

Charity Registration No. SC035745

Company Registration No. SC267177 (Scotland)

SCOTTISH AQUACULTURE RESEARCH FORUM

(SARF)

TRUSTEES' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 28 FEBRUARY 2008

**SCOTTISH AQUACULTURE RESEARCH FORUM
(SARF)
LEGAL AND ADMINISTRATIVE INFORMATION**

Chairman	Professor William Ritchie
Trustees	Iain Sutherland Ronald Stagg Douglas McLeod Richard Slaski John Webster David Sandison Ewan Gillespie Paul Williams Kara Brydson David Ford David Bassett Michael Cowling Callum Sinclair George Lees George Hamilton
Secretary	J & H Mitchell
Charity number	SC035745
Company number	SC267177
Registered office	Rowanbank 7 Atholl Gardens, Dunkeld, Perthshire. PH8 0AY
Auditors	Morris & Young Chartered Accountants & Registered Auditors 6 Atholl Crescent PERTH PH1 5JN
Bankers	Royal Bank of Scotland 84 Atholl Road PITLOCHRY Perthshire PH16 5BJ
Solicitors	J & H Mitchell 51 Atholl Road Pitlochry Perthshire PH16 5BU

SCOTTISH AQUACULTURE RESEARCH FORUM (SARF) CONTENTS

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SCOTTISH AQUACULTURE RESEARCH FORUM (SARF)

TRUSTEES' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2008

The trustees present their report and the audited financial statements for the year ended 28 February 2008.

STRUCTURE, GOVERNANCE & MANAGEMENT

The charity is a company limited by guarantee.

GOVERNING DOCUMENT

The company is governed by its Memorandum and Articles of Association, last amended 28 April 2004.

RECRUITMENT AND APPOINTMENT OF TRUSTEES

From our 17 Member organisations listed below, 15 trustees, together with designated alternates, have been recruited. Trustees are also required to serve as members of the company under the Articles and are formally appointed as Company Directors, guaranteeing to contribute £1 in the event of the company being wound up. The Member organisation is responsible for selecting and nominating the candidates it wishes to serve on the SARF Board. Existing Board Members are informed of the nomination and, in the absence of substantive objection, the individual is appointed. There is no fixed term for SARF trustees. The Chairman is an independent appointee of the Board and the position is reviewed annually.

SARF Trustees are drawn from a broad range of interest groups including:

- The Scottish Government – Marine Directorate
- Scottish Environment Protection Agency
- Scottish Natural Heritage
- Highlands and Islands Enterprise
- Fisheries Research Services
- Scottish Environment Link
- The Crown Estate
- Seafish Industry Authority
- British Trout Association
- Association of Salmon Fisheries Boards
- Highland Council
- Rivers and Fisheries Trusts Scotland
- Scottish Salmon Producers Organisation
- Shetland Aquaculture
- Federation of Scottish Aquaculture Producers
- British Marine Finfish Association
- Association of Scottish Shellfish Growers

SCOTTISH AQUACULTURE RESEARCH FORUM (SARF)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2008

TRUSTEES INDUCTION AND TRAINING

At the time of their appointment, all trustees are provided with an information pack containing:

- The Role of the Charity Trustee (Liddell, 2006¹)
- Memorandum and Articles of Association
- Standard SARF confidentiality agreement
- The previous year's Board meeting and Annual General Meeting minutes
- The latest set of accounts
- The latest annual report

The Secretariat also provides an induction presentation providing details of the structure, function and status of SARF. Trustees are encouraged to attend workshops and training events relevant to their role with SARF. The Secretariat also provides specific advice and guidance to new trustees.

In addition to its normal cycle of Board meetings, SARF has also staged an internal workshop to encourage the development of specific areas of SARF business through designated task groups. This mechanism was found to be very effective and in future *ad hoc* workshops will take place to develop the Board's capabilities and take forward important work streams.

ORGANISATIONAL MANAGEMENT

SARF is operated by a Board constituted by trustees who are also Company Directors. Board members are drawn from each of SARF's Member organisations and take overall responsibility for ensuring that SARF fulfils its stated aims and maintains the appropriate infrastructure for the effective, accountable and lawful conduct of the organisation. The Chairman is an independent appointee of the Board. The Company Secretary is J&H Mitchell Solicitors. Day to day management and administration of SARF is undertaken by the Secretariat, FRM Ltd. SARF accounts are compiled and audited by Morris and Young, Chartered Accountants.

The Board consists of 15 trustees together with a similar number of designated alternates who may act on behalf of a specified trustee in their absence. The Board has agreed that other relevant bodies shall have observational status and be invited to participate in normal board meetings. Trustees are drawn from a diverse range of SARF Member organisations including Government, local authorities, regulators, industry, environmental and fisheries non-governmental organisations (NGO's). As individuals the Trustees bring a combination of policy, technical and business expertise to the Board.

The Board meets twice each year: an AGM and Board Meeting take place in April with a further Board meeting in late Autumn. The main function of the April Board meeting is to select the project areas that will be published as a call for proposals for research and development funding. The Autumn meeting is used to assess which of the proposals submitted should be supported by SARF. Sub-groups of the Board also meet on an *ad hoc* basis to address specific tasks agreed by the Board.

The Chairman and the Secretariat liaise regularly with respect to routine operational matters. All decisions related to policy, strategic development, project approvals and fundamental aspects of company business are referred to the Board.

In the absence of Board consensus on an issue, decisions are carried on the basis of a simple majority with the Chairman holding a casting vote

¹ Liddell, C. (2006) – *The Role of the Charity Trustee* (Unpublished).

**SCOTTISH AQUACULTURE RESEARCH FORUM
(SARF)
TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2008**

Organisational Structure and Relationships

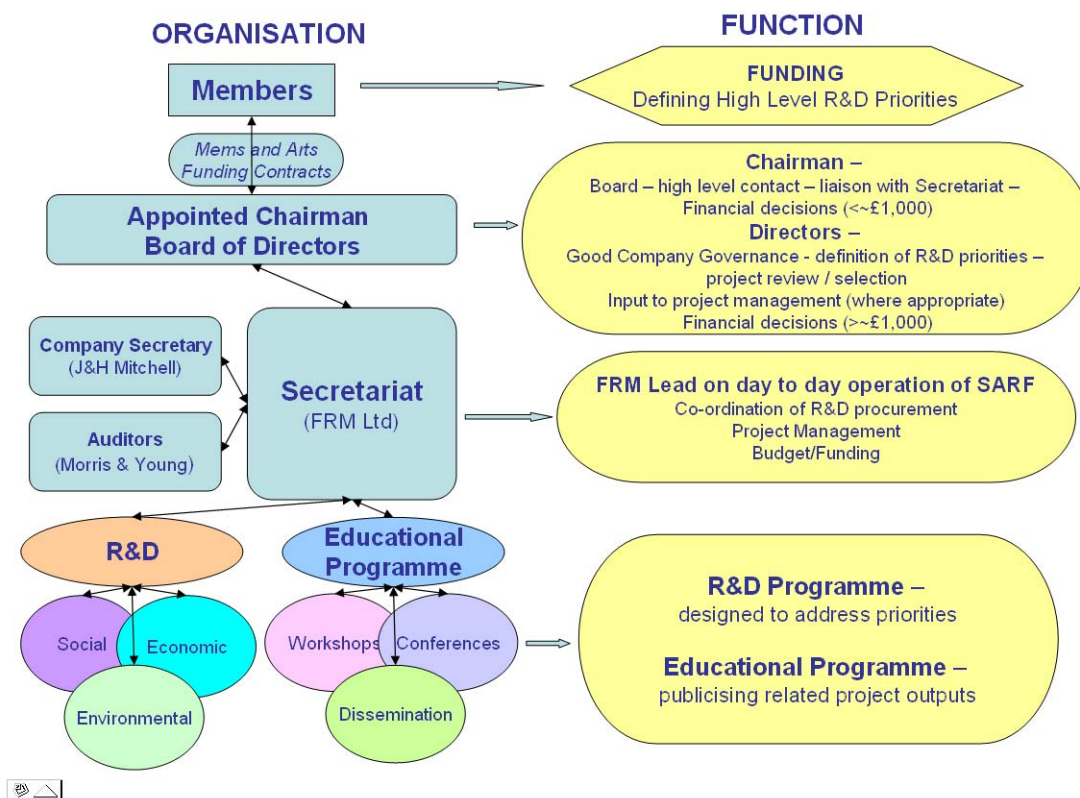


Figure 1. Organisational Diagram of SARF operational structure and related functions

RELATIONSHIP WITH RELATED PARTIES

The trustees, who are also Directors for the purposes of company law, are each drawn from SARF Member organisations. All trustees are formally requested to declare any potential conflict interest prior to its discussion at a Board meeting. Exclusion of the Board member from further participation in discussions is at the Chairman’s discretion. In instances where the Member organisation that a trustee represents has a vested interest in a research proposal, the trustee will remove themselves from the assessment and voting process in relation to that proposal. Directors are not permitted to be direct participants in a SARF project.

RISK MANAGEMENT

The trustees have assessed the major risks to which the charity is exposed, and are satisfied that systems are in place to mitigate exposure to the major risks. These risks are re-evaluated on an ongoing basis by the Secretariat and the Board is alerted to salient emerging issues.

SCOTTISH AQUACULTURE RESEARCH FORUM (SARF)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2008

AIMS, OBJECTIVES AND PRINCIPAL ACTIVITIES

The aims of SARF are:

- To promote, encourage and support scientific research and development in aquaculture and related areas. This includes research in the fields of environmental, economic and social impacts, technical and biological cultivation and health and welfare science.
- To enhance public understanding of aquaculture through the dissemination of research results in the public domain. This will include research exhibitions and on-line publications of investigations and results.
- SARF has a range of members including representatives from the aquaculture industry, government organisations, wild fish groups and environmental NGO's. The research undertaken will be across a broad range of areas and will be required to meet the collective needs of its members

STRATEGIC AIM

Through the support of research and the dissemination and publication thereof, promote and encourage a sustainable, diverse and economically viable aquaculture, based on the principles of stewardship, social responsibility and working within the carrying capacity of the environment, both locally and nationally and throughout its supply chain.

OBJECTIVES FOR THE YEAR

- Commission research and development projects prioritised and agreed by the Board.
- Ensure the delivery of objective scientific research and development outputs from ongoing projects to underpin the sustainable development of aquaculture.
- Develop the educational remit of SARF.

STRATEGIES FOR ACHIEVING STATED OBJECTIVES

Commissioning research

SARF has established robust mechanisms for commissioning, managing and evaluating research and development projects. Prioritised research requirements are agreed by the Board in April and published as a call for proposals. Submitted proposals are subject to internal and external peer review, before being tabled for final assessment by the Board in the Autumn when funding decisions are taken.

In addition to SARF's established grant round, exceptionally, *ad hoc* proposal procedures have been established to permit high priority projects to be taken forward through a fast track mechanism.

Ensuring delivery

Successful proposals are contracted through SARF and their progress monitored according to agreed protocols.

Projects are encouraged to disseminate their results widely through appropriate media and fora. Final reports for projects are subject to internal and external peer review and, subject to commercial sensitivity, are published on the SARF website.

**SCOTTISH AQUACULTURE RESEARCH FORUM
(SARF)
TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2008**

Developing educational remit

In addition to project dissemination activities, SARF is also planning an International symposium in association with the Royal Society of Edinburgh (RSE) and the Norwegian Academy of Science and Letters (NASL) to take place in April 2009 at the Edinburgh Conference Centre.

A task group has been convened to steer development of the annual report, web site development, and related education and dissemination activities. The first meeting of this group took place in Perth on 2nd July 2007.

Review of Achievements and Performance for the Year

Operational Performance and Strategic Analysis of Commitments

All the principal objectives for 2007-08 were achieved.

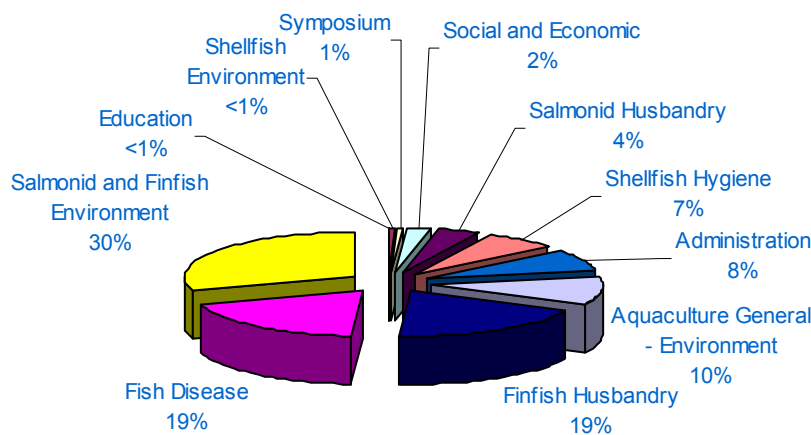


Figure 1. Breakdown of percentage total cost committed to SARF functions.

Since its inception in 2004, SARF has developed a respected system for the procurement of high calibre applied research and development in the field of aquaculture. Between 2004 and the end of this reporting period, SARF in collaboration with its co-sponsors has committed a total of £3,073,507 in fulfilment of its charitable role, with direct SARF commitments accounting for £1,861,699 (60.6%) of the total.

Research and Development projects are the greatest proportion (91.5%) of expenditure, with a total of £2,813,389 (£1,601,599, 57% from SARF). Of this total, project cost related to salmonid and finfish environment together with more general environment related projects have accounted for 40%, fish disease 19%, fish husbandry 23%, shellfish hygiene 7% and socio-economic studies 2%. A total of 37 projects have been commissioned.

SCOTTISH AQUACULTURE RESEARCH FORUM (SARF)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2008

Our educational role, which includes the delivery of an international symposium represents less than 1.5% of total commitment. This proportion is likely to increase significantly as our educational programme develops.

Administration as a function of total commitment over the period 2004 to the end of this reporting period is 8% (14.5% of the SARF commitment). The SARF Secretariat deals with all the day-to-day management of SARF and its various projects, including contractual and financial management together with all processes connected with project monitoring and evaluation. The Secretariat is also responsible for taking forward the educational role of SARF.

Research and Development

Appendix 1: provides a list of SARF sponsored research and development projects. Of the 37 projects commissioned since the inception of SARF, 13 are complete and 24 are ongoing.

At the start of the reporting period 2007-2008, SARF was supporting a total of 20 projects and during this period has commissioned an additional 10 projects with a total value of £513K and cost to SARF of £381K (74.22% of project costs).

In the same period, 24 SARF project meetings were conducted with 8 projects ending. Seven of the projects completed in this financial year were graded as satisfactory or better, with one project achieving grade 1 (outstanding results). One project was graded 5, (poor results, well below expectations) by one referee and grade 3 (satisfactory), by another.

Overall, the quality of project outputs is good, but the Secretariat and the Board are aware of the need for some contractors to improve the quality and timeliness of their reporting. An additional clause has now been added to the standard SARF Agreement which specifies financial penalties for contractors who fail to provide reports of the required quality by agreed submission dates.

A protocol for dealing with *ad hoc* / fast track proposals is now in place and has been used to commission two projects during this reporting period.

The SARF R&D proposal forms have been updated to include reference to data management and implementation plans and applicants will now be required to provide clear statements reflecting how the proposed project addresses SARF's stated aims and objectives.

The SARF website will carry a digest of Research Programme and Project Highlights. It is our intention to update this information on a quarterly basis. All project final reports are lodged on the SARF website.

Educational role

The SARF Secretariat is in the process of developing promotional material that will be made available to Member organisations, outlining SARF's role, remit and progress, together with a link to the SARF website.

The SARF application form which forms the basis of our research contracts requires that contractors define their plans to disseminate the outcomes of projects in appropriate formats

A working group has been tasked with taking the SARF International Symposium forward. A formal agreement with the RSE is now in place and introductory meetings with NASL representatives have taken place. A draft symposium programme has been developed, together with a defined budget. A range of sponsors have been contacted with a view to securing additional funding for the conference and we already have commitments from Schering Plough, Ewos, Skretting, Biomar, Seafish and The Crown Estate. Publicity and registration material is in preparation and the first announcement for the symposium

SCOTTISH AQUACULTURE RESEARCH FORUM (SARF)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2008

will take place in April 2008. We have an in principle agreement for the proceeding of the symposium to be published as a special edition of Aquaculture Research by Wiley-Blackwell.

In addition to actively encouraging dissemination of project results, SARF is also exploring the potential to provide web-based online seminars to facilitate cost effective and more sustainable delivery of project specific information to target audiences in diverse and often remote locations.

SARF has provided the Ministerial Working Group on Aquaculture with an annual status update and continues to respond to specific requests for information related to projects that address actions being taken forward under the Strategic Framework for Scottish Aquaculture.

Contracts

Additional clauses to the SARF standard R&D contract have been approved which will help to ensure that contractors fulfil their reporting obligations to an acceptable standard and in a timely manner. Poor quality and late reporting will result in financial penalties for the contractor.

Applicants for SARF funding are now required to agree to the terms and conditions of the Standard SARF contract prior to submitting applications. This stipulate has significantly reduced the time and cost involved in securing contractual agreements.

Finance

A corporate level risk assessment pro-forma has been developed and adopted by the Board.

Assessment of research council and other funding source opportunities is ongoing.

Contact with Innovators Counselling and Advisory Service for Scotland (ICASS) has been established to secure advice on exploitation of Intellectual Property which may be developed through SARF projects.

A formal meeting with representatives of the Scottish Government took place to gain further insight into (internal) funding mechanisms within Government which may be relevant to SARF.

FACTORS OUTSIDE THE CHARITY'S CONTROL AFFECTING OBJECTIVES

Securing longer term financial stability is fundamental to SARF's continued success. Contributing SARF Members are encouraged to formalise their commitments to SARF through contracts and increase their sponsorship to reflect increasing costs.

The Crown Estate will be contributing progressively reduced funding to SARF over the next two years. Its initial contribution being for pump priming purposes when SARF was set up in 2004. Increasing resources from the Scottish Government have offset this reduction in funding, but SARF will need to continue to actively seek additional funding sources.

The government requirement for universities and research institutes to charge full economic cost for providing research will increase costs to SARF.

Defra has been a significant co-funder of some SARF projects. The profile of aquaculture within Defra has diminished which, in combination with a reduced budget, will limit opportunities for future co-sponsorship of projects with SARF.

SCOTTISH AQUACULTURE RESEARCH FORUM (SARF)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2008

FINANCIAL REVIEW AND RESULTS FOR THE YEAR

Incoming funds are donations from member organisations for core funding and specific additional project funding. In total these amounted to £511,709.

Expenditure on research has increased by £364,509 in the year to £719,795.

The overall result for the year is a decrease in the total funds held of £248,092, which is transferred to reserves and gives an accumulated fund balance at 28 February 2008 of £466,742.

The reserves held comprise funding donations received which, at the date of these accounts, the company has no obligation to accrue the related research costs.

It is anticipated that the reserves will be used to fund research projects in future accounting periods.

FINANCIAL MANAGEMENT POLICIES

FRM Ltd is responsible for the day-to-day management of SARF finance and has responsibility for ensuring that an effective system of internal financial control is maintained and operated in respect of SARF accounts.

The system of internal financial control is based on a framework of regular management information, periodic audit, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- the existence of an appropriate control environment, such as clearly defined management responsibilities and evidence of reaction to control failures;
- regular monitoring of financial activity, on a weekly basis by FRM's financial controller and on a monthly basis all transactions of more than £1,000 are agreed by the SARF Chairman and one other designated signatory;
- contractual agreement for the allocation of SARF funds requiring the signature of two Directors;
- the Chairman also approves on a regular basis the expenses and fees generated by the Secretariat;
- a system of continuous cash flow control;
- all contractors invoices being checked prior to settlement and, under the terms of the standard SARF Agreement, the right to secure financial audit of contractors;
- Morris and Young, Chartered Accountants, independently audit the SARF accounts annually and produce the annual financial accounts;
- The Directors of SARF are informed at bi-annual Board meetings of the financial status of the company;
- minimising the financial risk to SARF by, as far as possible, securing contractually agreed contributions from Member organisations and committing funds within the constraints of these confirmed allocations;

SCOTTISH AQUACULTURE RESEARCH FORUM (SARF)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2008

The system of internal financial control is informed by FRM Ltd's company accountants, the SARF Board and the financial administrator who has responsibility for the development and maintenance of the financial control framework.

RESERVES POLICY AND OBJECTIVES

It is the policy of SARF not to accrue reserves. The majority of the funds committed to SARF by our sponsors are allocated on the basis that it will support research and development projects. As research projects have a life of up to three years, with the majority of related funding, being in place at the outset, a balance accumulates in reserves until the full research costs are incurred in later periods. In addition, SARF conducts an annual research prioritisation exercise with its Member organisations and the number of high priority research areas submitted for consideration is always considerably more than SARF sponsorship alone could support.

FUTURE PLANS

Over the coming year, in addition to commissioning a new tranche of research and development projects, SARF will continue to engage with other major sponsors of R&D in this sector to better co-ordinate research effort and make best use of scarce resources.

In addition to maintaining a close dialogue with existing sponsors, work to develop strategic alliances with potential sponsors and co-funders will continue, together with assessments of the potential to secure grant funding for specific areas of SARF's work such as developing our educational remit.

The international conference planned for 2009 will be progressed and proactive steps will be taken to encourage better dissemination of research results by contractors.

Building the capacity of the Board as a respected sponsor of scientific research will continue through encouraging their attendance at relevant project meetings and stimulating debate on key areas of research required to underpin the sustainable development of aquaculture in Scotland.

An outstanding objective for the current reporting period is to consider a Rationale, Objective, Assessment, Monitoring and Evaluation (ROAME) style definition of SARF's activities to provide greater clarity and appropriate criteria against which the organisation can be evaluated more objectively. The Board will need to assess whether providing a more detailed annual report including an assessment of progress against annually agreed objectives and targets may provide a more expedient and dynamic means of defining and evaluating SARF's performance.

The following strategic, medium and short term² objectives are suggested for the reporting period beginning 2008:

SARF has reached an important stage in its evolution. Many of the research priorities highlighted as part of the Strategic Framework for Scottish Aquaculture in 2003 have been, or are being, addressed through SARF. However, resolution of complex issues usually requires iterative research taken forward in logical, co-ordinated progression and the portfolio of SARF projects commissioned over the next two to three years will inevitably reflect this need. The implementation of the new EU fish health legislation at national level, changes in the way that shellfish hygiene is managed coupled to the new planning regime, the Aquaculture and Fisheries (Scotland) Bill and the prospect of a Marine Bill will all generate significant research requirements. The prospect of increasing disease resistance, new and emerging diseases together with climate change also present significant research challenges.

² Medium term – 3-5 years; Short Term – 1-2 years.

SCOTTISH AQUACULTURE RESEARCH FORUM (SARF)

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2008

The Board recognises that SARF will be expected to play a role in meeting these challenges

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information.

AUDITORS

A resolution proposing that Morris & Young be reappointed as auditors will be put to the Annual General Meeting.

On behalf of the board of trustees:

Professor William Ritchie
Chairman
23rd April 2008

**SCOTTISH AQUACULTURE RESEARCH FORUM
(SARF)
TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2008**

Appendix 1.

**Projects
Commissioned**

Project Code	Project Title	Start Date	End Date
SARF001	Prevention and management of <i>Ichthyophthirius multifiliis</i>	01/01/2005	31/07/2005
SARF003	Development of a GIS-based tool to assist planning of aquaculture developments	01/03/2005	28/02/2006
SARF004	Vaccine performance - efficacy in gadoids measured by cell mediated immune responses	01/05/2005	30/04/2008
SARF004a	BAC Library	01/09/2006	28/02/2007
SARF005	Site optimisation for aquaculture operations	20/01/2005	19/10/2005
SARF009	Coastal assimilative capacity for amalgamated fish farm chemicals/organic pollutants	01/04/2005	31/03/2008
SARF011	Review of Environmental Quality Standards (EQS) for use in assimilative capacity model development	01/06/2005	31/05/2006
SARF012	The development of modelling techniques to improve predictions of assimilative capacity of water bodies utilised for marine caged fish farming	01/07/2005	30/06/2007
SARF013	Identification of sources of faecal pollution in Scottish coastal waters to help clarify causes of recent deterioration in the quality of Shellfish Harvesting waters (to be associated with the EU REDRISK Project)	14/11/2005	13/11/2007
SARF013a	Additional sampling work	01/07/2006	30/06/2007
SARF014	Cod broodstock nutrition, and specifically the role of essential fatty acids such as arachadonic acid.	01/10/2005	30/09/2007
SARF015	The aetiology and epidemiology of Pancreas Disease (PD) and similar pathologies - Heart and Skeletal Muscle Inflammation (HSMI) and Cardiomyopathy Syndrome (CMS) - in Scotland	01/11/2005	30/11/2007
SARF016	Rainbow Trout Gastro Enteritis	01/05/2006	31/03/2009
SARF017	A rationale for the identification of sea lochs with isolated deep water, to help assess the risk of widespread basin de-oxygenation.	01/12/2005	30/11/2006
SARF021	The development of practical but meaningful welfare indices for cod on-growing.	01/03/2006	28/02/2008
SARF022	Novel species risk to biodiversity assessments study: as discussed within the Scottish Biodiversity Strategy Implementation plans	05/01/2006	05/07/2006
SARF023	Review of sea lice bath treatment model	12/06/2006	17/08/2007
SARF024	A Review of Fish Farm Environmental Impact Assessments	01/09/2006	31/03/2007
SARF025	Consumer attitudes to aquaculture feed sustainability	01/02/2007	30/09/2007
SARF026	Evaluation of copper concentrations around marine cage fish farms.	01/02/2007	01/08/2007
SARF027	Stock management strategies to optimise growth potential in on-growing of marine fish.	01/02/2007	31/01/2010
SARF028	Development of a system for sentinel fish farm monitoring.	01/03/2007	01/02/2009
SARF030	Assessment of the rate of sedimentary ecosystem recovery following the removal of marine fish farm cages or the cessation of farming.	01/02/2007	31/01/2010
SARF031	Assessment of appropriate thresholds for the potential triggers for Environmental Impact Assessments (EIA) for shellfish farms.	15/01/2007	14/08/2007
SARF035	Determination of the fate of chemical/faecal material which is transported beyond the Allowable Zone of Effects (AZE).	26/02/2007	31/08/2007
SARF036	Establishing the effects of fish farm discharges on Biodiversity Action Plan (BAP) habitats and assessing their recoverability.	01/04/2007	31/03/2009
SARF037	Strategic waste management and minimisation in aquaculture – a detailed review of current status and future options.	19/02/2007	31/08/2007

SCOTTISH AQUACULTURE RESEARCH FORUM (SARF) STATEMENT OF TRUSTEES' RESPONSIBILITIES

Company law requires the trustees to prepare accounts for each financial year which give a true and fair view of the charitable company's state of affairs at the end of the year and of its income and expenditure for that period.

In preparing those accounts, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent and;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SCOTTISH AQUACULTURE RESEARCH FORUM (SARF) INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCOTTISH AQUACULTURE RESEARCH FORUM

We have audited the accounts of Scottish Aquaculture Research Forum for the year ended 28 February 2008 set out on pages 15 to 20. These accounts have been prepared under the accounting policies set out on page 17.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985, and to the charity's trustees', as a body, in accordance with section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described on page 12, the trustees, who are also the directors of Scottish Aquaculture Research Forum for the purpose of company law, are responsible for preparing the Trustees' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the accounts, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charitable company is not disclosed.

We read other information contained in the Trustees' Report, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the accounts, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**SCOTTISH AQUACULTURE RESEARCH FORUM
(SARF)
INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF SCOTTISH AQUACULTURE RESEARCH FORUM**

Opinion

In our opinion:

- the accounts give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the charity's affairs as at 28 February 2008 and of its incoming resources and application of resources in the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the accounts.

Morris & Young

Chartered Accountants & Registered Auditors

6 Atholl Crescent

PERTH

PH1 5JN

Dated:

**SCOTTISH AQUACULTURE RESEARCH FORUM
(SARF)
STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE ACCOUNT**

FOR THE YEAR ENDED 28 FEBRUARY 2008

	Notes	Unrestricted funds £	Designated funds £	Restricted funds £	Total 2008 £	Total 2007 £
<u>Incoming resources from generated funds</u>						
Donations	2	420,000	-	91,709	511,709	603,765
Investment income	3	40,920	-	-	40,920	27,301
Total incoming resources		460,920	-	91,709	552,629	631,066
<u>Resources expended</u>						
Costs of generating funds						
Fundraising and publicity	4	-	-	-	-	687
Net incoming resources available		460,920	-	91,709	552,629	630,379
Charitable activities						
Research		-	605,059	114,736	719,795	355,286
Governance costs		80,926	-	-	80,926	69,982
Total resources expended		80,926	605,059	114,736	800,721	425,955
Net incoming/(outgoing) resources before transfers		379,994	(605,059)	(23,027)	(248,092)	205,111
Gross transfers between funds		(379,994)	379,994	-	-	-
Net income/(expenditure) for the year/ Net movement in funds		-	(225,065)	(23,027)	(248,092)	205,111
Fund balances at 1 March 2007		-	662,889	51,945	714,834	509,723
Fund balances at 28 February 2008		-	437,824	28,918	466,742	714,834

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 1985.

**SCOTTISH AQUACULTURE RESEARCH FORUM
(SARF)
BALANCE SHEET
AS AT 28 FEBRUARY 2008**

	Notes	2008 £	£	2007 £	£
Current assets					
Debtors	9	13,313		21,850	
Cash at bank and in hand		826,123		730,960	
		<u>839,436</u>		<u>752,810</u>	
Creditors: amounts falling due within one year	10	(372,694)		(37,976)	
Total assets less current liabilities			466,742		714,834
Income funds					
Restricted funds	11		28,918		51,945
Unrestricted funds:					
Designated funds			437,824		662,889
			<u>466,742</u>		<u>714,834</u>

The accounts were approved by the Board on 23 April 2008

.....
E Gillespie
Trustee

.....
D Bassett
Trustee

**SCOTTISH AQUACULTURE RESEARCH FORUM
(SARF)
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 28 FEBRUARY 2008**

1 Accounting policies

1.1 Basis of preparation

The accounts have been prepared under the historical cost convention.

The accounts have been prepared in accordance with applicable accounting standards, the Statement of Recommended Practice, "Accounting and Reporting by Charities", issued in March 2005 and the Companies Act 1985.

The particular accounting policies adopted are described below. They have all been consistently applied throughout the year and the preceding year.

1.2 Incoming resources

Income is recognised when received or scheduled to be received. No income is recognised in respect of monies committed by organisations to be received in future periods.

1.3 Resources expended

Unrestricted funds represent monies received that have not been designated for a specific project.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the Charity. These include the audit fees and costs incurred in the performance of the secretariat function of the Charity.

Restricted funds represent unexpended co-funders contributions to specific projects.

Designated funds represent unexpended core funding received from member organisations.

2 Donations

	Unrestricted funds £	Restricted funds £	Total 2008 £	Total 2007 £
Donations receivable	420,000	91,709	511,709	603,765

3 Investment income

	2008 £	2007 £
Interest receivable	40,920	27,301

**SCOTTISH AQUACULTURE RESEARCH FORUM
(SARF)
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2008**

4 Total resources expended

	2008	2007
	£	£
Costs of generating funds		
Fundraising and publicity	-	687
Charitable activities		
<u>Research</u>		
Activities undertaken directly	719,795	355,286
Governance costs	80,926	69,982
	<u>800,721</u>	<u>425,955</u>

Governance costs includes payments to the auditors of £5,659 (2007 - £1,946) for audit fees and £1,500 (2007 - £500) for other services.

5 Governance costs

	2008	2007
	£	£
Other governance costs comprise:		
Consultancy fees	65,487	64,892
Audit and accountancy fees	7,159	2,446
Legal and professional fees	410	135
Insurance	5,985	893
Postage and stationery	116	159
Travelling expenses	1,193	1,154
Bank charges	29	4
Sundry expenses	547	299
	<u>80,926</u>	<u>69,982</u>

6 Trustees

None of the trustees (or any persons connected with them) received any remuneration or benefits during the year (2007 - no remuneration or benefits). Chairman, Professor Ritchie, who is not a trustee, received an honorarium of £2,000 (2007 - £2,000) and travel expenses reimbursed amounting to £563 (2006 - £500).

7 Employees

There were no employees during the year.

**SCOTTISH AQUACULTURE RESEARCH FORUM
(SARF)
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2008**

8 Taxation

The company is a charity and is not liable to Corporation Tax.

9 Debtors	2008	2007
	£	£
Trade debtors	13,313	21,850

10 Creditors: amounts falling due within one year	2008	2007
	£	£
Trade creditors	123,134	36,176
Accruals	249,560	1,800
	372,694	37,976

11 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Balance at 1 March 2007	Movement in funds		Balance at 28 February 2008
	£	Incoming resources	Resources expended	£
SARF 013 & SARF 013a	41,297	41,709	(83,006)	-
SARF 024	10,648	-	(6,730)	3,918
SARF 031	-	5,000	(5,000)	-
SARF 036	-	10,000	(10,000)	-
SARF 037	-	10,000	(10,000)	-
SARF 046	-	10,000	-	10,000
SARF 047	-	15,000	-	15,000
	51,945	91,709	(114,736)	28,918

**SCOTTISH AQUACULTURE RESEARCH FORUM
(SARF)
NOTES TO THE ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 28 FEBRUARY 2008**

12 Analysis of net assets between funds

	Unrestricted funds £	Designated funds £	Restricted funds £	Total £
Fund balances at 28 February 2008 are represented by:				
Current assets	-	789,441	49,995	839,436
Creditors: amounts falling due within one year	-	(351,617)	(21,077)	(372,694)
	-	437,824	28,918	466,742

Designated funds represent unexpended core funding received from member organisations after expenses. The Trustees have set aside the donations to fund particular research projects although no restriction was applied by the donors .

Restricted funds represent unexpended co-funders contributions to specific projects. These funds are restricted in purpose and are recorded separately.

The accumulated funds are anticipated to be expended over the next 3 years.

13 Commitments

At 28 February 2008 the company had commitments as follows:

	2008 £	2007 £
Expiry date:		
Within one year	507,481	385,781
Between two and five years	377,764	209,280
	885,245	595,061

The charity has committed to funding research and development at a cost of £885,245 over the next four years. This will be funded from the reserves accumulated. Incoming resources confirmed for the next four years is currently £896,000.

14 Related parties

The trustees, who are also directors for the purposes of company law, each represent one of the sponsor organisations of SARF.

In instances where the organisation that a trustee represents has a vested interest in a research proposal, the trustee will remove themselves from the evaluation and voting process in relation to that proposal.