

The UK seafood industry –
sustainability and profitability
Annual Report & Accounts 2005/06



The Sea Fish Industry Authority Annual Report and Accounts 2005/06

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of the Government Resources and Accounts Act 2000

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Chairman's Statement



Sustainability and globalisation continue to be dominant themes across all industries and the seafood industry is no exception. The term 'corporate social responsibility' has gained worldwide currency, and businesses know they need to demonstrate their commitment to it in order to be credible players in a competitive marketplace. The UK seafood industry is worth almost £5.5 billion and is now increasingly faced with scrutiny from media and NGOs. As a result, the industry has worked hard in the past year to prove its commitment to responsibility and sustainability, and Sea Fish Industry Authority (Seafish) has played its part in supporting this.

The catching sector continues to change as it is faced with finite quotas, high fuel costs and a need to improve profitability. Processors will continue to source seafood globally, driven by price, availability and the need to comply with retailer specifications and sustainability requirements.

The value of the UK seafood industry has grown by 11% over the past three years and seafood is now the fastest growing protein in terms of popularity. This buoyancy in demand has been fuelled in particular by positive messages about the numerous benefits of eating seafood, which Seafish continues to work hard to promote.

All the work that Seafish undertakes must have industry relevance, and the Seafish Board provides an important mechanism to set the strategic direction for the organisation. This year saw the retirement of three Board members who had all served the maximum of two three-year terms. John Goodlad, Alex Smith and Jeff Evans all offered valuable insights from their respective areas of expertise, and helped Seafish enormously during

their six years with us. Replacing them, after undergoing a rigorous selection process run by the four UK government fisheries departments, are Alex West, President of the Scottish Fishermen's Federation, Mike Parker, Deputy Chief Executive of Young's Bluecrest Seafood, and Ole Norgaard, Chief Executive of Lyons Seafood. I am confident that they will provide us with the ongoing industry focus our board needs.

The results of the independent review of our organisation were reported towards the end of the 2005/06 operational year and we were pleased that the review recognised our contribution to, and continuing role in, the UK seafood industry. The period of the review also gave us a valuable opportunity to consider the purpose of our organisation, which is unique in its activities and focus.

John Rutherford refers in his Chief Executive's Report both to our work outputs in the past year and our strategic ambition for the future. I am grateful for the manner in which Board and Management have worked together on this new direction. I am also grateful for the full and frank opinions given at the many recent meetings with different groups of our customers. Seafish staff must all be thanked for the positive way they have handled the recent period of uncertainty. I have confidence that the strategy we are now setting out to implement, places Seafish firmly alongside a sustainable and profitable UK seafood industry which we are all proud to serve.

A handwritten signature in blue ink, which appears to read 'Andrew Dewar-Durie'. The signature is stylized and fluid.

Andrew Dewar-Durie CBE, Chairman

Chief Executive's Report



The 2005/06 operational year at Seafish was marked by balancing delivery with planning for the future. We delivered a significant number of projects in support of our industry whilst undertaking a detailed Board and Management review of industry needs and the competencies required of Seafish as an organisation to deliver solutions.

Managing time was often challenging but I am confident that the results laid out in this Annual Report demonstrate our success. We delivered on all but one of our pre-agreed targets and reacted quickly to new issues for the industry as they arose.

We published our ideas of future industry needs in March 2006 for consultation with industry. This document laid out seven key workstreams within which we intend to cluster our future work. These are: reputation management; economics and manufacturing advisory service; market insight; research and development; training and standards; legislative compliance and marine services. We held a series of meetings with all sectors of the industry to discuss our strategy for the future and are grateful for their input and broad endorsement of our proposals.

All key capabilities are related to the knowledge we hold as an organisation. Our new structure will be built on knowledge accumulation – the creation and gathering of knowledge – and the delivery of that knowledge to improve industry performance.

There is widespread agreement of the importance of moving our direction from promotion of seafood consumption to a much stronger emphasis on sustainability and the reputation of our industry. This realigned focus was demonstrated in the 2005/06 projects we delivered under the banner of responsibility including the Responsible Fishing Scheme (RFS), biofuels for fishing vessels, alternatives to sodium metabisulphite in nephrops, and innovative gear designs to minimise bycatch and seabed impact.

PR is a vital tool in building the reputation of our industry which continues to receive too much negative coverage. We increased our PR efforts to win positive coverage for the industry in 2005/06 and generated positive communication messages with a value of nearly £10 million. We will strive to build on this in 2006/07, by securing more coverage in quality national newspapers and broadcast media.

Most recently, we facilitated meetings under the sustainability heading. The early success of forums discussing a sustainable supply chain and the protection of skates and rays, showed just how valuable these sessions can be when representation is drawn widely from across industry. They allowed industry to find common ground and solutions to often difficult and complex issues. Facilitation of future events will be a core ongoing role for Seafish.



We will continue to support the industry with specific intelligence on legislative issues through meetings such as the one held with the European Commission in Brussels in October 2005 to discuss hygiene, contaminants and nutrition. We will develop further an important horizon-scanning service to identify and communicate to industry in time for appropriate responses to new or amended legislation.

We will use our economic and market insight expertise to build on value chain analysis to reduce processor costs, model profitability for the fishing fleet and explain market gaps and opportunities within the seafood supply chain.

Training is vital for the successful development of any industry, and especially for the catching sector where dangers are well recognised. Seafish will continue our commitment to fishermen as the training certification body in the UK, with 1,000 seagoing personnel trained and qualified through Group Training Associations (GTAs) in basic safety during 2005/06. We will broaden our focus on training for land-based sectors in conjunction with relevant Sector Skills Councils, building the 'fish factor' into their existing courses.

Several key projects promoting the consumption of seafood were delivered in 2005/06. Although we will lessen our focus on this heading in future, support will continue in 2006/07 for the Fish & Chip Shop of the Year competition, Seafood Week, the Seafood Awards and extending 'The SuperHumans' campaign for seafood in school meals into England.

Our nine agreed targets for 2005/06 related to the style of business we have operated for many years; we fully delivered on eight of them, reviewing the ninth in light of changing priorities during the operational year. Performance against these targets is embedded in the following reports of what we have achieved.

Next year's targets will be more challenging and will be transparent and measurable to deliver demonstrable value to our industry. We will increasingly use existing partnerships with regional bodies and GTAs to deliver key projects and services to the industry.

We have worked hard during 2005/06 to determine exactly how we can contribute to a thriving seafood industry in the UK. With our strategic plans now defined and a clear vision of how we can best serve our industry, we will move forward with renewed vigour to work towards a future that is both sustainable and profitable.

J. A. Rutherford, Chief Executive



What we have achieved

Promoting a responsible industry



There has been growing pressure, driven in part by increasing media attention, for the seafood industry to demonstrate that it adheres to responsible practices.

One of the highlights of the work that Seafish has been doing in this area is the Responsible Fishing Scheme, developed by Seafish and the British Standards Institute. It is part funded by Financial Instrument for Fisheries Guidance (FIFG) and independently audited by Moody Marine – a company specialising in certification of standards for the marine environment. The scheme, designed to provide the catching sector with a way of demonstrating its commitment to responsible fishing practice to the whole supply chain, covers key areas of industry good practice. These include vessel criteria, handling and storage of the catch, environmental considerations, and the competency of the crew. Overall, the scheme will help to raise standards and promote good operational and environmental practice within the UK catching sector.

The scheme was piloted with a variety of different sized vessels across the whole of the UK, operating across different sectors, including demersal, whitefish, nephrops, live shellfish and pelagic. The scheme was launched to the UK catching sector at the Fishing 2006 exhibition in May 2006.

Another major issue facing the catching sector driven by both commercial and environmental concerns is fuel. Prices have doubled in less than two years, against a backdrop of increasing global interest in environmentally friendly alternative fuels. In October 2005, Seafish launched a project in conjunction with two technical partners to explore the potential of biofuels for the catching sector. The project is co-funded by the Department for Environment, Food and Rural Affairs (Defra), the Scottish Executive Environment and Rural Affairs Department (SEERAD), South West Regional Development Agency (SWERDA) and FIFG,

and managed by Seafish. High media interest in the launch of the project demonstrated clearly just how relevant and timely this initiative is. We will be reporting progress regularly as the project develops.

In August 2005, Seafish appointed an Environmental Impact Assessment Support Officer to help the inshore sector understand its obligations on environmental assessments in European Marine Sites, eg 'Appropriate Assessments' as required under the UK Habitats Regulations. The inshore team has also been producing guides for industry on responsible handling of live shellfish that will ensure operations get the maximum price for their produce.

Seafish also responded to particular issues as they arose during the year, for example increased scrutiny on the use of sodium metabisulphite on nephrops due to the introduction of new legislation. In November 2005, the legislation was changed to require allergen labelling of any product that had been treated with sodium metabisulphite, so practical, viable alternatives needed to be identified. Seafish consulted with processors and fishermen and developed a method of joint working to evaluate 12 alternative treatments. Samples were taken at sea and the results were passed to the processors for assessment. The outcomes of these tests were published in a 'Key Features' information leaflet for use across industry.



One of the continuing key issues under the banner of responsibility that faces the processing sector in particular, is the question of how to deal with the half a million tonnes of waste that the seafood industry produces each year. Increasing environmental controls and restrictions on the seafood industry also draw attention to this area. Following original trials in 2003, which looked into the viability of composting to deal with waste, Seafish carried out further commercial scale trials with composting companies during 2005. These trials resulted in international interest from a number of organisations and publications, and also resulted in companies developing composting systems to deal with shell waste.

This and other issues relating to waste were captured in a series of Seafish 'Key Features' information leaflets for use by industry. The issues included the profitable recycling of polystyrene fish boxes and a more general strategic approach which included the different options for waste management. This latter document, although aimed primarily at the processing sector, was also designed to be relevant to port markets, fishmongers and wholesale markets.

Other innovations in gear design were also tested this year, including a low-impact razorfish dredge and an 'off bottom trawl'. The low-impact razorfish dredge project was undertaken in partnership with the Centre for Environment, Fisheries and Aquaculture Science (CEFAS) following a ban on the fishery in The Wash, designated as a Special Area of Conservation. Following initial assessments, a number of alternative designs were reviewed before a model dredge was constructed which proved to have less impact on the seabed. The results of testing were presented to Defra

and English Nature in March 2006 and agreement was reached to open discussions on a potential trial commercial fishery.

The first sea trials of an 'off bottom trawl' were co-ordinated by Seafish in the southwest of England for the Cornish Fisheries Development Project. The trials examined the feasibility of trawls that fish just above the seabed for under-utilised but high value species such as black bream, John Dory, squid and cuttlefish. The project will continue towards commercial trials in the coming operational year.



What we have achieved

Encouraging excellence



Seafish is committed to raising standards across the seafood industry by supporting best practice and encouraging excellence from sea to plate.

The inshore team in Seafish has continued to co-sponsor inshore fisheries and aquaculture research and development, through the Seafish Technology and Innovation Primer Awards scheme. It has also undertaken research projects with other partners including Defra and the Scottish Aquaculture Research Forum (SARF).

A series of workshops, projects and services aimed at helping the inshore sector raise standards have also been implemented. In association with Bord Iascaigh Mhara (BIM) and the Irish Marine Institute, a series of workshops took place in southwest England, west coast of Scotland and Northern Ireland for the mussel-culture industry. In addition, FIFG funding was granted for an onshore abalone farm in Cornwall, the first of its kind in mainland Britain.

The Seafish Legislation Expert Group has continued to respond to issues affecting the seafood industry and promote dialogue between industry and government agencies, to ensure, as far as possible, that regulation of the industry is proportionate.

In conjunction with the National Federation of Fish Friers, the technology implementation team provided valuable information for the frying sector about the fat content of fish and chips through their *Fried Fish Fat Analysis* report. The results revealed that fish and chips contain around 30% less fat than commonly thought and are one of the healthiest of takeaways. This research was used to support positive PR coverage for the Fish & Chip Shop of the Year competition.

Seafish also continued to provide support to the frying sector through its Friers' Quality Award, which achieved its target this year of 500 quality award holders. The trade and quality team have worked closely with industry partners to revise the awards' criteria and the method of yearly reassessment. Discussions also commenced on the amalgamation of the friers' sector training awards with the Fish & Chip Shop of the Year competition.

In response to a request from the crab processing sector, Seafish arranged and hosted the first Crab Forum in Newcastle in February 2006. The forum was used to discuss better management of crab stocks and improvement of cash return to the industry. All UK processors also benefited from a new regular publication, *Seafish Strategic Outlook (SSO)*, which reports on specific issues that may affect the sector in the medium to long term. It is intended to assist company competitiveness, with the most recent edition featuring the rise of China's economy as one of the most important global developments in recent times.

Training is essential throughout the seafood industry and the training team at Seafish continues to encourage excellence through a wide range of training courses and materials. For the catching sector, a one day Intermediate Stability Awareness course was developed, and our network of Group Training Associations was equipped with all the resources needed to roll out delivery. The team also secured £600k combined funding from the Marine Fisheries Agency and FIFG to deliver free safety training to fishermen in England over the next two years.

In partnership with the National Federation of Fish Friers, Seafish launched a new Customer Service Skills qualification to sit alongside the existing Fish Frying Skills qualification. Six new training DVDs covering topics including health & safety and fish and shellfish identification were also produced.

At a strategic level, Seafish continued to work closely with Improve, the Sector Skills Council for the food and drink industries, and provided support on behalf of the seafood industry, which included a staff secondment.

Seafish has also maintained strong links with the Maritime Skills Alliance, Skillsmart and People 1st in relation to training needs in the retail and restaurant sectors.

Seafish continues to help improve safety at sea by providing advice and training to fishermen. During 2005/06, Seafish worked with designer Robert Reid to produce his Man-Over-Board Recovery Cage. We were delighted that this innovative safety device for fishermen was presented with the Safety at Sea Award at the 2006 Seatrade Awards ceremony.



What we have achieved

Improving efficiency



Helping to improve efficiency across all sectors of the seafood industry was a key role for Seafish in 2005/06.

The Seafish economics team delivered a range of important projects and services aimed at ensuring the long-term profitability of the industry. These helped to provide a better understanding of the current and future economic conditions that affect seafood businesses.

The team also provided valuable support to Regional Advisory Councils which helped contribute to EU fisheries management and fleet profitability. This included co-ordinating and providing expert economic input at working group and Executive Committee meetings, and contributing to and co-ordinating a long-term management research project and workshop.

Seafish and Fisheries Administrations developed a fleet capacity model aimed at supporting fisheries management and business planning, for sustainable long term fleet profitability.

A Vessel Business Planner was developed to help skippers and vessel owners improve profitability. Following a series of successful presentations around the UK, the planner is being used by a range of vessel owners to plan their investments and business operations.

The economics team in Seafish also provided extensive advice and support to the processing sector. A Value Chain Analysis pilot project across Scotland tested the benefits to processing businesses of support in lean manufacturing and six-sigma techniques. This pilot scheme demonstrated total annual savings of £650k across all the companies involved.

A number of reviews were also carried out by the team to assess and evaluate the best way for Seafish to support the industry. A fish and chip shop review was conducted to ensure that Seafish support for the sector is achieving strategic aims. Research demonstrated that those shops which received Seafish support saw increased turnover as a result. A similar review of the entire Group Training Association network was also conducted to ensure best use of funding.

The inshore team worked with industry, environmental groups and government to help develop inshore fisheries and aquaculture. In 2005/06 the team implemented a variety of key projects to help businesses develop and improve efficiency. The team has been influential in the strategic development of the Scottish inshore industry through the Scottish Inshore Fisheries Advisory Group (SIFAG) and by assisting SEERAD to implement new local fishery management regimes within Scotland.



The inshore group obtained Defra/FIFG funding to contract two consultants to carry out a fundamental appraisal of the English shellfish (capture and cultivation) industry. Their report will inform the development of a strategy for the sector.

The trade and quality team at Seafish continued to play an important role in working with seafood businesses across the chain to promote their products and businesses and improve their overall efficiency. The team represented the UK industry at a number of exhibitions overseas including Poland, China and Moscow.

Seafish arranged for a number of Humberside importers to attend the North Atlantic Seafood Forum in Norway and take part in a study visit to northern Norway. Bursaries were awarded to assist two delegates from the UK industry to attend the Global Shrimp Outlook and World Food Conferences in 2005. These events help seafood exporters to improve efficiency by identifying and exploiting overseas marketing opportunities for seafood.

Seafish is also committed to supporting and developing the fishmonger sector and has introduced two new training courses to help fishmongers develop and implement new skills and improve efficiency in the workplace. One of these – Introduction to Fishmongering – was developed in collaboration with Billingsgate Seafood Training School. It aims to raise the skill levels of people who are interested in pursuing a career in fishmongering.



What we have achieved

Promoting seafood



Seafood consumption in the UK has continued to show sustained year on year expansion, growing 11% over the past three years. To ensure that this upward trend continues, Seafish has continued to work with industry to promote seafood and help maintain a vibrant consumer market. At a regional level Seafish helps to support activities across the UK, and during 2005/06, financial support was provided to 18 consumer events.

One of our key consumer promotions is Seafood Week, and under the banner of 'Feeling Good with Seafood', Seafood Week 2005 proved to be a huge success. Fronted by TV celebrity Carol Vorderman, the campaign helped celebrate the wide variety of delicious seafood available, emphasising its health properties, convenience and versatility. As in previous years, the week was supported by retailers, friers, mongers, restaurateurs and foodservice outlets, with local events, tastings and promotions taking place across the nation.

This year also saw the launch of a new consumer campaign by Seafish to raise awareness of the health benefits of omega 3 polyunsaturated fatty acids in oil-rich fish. Following approval by the Joint Health Claims Initiative (JHCI) the industry was given the go-ahead to promote the heart health benefits of oil-rich fish on packaging and marketing materials. To support this, Seafish worked in partnership with the Omega 3 Group in Scotland to run two promotional campaigns during 2005/06. The first, in May 2005, was a trade and consumer awareness launch, fronted by former international athlete and British Heart Foundation (BHF) ambassador Roger Black. A follow-up

awareness campaign in February 2006, fronted by TV chef and personality James Martin, proved a great success, with extensive coverage in the local and national press.

A key promotion from Seafish is the annual Fish & Chip Shop of the Year competition, now in its 19th year. The event in January 2006, was hosted by TV chef Brian Turner and attracted more entries than ever before. The value of the PR generated by the competition was in excess of £5.5 million, an increase of around 30% on the previous year. The 2006 winners, Hodgson's Chippy in Lancaster, reported an impressive 30% increase in sales in the months following the competition final.

Another key aim for Seafish 2005/06 was to increase the quantity of seafood consumed by young people and a campaign using cartoon characters, 'The SuperHumans', was launched in schools in Scotland. The SuperHumans is a fun and engaging healthy eating campaign that encourages children to eat fish at school by rewarding them with a SuperHumans sticker each time they choose a fish dish.



Packs produced for the campaign also included a catering manual that explained the mechanics of the promotion and included recipe ideas to encourage school catering staff to rise to the challenge and include seafood on their menus. The pilot scheme promotion initially ran in 45% of Scottish primary schools with awareness-raising materials appearing in the remaining 55%.

The market insight team at Seafish continued to carry out a number of research projects to help the trade identify with consumers and increase sales. This year for example, a report entitled 'Consumer attitudes – eating out of home study' highlighted a number of areas where the foodservice sector could increase sales. The research found that consumers would be more likely to increase the amount of seafood they ate in restaurants if menus featured more information about where and when it was caught.

The Seafish communications team continued to promote the seafood industry in a positive light in the media and highlight the benefits of eating seafood, securing media coverage with an advertising value equivalent of £9.5 million. The team also worked hard to manage negative press coverage and deal quickly and effectively with errors and misrepresentations. This included putting out a swift response to industry and the media when the British Medical Journal published a report questioning the health benefits of omega 3 to ensure a more balanced message was heard. The team also produced two further issues of the *Seafood Magazine*, which is available to consumers through independent fishmongers and is an excellent tool for promoting and celebrating both seafood and the seafood industry.



Our staff



Seafish aims to continue to attract, retain and motivate the best staff to deliver our strategic priorities. Internal change has been a focus over the past 12 months and the continued development of an empowered, flexible, professional and motivated team of staff. Key HR strategies, underpinning this process are given below.

Leadership and management development

The development of leadership and management capability is a high priority for the effective support Seafish seeks to provide for industry. The 'Impact Leadership Programme' was launched in August 2005 with the aim of improving leadership and management effectiveness for senior managers within Seafish. The programme involves personality profiling, followed by a focused programme that includes a review of applied learning, and ongoing coaching and support.

Seafish will use this programme to enhance the leadership and management behaviours essential for the future of the organisation and will embed these for 2006/07 and beyond supported by continuation of the programme.

People and structure

Organisational structure and roles were kept under close scrutiny during 2005/06. Where possible, the posts budgeted were not filled and greater use was made of temporary staff. This provided greater flexibility when considering the posts and skills required to deliver the new strategic priorities. It also helped reduce the number of potential compulsory redundancies arising out of the structural review.

Flexibility and partnership delivery have been at the heart of our working practices in meeting the needs of our customers. A number of staff have been seconded to regional organisations, strengthening the model of partnership working that will be developed as a key feature for the future of Seafish.

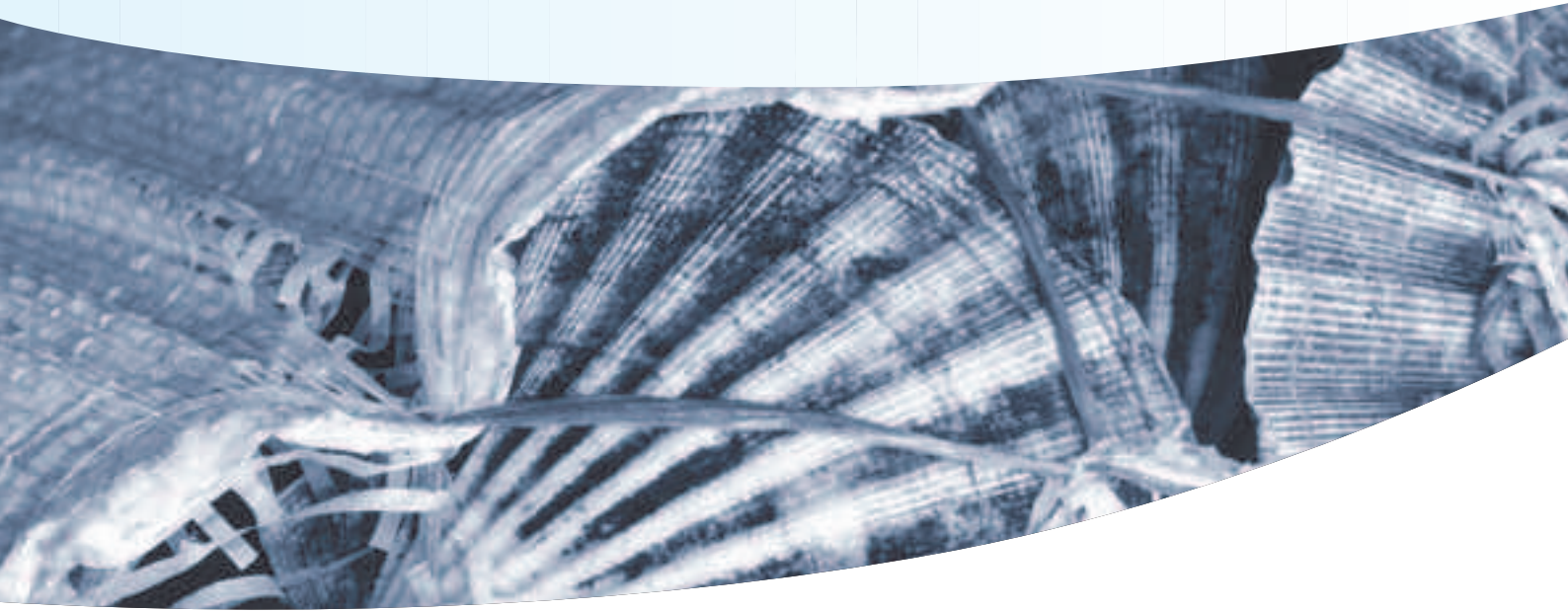
Improved ways of working

Seafish seeks to give staff the tools they require to deliver in their roles and work as efficiently as possible. Flexibility, accessibility and autonomy are the key drivers of success in this area.

In January 2006, the Seafish Contact Management System was launched giving staff access to robust and up-to-date information on our customers. Other processes will come under scrutiny in 2006/07, with a particular focus on knowledge management aimed at ensuring staff understand, gather, use and share information and knowledge effectively. Reviews will look to streamline and simplify systems and procedures to ensure they meet the needs of the organisation while reducing any unnecessary burden on staff.

Training and development

Investment in staff training and development continued in 2005/06. Embedded within the Performance Management Process, needs were identified and 90% of Seafish staff participated in training and development activities. All training was evaluated to ensure continuous improvement in this area.



Pay and reward

Seafish has in place a modernised pay and performance management structure to encourage and reward superior performance which underpins our desire for continuous development. Performance ratings for 2005/06 improved from the previous year as shown by the successful delivery of key projects and services. Work is underway to further refine performance indicators in 2006/07.

Pension

Membership of the West Yorkshire Pension Fund (WYPF – a local government defined benefit pension scheme) had been offered to all staff as a key part of the overall reward package. Increasing employer contributions and lack of control and predictability over employer contribution rates led to a review of pension arrangements. A working group comprising Board and staff representatives worked with external pension experts to review the pension options. Consequently, a new defined contribution scheme was established and the WYPF closed to new staff with effect from April 2006.

Health and absence management

Seafish aims to create a working environment where staff are empowered, work flexibly and have as much control over their working time as possible. Absence rates in 2005/06 were less than one day per employee.

Support services

Against a backdrop of the government drive to improve efficiency and effectiveness in back-office functions, investigations commenced to find the optimum arrangement for providing HR services suited to the level of staffing of an organisation such as Seafish. Other areas will be explored in 2006/07.

Investors in People (IIP)

Seafish recognises the importance of staff performance and has been IIP accredited since 1998. The standard is well recognised and sends positive signals to staff and customers.

We are proud to have once again achieved the standard this year and will look to improve continuously on any areas of weakness.



Directors' Report

For the year ended 31 March 2006

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 Minister for Environment and Rural Development (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 in 1981:

- (a) to promote the marketing and consumption of seafood and seafood 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 seafood industry.

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

Business Review and Future Developments

The income and expenditure account is set out on page 33 of the accounts. The surplus for the year, after taxation, amounted to £200k (2005: deficit £39k).

The Annual Report provides a detailed Management Commentary which includes a financial review of the activities undertaken by Seafish during 2005/06 and information on future developments.

Political and charitable donations

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

Post balance sheet events

The Ministers commissioned an independent review of Seafish which started in June 2005 and reported in February 2006. Alongside this review Seafish has also undertaken a strategic and structural review. The key proposed actions resulting from these reviews were discussed by the Seafish Board in May 2006 and at a Board meeting on 14 June 2006 (see note 17 to the accounts).

Disabled persons

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

Employee involvement

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

Directors' Report

For the year ended 31 March 2006 (continued)

Payment of creditors

The Better Payments Practice Code is not observed in its entirety. Seafish policy is to pay creditors' accounts by the due date specified under each creditor's terms of payment, unless under dispute. During the year ended 31 March 2006 an extensive sample of Seafish payments of creditors revealed that 92% were paid by the due date (2005: 90%).

Pension Liabilities

Seafish is an admitted body to a funded defined benefit scheme operated by the West Yorkshire Pension Fund (WYPF), that is independently invested and administered. 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(h) of the accounts.

Board Members

There are 12 Board Members, appointed by the Secretary of State for Environment, Food and Rural Affairs in consultation with the Minister for Environment and Rural Development (Scotland), the Minister for Rural Affairs (Wales) and the Secretary of State for Northern Ireland. Four Board Members are independent of management and free from any business relationship with Seafish and although the remaining eight Board Members have no management role, they do have expertise in seafood industry related matters.

Independent:	Mr. A. Dewar-Durie CBE Mr. J. S. Whitehead OBE Dr. S. Lockwood Mr. N. W. Shaw CBE
Industry:	Mr. N. Atkins Mr. T. J. Evans (retired 31 March 06) Mr. J. Goodlad (retired 31 March 06) Mrs. L. Cross (appointed 1 July 05) Mr. I. M. MacSween OBE Mr. G. Maddan Mr. A. Smith OBE (retired 31 March 06) Mr. C. Venmore

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, three Executive Directors, the Head of HR and the Head of Communications attend and participate fully in all board meetings.

Board Members' Responsibilities

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

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

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

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

Directors' Report

For the year ended 31 March 2006 (continued)

Management

The management of Seafish comprised the following Executive Directors during 2005/06:

Mr. J. A. Rutherford (Chief Executive)
 Dr. J. Harman (Business Development Director)
 Ms. H. Stevenson (Business Services Director)
 Dr. P. Williams (Technology and Training Director)

Corporate Governance

Seafish supports the highest standards in corporate governance appropriate for the size of our organisation 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, Mr. T. J. Evans (retired 31 March 06), Mr. A. Smith (retired 31 March 06), Mrs. L. Cross (appointed 31 March 06) and Mr. I. M. MacSween (appointed 31 March 06). The Accounting Officer (Chief Executive) and the Business Services Director normally attend the meetings. Responsibilities of the Audit Committee include internal control and corporate governance, external audit, internal audit, monitoring compliance with statutory and other codes of practice. Meetings are held at least three times a year.

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.

Auditors

The Comptroller and Auditor General is our external auditor. Services are limited to the statutory audit and the fee for the work is £17,000.



J. A. Rutherford
 Chief Executive
 14 June 2006

Management Commentary

For the year ended 31 March 2006

Introduction

Seafish is an executive non-departmental public body, established under the 1981 Fisheries Act. It is funded primarily by a levy on seafood (landed, farmed and imported, but excluding salmon and trout) and is sponsored by the Department for Environment, Food and Rural Affairs (Defra), the Scottish Executive Environment and Rural Affairs Department (SEERAD), the Welsh Assembly Government (WAG) and the Department of Agriculture and Rural Development for Northern Ireland (DARDNI). Our annual budget is around £11 million, with approximately 80% of this from levy and the remainder from grant funding and consultancy work.

Seafish works with all sectors of the UK seafood industry – fishermen, processors, wholesalers, importers, distributors, exporters, seafood farmers, fish friers, caterers and retailers – to raise standards, improve efficiency and secure a sustainable and profitable future.

In May 2005, the four UK Fisheries Ministers invited the In House Policy Consultancy (IHPC) to undertake an independent review of Seafish, looking at its roles, responsibilities and funding. This review was one of a programme of periodic reviews of non-departmental public bodies undertaken under Cabinet Office guidelines.

The IHPC presented its report to the Fisheries Departments and the Departments published their proposed response alongside the Review in February 2006.

During 2005 and early 2006, the Seafish Board and Management carried out a fundamental review of future seafood industry needs and the requirements for Seafish to deliver better solutions to these needs. We published our strategic proposals for industry consideration in March 2006. The government had advised industry of these emerging proposals and invited responses both to their proposals and ours. That consultation period ended in May 2006 and we await government's final response to the Review.



Management Commentary

For the year ended 31 March 2006 (continued)

Performance – 2005/06

Our work programme in 2005/06 was balanced with the time necessary to review and plan for the future. Projects were also launched during the operational year in response to changing market demands, including biofuels for the catching sector and the development of a strategy for the UK shellfish capture and cultivation industry. The delivery of these projects clearly demonstrates our ability as an organisation to respond quickly and effectively to changing market conditions and issues as they arise, while still delivering on agreed objectives.

Seafish had nine targets agreed for the 2005/06 operational year, the headlines for which are as follows:

1. Safety – with FIG and Fisheries Department funding we developed an intermediate stability awareness course for fishermen and equipped our network of Group Training Associations (GTAs) with all the tools for delivery (including model boats). A total of 325 training courses was delivered through the GTAs and 1,000 fishermen trained in basic safety. We aim to have delivered 600 safety training courses and to have trained 2,000 fishermen by 31 March 2007.
2. Responsible Fishing Scheme – a British Standards Institute publicly available specification has been produced for fishing vessels covering four key areas of good practice. It was piloted in two fisheries using different vessel types and was formally launched at the Fishing 2006 exhibition.
3. Development of opportunities to improve the profitability of the inshore sector were successfully promoted at eight broad-spectrum seminars around the UK coast during 2005/06 which included representation from local sea fisheries committees, local harbour masters, conservation agencies, scientists and processors.
4. Refining the model of long-term economic sustainability of the UK fishing fleet was completed in conjunction with Defra and SEERAD, and various specific fleet-segment models prepared by them for guidance to Fisheries Ministers. Seafish distributed the model to national fishing federations and provided explanation of its working assumptions and implications on its application.



Management Commentary

For the year ended 31 March 2006 (continued)

5. Fishermen's initiatives to protect the marine environment provided a common theme to much of our media focus on behalf of the industry this year. Two particular projects under this heading were completed, one reviewing razorfish dredging in The Wash and another looking at the development of specific fishing gear to minimise the effect of catching operations on the seabed and reduce capture of undersized fish and non-target species.
6. Savings in processor operational costs of over £1 million were identified in the seafood value chain as part of a two-year project in partnership with Scottish Enterprise (Grampian) and actual savings of £650k were delivered during the project period. Based on the project's success, we will now use this model to promote a Seafish Manufacturing Advisory Service throughout the UK.
7. Support for seafood importers was demonstrated by specific industry sector meetings which considered bespoke content for the Seafish business-to-business industry website to be launched in late 2006. Seafish also assisted nine Humberside-based organisations to attend the North Atlantic Seafood Conference in Oslo with four of the organisations taking part in a study tour of the northern Norway industry.
8. Improved diet for the young was supported by a campaign to encourage children to eat seafood, developed for Scottish schools and based on 'SuperHuman' cartoon characters. The SuperHumans promotion ran in 1,000 Scottish primary schools with awareness raising materials appearing in the remaining 1,200 schools. In total, over 50% of the Scottish Primary school population saw The SuperHumans activity in their dining halls. The activity is due to run in a further 2,500 primary schools in England during the first six months of 2006.
9. Promotion of under-utilised species was chosen as a main theme for Seafood Week 2005 and focus on the lesser-known oil-rich species continued in the promotion of omega 3 throughout the year. In the light of increased NGO focus on particular species, the whole project was reviewed and it was concluded that it should be realigned with a wider PR campaign around sustainability issues facing the industry and a '2 a week' campaign to promote eating seafood twice a week.



Management Commentary

For the year ended 31 March 2006 (continued)

Financial position at 31 March 2006

Levy income was 1.4% lower than last year, despite a small increase in seafood consumption over the same period. Cost prices have risen steadily across the world and increases of around 25% in the UK have been common. It seems companies may have delayed buying, hopeful of a price reduction, meeting current market requirements from stock.

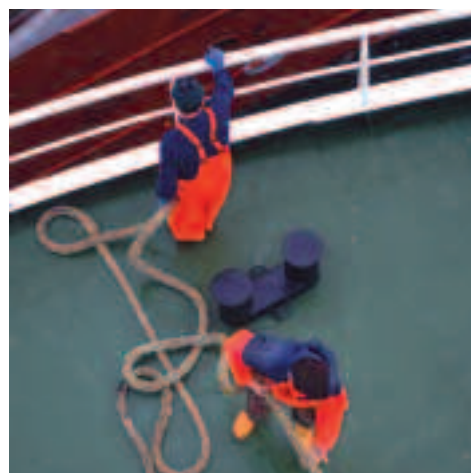
Employment costs include additional voluntary employer pension contributions of £310k (2005: £200k) to West Yorkshire Pension Fund (WYPF), to bring total contributions for the year to an amount estimated by our independent pension adviser to be equivalent to the increase in pension liability.

The Board welcome the actuarial gain to the WYPF recognised in the balance sheet via FRS 17, but continue to monitor performance in cash terms and see no reason to change their prudent approach to mitigate forward exposure to such market fluctuations.

A reduction in our bank balance offset by an increase in debtors at 31 March 2006 is mainly due to delays in processing claims for FIGG funding which are now being expedited by Seafish working closely with the relevant government departments.

Consideration has been given by the Board as to the best use of funding in support of the UK fishing industry and after discussion with industry representatives, has concluded that the Flume Tank built in 1973 in Hull when the trawler fleet was very much larger, is no longer appropriate. Our property advisers are supporting exit negotiations with the landlord, and we have impaired any residual value of the building to nil.

The annual accounts have been prepared on the going-concern basis under the historical cost convention on the basis of the Board opinion that Seafish is to continue in operational existence in the foreseeable future and that it has sufficient net current assets to support adoption of its strategic proposals.



Management Commentary

For the year ended 31 March 2006 (continued)

Current and future trends and developments

Seafood and business trends

Demand is strong despite significant cost increases. Excluding salmon, overall consumption of seafood in the UK increased by 4% in the year to March 2006. Ethical, environmental and sustainable seafood supply considerations, clustered under the heading of "corporate social responsibility", are strongly evident today and increasingly will be used to differentiate businesses.

Availability of quota to UK fishermen is constrained for many species. In some cases recently, this has had a significant effect on supply and prices leading to situations, where domestic landings are below a level at which many processors can operate. We have witnessed consolidation, the closure of smaller family businesses and a trend towards international ownership and finance. Seafish expects consolidation to continue within the industry.

Increasingly, market growth has been fuelled by imports, farmed supplies and added-value products. As this continues, retailers will develop increasingly strong, direct contacts within a non-UK supply chain.

Seafish is adapting to these new market dynamics and is repositioning its staff and structure with the aim of releasing revenue from staff costs to meet future industry needs more effectively.

Delivery of future solutions will depend on close working relationships with industry partners. Good customer account management and communication methods are being developed to achieve a higher level of engagement in these key relationships.

Financial exposure

The Board has taken positive actions to limit future exposure of employer's pension contributions including making additional voluntary payments to the WYPF for 2004-2007 at a rate advised by an independent pension adviser and the closure of that defined benefit scheme to new entrants. A defined contribution scheme has been set up for staff joining from April 2006, into which the maximum employer's contribution will be 10%.

The Board is encouraged by the reported reduction in FRS 17 liability reported in these accounts and looks forward to the next triennial actuarial review of the WYPF in 2007 with confidence.

A redundancy programme associated with the new strategic direction is now running. This will include a liability in relation to the WYPF scheme – a local government pension scheme that provides for early release of pension benefits for eligible staff over 50 who are made redundant. This is at a cost to the employer. One element, in relation to 'added years', has been reviewed with the aim of reducing future exposure.

Two properties in Hull, the main office building on the quayside and the building in Manchester Street which houses the Flume Tank, are occupied on leases with long residual periods. The carrying value of the office site was written off last year recognising our plans to move as soon as possible, subject to negotiations with the landlords. Exit from the Manchester Street site has been agreed, so national property consultants have been appointed to help negotiate least cost exit programmes from both leases, and to find appropriate accommodation for the new teams that will be based on Humberside.

Management Commentary

For the year ended 31 March 2006 (continued)

Future strategic direction

The seven key workstreams for our new, narrower focus were explained to industry both in the consultation document published in March 2006, and at a series of meetings with key groups chaired by individual Board members during March and April 2006. Unbiased and unambiguous knowledge sits at the heart of these to evidence recommendations and deliver improved profitability to industry. The conclusion agreed by the Board and supported by responses received from industry consultation, is that we have broad agreement with this direction, and an increased intention to both find and implement solutions to improve industry profitability.

Our intention is to release in excess of £1 million for new research and delivery programmes each year, including core funding for key partnership bodies in Scotland, Northern Ireland and southwest England. It is likely that this will involve some reduction in core staff numbers. Reserves will be depleted in the short term by costs associated with the implementation of this programme, so new investment will be constrained for the next two to three years.

Operational staff to implement and deliver these seven workstreams will be managed in two major groups, one concentrating on finding and tracking solutions to problems, and the other focusing on delivery. Our widespread customer base will be segmented with some major relationships managed internally, but the greater number being through our many regional partners using a one-to-many approach. The full implementation of this plan is dependent on a positive response to our 2005 review from the four UK Fisheries Ministers, expected shortly.

The Board thanks our customers and staff for support during this important re-positioning period. We aim to ensure that the transition is carried out as sympathetically and painlessly as possible. We will publish details of our new structure and medium term programme later in the 2006/07 operational year, subject to approval by Fisheries Ministers.



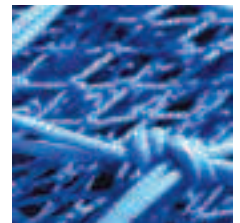
Measuring future performance

Traditionally, Seafish performance has been recorded in terms of outputs we have produced. In future, it is our ambition to set ourselves more ambitious, longer-term objectives for our customers – those who participate in the seafood industry – in terms of recordable improvements in their performance. For instance, in our plan to set up a specific virtual technical platform, a knowledge source for all aspects of the seafood industry, the objective will be to report hits on, and usage of, the website rather than its existence.

One aspect limiting our overall performance has been drawn out very positively over our various discussions and industry consultation recently. Seafish has not responded quickly enough to the demographic changes in the seafood industry, and is no longer seen as particularly relevant by many of our customers. Changing that impression is fundamental to our success, so we intend to try to measure this. During the second half of 2006 we shall research a 'customer satisfaction' index, and publish this first score in next year's Report. Whatever that score is, our aim will be to increase that satisfaction index steadily and significantly over the next five years.



J. A. Rutherford
Chief Executive
14 June 2006



Remuneration Report

For the year ended 31 March 2006

The **Remuneration Committee** comprises up to five Board Members. Members to 31 March 06 were: Mr. J.S. Whitehead (Chairman), Mr. A. Dewar-Durie, Mr. T. J. Evans, Mr. A. Smith and Mr. G. Maddan. Messrs Evans and Smith retired from the Seafish Board and hence the Remuneration Committee on 31 March 06. New appointments are being considered but have not been finalised. The Accounting Officer and the Head of Human Resources may be invited to attend the meetings. Responsibilities of the Remuneration Committee include review and determination of Seafish policy on remuneration, including the remuneration packages of the Chief Executive and Executive Directors. Meetings are held at least twice a year.

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 and benefits in kind including membership of defined benefit pension scheme, 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 information is 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 2005/06, Seafish annual pay awards ranged from 0% to 8%.

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

Remuneration Report

For the year ended 31 March 2006 (continued)

Executive Directors' Emoluments

	2006 Emoluments (£)	2006 Benefits in kind (£)	2005 Emoluments (£)	2005 Benefits in kind (£)
Chief Executive	88,258	5,582	82,999	5,051
Business Development Director	65,835	4,531	63,000	4,283
Technology & Training Director	66,500	5,379	62,500	6,537
Business Services Director	59,656	3,682	57,500	1,209

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

Executive Directors' Pension Benefits

	Real increase in pension at age 60 for year to 31 March 2006 (£)	Accrued pension at age 60 at 31 March 2006 (£)	CETV at 31 March 2006 (£)	CETV at 1 April 2005 (£)	Real increase in CETV for year to 31 March 2006 (£)
Chief Executive	4,920	19,259	64,892	46,462	12,553
Business Development Director	3,418	10,642	32,977	21,257	7,231
Technology & Training Director	3,469	7,470	20,675	10,548	5,903
Business Services Director	3,007	8,385	22,823	13,736	5,071

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 (WYPF), a local government pension scheme of which Seafish is an admitted body as described at notes 1(h) and 12.



J. A. Rutherford
Chief Executive
14 June 2006

Statement of Accounting Officer's Responsibilities

For the year ended 31 March 2006

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 Minister for Environment and Rural Development (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 (Seafish) to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Sea Fish Industry Authority and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

- observe the Accounts Direction issued by the Ministers with the consent of Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis. The Ministers have appointed the Chief Executive as Accounting Officer of the Sea Fish Industry Authority. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Sea Fish Industry Authority's assets, are set out in the Accounting Officers' Memorandum issued by the Ministers and published in a Memorandum of Understanding between the Ministers and the Sea Fish Industry Authority.

Statement on Internal Control

For the year ended 31 March 2006

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). Defra are regularly involved in major policy and implementation decisions in which delivery risk is an important consideration. Performance is regularly monitored by a committee chaired by Defra, which includes representation from all the devolved administrations.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Seafish policies, aims and objectives, to evaluate the likelihood of those risks being realised and the effects 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 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

As stated in the Directors' Report, Seafish has in place a robust system of corporate governance and this underpins the internal control systems.

Capacity to handle risk

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

Statement on Internal Control

For the year ended 31 March 2006 (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 executive review of the Risk Register across the following areas: external, operational, compliance and financial. The predominant risk area is external. The Risk Register is ranked in terms of probability and notes the consequences, controls, action plan and owner of each risk. The Risk Register is presented annually to the Audit Committee for review;
- informing the internal auditors in their annual audit plan compilation, which is submitted for Audit Committee approval, resulting in regular and independent internal control reviews and reports; and
- formal reporting annually to the Board by the Audit Committee Chairman on internal control.

Review of effectiveness

As Accounting Officer I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors as well as managers who have the responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

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

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

As Accounting Officer I am not aware of any significant control issues for the year ended 31 March 2006.



J. A. Rutherford
Chief Executive
14 June 2006

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 2006 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 Cash Flow 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.

Respective responsibilities of the Board, the Chief Executive and auditor

The Board and Chief Executive 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 Board's and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements 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 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. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the 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 relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 29 and 30 reflects the Authority's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the 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 only the Chairman's Statement, Chief Executive's Report, What we have achieved, Our staff, the Management Commentary, the Directors' Report 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 Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that 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 the Authority's affairs as at 31 March 2006 and 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 Fisheries Ministers' directions made thereunder; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.



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

21 June 2006

Income and Expenditure Account

For the Year Ended 31 March 2006

	NOTES	£000	2006 £000	£000	2005 £000
Income					
Levies	1e		8,570		8,688
Other Operating Income	3		3,231		2,625
			11,801		11,313
Less:					
Expenditure					
Employment Costs	8b	3,902		4,111	
Depreciation	9	253		245	
Other Operating Expenditure		7,463		6,880	
	4		(11,618)		(11,236)
Operating Surplus			183		77
Exceptional Items					
Buildings Impairments	5		(79)		(216)
Interest Receivable					
Bank and Other Interest			134		146
Net Pension Finance (Cost)					
	12		(66)		(41)
Surplus/(Deficit) before Taxation			172		(34)
Taxation					
	1f & 6		28		(5)
Surplus/(Deficit) for the Year			200		(39)

All of the above figures relate to continuing operations.

The notes on pages 37 to 51 form part of these accounts.
Auditor's Report pages 31 and 32.

Statement of Total Recognised Gains and Losses

For the Year Ended 31 March 2006

	2006 £000	2005 £000
Surplus/(Deficit) for the Financial Year	200	(39)
Actuarial Gain/(Loss)	1,094	(401)
Adjustment to Revaluation Reserve	471	(82)
Total Recognised Gains/(Losses)	1,765	(522)

The notes on pages 37 to 51 form part of these accounts.
Auditor's Report pages 31 and 32.

Balance Sheet

As at 31 March 2006

	NOTES	£000	2006 £000	£000	2005 £000
Fixed Assets					
Tangible Assets	9		2,871		2,674
Current Assets					
Debtors	10	3,808		2,746	
Cash at bank and in hand	20, 21	2,940		3,542	
		6,748		6,288	
Creditors – Amounts Falling Due Within One Year	11	(2,083)		(1,558)	
Net Current Assets			4,665		4,730
Total Assets less Current Liabilities			7,536		7,404
Provisions for Liabilities and Charges					
Buildings	13	-		9	
Ardtoe Closure	14	90		113	
			(90)		(122)
Deferred Income	15		(12)		(18)
Net Pension Liability	12		(1,531)		(3,126)
			5,903		4,138
Capital and Reserves					
Revaluation Reserve			1,439		968
General Fund Excluding Retirement Benefits		5,995		6,296	
FRS 17 Retirement Benefits		(1,531)		(3,126)	
			4,464		3,170
	22		5,903		4,138

J. S. Whitehead, Deputy Chairman



Edinburgh
14 June 2006

J. A. Rutherford, Chief Executive



Edinburgh
14 June 2006

The notes on pages 37 to 51 form part of these accounts.
Auditor's Report pages 31 and 32.

Cash Flow Statement

For the Year Ended 31 March 2006

	NOTES	£000	2006 £000	£000	2005 £000
Net Cash Inflow from Operating Activities	19		(591)		55
Returns on Investments and Servicing of Finance					
Interest received		114		151	
Interest paid		-		-	
Net Cash Inflow from Returns on Investments and Servicing of Finance			114		151
Taxation					
UK corporation tax paid		-		-	
Capital Expenditure and Financial Investment					
Purchase of tangible fixed assets		(93)		(73)	
Capital grants		-		-	
		(93)		(73)	
Loans repaid by industry		-		-	
Net Cash Outflow from Capital Expenditure and Financial Investment			(93)		(73)
Additions and Disposals					
Cost of disposal of aquaculture research centre		-		-	
Sale of aquaculture research centre		-		-	
Ardtoe provision payments		(32)		(138)	
Net Cash Outflow from Disposals			(32)		(138)
Management of Liquid Resources					
Decrease/(Increase) in Money Market 20, 21			500		(200)
Financing					
Loans repaid to Government			-		-
(Decrease) in Cash	21, 22		(102)		(205)

The notes on pages 37 to 51 form part of these accounts.
Auditor's Report pages 31 and 32.

Notes to the Accounts

For the Year Ended 31 March 2006

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.

The value of office buildings and the Fisheries Development Centre in Hull has been impaired as explained in Note 5. Land and buildings are valued by independent Chartered Surveyors every three years. A valuation was undertaken as at 31 March 2006.

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

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

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

	(%)
Freehold Buildings	2-5
Leasehold Buildings	2-5
Motor vehicles	25
Furniture & equipment	10-20
Computer equipment	33

Freehold land is not depreciated.

Where additional capital expenditure has been incurred relating to leasehold land, it is amortised over the remaining term of the lease.

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 2006 (continued)

1. Principal Accounting Policies (continued)

(b) Loans

Loans are stated at the full amount receivable less provision for bad and doubtful debts.

(c) Government Grants

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

(d) 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.

(e) Levy Income and Debtors

The amounts included in levy income and debtors as levy receivable, are the amounts actually received by 30 April 2006. This is to avoid unsubstantiated year-end accruals caused by documentation delays.

(f) 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.

(g) Research and Development Expenditure

Research and development expenditure is written off as incurred.

(h) 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.

Current Employees

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

Notes to the Accounts

For the Year Ended 31 March 2006 (continued)

1. Principal Accounting Policies (continued)

Former Employees

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

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

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

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

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

(i) 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.

(j) 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.

(k) 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.

(l) Liquid Resources

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

(m) Financial Instruments

Seafish does not deal in complex financial instruments and is not subject to significant risks related to interest rates. Seafish operates strict investment guidelines with respect to surplus cash and the emphasis is on preservation of capital. Investments of cash are made for one year or less with AAA rated major credit rated agencies. The maturity profile of investments is managed according to the projected cash needs of the business. The carrying value should agree to the fair value for these investments.

Notes to the Accounts

For the Year Ended 31 March 2006 (continued)

2. Operating Surplus

The operating surplus is stated after charging:

	2006 £000	2005 £000
Auditors' remuneration	17	15
Operating lease rental		
- Land and buildings	42	62
- Motor vehicles	140	126
	182	188

3. Other Operating Income

Other Operating Income is made up as follows:

	£000	2006 £000	£000	2005 £000
Technology and Training				
European Union	89		96	
Department for Environment, Food & Rural Affairs	687		867	
Scottish Executive Environment and Rural Affairs Department	628		212	
National Assembly for Wales Agriculture Department	-		22	
Welsh European Funding Office	-		106	
Other contributions received towards specific projects	236		192	
Marine Survey	127		125	
Miscellaneous	94		54	
		1,861		1,674
Development				
European Union	7		68	
Department for Environment, Food & Rural Affairs	695		308	
Scottish Executive Environment and Rural Affairs Department	44		26	
Other contributions received towards specific projects	428		319	
Miscellaneous	160		214	
		1,334		935

Notes to the Accounts

For the Year Ended 31 March 2006 (continued)

3. Other Operating Income (continued)

	2006 £000	2006 £000	2005 £000	2005 £000
Miscellaneous		31		11
Deferred Income		5		5
		3,231		2,625

4. Total Expenditure

Details of Seafish expenditure is made up as follows:

	2006 £000	2005 £000
Technology and Training	4,329	4,398
Development	5,029	4,411
Corporate Services	2,260	2,427
	11,618	11,236

The expenditure includes the staff cost shown separately at note 8b.

5. Building Impairments

The Hull Office is held under a 50 year lease expiring 31 March 2035. The building is no longer suitable for the requirements of the work undertaken by Seafish in Hull. The Board has approved the termination of the lease, subject to negotiations. The value of the building was impaired to £34k at 31 March 2005 based on an assumption that the building would be vacated by 31 December 2005. At 1 October 2005 this assumption was revised so that the building would be vacated by 30 June 2007 and the impaired value of the building was adjusted accordingly to £79k. The building has been depreciated since 1 October 2005 and has a net book value at 31 March 2006 of £56k. A contingent liability in relation to the lease obligations is disclosed in note 16.

The primary purpose of the Fisheries Development Centre is to house our Flume Tank. After consultation and consideration, the Seafish Board has concluded that the fixed cost of operating a Flume Tank does not represent the best use of levy funds. Our property advisors are supporting exit negotiations with the landlord and we have therefore, impaired the residual value of the building from £147k to nil.

Notes to the Accounts

For the Year Ended 31 March 2006 (continued)

6. Taxation on Profit on Ordinary Activities

	2006 £000	2005 £000
a) Analysis of charge in period		
Current tax:		
UK corporation tax on profits for the period	-	28
Adjustments in respect of previous periods	(28)	(23)
<u>Tax on profit on ordinary activities (note b) below</u>	<u>(28)</u>	<u>5</u>
b) Factors affecting tax charge for period		
Surplus/(Deficit) on ordinary activities before tax	172	(1)
Surplus/(Deficit) on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2005 : 30%)	52	-
Effects of:		
Permanent disallowable expenditure	91	63
Adjustment to tax charge in respect of previous period	(28)	(23)
Tax Deductible Pension Contributions	(103)	-
Tax at marginal rates	-	(16)
Losses utilised	(40)	(19)
<u>Current tax charge for the period (note 1f)</u>	<u>(28)</u>	<u>5</u>

7. Members' Emoluments

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

	2006 £	2005 £
Chairman - A. Dewar-Durie	48,271	27,475
Deputy Chairman - J.S. Whitehead	19,560	19,083
Board Members (9 members)	8,921	8,703
Board Member (to 14 September 2004) - E. McAreavey	-	4,460
Board Member (from 1 July 2005) - L. Cross	6,690	-
The names of Board Members can be found in the Directors' Report on page 16.		
<u>Total travel and subsistence of Members reimbursed by Defra.</u>	<u>76,346</u>	<u>79,509</u>

Notes to the Accounts

For the Year Ended 31 March 2006 (continued)

8. Employee Information

- (a) The average number of staff employed by Seafish during the year is noted below and included six part-time positions (2005-7).

	Management and Staff		Agency/Temp Contract Staff	
	2006	2005	2006	2005
Technology and Training	49	46	-	-
Development	34	33	-	1
Corporate Services	34	38	4	1
	117	117	4	2

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

	2006 £000	2005 £000
Gross salaries	3,298	3,193
Social Security Costs	277	262
Pension Costs	230	626
Total Direct Costs of permanent staff	3,805	4,081
Total Direct Costs of temporary staff	97	30
Total Direct Costs of employment	3,902	4,111
Analysis of Pension Costs:		
Pension Current Service cost	713	629
Pension Curtailment cost	-	188
Past Service Gain	(284)	-
Less: Employee contributions	(199)	(191)
	230	626

- (c) Executive Directors' Emoluments & Pension Benefits

Details of emoluments and pension benefits for the Executive Directors are shown in the Remuneration Report at pages 26 and 27.

The Business Development Director is a director of Seafood Scotland (1999) Ltd, British Marine Finfish Association, Seafood Cornwall Ltd and Northern Ireland Seafood Ltd and the Technology & Training Director is a director of Team Food (Yorkshire and Humber) Ltd and Yorkshire & Humber Seafood Group Ltd.

Notes to the Accounts

For the Year Ended 31 March 2006 (continued)

9. Tangible Assets

	Freehold Land and Buildings £000	Short Leasehold Buildings £000	Motor Vehicles £000	Furniture and Equipment £000	Computer Equipment £000	Total £000
Cost or Valuation						
At 1 April 2005	2,303	263	2	1,082	752	4,402
Additions	-	-	-	15	78	93
Disposals	-	(68)	(2)	(76)	(11)	(157)
Revaluation	250	-	-	-	-	250
Impairment	-	(116)	-	-	-	(116)
At 31 March 2006	2,553	79	-	1,021	819	4,472
Depreciation						
At 1 April 2005	167	48	2	887	624	1,728
Charges for the year	55	45	-	67	86	253
Disposals	-	(33)	(2)	(76)	(11)	(122)
Revaluation	(221)	-	-	-	-	(221)
Impairment	-	(37)	-	-	-	(37)
At 31 March 2006	1	23	-	878	699	1,601
Net Book Value						
As at 31 March 2006	2,552	56	-	143	120	2,871
As at 31 March 2005	2,136	215	-	195	128	2,674

Seafish land and buildings comprise three sites, offices in Edinburgh and offices and the Fisheries Development Centre in Hull. The Edinburgh office was independently surveyed and valued by DM Hall, Chartered Surveyors on an existing use value basis as at 31 March 2006 and was valued at £2.55m. This valuation is incorporated in Seafish accounts. The value of the Hull office and the Fisheries Development Centre was impaired to £79k and nil respectively (see note 5).

Continuing annual financial commitments in respect of short leaseholds are disclosed in note 18. 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 2006 (continued)

10. Debtors

	2006 £000	2005 £000
Trade Debtors (after bad debt provision)	3,051	1,864
Levy Debtors	622	770
Prepayments and Accrued Income	97	94
Interest on Cash at Bank	38	18
	3,808	2,746

11. Creditors – Amounts Falling Due Within One Year

	2006 £000	2005 £000
Sundry Creditors	1,744	1,367
Corporation Tax	-	28
PAYE and Social Security	92	92
VAT	169	20
Pensions Contributions Payable	26	21
Accruals	52	30
	2,083	1,558

12. Pension Scheme Arrangements

As disclosed in note 1(h), Seafish is an admitted body to a funded defined benefit scheme operated by the West Yorkshire Pension Fund (WYPF), which is independently invested and administered. The level of contribution is determined by a qualified actuary on the basis of a valuation performed every three years, using the projected unit method. A full actuarial valuation was carried out at 31 March 2004 by a qualified independent actuary. As a result, Seafish regular pension cost increased from 1.9% to 4% of pensionable payroll effective 1 April 2005 followed by proposed further increases of 2% every year to reach WYPF's target of 14.5% in six years time.

A one-off employer's pension payment of £310k was made to WYPF in March 2006 (2005: £200k) to alleviate the financial impact of the proposed increases.

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

Notes to the Accounts

For the Year Ended 31 March 2006 (continued)

12. Pension Scheme Arrangements (continued)

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

Financial Assumptions

	31 Mar 2006	31 Mar 2005
Rate of inflation	2.9%	2.9%
Rate of increase in salaries	4.65%	4.6%
Rate of increase in pensions	2.9%	2.9%
Discount rate	5.7%	6.4%
Split of assets between investment categories		
Equities	73.9%	74.9%
Government bonds	6.9%	10.6%
Other bonds	4.8%	2.0%
Property	5.1%	5.3%
Cash/Liquidity	6.2%	7.2%
Other	3.1%	0%

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

	Long-term rate of return expected at 31 Mar 2006	Value at 31 Mar 2006 £000	Long-term rate of return expected at 31 Mar 2005	Value at 31 Mar 2005 £000
Equities	7.0%	22,038	7.5%	18,312
Government bonds	4.3%	2,058	4.7%	2,591
Other bonds	4.9%	1,431	5.4%	489
Property	6.0%	1,521	6.5%	1,296
Cash/Liquidity	4.5%	1,849	4.75%	1,760
Other	7.0%	924	0%	-
Total market value of assets		29,821		24,448
Liabilities		(30,981)		(27,210)
Deficit		(1,160)		(2,762)

Notes to the Accounts

For the Year Ended 31 March 2006 (continued)

12. Pension Scheme Arrangements (continued)

The movement in deficit during 2005/06 was as follows:

	WYPF 2006 £000	SFIA 2006 £000	TOTAL 2006 £000	WYPF 2005 £000	SFIA 2005 £000	TOTAL 2005 £000
(Deficit) at 1 April 2005	(2,762)	(364)	(3,126)	(2,338)	(380)	(2,718)
Current Service Cost	(713)	-	(713)	(629)	-	(629)
Employer & Employee Contributions	962	34	996	806	45	851
Past Service Cost/Curtailment Cost	284	-	284	(188)	-	(188)
Net Interest/Return on Assets	(45)	(21)	(66)	(18)	(23)	(41)
Actuarial Gain/(Loss)	1,114	(20)	1,094	(395)	(6)	(401)
Deficit at 31 March 2006	(1,160)	(371)	(1,531)	(2,762)	(364)	(3,126)

The components of the defined benefit cost for 2005/06 were:

	WYPF 2006 £000	SFIA 2006 £000	TOTAL 2006 £000	WYPF 2005 £000	SFIA 2005 £000	TOTAL 2005 £000
Operating						
Current Service Cost	514	-	514	438	-	438
Past Service Gain	(284)	-	(284)	-	-	-
Curtailment Cost	-	-	-	188	-	188
Total Cost	230	-	230	626	-	626
Finance						
Expected Return on Assets	1,645	-	1,645	1,508	-	1,508
Interest on Pension Liabilities	(1,690)	(21)	(1,711)	(1,526)	(23)	(1,549)
Net (Cost)/Gain	(45)	(21)	(66)	(18)	(23)	(41)
Statement of Actuarial Gains/(Losses)						
Asset Gain/(Loss)	4,391	-	4,391	1,325	-	1,325
Liability Gain/(Loss)	(389)	-	(389)	(1,233)	5	(1,228)
Change in Assumptions	(2,888)	(20)	(2,908)	(487)	(11)	(498)
Net Gain/(Loss)	1,114	(20)	1,094	(395)	(6)	(401)

Notes to the Accounts

For the Year Ended 31 March 2006 (continued)

12. Pension Scheme Arrangements (continued)

History of Gains and Losses

	WYPF 2006	SFIA 2006	WYPF 2005	SFIA 2005	WYPF 2004	SFIA 2004	WYPF 2003	SFIA 2003
Gain/(loss) on scheme assets Amount (£000)	4,391	-	1,325	(20)	3,030	(20)	(6,812)	(10)
Percentage of scheme assets at end of year	14.7%	-	5.4%	-	13.5%	-	35.2%	-
Experience of gain/(loss) on scheme Liabilities Amount (£000)	(389)	-	(1,233)	5	-	-	-	-
Percentage of scheme liabilities at end of year	1.3%	-	4.5%	1.4%	-	-	-	-
Total gain/(loss) recognised in STRGL Amount (£000)	1,114	(20)	(395)	(6)	3,030	(20)	(6,812)	(10)
Percentage of scheme liabilities at end of year	3.6%	5.4%	1.5%	1.6%	12.2%	5.3%	28.1%	2.7%

13. Buildings Provision

This provision was established to meet the shortfall of rent and associated charges on office premises in London to which Seafish had a lease commitment until June 2006 and had sublet.

	£000
At 1 April 2005	9
Payments during year	9
At 31 March 2006	-

14. Ardtoe Closure Provision

This provision was established to meet Seafish costs of the discontinuance of its aquaculture research activities at its Ardtoe site. The provision represents agreed funding towards aquaculture research projects under original contract to Seafish as well as ongoing contributions towards the project work of the new owners. The economic benefit will accrue gradually up until March 2007. The project funding for 2006 was £23k.

	£000
At 1 April 2005	113
Payments during year	23
At 31 March 2006	90

Notes to the Accounts

For the Year Ended 31 March 2006 (continued)

15. 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 2005	18
Released against depreciation	(6)
At 31 March 2006	12

16. Contingent Liabilities

The Hull office is held under a 50 year lease expiring 31 March 2035. The building is no longer suitable for the requirements of the work undertaken by Seafish in Hull and the asset has been impaired (see note 5). The Board has approved the termination of the lease, subject to negotiations. The financial implication of this decision still has to be clarified.

17. Post Balance Sheet Events

Seafish carried out a strategic review of the seafood industry's future needs during 2005/06. Proposals to find and implement solutions to these needs were presented to industry in a consultation document published in March 2006. A new work programme and supporting operational structure were identified during 2006/07 and the resulting proposals approved by the Board in May 2006.

This new strategy is built upon releasing over £1 million per annum from current levels of operating costs and projects for industry-facing research and delivery programmes. The change of focus and cost savings require a reduction in core Seafish staff numbers. Redundancy consultations were put in progress in early June with those whose jobs may be affected. The potential exceptional restructuring costs approved by the Board in the current year are in the region of £2million, of which almost 60% relates to the West Yorkshire Pension Fund scheme providing early release of pension benefits for eligible staff over 50 who are made redundant.

18. Financial Commitments

At 31 March 2006 Seafish had continuing annual financial commitments in respect of operating leases as follows:

	Land and Buildings £000	Other £000
Leases expiring: within 1 year	-	16
between 1-5 years	-	109
over 5 years	16	-
	16	125

Notes to the Accounts

For the Year Ended 31 March 2006 (continued)

19. Reconciliation of Operating Surplus to Net Cash Inflow/(Outflow) from Operating Activities

	2006 £000	2005 £000
Operating Surplus	183	77
Depreciation and Impairment on tangible fixed assets	332	245
Increase in Debtors and Prepayments	(1,062)	(150)
Increase in Creditors and Accruals	501	(41)
Decrease in Provisions	(5)	(37)
Decrease in Deferred Income	(5)	(5)
Pension Operating Cost	(535)	(34)
Net Cash (Outflow)/Inflow from Operating Activities	(591)	55

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

	2006 £000	2005 £000
(Decrease) in Cash	(102)	(205)
(Decrease)/Increase in Liquid Resources	(500)	200
	(602)	(5)
Cash outflow from decrease in debt	-	-
Change in net debt	(602)	(5)
Net funds at 1 April	3,542	3,547
Net funds at 31 March	2,940	3,542

21. Analysis of Changes in Net Funds

	Balances At 1 April 2005 £000	Cash Flows £000	Balances At 31 March 2006 £000
Cash	442	(102)	340
Current Liquid Resources	3,100	(500)	2,600
Cash at bank and in hand	3,542	(602)	2,940

Notes to the Accounts

For the Year Ended 31 March 2006 (continued)

22. Movement on Reserves

	Revaluation Reserve (£000)	General Fund (£000)	Retirement Benefit Schemes (£000)	Total (£'000)
At 1 April 2005	968	6,296	(3,126)	4,138
Revaluation Reserve adjustment	471			471
Surplus for the period		200		200
Other movement in retirement benefit schemes		(501)	501	-
Actuarial loss recognised in STRGL			1,094	1,094
At 31 March 2006	1,439	5,995	(1,531)	5,903

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	(713)
Employer & Employee Contributions	996
Past Service Cost/Curtailment Cost	284
Net Interest/Return on Assets	(66)

23. Related Party Transactions

Seafish is a non departmental public body of the 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 – SEERAD, DARDNI, WAG and Welsh European Funding Office. These transactions predominantly relate to the payment of FIG grants for approved projects and are disclosed in note 3. The balances payable to Seafish at the year end were:

	2006 £	2005 £
Defra	258,304	83,238
SEERAD	204,447	238,541
DARDNI	5,283	-
WAG	4,576	4,576
Welsh European Funding Office	15,698	15,698

No Board members or Executive Directors undertook any material transactions with Seafish during the year.

Seafish Board Members and Industry Advisory Committees

Seafish Board Members (as of May 2006)



- 1 Andrew Dewar-Durie CBE, Chairman
- 2 John Whitehead OBE, Deputy Chairman
- 3 Nigel Atkins
- 4 Linda Cross
- 5 Stephen Lockwood
- 6 Iain MacSween OBE
- 7 Gordon Maddan
- 8 Ole Norgaard
- 9 Mike Parker
- 10 Norman Shaw CBE
- 11 Chris Venmore
- 12 Alex West MBE

More details on board members can be found on the Seafish website: www.seafish.org

Industry Advisory Committees

Pelagic Advisory Committee

Chairman: Iain MacSween OBE
Deputy Chairman: Alex West MBE

Shellfish Advisory Committee

Chairman: Chris Venmore
Deputy Chairman: Ole Norgaard

Sustainable Fishing Advisory Committee

Chairman: Stephen Lockwood
Deputy Chairman: Alex West MBE

Training Advisory Committee

Chairman: John Whitehead OBE
Deputy Chairman: Chris Venmore

White Fish Advisory Committee

Chairman: Nigel Atkins
Deputy Chairman: Mike Parker

Legislation Expert Group

Chairman: Gordon Maddan
Deputy Chairman: Ole Norgaard

Inshore Review Working Group

Chairman: Stephen Lockwood



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