that monitor and regulate imports.

MANAGEMENT COMMENTARY
For the year ended 31 March 2009 (continued)

Marine services

Marine Services' comprises: Marine Survey, whose main activity is the survey and certification of new build and modernised vessels and Kingfisher, whose main activity is the production of information on sub sea hazards and the distribution of this information to fishermen to reduce the risks of accidents from fishing gear being snagged on such hazards.

Marine Services' activities have grown at a consistent rate for both the Kingfisher and Marine Survey. The team is focused on becoming more commercially oriented to deliver a zero direct cost to levy within the next 12 months.

Marine Survey

Marine Survey has added to its range of services with the inclusion of workboat certifications and passenger vessel hull certification, under direct instruction from the Maritime and Coastguard Agency. We have also added flag-in certification for non-UK flagged vessels entering the UK registry from other codes of practice or foreign waters. The total number of vessels surveyed under this regime has been in excess of 200 for the current year. Consultancy services have also increased significantly over previous years, with major construction projects for The Loughs Agency being one of the highest single value projects for the team to date.

New vessel certification

The level of new fishing vessel construction has increased by 30% on the previous year, largely due to the introduction of new codes of practice in July. This equates to approximately 100 new vessel certifications.

Kingfisher

Kingfisher had an excellent year again with further development of the team's activities and promotion of their services throughout the fishing industry. Buoyed by the increase in oil and gas prices, offshore activity has greatly increased, with Kingfisher seeing a 30% increase in the information disseminated within its Fortnightly Bulletin publication.

Cable charts were produced in three languages, promoting the awareness of submarine cables to fishermen. These were supported by a newly designed CD and brochure explaining installation procedures and outlining the potential dangers of fishing near cables. Additional cable awareness activities, including an interactive website and CDs, were also provided for the Danish Cable Protection Committee. This project extends Kingfisher's coverage of submarine cables into the Skagerrak, Kattegat and Baltic seas.

Several major fishing exhibitions were attended in the UK and Ireland, proving worthwhile in promoting Kingfisher's data to fishermen. Information flyers were produced to promote the construction of the Robin Rigg offshore wind farm, decommissioning activities at North West Hutton and the installation of the Northern Lights and Sprint cable systems.

Joint Seafish team work included mapping facilities for the Species Sheets and GIS interpretation of the sediments and scallop fishing activity around the UK.

Kingfisher also acted as a GIS consultant to BIM & Marine Institute, Ireland, on a project called Deep Clean to recover ghost fishing nets lost by gill netters.

MANAGEMENT COMMENTARY
For the year ended 31 March 2009 (continued)

Financial position at 31 March 2009

Levy income

Levy income was £7,809k, this is £518k (6%) lower than last year. We estimate all of this reduction in levy income is attributable to the deliberate non payment of levy by those companies involved in the legal action on the application of the levy to imports. We are encouraged that the overall levy take is maintained despite the worldwide recession which we think is due to the essential health benefits of seafood and wide diversity of outlets which has largely protected our industry.

Employment costs

The relocation from Hull to Grimsby imposed additional costs as Seafish supported staff who now have further to travel to work. Two staff found they could not accommodate even this arrangement and claimed redundancy. Costs of £419k are included this year reflecting both these elements.

The Board has continued its policy of positive actions to limit future exposure of employer's pension contributions by making additional voluntary payments to the WYPF for 2008/09 at a rate advised by an independent pension adviser and the closure of that defined benefit scheme to new entrants. New staff are eligible for a defined contribution scheme into which the maximum employer's contribution is 10%.

The Board takes professional advice from Hymans Robertson (Glasgow) about the costs of providing final salary based pension benefits both to current and former staff. Although this scheme was closed to new entrants in 2006, employment costs include additional voluntary employer pension contributions of £126k to WYPF. The equivalent amount paid last year was £144k. The next triennial actuarial valuation of the Fund is due at 31 March 2010. The Board is aware that changes in world and UK markets are likely to have wiped out the surplus shown by the last valuation in 2007. The Board have decided therefore to continue to provide internally for a similar additional voluntary contribution in 2009/10 but not to pay such an amount to WYPF until March 2010, by which time we hope there will be more reliable information on which to assess future funding requirements.

Our bank balance of £2.5m remains very similar to last year. This reflects our aim of spending available funds for the benefit of industry while retaining sufficient cash to operate without recourse to overdraft or other formal borrowing.

The annual accounts have been prepared on the going concern basis under the historical cost convention. The Board believes Seafish has sufficient assets to support adoption of its strategic proposals as outlined in the Seafish three-year strategic plan approved by all UK Fisheries Ministers.

Current and future trends and developments

Seafood and business trends

A combination of small increases in the global wild catch, increase in the worldwide availability of farmed species and recessionary pressure on consumption has seen fish prices falling back over the last year. For instance, at Peterhead, the dominant port for landings of demersal species in the UK, average whitefish prices for the 12 months to March 2009 have fallen by 5% compared with the previous year and are 17% lower comparing the one month of March alone.

MANAGEMENT COMMENTARY
For the year ended 31 March 2009 (continued)

Current and future trends and developments - continued

Seafood and business trends - continued

The Board predicts a further small decrease in seafood consumption, particularly imported shellfish, as general depressed sales of eating out of home and the more 'luxury' end of the food market impact. Given these changes in the marketplace, and the continuing legal challenge against levy on imports, we are budgeting for a further decrease in overall levy income to approximately £7.5 million for 2009/2010.

Financial exposure

The Board has noted the increase in pension liability as reported in these accounts under the formal Accounting Standard required and, having taken steps to increase contributions above the minimum rate required by WYPF over the last five years, is confident it is taking prudent and proper action to avoid further cash exposure to this continuing and complex liability while our corporate priority remains to invest levy income each year to benefit the entire industry.

The Board is aware of the balance sheet deficit of £4.6m. However, the Board is also aware of the extraordinary circumstances underlying the pension deficit, as it is based on asset values from the stock markets at one point in time and changing actuarial assumptions on the life expectancy of scheme members. Nevertheless, the impact of the pension deficit is considered regularly and in detail, and has been discussed openly with Defra as our sponsoring administration with responsibility for co-ordination with the other UK fisheries administrations.

Further, while the Board recognises the balance sheet deficit the Board also recognises the approval of our three year plan by Ministers and the endorsement of that plan by industry. It is this continuing support from Government and industry that allows the Board to use the going concern basis of accounting, and to plan for the disbursement of the levy we receive on activities that deliver benefits to industry.

Seafish receives no Grant in Aid therefore Defra had previously provided a letter of comfort to confirm continuing support for operations. A similar letter has not been provided this year as it was considered it should be a joint letter from Defra and the devolved administrations given the nature of Seafish business. However the Directors' do not consider the absence of this letter impacts on the Going Concern policy because the three year strategic plan which runs to 31 March 2010 has been approved by all UK Fisheries Ministers.

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

Seafish land and buildings constitutes our Edinburgh office. This was surveyed and valued by independent Chartered Surveyors as at March 2006 in accordance with the RICS Appraisal and Valuation Manual, the valuation then was £2.55m. We asked the same Chartered Surveyor to provide an interim valuation at March 2009. This interim valuation of £2.2m, at open market value for existing use, is incorporated in these accounts. Leases were formally signed for our new Humberside offices in June 2009, although we had moved in the previous July 2008.

MANAGEMENT COMMENTARY

For the year ended 31 March 2009 (continued)

Future strategic direction

Seafish embraces principles of openness and transparency, as agreed with the Fisheries Administrations in the 2006 joint government response to our independent review and consulted widely on our 2007-2010 strategic plan. This plan was approved by all UK Fisheries Ministers in June 2007 and the current budget for 2009-2010 will complete delivery of all the substantive work-streams then agreed within that authorised funding envelope.

The Board and senior management have now begun developing themes for the next three years which reflect the priorities of industry for 2010- 2013. These proposals will take further our purpose of developing and supporting a profitable, sustainable seafood industry. We intend to present these emerging plans to industry at a Business Conference in September 2009, then to take account of feedback from that Conference before presenting them formally for consultation over the winter. All UK Fisheries Ministers will then be asked to approve the subsequent plans, including unallocated funding for new project work to be recommended by industry through our now well-established Industry Project Fund in time for adoption within our 2010 budget process.

Risks and uncertainties

Seafish faces the usual risks associated with the relevance of our work to industry, our funding stream, and the very unusual present challenge to our levy on imports, which require different mitigation strategies.

At the strategic level, we exist because all four UK Fisheries Administrations (Ministers) believe that there is an important role for us to fulfil. Seafish is, however, not a government delivery agency and the Seafish Board – made up of a majority of industry representatives – set our work programme to deliver economic benefit to our industry stakeholders. There is therefore no inherent alignment between the priorities of industry – who pay our levy and whose representatives on our Board determine our strategic direction – and government policy. There are inevitable tensions, evidenced already in our work on the draft Marine Bills, which from time to time will and should mean we are encouraging government to re-consider proposals which in our view are likely to have an adverse impact on the profitability of the industry we exist to serve. Seafish therefore will focus more closely on areas of demonstrable benefit to our customer base.

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

Within the overall heading of Risk and Uncertainty, the challenge to the legitimacy of levy on imports raised last September by companies in the British Seafood Group and subsequently followed by a small number of other companies, has required substantial work by our usual legal advisers, and the need for us to appoint a separate team based in England to defend the action in the High Court. In March this year, the claimants applied to include a further challenge that our levy is in some way equivalent to a discriminatory border import duty and therefore contravenes the principle of EU free trade law. Defra successfully applied to join the litigation as a co-defendant and made submissions on both the interpretation and the EU points. The trial to hear these three arguments was held during the week commencing 15 June and a judgement in our favour handed down on 24 July 2009.

MANAGEMENT COMMENTARY
For the year ended 31 March 2009 (continued)

The Board does not consider this to be a material risk, nor have they made any specific contingency other than to recognise the need for additional professional advice in the current budget. The plaintiffs are appealing against the judgement and we expect also to be successful in the appeal. We are advised that the appeal will start on either 16 or 17 February 2010 and will last for two to three days, a decision should then follow after approximately six weeks.

How well are we performing?

In 2006, we engaged an independent firm of market research consultants to develop a performance monitoring process on our behalf. This involves telephone interviews with 200 customers who complete a questionnaire including some regular and some one-year-only enquiries from which a range of performance indices are compiled.

As we head into the third year of our industry and government approved three year plan, we are pleased to record that this overall “satisfaction index” has increased from 6.3 out of a possible score of ten, to 6.6. The belief that we are delivering on our key purpose of supporting the seafood industry has increased from 5.3 last year to 6.4, a hugely encouraging improvement of 21%. Most importantly, within this latter score, the processing, importing and distributing sector, which collects the large majority of Seafish levy, has seen their sector share of this belief that we are fulfilling our role increase by 27% from an unsatisfactory score of 4.9 last year to 6.2 now.

We are not complacent with this, nor do we believe that such scores, no matter how well conducted or how large the sample, will ever tell the whole story. Nonetheless, we do believe that our determined efforts to increase our visibility and relevance to a much wider audience are bearing fruit. The Board monitors management plans and performance carefully and is determined to increase this relevance further in our next three year plan, and welcomes feedback on how we might improve Seafish performance overall.

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



J. A. Rutherford
Chief Executive
10 December 2009

REMUNERATION REPORT

For the year ended 31 March 2009

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

The Committee comprises four members, all of whom are non executive Board Members of Seafish and is chaired by the Deputy Chairman. Members during the year to 31 March 2009 were Mr J. S. Whitehead (Chairman), Mr G. Maddan, Mr M. Parker and Mr A West. Meetings are held not less than twice a year and all meetings are minuted.

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

Pay policy is formally reviewed annually by the Committee. In seeking to ensure pay and other conditions are fair, competitive and affordable, market data and other relevant data are taken into account. Like all other Seafish employees, the pay associated with Executive posts is derived from a formal job evaluation process, and pay increases are linked to performance. In 2008/09, given the exceptional economic climate, the Board decided not to make any general pay award to staff. A non consolidated bonus of £1,500 per person was awarded to five individuals, not members of the Executive, whose performance was rated as exceptional.

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

Emoluments of Board Members

The remuneration relating to all Directors in post in 2008/2009 is detailed in the tables below. The information in the tables below represents the part of the Remuneration Report to be audited, as referred to in the Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament.

REMUNERATION REPORT
For the year ended 31 March 2009 (continued)

Non – executive Directors

The following table sets out details of payments made and appointment term details for the Chairman, Deputy Chairman and Non Executive Members:

	2008-09	2007-08		
Name and Title	Salary in £5k bands	Salary in £5k bands	Date of Appointment/Re-appointment	Appointment Ends
	£000	£000		
A Dewar-Durie, Chairman	-	5-10	1/4/05	31/5/07
C Howeson, Chairman	55-60	35-40	1/7/07	30/6/10
J S Whitehead OBE Deputy Chairman *	20-25	20-25	1/4/06	31/3/09
M Kaiser Independent Member	5-10	0-5	12/3/08	31/3/10
N W Shaw CBE Independent Member	5-10	5-10	15/6/03	31/3/09
L Cross Industry Member	5-10	5-10	1/4/08	31/3/11
I M MacSween OBE Industry Member	5-10	5-10	1/7/07	30/6/10
G Maddan Industry Member	5-10	5-10	1/4/03	31/3/09
O Norgaard Industry Member	5-10	5-10	1/4/09	31/3/12
M Park Industry Member	5-10	5-10	1/7/07	30/6/10
M Parker Industry Member	5-10	5-10	1/4/09	31/3/12
C Venmore Industry Member	5-10	5-10	1/4/03	31/3/09
A West MBE Industry Member	5-10	5-10	1/4/09	31/3/12
Q Clark Industry Member	-	-	14/4/09	31/3/12
J Wilson Industry Member	-	-	14/4/09	31/3/12
P Kerr Independent Member	-	-	15/6/09	30/6/12

* J S Whitehead has since been reappointed to serve from April 2009 to March 2012.

Non executive directors receive no other benefits or benefits in kind from this appointment.

REMUNERATION REPORT
For the year ended 31 March 2009 (continued)

Executive Directors' Emoluments

Name and Title	2008-09		2007-08		Date of Contract Commencing	Contract Ends
	Salary in £5k bands £000	Benefits in Kind (rounded to the nearest £100) £000	Salary in £5k bands £000	Benefits in Kind (rounded to the nearest £100) £000		
J Rutherford Chief Executive	105-110	6.7	100-105	6.3	1/2/02	-
J Harman Development Director	75-80	7.7	75-80	7.5	2/1/03	-
P Williams Research Director	75-80	4.1	75-80	3.9	5/1/04	-
J Campbell Finance Director	30-35	1.6	-	-	1/9/08	-

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

Executive Directors' Pension Benefits

Name and Title	Real Increase in pension at age 60 (bands of £2,500) £000	Real Increase in pension lump sum at aged 60 (bands of £2,500) £000	Total accrued pension at age 60 at 31 March 2009 (bands of £5,000) £000	Lump sum at age 60 related to accrued pension at 31 March 2009 (bands of £5,000) £000	Cash Equivalent Transfer Value at 31 March 2009 £000	Cash Equivalent Transfer Value at 31 March 2008 £000	Real Increase in Cash Equivalent Transfer Value £000
J Rutherford Chief Executive	0-2.5	0-2.5	10-15	25-30	196	120	30
J Harman Development Director	0-2.5	0-2.5	5-10	15-20	107	68	15
P Williams Research Director	0-2.5	0-2.5	5-10	10-15	80	51	12
J Campbell Finance Director	0-2.5	0-2.5	0-5	5-10	36	-	7

As Non-executive Directors do not receive pensionable remuneration, there are no entries in respect of pensions for Non-executive Directors.

REMUNERATION REPORT
For the year ended 31 March 2009 (continued)

Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' 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 benefit accrued in the 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 figure and the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the Pension Scheme. 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.

All executive directors are ordinary members of the West Yorkshire Pension Fund, a local government pension scheme of which Seafish is an admitted body as described at notes 1(g) and 10.



J. A. Rutherford
Chief Executive
10 December 2009

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

For the year ended 31 March 2009

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

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

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

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

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

STATEMENT ON INTERNAL CONTROL

For the year ended 31 March 2009

Scope of responsibility

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

The relationship between Seafish, Defra and the devolved administrations is set out in a Memorandum of Understanding (MoU). By agreement, Defra takes the lead in overseeing Seafish activities on behalf of government and is responsible for compliance monitoring. Risk is not explicitly referred to within the MoU and therefore is treated consistently with all other government-facing accounting and reporting issues. The MoU "Relationship with Fisheries Departments" requires Seafish to communicate in general directly only with Defra who will consult with the other administrations as appropriate.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. In July 2007, all four UK Fisheries Ministers signed off together the new Seafish Three Year Plan prepared for the first time, and as recommended within our 2006 Independent Review, involving full consultation with our industry stakeholders and levy payers. As this is such an important work programme, the Board view is that Seafish policies, aims and objectives essentially are the achievement of that Plan. The system of internal control therefore is based on an ongoing process designed to identify and prioritise the risks to the achievement of the approved Seafish Three Year Plan, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Seafish for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

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

Capacity to handle risk

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

STATEMENT ON INTERNAL CONTROL
For the year ended 31 March 2009 (continued)

The risk and control framework

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

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

Risks to information are managed in compliance with Cabinet Office Data Handling review and internal IT data policies in force and maintained via risk registers. These policies incorporate provisions for the security of operation of the main computer system and the control of the use of laptops and memory sticks.

Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control recognises the professional qualifications of our finance team, the segregation of duties within that team, and regular, monthly reviews of business performance issues. I also am informed formally by my executive director colleagues that they are satisfied with the internal controls on which they rely, as well as managers who have the responsibility for the development and maintenance of the internal control framework.

I am further informed by the work of the internal auditors. I also consider comments made by the external auditors in their management letter and other reports.

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

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

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

STATEMENT ON INTERNAL CONTROL
For the year ended 31 March 2009 (continued)

As Accounting Officer I am aware of three significant issues which impact our organisation.

- An update on the significant issue raised last year regarding search warrants executed on us on 18 April. We received a letter from the Crown Office and Procurator Fiscals Service dated 4 November 2008 which stated "In the context of the present investigation and on the basis of the material currently available Crown Counsel are of the view that there should be no proceedings in relation to the Authority."
- A Legal Challenge to our right to impose a levy (s.4 of the Fisheries Act 1981) on businesses importing seafood and seafood products in to the UK. British Seafood Group served an action on us in September 2008 for the recovery of levy they claim has been incorrectly collected. Approximately seventy five per cent of the levy we collect relates to products imported in to the UK therefore if our understanding of the legislation is incorrect and we need to repay that levy then this would have a major impact on our finances and we would need to consult urgently with our industry stakeholders and government sponsoring departments. We have already consulted with our government sponsoring departments and with our legal advisers and we submitted a defence and counterclaim for levy not paid since September 2008 and Defra successfully applied to be joined as a second defendant in the action. The hearing was held during the week commencing 15 June 2009 in the High Court in London and a judgement in our favour was handed down on 24 July 2009. British Seafood Group is appealing against this decision and lodged papers with the Court on 7 August 2009. We are advised that the appeal will start on either 16 or 17 February 2010 and will last for two to three days. A decision should then follow after approximately six weeks.
- Pension Deficit. We are an admitted body to the Local Government Pension Scheme (LGPS) through the West Yorkshire Pension Fund (WYPF). At 31 March 2009 our pension deficit is £9,505k, this means our total capital and reserves is in deficit by £4,626k. This has been addressed through the closure of the scheme to new employees from 1 April and making contributions above minimum requirements in the last five years and given actions taken as reported in the management commentary is not considered to impact on the Going Concern Accounting Policy.



J. A. Rutherford
Chief Executive
10 December 2009

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament

I certify that I have audited the financial statements of the Sea Fish Industry Authority for the year ended 31 March 2009 under the Fisheries Act 1981, as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2004. These comprise the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement 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 Authority, Chief Executive and auditor

The Authority and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Fisheries Act 1981 and Fisheries Ministers' directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officer's Responsibilities.

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

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

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

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

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

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament (Continued)

Basis of audit opinions

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Fisheries Act 1981 and directions made thereunder by Fisheries Ministers, of the state of the Sea Fish Industry Authority's affairs as at 31 March 2009 and of its deficit for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Fisheries Act 1981 and directions made thereunder by Fisheries Ministers; and
- information, which comprises the Directors' Report and the Management Commentary, included within the Annual Report, is consistent with the financial statements.

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.

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
15 January 2010*

INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2009

	NOTES	2009		2008	
		£000	£000	£000	£000
Income					
Levies	1d		7,809		8,327
EU Income	2		613		1,591
Other Income	2		1,533		1,080
			9,955		10,998
Less:					
Expenditure					
Employment Costs	6b	4,191		4,077	
Depreciation	7	192		233	
Other Operating Expenditure	3	6,383		7,069	
			(10,766)		(11,379)
Operating Deficit			(811)		(381)
Exceptional Items					
Restructuring Redundancy	5		(257)		-
Interest Receivable					
Banks and Other Interest			75		138
Notional Cost of Capital					
	1m		119		(6)
Net Pension Finance (Loss)/Gain					
	10		(274)		291
(Deficit)/Surplus before Taxation			(1,148)		42
Taxation					
	1e & 4		-		-
(Deficit)/Surplus after Taxation			(1,148)		42
Reverse Notional Cost of Capital	1m		(119)		6
(Deficit)/Surplus for the Year	19		(1,267)		48

All of the above figures relate to continuing operations.

The notes on pages 38 to 57 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2009

		2009	2008
	NOTES	£000	£000
(Deficit)/Surplus for the Financial Year		(1,267)	48
Revaluation Loss		(142)	-
Actuarial Loss	10	(985)	(5,771)
		—	—
Total Recognised Losses		(2,394)	(5,723)
		—	—

The Actuarial loss is split between the funded and unfunded elements of the pension scheme, see note 19 Movement on Reserves on page 55 for further detail.

BALANCE SHEET AS AT 31 MARCH 2009

		2009		2008	
	NOTES	£000	£000	£000	£000
Fixed Assets					
Tangible Assets	7		2,398		2,635
Current Assets					
Debtors	8	1,442		2,847	
Cash at bank and in hand	17 & 18	2,551		2,506	
		3,993		5,353	
Creditors - Amounts Falling Due Within One Year	9	(1,236)		(1,516)	
		3,993		5,353	
Net Current Assets			2,757		3,837
Total Assets less Current Liabilities			5,155		6,472
Provisions for Liabilities and Charges					
Restructure – early retirement costs	10	(3,614)		(3,914)	
		(3,614)		(3,914)	
Deferred Income	11		-		(2)
Net Pension Liability	10		(6,167)		(4,788)
			(6,167)		(4,788)
			(4,626)		(2,232)
Capital and Reserves					
Revaluation Reserve			1,297		1,439
Accumulated Fund Excluding Retirement Benefits		244		1,117	
FRS 17 Retirement Benefits		(6,167)		(4,788)	
		(5,923)		(3,671)	
	19		(4,626)		(2,232)



C. Howeson – Chairman
10 December 2009



J. A. Rutherford
Chief Executive
10 December 2009

The notes on pages 38 to 57 form part of these accounts.

CASH FLOW STATEMENT
For the year ended 31 March 2009

	NOTES	2009		2008	
		£000	£000	£000	£000
Net Cash Inflow/(Outflow) from Operating Activities	16		68		(256)
Returns on Investments and Servicing of Finance					
Interest received		75		138	
Interest paid		-		-	
Net Cash Inflow from Returns on Investments and Servicing of Finance			75		138
Taxation					
UK corporation tax paid			-		-
Capital Expenditure and Financial Investment					
Purchase of tangible fixed assets		(98)		(44)	
Capital grants		-		-	
Net Cash Outflow from Capital Expenditure and Financial Investment			(98)		(44)
Management of Liquid Resources					
(Increase)/Decrease in Money Market	17 & 18		(303)		293
(Decrease)/Increase in Cash	18		(258)		131

The notes on pages 38 to 57 form part of these accounts.

NOTES TO THE ACCOUNTS

For the year ended 31 March 2009

1. Principal Accounting Policies

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

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

(a) Tangible Assets

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

Land and buildings are valued by independent Chartered Surveyors every five years. A full valuation was last undertaken as at 31 March 2006. An interim valuation was carried out in March 2009 and the valuation of £2.2m is incorporated in these accounts.

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

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

	(%)
Furniture & equipment	10-20
Computer equipment	33

Freehold Buildings are depreciated over their estimated useful economic life. The Buildings were purchased in 1992 with an estimated life of fifty years and this remains our estimate so the buildings are scheduled to be fully depreciated by 2042.

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

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

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

1. Principal Accounting Policies (continued)

(b) Government Grants

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

The European Union and United Kingdom Fisheries Departments reserve the right for grants to be repaid if during a period of six years from the date of final claim it is found that the conditions of grant were breached.

(c) Market Development Expenditure and Training Materials

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

(d) Levy Income and Debtors

Levy income is stated gross. Commission paid to agents for collecting levy is included in Other Operating Expenditure.

The amounts included in levy income and debtors as levy receivable for the year ended 31 March 2009 are the amounts actually received by 30 April 2009. This is because levy is collected on a self billing basis and paid in arrears. Therefore to avoid unsubstantiated year-end accruals caused by documentation delays we determine the levy due at the year end is the amount of levy paid in the first month of the following year. We make all reasonable attempts to identify all liabilities to levy but acknowledge that 100% compliance is unlikely to be achievable. The income reported in these accounts does not include any estimate for levy which might legally be payable, but of which Seafish has no knowledge.

(e) Taxation

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

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

(f) Research and Development Expenditure

Research and development expenditure is written off as incurred.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

1. Principal Accounting Policies (continued)

(g) Pension Scheme Arrangements

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

Employees employed before 1 April 2006

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

Former Employees

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

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

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

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

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

(h) Finance and Operating Leases

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

(i) Foreign Currency Transactions

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

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

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

1. Principal Accounting Policies (continued)

(j) Project Income and Associated Expenditure

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

(k) Liquid Resources

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

(l) Financial Instruments

Seafish has no borrowings and relies primarily on levy income for its cash requirements and is therefore not exposed to liquidity risks. Seafish has no material deposits and all material assets and liabilities are denominated in sterling so it is not exposed to interest rate risk or currency risk. Full disclosure required by FRS 29 Financial Instruments is shown at note 15.

(m) Notional Costs of Capital

When calculating the surplus or deficit for the year, the Authority is required to include as expenditure, a notional cost of capital, to the extent that there is no real charge for this. This has been calculated as 3.5% of the average of total assets less total liabilities. After the surplus or deficit for the year there is an entry reversing this amount in the Income and Expenditure account.

(n) Going Concern

As disclosed in the Management Commentary and SIC the annual accounts have been prepared on a going concern basis despite the deficit reflected in the balance sheet as a consequence of the net liability position on the Authority's Pension Scheme. The Board considers that the going concern position remains appropriate because the short term liabilities associated with the Pension Scheme Liability (annual contributions) are known for 2009/2010 and are expected to be 8.5% of total expenditure. This has been incorporated in the budget process which is intended to match income raised through a levy on the Seafish Industry and expenditure utilising cash reserves as appropriate. Notwithstanding recent legal challenge as detailed in the SIC, the ability of SFIA to raise levy remains a legal right. While a further 3 year valuation is expected in 2010 with a subsequent potential impact on annual contributions there is no indication that this will not be addressed by the existing budget process. The SFIA have taken a prudent approach to addressing the current deficit position primarily through closing the scheme to new members from 1 April 2006 and making contributions above the minimum requirement in the past five years.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

2. EU and other income

Other Operating Income is made up as follows:

	2009		2008	
	EU £000	Other £000	EU £000	Other £000
Marine & Fisheries Agency	483	113	1,569	12
Scottish Government	89	158	16	212
DARDNI	-	-	-	-
WEFO/WAG	-	-	-	-
European Union	41	-	6	-
Miscellaneous Other Income	-	1,262	-	856
	<u>613</u>	<u>1,533</u>	<u>1,591</u>	<u>1,080</u>

3. Total Expenditure

Details of Seafish expenditure is made up as follows:

	2009	2008
	£000	£000
Research Activities – EU	420	1,345
- Other	2,092	1,775
	<u>2,512</u>	<u>3,120</u>
Business Development Activities - EU	39	590
- Other	1,744	1,764
	<u>1,783</u>	<u>2,354</u>
Travel & Subsistence	182	191
Motor Vehicle Costs	283	275
Staff Training & Recruitment	86	129
Professional Fees	511	161
Other Costs	187	122
Repairs & Maintenance	36	52
Computing Costs	30	46
Location Costs	773	619
	<u>6,383</u>	<u>7,069</u>

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

3. Total Expenditure (continued)

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

	2009	2008
	£000	£000
Auditors' remuneration	25	20
	—	—
Operating lease rental - Land and buildings	81	16
- Motor vehicles	111	116
	—	—
	192	132
	—	—

The Auditors' remuneration does not include £3k for additional audit work relating to the transition to International Financial Reporting Standards (IFRS) which was agreed this year but will not be charged until next year.

4. Taxation on Profit on Ordinary Activities

	2009	2008
	£000	£000
a) Analysis of charge in period		
Current tax:		
UK corporation tax on profits for the period	-	-
Adjustments in respect of previous periods	-	-
	—	—
Tax on profit on ordinary activities (note b) below	-	-
	—	—
b) Factors affecting tax charge for period		
(Deficit) /Surplus on ordinary activities before tax	(1,148)	42
	—	—
(Deficit)/Surplus on ordinary activities multiplied by standard rate of Corporation tax in the UK of 28% (2008 : 30%)	(321)	14
Effects of:		
Permanent disallowable expenditure	-	-
Short term timing differences	(20)	74
Tax Deductible Pension Contributions	107	(259)
Tax at marginal rates	-	-
Movement in losses	175	171
Rate Change	59	-
	—	—
Current tax charge for the period (note 1e)	-	-
Losses carried forward	2,176	2,001
	—	—

No deferred tax asset has been recognised under FRS 19 in respect of the tax losses carried forward since it is uncertain as to whether Seafish will generate profit in the future to utilise the deferred tax asset.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

5. Retirement & Redundancy Costs

Two members of staff affected by our relocation from Hull to Grimsby were unable, due to personal circumstances, to adjust to working in the new location. Consequently, the two positions affected were made redundant and the individuals concerned took early retirement. Both individuals were paid: their contractual redundancy payments, a total of £39k; had their pensions augmented by six and two thirds years service, at a cost of £138k and were able to receive their pensions early, at a cost of £80k. These arrangements are identical to those made for other members of staff who accepted redundancy and early retirement in 2004 and 2006. The total cost in respect of retirement and redundancy costs charged to the Income and Expenditure Account this year is £257k.

6. Employee Information

(a) The average number of staff employed by Seafish during the year is noted below and included four part-time positions (2008 - seven).

	Management and Staff		Agency/Temp Contract Staff	
	2009	2008	2009	2008
Research	45	45	1	2
Business Development	30	26	-	2
Corporate Services	19	20	1	-
	—	—	—	—
	94	91	2	4
	—	—	—	—

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

6. Employee Information (continued)

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

	2009	2008
	£000	£000
Gross salaries	3,775	3,565
Social Security Costs	294	268
Pension Costs	107	191
	———	———
Total Direct Costs of permanent staff	4,176	4,024
Total Direct Costs of temporary staff	15	53
Total Direct Costs of employment	<u>4,191</u>	<u>4,077</u>
 <u>Analysis of Pension Costs:</u>		
Pension Current Service cost	610	551
Pension Curtailment cost	-	-
Past Service Gain	(335)	(213)
Less: Employee contributions	(168)	(147)
	———	———
	107	191
	———	———

(c) Executive Directors' Emoluments & Pension Benefits

Details of emoluments and pension benefits for the executive directors are shown in the Remuneration Report at pages 24 to 27. Details of related party transactions are shown at pages 56 and 57.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

7. Tangible Assets

	Freehold Land and Buildings £000	Short Leasehold Buildings £000	Furniture and Equipment £000	Computer Equipment £000	Total £000
Cost or Valuation					
At 1 April 2008	2,553	79	789	670	4,091
Additions			88	10	98
Disposals		(79)	(336)	(16)	(431)
Revaluation	(350)				(350)
	————	————	————	————	————
At 31 March 2009	2,203	-	541	664	3,408
	————	————	————	————	————
Depreciation					
At 1 April 2008	141	79	727	509	1,456
Charges for the year	69		37	86	192
Disposals		(79)	(336)	(16)	(431)
Revaluation	(207)				(207)
	————	————	————	————	————
At 31 March 2009	3	-	428	579	1,010
	————	————	————	————	————
Net Book Value					
As at 31 March 2009	2,200	-	113	85	2,398
	————	————	————	————	————
As at 31 March 2008	2,412	-	62	161	2,635
	————	————	————	————	————

Seafish land and buildings is offices in Edinburgh. The office was surveyed and valued by DM Hall LLP, independent Chartered Surveyors as at March 2006 in accordance with the RICS Appraisal and Valuation Manual. The same surveyor provided an interim valuation at March 2009. This interim valuation, at open market value for existing use, is incorporated in Seafish accounts. We relocated from Hull to Grimsby in July 2008 and terminated our short term lease on the office in Hull.

Continuing annual financial commitments in respect of short leaseholds are disclosed in note 14. Improvements, which include buildings on leased sites, are capitalised and are normally written off over the life of the leases.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

8. Debtors

	2009	2008
	£000	£000
Trade Debtors (after bad debt provision)	562	832
Levy Debtors	554	620
Prepayments and Accrued Income	324	1,381
Interest on Cash at Bank	2	14
	1,442	2,847
	1,442	2,847

The trade debtor figure of £562k includes £41k of interest free loans to assist staff with travel to our new Grimsby office, £23k of which is due to be repaid in more than one year.

9. Creditors - Amounts Falling Due Within One Year

	2009	2008
	£000	£000
Trade Creditors	1,053	1,349
PAYE and Social Security	95	92
VAT	48	36
Pensions Contributions Payable	40	39
	1,236	1,516
	1,236	1,516

10. Pension Scheme Arrangements

As disclosed in note 1(g), Seafish is an admitted body to a funded defined benefit scheme operated by the West Yorkshire Pension Fund (WYPF), which is independently invested and administered. The level of contribution is determined by a qualified actuary on the basis of a valuation performed every three years, using the projected unit method. A full actuarial valuation was carried out at 31 March 2007 by a qualified independent actuary. As a result, Seafish regular pension cost will increase from 9.2% of pensionable payroll effective 1 April 2009 and 9.8% from 2010. In the year to 31 March 2009, Seafish made employer contributions equivalent to 14% of pensionable payroll, this is a deliberate action toward reducing the pension deficit.

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

New employees are instead offered a defined contribution scheme administered by the Legal & General Assurance Society. Employer's contributions during the year to 31 March 2009 were £59,259 there were no amounts prepaid or outstanding at the end of the year.

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

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

10. Pension Scheme Arrangements (continued)

The most recent actuarial valuation of the pension fund was to 31 March 2007. The principal assumptions used by the independent qualified actuary in updating this valuation were:

Financial Assumptions

	31 Mar 2009	31 Mar 2008
Rate of inflation	3.30%	3.60%
Rate of increase in salaries	5.05%	5.35%
Rate of increase in pensions	3.30%	3.60%
Discount rate	7.10%	6.10%

Split of assets between investment categories

Equities	62.0%	71.7%
Government bonds	12.3%	9.3%
Other bonds	6.0%	4.1%
Property	4.2%	5.1%
Cash/Liquidity	5.0%	3.6%
Other	10.5%	6.2%

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

	Long-term rate of return expected at 31 Mar 2009	Value at 31 Mar 2009 £000	Long-term rate of return expected at 31 Mar 2008	Value at 31 Mar 2008 £000
Equities	7.5%	14,302	7.50%	21,305
Government bonds	4.0%	2,837	4.60%	2,763
Other bonds	6.0%	1,384	6.10%	1,218
Property	6.5%	969	6.50%	1,515
Cash/Liquidity	0.5%	1,153	5.25%	1,070
Other	7.5%	2,422	7.50%	1,842
Total market value of assets		23,067		29,713
Liabilities		(32,572)		(38,090)
Deficit		(9,505)		(8,377)
Value of unfunded liabilities (included in above)		(3,338)		(3,589)
Deficit on funded liabilities		(6,167)		(4,788)

The unfunded liabilities are included in the Balance Sheet at page 36 as a provision for early retirement costs due to restructure of £3,614k (£3,338k from WYPF and £276k from SFIA), (2008 - £3,914k (£3,589k from WYPF and £325k from SFIA)).

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

10. Pension Scheme Arrangements (continued)

The movement in deficit during 2008/2009 was as follows:

	WYPF 2009 £000	SFIA 2009 £000	TOTAL 2009 £000	WYPF 2008 £000	SFIA 2008 £000	TOTAL 2008 £000
(Deficit) at 1 April 2008	(8,377)	(325)	(8,702)	(3,209)	(364)	(3,573)
Current Service Cost	(610)		(610)	(551)	-	(551)
Employer & Employee Contributions	967	32	999	975	35	1,010
Past Service Cost/Curtailment Cost	(209)		(209)	(108)	-	(108)
Net Interest/Return on Assets	(255)	(19)	(274)	312	(21)	291
Actuarial (Loss)/Gain	(1,021)	36	(985)	(5,796)	25	(5,771)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deficit at 31 March 2009	(9,505)	(276)	(9,781)	(8,377)	(325)	(8,702)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The components of the defined benefit cost for 2008/2009 were:

	WYPF 2009 £000	SFIA 2009 £000	TOTAL 2009 £000	WYPF 2008 £000	SFIA 2008 £000	TOTAL 2008 £000
Operating						
Current Service Cost	442	-	442	404	-	404
Past Service Cost	-	-	-	108	-	108
Curtailment Cost	209	-	209	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Cost	651	-	651	512	-	512
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Finance						
Expected Return on Assets	2,032	-	2,032	2,122	-	2,122
Interest on Pension Liabilities	(2,287)	(19)	(2,306)	(1,810)	(21)	(1,831)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Gain/(Cost)	(255)	(19)	(274)	312	(21)	291
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Statement of Actuarial Gains/(Losses)						
Asset (Loss)/Gain	2,032	-	2,032	(3,151)	-	(3,151)
Liability (Loss)/Gain	(2,287)	(19)	(2,306)	(503)	55	(448)
Change in Assumptions	(766)	55	(711)	(2,142)	(30)	(2,172)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net (Loss)/Gain	(1,021)	36	(985)	(5,796)	25	(5,771)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

10. Pension Scheme Arrangements (continued)

History of Gains and Losses

	WYPF 2009	WYPF 2008	WYPF 2007	WYPF 2006	WYPF 2005
Gain/(loss) on scheme assets Amount (£000)	2,032	(3,151)	344	4,391	1,325
Percentage of scheme assets at end of year	8.8%	10.6%	1.1%	14.7%	5.4%
Experience of gain/(loss) on scheme Liabilities Amount (£000)	(2,287)	(503)	-	(389)	(1,233)
Percentage of scheme liabilities at end of year	7.0%	1.3%	-	1.3%	4.5%
Total gain/(loss) recognised in STRGL Amount (£000)	(1,021)	(5,796)	(1,981)	1,114	(395)
Percentage of scheme liabilities at end of year	3.1%	15.2%	5.8%	3.6%	1.5%

History of Gains and Losses

	SFIA 2009	SFIA 2008	SFIA 2007	SFIA 2006	SFIA 2005
Gain/(loss) on scheme assets Amount (£000)	-	-	-	-	(20)
Percentage of scheme assets at end of year	-	-	-	-	-
Experience of gain/(loss) on scheme Liabilities Amount (£000)	(19)	55	-	-	5
Percentage of scheme liabilities at end of year	6.9%	16.9%	-	-	1.4%
Total gain/(loss) recognised in STRGL Amount (£000)	36	25	(14)	(20)	(6)
Percentage of scheme liabilities at end of year	13.0%	7.7%	3.8%	5.4%	1.6%

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

11. Deferred Income

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

	£000
Balance at 1 April 2008	2
Released against depreciation	2
	—
At 31 March 2009	-
	—

12. Contingent Liabilities

Levy Challenge

An action was brought against Seafish in the High Court of England and Wales to test the legality of the levy, in so far as it relates to fish and fish products that have been imported. Defra successfully applied to be joined as a second defendant to make submissions on who the Act and Regulations intended to be covered the levy.

The plaintiff's claim was that levy paid by them since 2000 totalling £1.6 million should be repaid together with compound interest.

The trial was held during the week commencing 15 June 2009 and a judgment was handed down in our favour on 24 July 2009. The plaintiffs are appealing against the decision and lodged papers with the Court on 7 August 2009.

We estimate that levy of approximately £500k due to Seafish has not been paid by those companies involved in this dispute, and that legal expenses of £291k including irrecoverable VAT are charged within these accounts for the year ended 31 March 2009. The judgement in our favour included an order for the plaintiff to meet our legal costs on the standard basis and to pay £300k immediately which we received on 11 August 2009. Further the plaintiff was ordered to pay 90% of the outstanding levy and we received £329k on 15 September 2009. Both these amounts, assuming we are successful in the appeal, will be recognised in our accounts for the year to 31 March 2010.

The reason the order was only for 90% of levy withheld is that the Court granted leave to amend the legal claim to consider whether the levy on EU imports was proportionate and hence consistent with Article 90 of the European Union. Once this issue is heard an order will be made regarding the 10% of the levy which continues to be withheld, we expect this issue to be heard soon after the conclusion of the broader appeal, probably in the summer of 2010.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

13. Post Balance Sheet Events

As stated at note 12 above, an action was brought against Seafish in the High Court of England and Wales to test the legality of the levy, in so far as it relates to fish and fish products that have been imported.

The trial was held during the week commencing 15 June 2009 and a judgment was handed down in our favour on 24 July 2009. The plaintiffs are appealing against the judgement and we expect also to be successful in the appeal. We are advised that the appeal will start on either 16 or 17 February 2010 and will last for two to three days, a decision should then follow after approximately six weeks.

Seafish financial statements are laid before the Houses of Parliament by the Cabinet Secretary for Rural Affairs and the Environment and before the Scottish Parliament by the Minister for Environment and Rural Development. FRS 21 requires Seafish to disclose the date on which the accounts are authorised for issue. The accounts were authorised for issue on 15th January 2010.

14. Financial Commitments

At 31 March 2009 Seafish had continuing annual financial commitments in respect of operating leases as follows:

	Land and Buildings	Other
	£000	£000
Lease commitments: within 1 year	-	50
between 1-5 years	10	67
over 5 years	83	-
	—	—
	93	117
	—	—

Seafish also occupy a small office under licence at Fishgate, St Andrew's Dock, Hull at a cost of £1k per month.

At 31 March 2009 Seafish had no capital commitments.

15. Financial Instruments

FRS 25, 26 and 29 Financial Instruments require disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

Seafish has no borrowings and relies primarily on levy for its cash requirements and is therefore not exposed to the degree of financial risk faced by business entities. Financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing Seafish in undertaking their activities. The following paragraphs provide an overview of the major financial risks for Seafish and how they are managed at the individual level.

Liquidity risk

Seafish has no borrowings and relies primarily on levy for its cash requirements and is therefore not exposed to any significant liquidity risks.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

15. Financial Instruments (continued)

Market risk – interest rate risk

The majority of Seafish financial assets and financial liabilities carry nil or fixed rates of interest. Seafish is therefore not exposed to any significant interest rate risk.

Credit risk

Credit risk is the possibility that other parties might fail to pay amounts due to Seafish. Credit risk arises from deposits with banks as well as credit exposures to Seafish trade debtors. Surplus operating cash is only invested with banks that are rated independently with a minimum rating of A1, P1, F1 or A+. Cash assets are held with Clydesdale Bank plc and Nationwide Building Society.

Foreign currency risk

Seafish has no foreign currency income or foreign currency expenditure other than in euro. All material assets and liabilities are denominated in sterling. Seafish is therefore not exposed to any significant foreign currency risk.

Fair values

The fair values of financial assets and financial liabilities for Seafish approximates to their book values.

Financial assets by category

	Loans and Receivables £000	2008-09 Total £000	Loans and Receivables £000	2007-08 Total £000
Assets as per balance sheet				
Trade Debtors	562	562	832	832
Levy Debtors	554	554	620	620
Cash at Bank and in Hand	2,551	2,551	2,506	2,506
Total	3,667	3,667	3,958	3,958

None of the financial assets have been subject to impairment.

An analysis of the ageing of the non impaired trade debtors is shown below.

	2008-09 Total £000
Trade Debtors	
Less than 1 month	198
More than 1 month less than 3 months	138
More than 3 months	226
Total	562

Financial liabilities by category

	Financial Liabilities £000	2008-09 Total £000	Financial Liabilities £000	2007-08 Total £000
Liabilities as per balance sheet				
Trade Creditors	1,053	1,053	1,349	1,349
Other Creditors	40	40	39	39
Total	1,093	1,093	1,388	1,388

The above figures exclude statutory creditors, which relates to VAT and Corporation Tax due to HMR&C.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

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

	2009	2008
	£000	£000
Operating (Deficit)	(811)	(381)
Exceptional Items	(257)	-
Depreciation on tangible fixed assets	192	233
Decrease		
in Debtors and Prepayments	1,405	180
(Decrease)/Increase		
in Creditors and Accruals	(280)	67
Decrease in Deferred Income	(2)	(5)
Pension Operating Cost	(179)	(350)
	<hr/>	<hr/>
Net Cash Inflow/(Outflow) from Operating Activities	68	(256)
	<hr/>	<hr/>

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

	2009	2008
	£000	£000
Increase/(Decrease) in Cash	(258)	131
Decrease in Liquid Resources	303	(293)
	<hr/>	<hr/>
	45	(162)
Cash outflow from decrease in debt	-	-
	<hr/>	<hr/>
Change in net debt	45	(162)
Net funds at 1 April	2,506	2,668
	<hr/>	<hr/>
Net funds at 31 March	2,551	2,506

18. Analysis of Changes in Net Funds

	Balances	Cash	Balances
	At 1 April	Flows	At 31 March
	2008	£000	2009
	£000		£000
Cash	269	(258)	11
Current Liquid Resources	2,237	303	2,540
	<hr/>	<hr/>	<hr/>
Cash at bank and in hand	2,506	45	2,551
	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

19. Movement on Reserves

	Revaluation Reserve (£'000)	General Fund (£'000)	Retirement Benefit Schemes (£'000)	Total (£'000)
At 1 April 2008	1,439	1,117	(4,788)	(2,232)
Deficit for the period		(1,267)		(1,267)
Other movement in retirement benefit schemes		394	(394)	-
Actuarial loss recognised in STRGL	(142)		(985)	(1,127)
	————	————	————	————
At 31 March 2009	1,297	244	(6, 167)	(4,626)
	————	————	————	————

Revaluation Reserve

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

Retirement Benefits

Other movements in retirement benefit schemes comprise:

	£000
Current Service Cost	(610)
Employer & Employee Contributions	999
Curtailment Cost	(209)
Net Interest/Return on Assets	(274)

We have transferred the opening value of unfunded liabilities from the retirement benefits reserve to the General Fund. This corrects our previous accounting treatment whereby we grouped all retirement benefits in one reserve. This change clarifies the distinct elements of the liability; one, relating to the normal entitlement to retirement benefits due to current and past employees through the West Yorkshire Pension Fund and a second relating to enhanced or compensatory benefits awarded by Seafish to past employees as part of earlier restructuring exercises.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

20. Related Party Transactions

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

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

The balances payable to Seafish at the year end were:

	2009	2008
	£	£
Defra	243,945	411,823
Scottish Government	32,473	209,450
Department of Agriculture and Rural Development (Northern Ireland)	-	40
National Assembly for Wales	8,901	-
Welsh European Funding Office	26,703	-
Department for Transport	95,902	-

NOTES TO THE ACCOUNTS
For the year ended 31 March 2009 (continued)

20. Related Party Transactions (continued)

In addition, Seafish was involved in the following related party transactions during the year which are considered to be material. All payments were made by 31 March 2009 and accordingly there are no balances outstanding:-

Deputy Chairman Mr J. S. Whitehead was:

- a consultant at Food From Britain which was paid £7,990 by Seafish

Board Member Mr I. M. MacSween is:

- a director of Seafood Scotland Ltd which was paid £386,719 by Seafish.
- a director of Scotland Food & Drink Ltd which was paid £13,500 by Seafish.

Board Member Mr O. Norgaard is:

- a director of Lyons UK which was paid £21,687 by Seafish and from whom Seafish received £201,827.

Board Member Mr M. Parker is:

- a director of Young's Seafood Ltd and several group companies from whom Seafish received £720,581.
- a director of the Marine Stewardship Council which was paid £6,775 by Seafish

Board Member Mr C. Venmore is:

- a member of the Shellfish Association of Great Britain which was paid £61,165 by Seafish.

Board Member Mr A. West is:

- chairman of Westward Fishing Company from whom Seafish received £29,912.
- a director of Seafood Scotland Ltd which was paid £386,719 by Seafish.
- a director of Scottish Fishermen's Federation which was paid £343 by Seafish.

Board Member Mr M. Park is:

- a director of Seafood Scotland Ltd which was paid £386,719 by Seafish.
- a director of Scottish Fishermen's Federation which was paid £343 by Seafish.
- a director of the Scottish White Fish Producers Association which was paid £1,600 by Seafish

Executive Director Dr P. Williams is:

- a director of Yorkshire & Humber Seafood Group which was paid £26,018 by Seafish.
- a director of British Marine Finfish Association which was paid £1,725 by Seafish.
- a director of Whitby & District Fish Industry Training School which was paid £33,152 by Seafish.
- a director of Scottish Aquaculture Research Forum which was paid £64,500 by Seafish.

Executive Director Dr J. Harman is:

- a director of Seafood Scotland Ltd which was paid £386,719 by Seafish.
- a director of Seafood Cornwall Ltd which was paid £40,662 by Seafish.
- a director of Northern Ireland Seafood Ltd which was paid £64,794 by Seafish.



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