



The Sea Fish
Industry Authority
Annual Report and
Accounts 2007/08

The Sea Fish Industry Authority

ANNUAL REPORT & ACCOUNTS 2007/08

The Sea Fish Industry Authority's Annual Report and Accounts is presented to Parliament by the Secretary of State for Environment, Food and Rural Affairs on behalf of the Comptroller and Auditor General in pursuance of sections 11 (6b) of the Fisheries Act 1981

Ordered by the House of Commons to be printed 10 July 2008

Laid before the Scottish Parliament by the Scottish Ministers July 2008

Edinburgh: The Stationery Office
£9.25

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ISBN 978-010295210-0

DIRECTORS' REPORT
For the year ended 31 March 2008

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 29 of the accounts. The surplus for the year, after taxation, amounted to £48k (2007: deficit £1,306k).

The Annual Report provides a detailed Management Commentary and financial review of the activities undertaken by Seafish during 2007/08 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 2008 (continued)

Post balance sheet events

A number of warrants were executed on Seafish in April 2008 relating to criminal investigations into the pelagic industry in Scotland. Our lawyers have advised us regularly over the last decade and continue to advise us that our duty is to collect levy on the first sale of all fish in the UK, so we asked the Ministers for Fisheries throughout the UK to direct us if we should alter the manner of our levy collection procedures in any way. Their response was that we should continue to collect and administer the levy, and that if in doing so, we suspect any offences have been committed, we should inform the appropriate authorities. We are therefore taking steps to implement this instruction immediately. The Board do not consider this to be a material risk and have not made any specific contingency other than to recognise the need for additional professional advice in next year's budget.

In June 2008, Seafish signed a ten year lease with North East Lincolnshire Council to occupy office premises on the new Humberside Seafood Park on the outskirts of Grimsby. The intention is for all staff possible to relocate from Hull to these new premises in July 2008, with support agreed individually for additional personal costs arising from this move.

Disabled persons

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

Employee involvement

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

Payment of creditors

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 2008, an extensive sample of Seafish payments of creditors revealed that 89% were paid by the due date (2007: 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. New staff are instead offered a defined contribution scheme administered by the Legal & General Group. In addition to the WYPF, Seafish has a liability for a scheme on behalf of former Herring Industry Board employees, The Sea Fish Industry Pension and Life Assurance Fund. Details for both schemes are shown at note 1(g) of the accounts.

DIRECTORS' REPORT
For the year ended 31 March 2008 (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. A. Dewar-Durie CBE DL (Chair) (retired 31 May 07)
	Mr. C. Howeson (Chair) (appointed 1 July 07)
	Mr. J. Whitehead OBE (Deputy Chair)
	Mr. M. Kaiser (appointed 12 March 08)
	Mr. N. W. Shaw CBE
Industry:	Mrs. L. Cross
	Mr. I. M. MacSween OBE (retired 31 March 07;reappointed 1 July 07)
	Mr. G. Maddan
	Mr. O. Norgaard
	Mr. M. Parker
	Mr. C. Venmore
	Mr. A. West MBE
	Mr. M. Park (appointed 1 July 07)

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

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

DIRECTORS' REPORT

For the year ended 31 March 2008 (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 2007/08:

Mr. J. A. Rutherford (Chief Executive)

Dr. J. Harman (Development Director)

Dr. P. Williams (Research Director)

Corporate governance

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

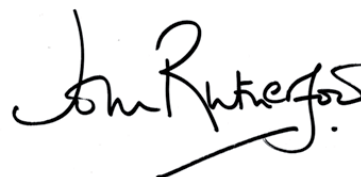
The respective roles of Seafish and its sponsor department, the Department for the Environment, Food and Rural Affairs, are set out in an agreed Memorandum of Understanding.

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

DIRECTORS' REPORT
For the year ended 31 March 2008 (continued)

Auditors

The Comptroller and Auditor General is the external auditor for Seafish. Services are limited to the statutory audit and the fee for the work is £20,000.

A handwritten signature in black ink, appearing to read 'J. A. Rutherford'.

J. A. Rutherford
Chief Executive
19 June 2008

MANAGEMENT COMMENTARY

For the year ended 31 March 2008

Introduction

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

Seafish is an executive non-departmental public body, established under the 1981 Fisheries Act. It is funded primarily by a levy on seafood (landed, farmed and imported, but excluding salmon and trout) and is sponsored by the Department for Environment, Food and Rural Affairs (Defra), the Scottish Government (SG), the Welsh Assembly Government (WAG) and the Department of Agriculture and Rural Development in Northern Ireland (DARDNI).

Our annual income is about £11 million, with approximately 76% 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 potential co-funding for Seafish projects was not available in 2007/08.

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

Performance – 2007/08

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

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

Team performance

Account management

Launch of the Account Management Team

The Seafish team of locally-based account managers was established at the beginning of 2007. The existence of Account Managers, who understand the requirements and challenges of industry in a particular geographical area, has enabled many new and productive relationships to be developed. Each Account Manager has their own area of specialist knowledge, but it is the continuity of contact and the ease with which organisations can access Seafish through a single point of contact, that has proved successful. Overall, the team's most important role is to encourage "value for levy" by ensuring as many levy payers

MANAGEMENT COMMENTARY

For the year ended 31 March 2008 (continued)

as possible are able to benefit from the wealth of information and services offered by Seafish.

The team has undertaken a number of actions to raise its profile and position Account Managers as the first point of contact for industry:

- Launch of the Account Management team to raise industry awareness;
- Review of geographical coverage and recruitment as necessary;
- The approximate doubling of previous face-to-face customer contact level;
- Internal training to improve presentation of Seafish products and services and ensure engagement at the appropriate level in seafood businesses;
- Discussion of the concept of “value for levy” openly and review with individual businesses on how they can best maximise this; and
- Instigation of key messages as a simple way to increase consistency of communication to businesses on frequently discussed topics.

Key events

The Account Management team, together with other teams, has been responsible for delivering the following events:

- Seafood Awards 2007, generating significant levels of positive press exposure for industry
- Seafood Week 2007, now extended to Seafood Fortnight 2008 (5 – 21 Sept 08)
- Export support (see below)
- Fish & Chip Shop of the Year competition (see below)

Export support

Grants of up to £3,000 per project were offered on a matched funding basis to individual companies to help protect and develop export sales. Regional seafood groups or trade organisations could also apply for grants of up to £40,000 provided they could also match funding. All grants were made on a competitive bidding basis and applications that demonstrated they were aimed at responsibly sourced, sustainable stocks, and that would have a positive effect on sales revenue, were supported. Eleven separate applications were supported with a Seafish contribution of £70k, leveraging a further £250k from industry.

Fish & Chip Shop of the Year competition

The annual Fish & Chip Shop of the Year competition supports the frying trade in their effort to maintain share of the takeaway food market. The competition, now in its 21st year, continues to attract massive amounts of positive publicity for the winners, other competing shops and, most importantly, for the trade as a whole. Besides determining the best shops in the UK, the competition generates wide national and regional publicity coverage for both individual outlets and the wider industry sector, currently estimated at 10,500 shops. In 2007, judging criteria focusing on the topic of sustainability was introduced. The Competition culminated in January 2008 with a highly successful Awards event held in London, attended by 372 prominent members of the fish and chip industry and hosted by Ainsley Harriott.

MANAGEMENT COMMENTARY
For the year ended 31 March 2008 (continued)

Communications / Promoting a responsible industry 2007/2008

Increased media attention on environmental issues resulted in many challenges - and positive outcomes - for the Seafish Communications team in 2007/08.

Promoting a responsible industry campaign

In 2007, Seafish launched the 'Promoting a responsible industry' campaign – focusing on generating positive media coverage that enhance the reputation of the seafood industry.

This campaign supports all parts of industry to inject balance into the coverage by ensuring that the correct facts are used; that all voices have a chance to be heard; and that the good work of the industry does not go un-celebrated. This has been carried out through active briefings and engagement with key journalists and encouraging positive media coverage.

Media coverage

In the past year, the Communications team have secured at least 400 pieces of positive coverage in trade, local, regional and national press, including broadcast, which focus on the active work our industry is undertaking on subjects such as gear developments, the Responsible Fishing Scheme, the Seafood Awards, conservation legislation and the sustainability of UK fisheries. Examples of excellent coverage achieved include a substantial feature in the Sunday Times on chef Tom Aikens' trip to sea with Chris and Steve Wightman to line-catch cod, a special report in The Guardian on the efforts to create sustainable fisheries in the UK, a substantial story on the UK's squid fishery in The Independent and wide coverage of up and coming 'alternative' species such as coley and pollack (The Times and The Independent).

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. This includes responding with letters to editors, follow-up briefings with journalists and reactive media statements. In November, when a major item was broadcast on discarding unwanted fish back into the sea, Seafish reacted immediately and fronted spokespeople on prominent broadcasters, such as Sky News and Radio 5, as well as supplying comment to major newspapers, including The Times and the Daily Mail, to ensure the debate on the issue was well-balanced.

Industry engagement

For the broader seafood industry, the 'Promoting a responsible industry' campaign has engaged catchers, merchants, processors and retailers, including foodservice, in finding a 'common language' with other stakeholders, including conservation and statutory interests. Many issues have been debated, including the impacts of beam trawls, discards, illegal fishing, seafood scoring schemes and fishing responsibly for species such as skates and rays. The outcomes have included a number of substantial changes to Non Government Organisation (NGO) campaigns, such as the World Wildlife Fund (WWF) 'Stinky Fish' campaign, as well as a number of targeted briefing notes for industry and conservation stakeholders.

MANAGEMENT COMMENTARY

For the year ended 31 March 2008 (continued)

Corporate communications

Beyond the 'Promoting a responsible industry' campaign, Seafish Communications has continued to produce high quality publications, including the award-winning Seafood Magazine and industry publication Seafish News, promote the health benefits of seafood and provide tailored advice on communications issues and produce a comprehensive media monitoring service.

Marketing – consumer and market research

The Seafish Marketing team manages a programme of research projects which inform industry on specific issues of key strategic importance, such as consumer attitudes to sustainably-sourced seafood.

Consumer attitudes to sustainably- sourced seafood

This study was undertaken to ascertain consumer attitudes to sustainability and how these impact on buying decisions. The study showed 75% of consumers are familiar with the issue of sustainability with regards to food but only 22% of consumers act on this. Only 10% of consumers think about sustainable/ethical/environmental concerns at all times when buying seafood, while a further 42% think about these issues sometimes.

Export profiles

Export profiles range from countries in the Baltic to China and have been developed to assist companies make informed decisions about export markets. Each profile is country-specific and divided into two parts; the initial 'matching' profile provides a summary of the market in a particular country with information on demographics, domestic market and UK share of the market. The 'doing business' profile provides more specific information on the seafood industry within the respective country, including an overview of the supply chain, key retailers, the foodservice sector, as well as a summary of key regulations and tariffs for imported seafood and useful links on doing business abroad.

Omega 3 research

This project involved undertaking a programme of research into consumer awareness and understanding of omega 3, both within natural seafood products and in the form of supplements and fortified products. Awareness of omega 3, its benefits and sources was found to be very high. The taking of supplements was also found to be significant; at least 50% of study participants were either found to be taking, or giving to their children, an omega 3 supplement or buying food fortified with omega 3. The consumption of oil-rich fish, as a source of omega 3, was found to be reasonable, although there are still barriers to greater consumption, and the wide availability of supplements has made it easy for consumers to adopt this as a route to getting their dose of omega 3.

Market data

In late 2007, Seafish recruited a new data supply company, AC Nielsen, which has allowed access to the Nielsen Scan Track and Home Scan databases. Scan Track utilises EPOS (electronic point of sale) till roll data and allows the UK retail market to be tracked at a more detailed level. This data is supplemented with Home Scan data allowing for analysis of important consumer insights.

MANAGEMENT COMMENTARY

For the year ended 31 March 2008 (continued)

Economics

The Economics team has continued to provide research and analysis to inform policy decisions and improve business efficiency to benefit the UK seafood industry.

Business advice

The Business Improvement Group (BIG) delivered work packages, including Strategy Workshops and Benchmarking, to 15 clients, identifying a potential £800k in cost savings or increased profit to client companies.

The Process Excellence Service, contributing to BIG, utilised Financial Instrument for Fisheries Guidance (FIFG) funding to deliver lean six sigma training to processors in England. The service delivered advice which led to annualised savings acknowledged by clients to be worth £600k and identified around £500k in potential annualised costs savings.

The Seafood Strategic Outlook edition on carbon emissions was published with an integral CD containing an audio-visual presentation.

Consultancy

Economics provided an estimate of impact of reductions in cod quota for the Scottish Government and also conducted further methodological research with Glasgow Caledonian University to improve estimation models for fleet costs and profits.

Fisheries economics

The 2005 Fleet Economic Survey full report and key features was published and the 2006 Fleet Economic Survey, with the highest ever survey rate, was submitted to fulfil the UK obligation under EU Data Collection Regulations.

The Seafish fleet profit forecasting model was extended to cover 11 key fleet segments and merged into one, user-friendly model. A report on the model was published and supplied to industry and government for use before and during EU quota negotiations.

Input / output – economic impact of the seafood industry

A full report, covering catching and processing sectors, was prepared by Fraser of Allander Institute, working with Seafish. This included analysis by region and fish type. Multipliers used in several enquiries, notably the Lyme Bay economic impact assessment, were developed.

Research and Development

The past year saw an increased focus on services, aided by the adoption of a new project management system and the provision of ad-hoc advice and support to industry.

Stability monitoring and warning device

Hook Marine launched a stability device at the 2008 Glasgow Fishing exhibition. The device was the result of both funding and cooperation from Seafish during 2007. It is now a commercially available product ready to be fitted on fishing vessels and save lives.

Environmental Impact Guidelines

Seafish assisted fishermen to demonstrate that their activities in the marine environment are in line with conservation goals - and the positive role they have to play in stewardship of the

MANAGEMENT COMMENTARY

For the year ended 31 March 2008 (continued)

marine environment. Seafish gave support to the catching sector in important environmental 'test' cases, such as the Lyme Bay scallop fishery, where the industry has proposed to work within environmental guidelines to allow the fishery to remain open. Research and Development produced five user-friendly guides for catchers to help them adhere to legislative requirements, and to improve the environmental performance of their businesses.

Conclusion of biofuels study

Seafish research found that biofuels are a technically viable and realistic alternative to fossil fuels in fishing vessels. Two fishing vessels operated successfully on pure vegetable oil and biodiesel, although several technical issues were encountered throughout the life of the project. Environmental concerns also were encountered and addressed. The biodiesel was produced from waste cooking oil, whilst the pure plant oil was sourced from sustainable farms in Argentina.

High Pressure Processing (HPP)

Seafish sponsored novel research, at Campden & Chorleywood Food Research Association Group, which demonstrated great potential for HPP in the seafood industry. Aside from irradiation, HPP is perhaps the most widely-researched and commercially developed emerging non-thermal preservation technique for food processing. Trials were carried out on nephrops, mussels, oysters, crab, cold water prawns, lobster, warm water prawns, salmon, squid, mackerel and cod. Across the species, mix, yield, sensory and shelf-life benefits were demonstrated. Work is continuing and a final report will be published in Summer 2008.

Other research and development projects in 2007/08 included:

- The design, commissioning and building of the Seafood Information Network, launched at the European Seafood Exposition in April 2008;
- Best practice gear training for 60 fishermen at the Hirtshals flume tank in Denmark and further building of our relationship with SINTEF, the Norwegian operators of the facility;
- Completion of 20 different species Responsible Sourcing Guides available on the Seafish B2B website;
- Collaboration on the Scottish Industry Science Partnership project, investigating the efficiency of escape grids in the mackerel fishery;
- Continuing research into the developing UK squid fishery - looking at stock assessment, catch quality, gear efficiency, fish behaviour and particularly discard sampling, which highlighted very low by-catch rates in the targeted fishery;

MANAGEMENT COMMENTARY

For the year ended 31 March 2008 (continued)

- Design and testing of a UK version of the eliminator trawl and the T-90 (turned mesh) nets for reference in 2008 EU quota debate, in partnership with the National Federation of Fishermen's Organisations and the Centre for Environment, Fisheries & Aquaculture Science. Both these fishing nets have shown significant conservation potential for UK fishermen and have generated a great deal of interest;
- Completion of two projects on shell waste which have helped raise awareness of continuing issues with waste disposal. The work identified a number of potential commercial opportunities for shell; and
- Successful conclusion of a number of one-year Industry Project Fund projects, including a mackerel egg survey, cholesterol in shellfish, scallop hydrodredge and the employment of the Scottish Association of Shellfish Growers' strategy manager.

Aquaculture and Inshore Fisheries

Seafish continued to provide strategic support and facilitate vital research for the aquaculture and inshore fisheries sectors.

Facilitating inshore fisheries and aquaculture development

Seafish is funding Dr Tom Pickerell's three-year post at the Shellfish Association of Great Britain (SAGB) to manage implementation of the Shellfish Industry Development Strategy (SIDS). Tom has made significant progress in setting key priorities and targets, and obtaining additional funding to deliver the 45 recommendations in the strategy. SAGB is using SIDS as the shellfish industry's position in consultations on the Marine Bill and Defra's 2027 Vision. Seafish continues to facilitate development through membership of Defra's Inshore Fisheries Working Group, as well as our strong links with the respective industry trade associations and inshore managers.

Seafish is one of the stakeholders helping the National Assembly for Wales to develop the Wales Fisheries Strategy for commercial and recreational fisheries. Consultation on the strategy closed in March 2007, after which an implementation plan was developed.

Inshore fisheries and aquaculture fund

Seafish provided research and development funding for aquaculture and for inshore fisheries. The most recent projects include studies into improving larval survival of commercially farmed fish (cod, halibut), assessing new species for farming (hake, abalone), diffuse sources of microbial contamination in bivalves, ray discards, bivalve cultivation in realignment sites and a lobster 'escape hatch'.

Seafish provided £50k to the Scottish Aquaculture Research Fund (SARF). Our membership on the SARF Board of Directors and our submission to the consultation on the Strategic Framework for Scottish Aquaculture ensure that research priorities remain appropriate for the development of this important sector.

MANAGEMENT COMMENTARY

For the year ended 31 March 2008 (continued)

Training and Accreditation

The Training and Accreditation team has continued to improve quality, safety, sustainability and efficiency in the industry through training and standards-based accreditation schemes.

Safety training

Most FIG and Fisheries Administration funding for fishermen's safety training has now ended. This funding, totalling more than £4m, had been in place for seven years, during which time it paid for the delivery of 5,000 training courses and free training for 40,000 attendees. Seafish is now undertaking a major evaluation of this initiative to establish the impact it has had on improving safety at sea for fishermen.

Seafish also reviewed its approach in allocating levy funds to support training delivery and now intends to move away from a system that funds organisations, such as Group Training Associations (GTAs), towards a system that funds the individuals undertaking the training. Core funding to GTAs is planned to be phased out over the next two years and Individual Training Support Grants will be introduced in 2009.

Seafood Training Academy

The Seafood Training Academy has become the first port of call for training for businesses and people working in the onshore sectors of the seafood industry. The Grimsby Institute of Further and Higher Education has decided to join forces with Seafish to enhance the benefits the Academy can deliver to industry during the coming year.

Responsible Fishing Scheme

The Responsible Fishing Scheme has now engaged more than 500 vessels in the scheme and helped 200 vessels achieve accreditation. Seafish secured financial support from Tesco for the further development of the scheme during 2008/2009.

Quality Awards

In 2007/8, 36 companies held the Seafish Quality Processor/Wholesaler Award and 518 businesses held the Friers Quality Award. During the year, Seafish reviewed its accreditation schemes for processors and friers and will be launching an improved package of support on accreditation for these sectors in 2008/2009.

Training development

Training courses and supporting material were developed during 2007/08:

- to enable fishing vessels to satisfy new requirements for Hazard Analysis and Critical Control Points (HACCP) leading to the award of a joint Seafish and Royal Environmental Health Institute of Scotland (REHIS) certificate;
- for shellfish purification and seafood quality assessment, a training and motivation guide for seafood businesses and a seafood guide for trainee chefs; and
- to establish a system of online learning and assessment that will enable serving skippers of vessels less than 16.5m to study for the proposed new skipper's ticket with minimal disruption to their commercial fishing activities.

MANAGEMENT COMMENTARY

For the year ended 31 March 2008 (continued)

Reform of training delivery

More than 800 new entrant fishermen received basic safety training in 2007/2008 and almost 300 fishermen updated their basic safety skills. In anticipation of the likely introduction of a new skipper's ticket for vessels under 16.5m, 300 fishermen attended navigation training and 200 fishermen attended engineering training. More than 500 fishermen attended stability awareness training and 120 fishing vessels took advantage of onboard advice and guidance on completing risk assessments.

Through the Seafood Training Academy, more than 2,000 candidates from the onshore sectors completed our food safety, health and safety, HACCP, fish filleting and fishmonger training courses. In addition, Seafish has now registered more than 500 candidates for the fish frying and customer service skills qualifications.

Legislation

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

Advice service

Advice has continued to be given directly by telephone and email, and more specific guides on seafood labelling, packaging waste and exports produced, which are available on the Legislation pages of the Seafish Business to Business website. This website, which also provides up to date news and information on legislation, has expanded during the year and continues to receive an increasing number of visits. The department also advised the Association of Port Health Authorities on new guidance on the identification marking of fishery products imports.

Legislation Expert Group

The legislation expert group continued to meet on a two-monthly basis and provide a forum for discussion and response on new developments impacting on the seafood industry. The marine environment legislation expert group was also established to deal with increasing regulatory development on marine issues. Both groups are valued by industry trade bodies and government departments and agencies demonstrated by a high level of attendance.

Consultations

Consultations on seafood have included responses to a review of the hygiene regulations, a revised fish hygiene charges regime, fish labelling, nutrition labelling, animal by-products, a review of European Commission fish marketing requirements and now a new regulation on the provision of food information to consumers.

Specific issues have included the continued product testing of fishery products from Indonesia, the freezing of fish used for sushi, submission of omega 3 under a new Nutrition and Health Claims Regulation and a Russian State Veterinary Service inspection of pelagic fish processors exporting to Russia for compliance with their hygiene requirements. Since late 2007, the Legislation team has been involved with the Food Standards Agency's review of the "two a week" advice on fish consumption to take into account sustainability.

MANAGEMENT COMMENTARY

For the year ended 31 March 2008 (continued)

Marine legislation

Marine legislation subjects included the Water Framework Directive, offshore conservation sites, EU marine policy, invasive non-native species, draft Marine Bill and Environmental Liability Directive. The Marine Bill continues to be monitored. Now in draft for consultation this is particularly important as it could place further constraint on the fishing industry.

Most of the regulation that impacts on the industry comes from the EU Commission via Defra and the Food Standards Agency but this is not always the case. Legislation's horizon scanning activity has now been expanded to include other Government departments and food related forums.

Marine services

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 cost to levy by the end of the three year plan.

The team's structure was changed to include a steering committee in 2008 and has proved valuable in determining the focus of commercial activity and financial performance upon each quarterly review.

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. Consultancy services have also increased significantly over previous years, with major construction projects for North Eastern Sea Fisheries and The Loughs Agency being two of the highest single value projects for the department 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 100 new vessel certifications.

With FIGF funding coming to an end Marine Services increased efforts to ensure all modernisation projects for vessels had been surveyed to meet the deadline for funding. By year end the team had completed surveys and submitted reports for 240 of 276 applications received.

Kingfisher

Kingfisher had an equally successful year with significant development and promotion of their services. With the increase in developments for the renewable energy sector, Kingfisher signed a contract to put the Burbo Bank Wind farm data onto electronic charts.

Information flyers were also distributed to fishermen on phase-1 of the Robin Rigg Wind Farm project and distributed to fishermen catching in the Irish Sea. All major fishing exhibitions were attended, including exhibitions in Denmark and France during October which proved very worthwhile; Seafish received press coverage in both countries and now have links on two Danish websites for fishermen.

MANAGEMENT COMMENTARY

For the year ended 31 March 2008 (continued)

Initial meetings in Galway and Paris were attended as part of the Deep Clean Project, run by the marine institute BIM. Preliminary work began in assessing project requirements to extract data from the sea voyages and translate it to a database format.

Newly-designed cable awareness charts were distributed to fishermen in three languages.

Financial position at 31 March 2008

Levy income

Levy income was 3.9% lower than last year, reflecting a small decrease in seafood consumption over the same period as general food inflation and, in particular, higher fish prices, have driven consumers towards lower-cost proteins. As forecast last year, this includes the growth of new sustainable, herbivorous fish species which, by nature of being anadromous or farmed in fresh water, do not incur Seafish levy.

Employment costs

The relocation from Hull to Grimsby will impose additional costs on approximately 39 staff. The Board have agreed that all reasonable steps should be taken to retain staff by protecting those affected from these additional costs. This has been achieved by offering compensation payments to staff who relocate, commute or transfer to homeworking.

The Board takes professional advice from Hymans Robertson (Glasgow) about the costs of providing pension benefits both to current and former staff. Employment costs include additional voluntary employer pension contributions of £144k to Fund WYPF to bring total contributions for the year to an amount estimated by our independent pension adviser to be equivalent to the increase in pension liability. The equivalent amount paid last year was £222k. A triennial actuarial valuation was carried out on the WYPF as at 31 March 2007, and these results showed an actuarial surplus at that date. However, dramatic falls in global economies and the UK equities market are likely to have at least diminished that substantially at 31 March, 2008. The latest advice from Hymans Robertson therefore is to maintain our voluntary contribution level of 14% rather than the 8.7% required next year by WYPF. As reported in previous years, the Board continues to monitor performance in cash terms.

Our bank balance of £2.5m remains very similar to the £2.7m at the start of the year. This reflects our aim of spending available funds for the benefit of industry but also retaining sufficient cash to meet our commitments to WYPF.

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.

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 2007-2008 at a rate advised by an independent pension adviser and the closure of that defined benefit scheme to new entrants. New staff are eligible only for a defined contribution scheme into which the maximum employer's contribution is 10%.

MANAGEMENT COMMENTARY

For the year ended 31 March 2008 (continued)

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 four years, is confident it is taking prudent and proper action to avoid further cash exposure to this continuing and complex liability.

The Board is aware of the balance sheet deficit of £2,232k. However the Board is also aware of the rather erratic nature of the pension deficit, as it is based on asset values from the stock markets as at one point in time against changing actuarial assumptions on the life expectancy of scheme members and a consequent increase in liabilities. Nevertheless, the impact of the pension deficit is considered regularly and in detail.

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.

Current and future trends and developments

Seafood and business trends

Wild catch fish prices have risen between 25% and 35% all around the world over the last 18 months. More recent increases in many other core food ingredients - whether driven by climate, poor growing or harvest conditions, or the emergent buying power of India and China - have coupled with this to seafood shortages being top of a political agenda few predicted even three years ago. Not surprisingly against this background, sales of fresh and chilled seafood in the UK began to dip in 2007 and whitefish levy receipts in particular fell by 7%, almost £400k, in the 12 months to March 2008 compared with the previous year. Given these changes in the marketplace, we are budgeting for a further decrease in overall levy income to approximately £8.1 million for 2008/09.

At the same time, and perhaps coupled with this, the acceptance of formal, accredited sustainability standards such as MSC, and voluntary codes of best practice such as the Seafish Responsible Fishing Scheme (RFS), have emerged from fringe to mainstream. We are delighted in the uptake of RFS in the UK fishing fleets and of the world-wide interest being shown by other responsible fishing nations. Seafish is currently working closely with the Food & Drink Federation on a code of conduct for tuna being imported into the UK.

Delivery of future solutions depends on close working relationships with industry partners. Our own newly-established Account Management team is helping to achieve a higher level of engagement within industry generally and with these key relationships.

Financial exposure

Tenants have been found for the property we own in Edinburgh and we welcomed the new Scotland Food & Drink organisation into Logie Mill in October, 2007. Leases have been signed for new offices at the Humber Seafood Institute (Grimsby) and we move into these from Hull in July 2008.

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

MANAGEMENT COMMENTARY

For the year ended 31 March 2008 (continued)

assets and liabilities are denominated in sterling so it is not exposed to interest rate risk or currency risk.

Seafish land and buildings now constitutes only 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. This valuation, at open market value for existing use, is incorporated in Seafish accounts. The Board are not aware of, nor do they consider it likely that there has been, a material change in value therefore the valuation has not been updated.

Future strategic direction

Seafish 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.

Proposals for our future have been clustered under the three agreed themes of responsible sourcing, sales revenue and cost reduction. The annual budget for 2008–2009 is based on a small reduction in levy, presumes very limited access to the new European Fisheries Fund before 2009 and presumes a small year end operating deficit if all projects are completed on time.

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

Risks and uncertainties

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

At the highest level, we exist because all four UK Fisheries Administrations (Ministers) believe that there is an important role for us to fulfil. That decision was evidenced in their 2006 response to our independent review, and confirmed our right to raise a levy. Seafish is, however, not a government delivery agency and the Seafish Board – made up of a majority of industry representatives – set our work programme to deliver economic benefit to our industry stakeholders. In response to recommendations in the Review of the Sea Fish Industry Authority published in 2005, and supported by the Governments' response, we have established a new process for consultation as part of the development of our three-year strategic plan, to ensure that the industry supports our work programme. However, each of the three devolved UK nations now has a minority, nationalist government and we are aware of a political preference for branded national, rather than UK, solutions.

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

MANAGEMENT COMMENTARY
For the year ended 31 March 2008 (continued)

Finally, at a tactical level, Seafish delivers its industry objectives through well-managed projects, often involving third party contractors or consultants rather than depending entirely on internal resources, which in turn requires different skills and competences from core Seafish staff. Seafish project staff have been trained in a formal project management methodology, designed and tailored to our needs and procedures. The methodology is based on Prince2 and standard Managing Successful Programmes (MSP) techniques. All project staff understand the importance of delivering practical solutions within realistic timescales and manage risk as part of the project management process.

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

Within the overall heading of Risk and Uncertainty, a number of warrants were executed on Seafish in April 2008, relating to criminal investigations into the pelagic industry in Scotland, more detail is provided in the Directors' Report on page 4 in the section headed post balance sheet events.

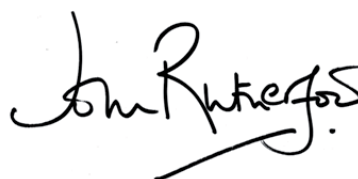
The Board does not consider this to be a material risk, nor have they made any specific contingency other than to recognise the need for additional professional advice in the current budget.

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 now involves telephone interviews with 200 customers who complete a questionnaire involving some regular and some one-year-only enquiries from which a range of performance indices are compiled.

We are pleased to note increasing support for specific projects and where we have established face to face contact, scores are generally in the "satisfactory" region. However this is not always the case and many people have strongly-held opinions established over very many years which we cannot expect to change quickly. As a result, the overall customer satisfaction index is unchanged at 6.3 on a ten point scale. The Board monitors management plans and performance carefully and is determined to see this customer satisfaction index increase steadily over the next three years. It welcomes feedback on how we might improve Seafish performance overall.

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



J. A. Rutherford
Chief Executive
19 June 2008

RENUMERATION REPORT For the year ended 31 March 2008

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 normally comprises five 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 2008 were Mr. J. S. Whitehead (Chairman), Mr A Dewar-Durie (retired 31 May 2007) Mr. G. Maddan, Mr. M. Parker and Mr. A. West. Meetings are held not less than twice a year and all meetings are minuted.

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

Pay policy is formally reviewed annually by the Committee. In seeking to ensure pay and other conditions are fair, competitive and affordable, market data and other relevant data are taken into account. Like all other Seafish employees, the pay associated with Executive posts is derived from a formal grading structure, and pay increases are linked to performance. In 2007/08 annual pay awards for all staff ranged from 0% to 6%.

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.

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.

Executive Directors' Emoluments

	2008		2008	2007
	Salary	Benefits in kind	Total Emoluments	Total Emoluments
	(£)	(£)	(£)	(£)
Chief Executive	100,457	6,330	106,787	100,362
Development Director	75,000	7,463	82,463	72,395
Research Director	75,000	3,904	78,904	72,377

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

RENUMERATION REPORT
For the year ended 31 March 2008 (continued)

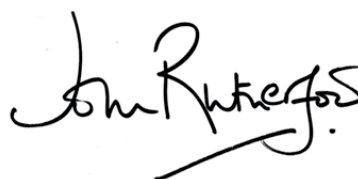
Executive Directors' Pension Benefits

	Real increase in pension at age 60 for year to 31 March 2008	Accrued pension and lump sum at age 60 for year to 31 March 2008	CETV at 31 March 2008	CETV at 1 April 2007	Real increase in CETV for year to 31 March 2008
	(£)	(£)	(£)	(£)	(£)
Chief Executive	5,767	31,981	120,352	93,784	19,379
Development Director	4,722	19,634	68,497	49,467	13,928
Research Director	4,383	15,934	50,569	34,234	10,784

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

CETV represents the cash equivalent transfer value.

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
19 June 2008

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

For the year ended 31 March 2008

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 2008

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. 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 2008 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 2008 (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 and finance manager 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.

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 with the Finance and Administration manager. I also am informed formally by my two senior 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 2008 (continued)

As Accounting Officer I am not aware of any significant control issues other than those relating to Crown Office (Scotland) investigations and search warrants executed on Seafish on 18 April, 2008. Seafish staff are not part of any government enforcement process and Seafish is not a "business in the regulated sector" for the purposes of the Proceeds of Crime Act 2002 ("POCA"). However from time to time, within the context of their normal work and the skills they require to carry this out, certain Seafish staff may have reason to become suspicious of offences being carried out by third parties. Following a letter from the UK Fisheries Minister dated 1 May, 2008, on behalf of the Minister and the relative Ministers in all the devolved administrations, we are now, subject to further direction from Defra, introducing a policy of reporting any suspicion of offences relating either to the Fisheries Act or to illegal, unreported and unregulated fishing to the appropriate authorities. Such offences are capable of giving grounds for suspicion that a person is engaged in the secondary offence of money laundering of the criminal property which they generate. The policy necessitates the introduction, within Seafish, of a system of preliminary internal reporting of suspected criminality. The introduction of such a system, coupled with the nomination of myself as the person to receive the internal reports, turns me into a "nominated officer" for the purposes of POCA. As POCA presently stands a nominated officer is required to disclose suspicions of money laundering to the Serious Organised Crime Agency (SOCA). Nonetheless, provided I do make the required disclosure to SOCA, it will not be an offence for me also to report the primary quota-related offences directly to the authorities charged with duties relative to them (even if those authorities do not have an express authorisation from the Director-General of SOCA to receive required disclosures under POCA).



J. A. Rutherford
Chief Executive
19 June 2008

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 2008 under the Fisheries Act 1981, as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2004. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having being audited.

Respective responsibilities of the Authority, Chief Executive and auditor

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

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

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

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report, Management Commentary and 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 opinion

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Fisheries Act 1981, as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2004 and directions made thereunder by Fisheries Ministers, of the state of Sea Fish Industry Authority's affairs as at 31 March 2008 and of its surplus for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Fisheries Act 1981, as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2004 and directions made thereunder by Fisheries Ministers; and
- information which comprises the Directors' Report, Management Commentary and the unaudited part of the Remuneration Report, included in 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.

T J Burr
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London, SW1W 9SS
1 July 2008

INCOME AND EXPENDITURE ACCOUNT
For the year ended 31 March 2008

	NOTES	2008		2007 (restated)	
		£000	£000	£000	£000
Income					
Levies	1d		8,327		8,669
EU Income	2		1,591		2,029
Other Income	2		1,080		978
			<hr/>		<hr/>
			10,998		11,676
Less:					
Expenditure					
Employment Costs	6b	4,077		4,921	
Depreciation	7	233		255	
Other Operating Expenditure	3	7,069		6,596	
		<hr/>		<hr/>	
			(11,379)		(11,772)
			<hr/>		<hr/>
Operating Deficit			(381)		(96)
Exceptional Items					
Restructuring Redundancy			-		(1,465)
Interest Receivable					
Banks and Other Interest			138		115
			<hr/>		<hr/>
Notional Cost of Capital	1m		(6)		(164)
Net Pension Finance Gain					
	10		291		140
			<hr/>		<hr/>
Surplus/(Deficit) before Taxation			42		(1,470)
Taxation					
	1e & 4		-		-
Surplus/(Deficit) after Taxation			42		(1,470)
Reverse Notional Cost of Capital	1m		6		164
			<hr/>		<hr/>
Surplus/(Deficit) for the Year	18		48		(1,306)
			<hr/> <hr/>		<hr/> <hr/>

All of the above figures relate to continuing operations.

The notes on pages 33 to 50 form part of these accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2008

	NOTES	2008 £000	2007 (restated) £000
Surplus /(Deficit) for the Financial Year		48	(1,306)
Actuarial Loss	10	(5,771)	(1,995)
		—	—
Total Recognised Losses		(5,723)	(3,301)
		<u> </u>	<u> </u>

The Actuarial loss is split between the funded and unfunded elements of the pension scheme, see note 18 Movement on reserves on page 48 for further detail.

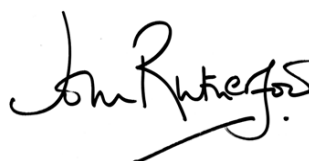
The notes on pages 33 to 50 form part of these accounts.

BALANCE SHEET AS AT 31 MARCH 2008

	NOTES	2008		2007 (restated)	
		£000	£000	£000	£000
Fixed Assets					
Tangible Assets	7		2,635		2,824
Current Assets					
Debtors	8	2,847		3,027	
Cash at bank and in hand	16 & 17	2,506		2,668	
		—————		—————	
			5,353		5,695
Creditors - Amounts Falling Due Within One Year	9	(1,516)		(1,448)	
		—————		—————	
Net Current Assets			3,837		4,247
			—————		—————
Total Assets less Current Liabilities			6,472		7,071
Provisions for Liabilities and Charges					
Restructure – early retirement costs	10	(3,914)		(2,058)	
		—————	(3,914)	—————	(2,058)
Deferred Income	11		(2)		(7)
Net Pension Liability	10		(4,788)		(1,515)
			—————		—————
			(2,232)		3,491
			—————		—————
Capital and Reserves					
Revaluation Reserve			1,439		1,439
Accumulated Fund Excluding Retirement Benefits 1,117			3,567		
FRS 17 Retirement Benefits		(4,788)		(1,515)	
		—————		—————	
			(3,671)		2,052
		—————	—————	—————	—————
	18		(2,232)		3,491
			—————		—————



C. Howeson - Chairman
19 June 2008



J. A. Rutherford - Chief Executive
19 June 2008

The notes on pages 33 to 50 form part of these accounts.

CASH FLOW STATEMENT
For the year ended 31 March 2008

	NOTES	2008		2007 (restated)	
		£000	£000	£000	£000
Net Cash Outflow from Operating Activities	15		(256)		(177)
Returns on Investments and Servicing of Finance					
Interest received		138		115	
Interest paid		-		-	
Net Cash Inflow from Returns on Investments and Servicing of Finance			138		115
Taxation					
UK corporation tax paid			-		-
Capital Expenditure and Financial Investment					
Purchase of tangible fixed assets		(44)		(210)	
Capital grants		-		-	
Net Cash Outflow from Capital Expenditure and Financial Investment			(44)		(210)
Management of Liquid Resources					
Decrease in Money Market	16 & 17		293		70
Increase/(Decrease) in Cash	17 & 18		131		(202)

The notes on pages 33 to 50 form part of these accounts.

NOTES TO THE ACCOUNTS For the year ended 31 March 2008

1. Principal Accounting Policies

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

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

(a) Tangible Assets

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

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

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

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

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

	(%)
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 2008 (continued)

1. Principal Accounting Policies (continued)

(b) Government Grants

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

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

(c) Market Development Expenditure and Training Materials

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

(d) Levy Income and Debtors

Levy income is stated gross. Commission paid to agents for collecting levy is now included in Other Operating Expenditure and the comparative figures have been restated. In previous years levy income was stated net of agents' commission.

The amounts included in levy income and debtors as levy receivable for the year ended 31 March 2008 are the amounts actually received by 30 April 2008. 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 2008 (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. 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 2008 (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

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

(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.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2008 (continued)

2. EU and other income

Other Operating Income is made up as follows:

	2008		2007	
	EU £000	Other £000	EU £000	Other £000
Marine & Fisheries Agency	1,569	12	1,224	235
Scottish Government	16	212	514	137
DARDNI	-	-	43	-
WEFO/WAG	-	-	153	34
European Union	6	-	95	-
Miscellaneous Other Income	-	856	-	572
	<u>1,591</u>	<u>1,080</u>	<u>2,029</u>	<u>978</u>

3. Total Expenditure

Details of Seafish expenditure is made up as follows:

	2008 EU £000	2008 Other £000	2008 Total £000	2007 (restated) £000
Research Activities	<u>1,345</u>	<u>1,775</u>	3,120	2,753
Business Development Activities	<u>590</u>	<u>1,764</u>	2,354	2,367
Travel & Subsistence			191	164
Motor Vehicle Costs			275	275
Staff Training & Recruitment			129	186
Professional Fees			161	202
Other Department Costs			122	153
Repairs & Maintenance			52	58
Computing Costs			46	53
Other Location Costs			619	385
			<u>7,069</u>	<u>6,596</u>

It is not possible to show prior year comparators for EU expenditure because in the year to 31 March 2007 we did not split expenditure transactions in such a way to enable this analysis.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2008 (continued)

3. Total Expenditure (continued)

The operating deficit is stated after charging:

	2008	2007
	£000	£000
Auditors' remuneration	20	19
	<u> </u>	<u> </u>
Operating lease rental - Land and buildings	16	16
- Motor vehicles	116	125
	<u> </u>	<u> </u>
	132	141
	<u> </u>	<u> </u>

4. Taxation on Profit on Ordinary Activities

	2008	2007
	£000	£000
a) Analysis of charge in period		
Current tax:		
UK corporation tax on profits for the period	-	-
Adjustments in respect of previous periods	-	-
	<u> </u>	<u> </u>
Tax on profit on ordinary activities (note b) below	-	-
	<u> </u>	<u> </u>
b) Factors affecting tax charge for period		
Surplus/(Deficit) on ordinary activities before tax	48	(1,306)
	<u> </u>	<u> </u>
(Deficit)/Surplus on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2007 : 30%)	14	(392)
Effects of:		
Permanent disallowable expenditure	-	338
Adjustment to tax charge in respect of previous period	74	-
Tax Deductible Pension Contributions	(259)	(313)
Tax at marginal rates	-	-
Movement in losses	171	100
	<u> </u>	<u> </u>
Current tax charge for the period (note 1e)	-	-
Losses carried forward	2,001	1,430
	<u> </u>	<u> </u>

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 2008 (continued)

5. Members' Emoluments

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

		2008	2007
		£	£
Chairman	A. Dewar-Durie (retired 31 May 07)	8,441	49,364
	C. Howeson (appointed 1 July 07)	37,985	-
Deputy Chairman	J.S. Whitehead	20,520	20,000
Board Members		79,558	88,939

The names of Board Members can be found in the Directors' Report on page 4.

Total travel and subsistence of Members reimbursed by Defra	58,323	88,096
	<u> </u>	<u> </u>

6. Employee Information

(a) The average number of staff employed by Seafish during the year is noted below and included 7 part-time positions (2007 - 7).

	Management and Staff		Agency/Temp Contract Staff	
	2008	2007	2008	2007
Research	45	48	2	-
Business Development	26	31	2	1
Corporate Services	20	25	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	91	104	4	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
For the year ended 31 March 2008 (continued)

6. Employee Information (continued)

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

	2008	2007
	£000	£000
Gross salaries	3,565	3,710
Social Security Costs	268	272
Pension Costs	191	821
	<hr/>	<hr/>
Total Direct Costs of permanent staff	4,024	4,803
Total Direct Costs of temporary staff	53	118
Total Direct Costs of employment	<u>4,077</u>	<u>4,921</u>
 <u>Analysis of Pension Costs:</u>		
Pension Current Service cost	551	602
Pension Curtailment cost	-	390
Past Service Gain	(213)	-
Less: Employee contributions	(147)	(171)
	<hr/>	<hr/>
	191	821
	<hr/> <hr/>	<hr/> <hr/>

(c) Executive Directors' Emoluments & Pension Benefits

Details of emoluments and pension benefits for the executive directors are shown in the Remuneration Report at pages 21 and 22. Details of related party transactions are shown at page 50.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2008 (continued)

7. Tangible Assets

	Freehold Land and Buildings £000	Short Leasehold Buildings £000	Furniture and Equipment	Computer Equipment £000	Total £000
Cost or Valuation					
At 1 April 2007	2,553	79	925	904	4,461
Additions		-	9	35	44
Disposals			(145)	(269)	(414)
	—	—	—	—	—
At 31 March 2008	2,553	79	789	670	4,091
	=====	=====	=====	=====	=====
Depreciation					
At 1 April 2007	71	68	817	681	1,637
Charges for the year	70	11	55	97	233
Disposals			(145)	(269)	(414)
Revaluation					
	—	—	—	—	—
At 31 March 2008	141	79	727	509	1,456
	=====	=====	=====	=====	=====
Net Book Value					
As at 31 March 2008	2,412	-	62	161	2,635
	=====	=====	=====	=====	=====
As at 31 March 2007	2,482	11	108	223	2,824
	=====	=====	=====	=====	=====

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

Continuing annual financial commitments in respect of short leaseholds are disclosed in note 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 2008 (continued)

8. Debtors

	2008	2007
	£000	£000
Trade Debtors (after bad debt provision)	832	1,012
Levy Debtors	620	658
Prepayments and Accrued Income	1,381	1,299
Interest on Cash at Bank	14	58
	2,847	3,027
	2,847	3,027

9. Creditors - Amounts Falling Due Within One Year

	2008	2007
	£000	£000
Trade Creditors	1,349	1,300
PAYE and Social Security	92	83
VAT	36	13
Pensions Contributions Payable	39	39
Accruals	-	13
	1,516	1,448
	1,516	1,448

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 8.7% of pensionable payroll effective 1 April 2008 to 9.2% from 2009 and 9.8% from 2010. In the year to 31 March 2008, 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 staff are instead offered a defined contribution scheme administered by the Legal & General Assurance Society. Employer's contributions during the year to 31 March 2008 were £41,156 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 2008 (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 2008	31 Mar 2007
Rate of inflation	3.6%	3.1%
Rate of increase in salaries	5.35%	4.85%
Rate of increase in pensions	3.6%	3.1%
Discount rate	6.1%	5.4%

Split of assets between investment categories

Equities	71.7%	73.6%
Government bonds	9.3%	7.3%
Other bonds	4.1%	4.1%
Property	5.1%	5.3%
Cash/Liquidity	3.6%	5.2%
Other	6.2%	4.5%

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

	Long-term rate of return expected at 31 Mar 2008	Value at 31 Mar 2008 £000	Long-term rate of return expected at 31 Mar 2007	Value at 31 Mar 2007 £000
Equities	7.5%	21,305	7.5%	22,751
Government bonds	4.6%	2,763	4.7%	2,256
Other bonds	6.1%	1,218	5.4%	1,267
Property	6.5%	1,515	6.5%	1,638
Cash/Liquidity	5.25%	1,070	5.25%	1,607
Other	7.5%	1,842	7.5%	1,391
 Total market value of assets		 29,713		 30,910
 Liabilities		 (38,090)		 (34,119)
		_____		_____
 Deficit		 (8,377)		 (3,209)
		=====		=====
 Value of unfunded liabilities (included in above)		 (3,914)		 (2,058)
		=====		=====

The unfunded liabilities are shown on the Balance Sheet at page 31 as a provision for early retirement costs due to restructure.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2008 (continued)

10. Pension Scheme Arrangements (continued)

The movement in deficit during 2007/08 was as follows:

	WYPF 2008 £000	SFIA 2008 £000	TOTAL 2008 £000	WYPF 2007 £000	SFIA 2007 £000	TOTAL 2007 £000
(Deficit) at 1 April 2007	(3,209)	(364)	(3,573)	(1,160)	(371)	(1,531)
Current Service Cost	(551)		(551)	(602)	-	(602)
Employer & Employee Contributions	975	35	1,010	1,173	41	1,214
Past Service Cost/Curtailment Cost	(108)		(108)	(799)	-	(799)
Net Interest/Return on Assets	312	(21)	291	160	(20)	140
Actuarial (Loss)/Gain	(5,796)	25	(5,771)	(1,981)	(14)	(1,995)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deficit at 31 March 2008	(8,377)	(325)	(8,702)	(3,209)	(364)	(3,573)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The components of the defined benefit cost for 2007/08 were:

	WYPF 2008 £000	SFIA 2008 £000	TOTAL 2008 £000	WYPF 2007 £000	SFIA 2007 £000	TOTAL 2007 £000
Operating						
Current Service Cost	404	-	404	431	-	431
Past Service Cost	108	-	108	-	-	-
Curtailment Cost	-	-	-	799	-	799
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Cost	512	-	512	1,230	-	1,230
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Finance						
Expected Return on Assets	2,122		2,122	1,877	-	1,877
Interest on Pension Liabilities	(1,810)	(21)	(1,831)	(1,717)	(20)	(1,737)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Gain/(Cost)	312	(21)	291	160	(20)	140
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Statement of Actuarial Gains/(Losses)						
Asset (Loss) Gain	(3,151)		(3,151)	344	-	344
Liability (Loss) Gain	(503)	55	(448)	-	-	-
Change in Assumptions	(2,142)	(30)	(2,172)	(2,325)	(14)	(2,339)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net (Loss)/Gain	(5,796)	25	(5,771)	(1,981)	(14)	(1,995)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE ACCOUNTS
For the year ended 31 March 2008 (continued)

10. Pension Scheme Arrangements (continued)

History of Gains and Losses

	WYPF 2008	WYPF 2007	WYPF 2006	WYPF 2005	WYPF 2004
Gain/(loss) on scheme assets Amount (£000)	(3,151)	344	4,391	1,325	3,030
Percentage of scheme assets at end of year	10.6%	1.1%	14.7%	5.4%	13.5%
Experience of gain/(loss) on scheme Liabilities Amount (£000)	(503)	-	(389)	(1,233)	-
Percentage of scheme liabilities at end of year	1.3%	-	1.3%	4.5%	-
Total gain/(loss) recognised in STRGL Amount (£000)	(5,796)	(1,981)	1,114	(395)	3,030
Percentage of scheme liabilities at end of year	15.2%	5.8%	3.6%	1.5%	12.2%

History of Gains and Losses

	SFIA 2008	SFIA 2007	SFIA 2006	SFIA 2005	SFIA 2004
Gain/(loss) on scheme assets Amount (£000)	-	-	-	(20)	(20)
Percentage of scheme assets at end of year	-	-	-	-	-
Experience of gain/(loss) on scheme Liabilities Amount (£000)	55	-	-	5	-
Percentage of scheme liabilities at end of year	16.9%	-	-	1.4%	-
Total gain/(loss) recognised in STRGL Amount (£000)	25	(14)	(20)	(6)	(20)
Percentage of scheme liabilities at end of year	7.7%	3.8%	5.4%	1.6%	5.3%

NOTES TO THE ACCOUNTS
For the year ended 31 March 2008 (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 2007	7
Released against depreciation	5
	—
At 31 March 2008	2

12. Contingent Liabilities

The 50-year lease over the Hull Offices was surrendered to the landlord in December 2006 however due to delays in finding suitable alternative accommodation Seafish have continued to occupy the premises on a tenancy at will. We now expect to move to new premises in Grimsby in July 2008.

Also in December 2006 the lease for the Fisheries Development Centre in Hull was surrendered. Seafish agreed to leave £30k in escrow so if no alternative tenant is found within two years the money can be used to assist with redevelopment of the site. No alternative tenant has been identified to date nor is it considered likely that an alternative tenant will be found therefore the £30k has been written off in the year.

13. Post Balance Sheet Events

A number of warrants were executed on Seafish in April 2008 relating to criminal investigations into the pelagic industry in Scotland, see detail in Directors' Report at page 4. The Board do not consider this to be a material risk and accordingly we have not made any provision or contingency in these accounts.

In June 2008, Seafish signed a ten year lease with North East Lincolnshire Council to occupy office premises on the new Humberside Seafood Park on the outskirts of Grimsby. The lease is for ten years with an option to withdraw from the commitment after five years. The estimated cost including rent, rates and service charge is £105k per annum. The intention is for all staff possible to relocate from Hull to these new premises in July 2008, with support agreed individually for additional personal costs arising from this move.

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. This is the date on which the certified accounts are despatched by Seafish management to the Cabinet Secretary for Rural Affairs and the Environment and the Minister for Environment and Rural Development. The authorised date for issue is 7 July 2008.

NOTES TO THE ACCOUNTS
For the year ended 31 March 2008 (continued)

14. Financial Commitments

At 31 March 2008 Seafish had continuing annual financial commitments in respect of operating leases as follows:

	Land and Buildings £000	Other £000
Leases expiring: within 1 year	8	43
between 1-5 years	-	82
over 5 years	-	-
	—	—
	8	125
	=	=

At 31 March 2008 Seafish had no capital commitments.

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

	2008 £000	2007 £000
Operating (Deficit)	(381)	(96)
Exceptional Items	-	(1,465)
Depreciation on tangible fixed assets	233	255
Decrease in Debtors and Prepayments	180	781
(Decrease)/Increase in Creditors and Accruals	67	(635)
Increase in Provisions	-	799
Decrease in Deferred Income	(5)	(5)
Pension Operating Cost	(350)	189
	—	—
Net Cash Outflow from Operating Activities	(256)	(177)
	=	=

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

	2008 £000	2007 £000
Increase/(Decrease) in Cash	131	(202)
Decrease in Liquid Resources	(293)	(70)
	—	—
	(162)	(272)
Cash outflow from decrease in debt	-	-
	—	—
Change in net debt	(162)	(272)
Net funds at 1 April	2,668	2,940
	—	—
Net funds at 31 March	2,506	2,668

NOTES TO THE ACCOUNTS
For the year ended 31 March 2008 (continued)

17. Analysis of Changes in Net Funds

	Balances At 1 April 2007 £000	Cash Flows £000	Balances At 31 March 2008 £000
Cash	138	131	269
Current Liquid Resources	2,530	(293)	2,237
	-----	-----	-----
Cash at bank and in hand	2,668	(162)	2,506
	=====	=====	=====

18. Movement on Reserves

	Revaluation Reserve (£'000)	General Fund (£'000)	Retirement Benefit Schemes (£'000)	Total (£'000)
At 1 April 2007 (restated)	1,439	3,567	(1,515)	3,491
Surplus for the period		48		48
Other movement in retirement benefit schemes		(642)	642	-
Actuarial loss recognised in STRGL		(1,856)	(3,915)	(5,771)
	-----	-----	-----	-----
At 31 March 2008	1,439	1,117	(4,788)	(2,232)
	=====	=====	=====	=====

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	(551)
Employer & Employee Contributions	1,010
Curtailment Cost	(108)
Net Interest/Return on Assets	291

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 2008 (continued)

19. Related Party Transactions

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

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

The balances payable to Seafish at the year end were:

	2008	2007
	£	£
Defra	411,823	602,740
Scottish Government	209,450	223,488
Department of Agriculture and Rural Development (Northern Ireland)	40	2,958
National Assembly for Wales	-	16,703
Welsh European Funding Office	-	3,576

NOTES TO THE ACCOUNTS
For the year ended 31 March 2008 (continued)

19. 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 2008 and accordingly there are no balances outstanding:-

Chairman Mr. A.Dewar-Durie (retired 31 May 2007) is:

- a director at Billingsgate Seafood Training School which was paid £14,794 by Seafish

Deputy Chairman Mr. J. S. Whitehead is:

- a consultant at Food From Britain which was paid £64,038 by Seafish
- a director (unpaid) at Improve Limited which was paid £351,820 by Seafish

Board Member Mr. I. M. MacSween (reappointed 1 July 07) is:

- a director of Seafood Scotland Ltd which was paid £201,141 by Seafish.
- a director of Scotland Food & Drink Ltd which was paid £10,000 by Seafish.

Board Member Mr. O. Norgaard is:

- a director of Lyons UK which was paid £30,000 by Seafish and from whom Seafish received £217,160.

Board Member Mr. M. Parker is:

- a director of Young's Seafood Ltd and several group companies from whom Seafish received £792,526.

Board Member Mr. C. Venmore is:

- a member of the Shellfish Association of Great Britain which was paid £31,020 by Seafish.

Board Member Mr. A. West is:

- chairman of Westward Fishing Company from whom Seafish received £28,086.
- a director of Seafood Scotland Ltd which was paid £201,141 by Seafish.
- a director of Scottish Fishermens Federation which was paid £5,000 by Seafish.

Board Member Mr. M. Park is:

- a director of Seafood Scotland Ltd which was paid £201,141 by Seafish.
- a director of Scottish Fishermens Federation which was paid £5,000 by Seafish.

Executive Director Dr. P. Williams is:

- a director of Yorkshire & Humber Seafood Group which was paid £nil by Seafish.
- a director of British Marine Finfish Association which was paid £1,762 by Seafish.
- a director of Whitby & District Fish Industry Training School which was paid £nil by Seafish.
- a director of Scottish Aquaculture Research Forum which was paid £nil by Seafish.

Executive Director Dr. J. Harman is:

- a director of Seafood Scotland Ltd which was paid £201,141 by Seafish.
- a director of Seafood Cornwall Ltd which was paid £934 by Seafish.
- a director of Northern Ireland Seafood Ltd which was paid £44,468 by Seafish.



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£9.25

ISBN 978-0-10-295210-0



9 780102 952100