



the  
**voice**  
of small business

# Annual Report

for the year ended 30 September 2010



**Federation of Small Businesses**  
*The UK's Leading Business Organisation*

# Our Vision

A community that recognises, values and adequately rewards the endeavours of those who are self employed and small business owners within the UK

## Contents

	page		page
Chairman's Report	3	Accounts	13
Policy Report	5	Honorary Officers and Advisers	13
Making the Headlines	6	Directors	14
Honorary Secretary's Report	7	Directors' Report	15
Member Services Report	8	Independent Auditors' Report	16
Recruitment Report	9	Consolidated Income and Expenditure Account	17
Marketing Report	9	Consolidated Balance Sheet	18
Procedures Report	10	Federation Balance Sheet	19
IT Report	10	Consolidated Cash Flow Statement	20
Sponsorship Report	11	Notes to the Consolidated Financial Statements	21
Honorary Treasurer's Report	12	Mission Statement	31

# Chairman's Report



**John Walker**  
National Chairman

I would like to begin this introduction by paying tribute to the truly excellent legacy that John Wright has left. During his time as National Chairman he took the FSB's profile from strength to strength. His achievements were such that they were recognised at the highest level when he received a CBE for his dedication to small businesses.



**John Walker and John Wright CBE**  
outside the London office

In February, he hosted the annual Chairman's Dinner where he shared a platform with our guest, Lord Mandelson, the then Secretary of State for Business, Innovation and Skills. Aside from this John was proud and humbled to have visited reservists at Camp Bastion in Afghanistan in early January where he experienced an improvised explosive device going off in front of him on his way to Kabul. I thank John for his level of service to the FSB.

I would also like to thank our National Policy Chairman, Mike Cherry, Head of Policy, Andrew Cave and our former Head of Public Affairs, Stephen Alambritis for his twenty two years of service to the FSB and wish him well in his future career where I am sure he will continue to be extremely effective. I would also like to thank Louise Withers, former Head of Operations and wish her well in her retirement.

I also must thank our Standing Committee Chairmen, Mike Cherry, Peter Clark, Sandy Harris, Norman Lay, Peter Scargill, Colin Stratton, my fellow Honorary Officers Dave Stallon, National Secretary, Tony Feliciello, National Treasurer and my two National Vice Chairmen Tony Cherry and Colin Willman.

I was delighted to be elected National Chairman of the Federation of Small Businesses at our National Conference in Aberdeen, and thank you for the honour and privilege. I am extremely proud to lead an organisation that, despite itself being hit by the recession still has the largest membership of any other business organisation and a national retention rate of 85%. Still, National Council has been working hard to reduce our deficits and further fine tune the FSB going forward.

As always our Conference was a great success. The calibre of our guest speakers demonstrated how much the organisation has achieved in raising the profile of the small business sector we represent. From the then Shadow Chancellor, George Osborne MP to the then Business Secretary, Lord Mandelson, we heard that small businesses were now a clear priority for political parties across the spectrum and that the FSB was their recognised 'voice'.

The unpredictable election result that shortly followed proved once again the importance of the FSB remaining politically neutral and forging strong relationships with all of the main political parties. That we communicated regularly with both the Conservative and Liberal Democrat parties when they were in opposition sets us in good stead to scrutinise the Coalition Government. We are working to ensure that the commitments once made in opposition are honoured, and are pleased to see the Government take steps to reduce regulation and scrap IR35.

Since the election, the Coalition Government has proved its willingness to help small businesses – our members who are still dealing with the aftermath of the recession. Not only did candidates who went on to win seats in the Commons attend FSB hustings across the country, a significant proportion of the new intake met with FSB public affairs and policy representatives within their first six weeks of office, with many signing up

# Chairman's Report

continued

as Keep Trade Local Ambassadors and making use of our 'Voice of Small Business' survey, which was the main talking point of this year's Summer Reception.

My presence at County Shows further raised the profile of the FSB across the country and proved vital in recruiting new members. I would like to thank the recruiters for their involvement in the County Shows and also those members in attendance.

The Summer Reception proved once again to be a tribute to the reputation of our organisation – with well over fifty politicians in attendance, along with Civil Servants from Government Departments and guest speaker, Small Business Minister, Mark Prisk MP – the terrace marquee of the Commons was buzzing with atmosphere. The reception really brought home to MPs and Peers that the FSB is the true 'Voice of Small Business' and we were proud to publicise our survey work to demonstrate that.

I now look forward to the FSB's involvement in the elections of the devolved parliaments where I know that our voice will continue to be heard throughout the whole of the UK.

In further recognition of this, the FSB also now formally guides the policy work of the All Party Parliamentary Small Business Group, chaired by Brian Binley MP. We are proud that this is one of the largest groups of its kind with over four hundred members made up solely of MPs and Peers. It is due to our involvement in this group that we were able to set the agenda and see the first meeting since the election focus on the concept of 'localism' and in particular the Local Enterprise Partnerships that are already being formed across the country.

Local Enterprise Partnerships (in England), Keep Trade Local, and of course our survey work were also key talking points at all three of the political party conferences this year, where the FSB took stands and was invited to speak at a record number of fringe meetings.

We were visited by around one thousand delegates over the conference season, including over a hundred politicians, local councillors, and many small businesses who have now gone on to join us.

The political figures we attracted to our stand included the Deputy Prime Minister, Labour leadership contenders and the Minister for Apprenticeships. Our events where guest speakers included politicians, council leaders and leaders of Think Tanks, attracted large crowds who were supportive of the FSB's message on keeping trade local and representing micro businesses at every level. Our political headway during conferences was recognised when the Leader of the Labour Party spoke repeatedly of the importance of small businesses in his first Leader's speech. We were also pleased to welcome so many potential new FSB members to our stand at all three conferences.

Since conference season ended in October we worked hard to lobby the Treasury on the Comprehensive Spending Review. We were successful in securing measures to increase the



**John Walker with Vince Cable, Secretary of State for Business, Innovation and Skills**

number of adult apprenticeships and begin pilots for super-fast broadband.

However, in the face of public sector cuts, the private sector and small businesses in particular will be expected to drive the UK economy. This can only happen if Government gives small businesses the space and freedom to thrive. Small businesses must be at the heart of the Government's agenda for economic recovery and growth. This will be the FSB's priority in 2011.

# Policy Report



**Mike Cherry**  
Policy Chairman

This is my first report to members as your Policy Chairman and it has certainly been an interesting few months. With the new Coalition Government it was certainly a challenging start.

Many branches and regions had held hustings across the country getting your messages and member issues across to MPs and prospective candidates.

June brought the emergency budget and we had the results from the comprehensive spending review at the end of the year. Alongside all of this, as we suspected, we are having to deal with the abolition of the Regional Development Agencies in England and the formation of the new Local Enterprise Partnerships (LEPs).

Against a backdrop of no more 'top down' initiatives, but the 'Big Society' and 'Localism' agenda, getting our messages over will be more challenging



**John Walker and Mark Prisk at the Conservative Party Conference**

for us as an organisation and my thanks go to all those members and staff who have really been able to engage on our agendas and the LEPs.

As there is no prescription yet on what they will do, or on governance, many of you have achieved positions of influence – matching the original requirement for these to be partnered equally with business and local authorities.

At all stages with the Coalition, we have been putting forward comprehensive proposals to consultations. Over the Autumn period we submitted 23 consultation responses and gave evidence to four select committee hearings which kept our portfolios and staff even busier than normal putting forward your views across a diverse range of issues.

Two main focuses for our attention remain – firstly to hold the Government to account on the rhetoric we continually hear on the importance of small and micro businesses to the economy, and secondly to deliver on their promises to cut back on regulation, which as we all know only too well falls disproportionately hard on our members and small businesses generally.

Our Keep Trade Local campaign has been updated, and coupled with our Small Business Accord, I would urge you to continue engaging with your local

authorities and councillors on the importance we play in our communities and to our local economies.

Our devolved areas will have their own elections in 2011 and we will be supporting them to make sure that the issues that affect members in



**Mike Cherry, Alistair Darling and John Walker at the Labour Party Conference**

Wales, Scotland and Northern Ireland are fully heard.

I thank Stephen Alambritis who left in November after a sterling 22 years of service to the Federation in supporting many of you over that time.

The team in the Press and Parliamentary Office continue to make sure that your views and the policies of the FSB are well put wherever they need to be heard.

Brussels remains a key focus of our attention, and with the Portfolio Chairmen now meeting on a regular basis, this will help to underpin Tina Sommer and her team in the sterling work they do on your behalf.

The Head of Policy and his team along with all the field staff who so ably deliver policy at the regional and local levels deserve a special 'thank you' for the work they continue to do.

Finally, my thanks to the Policy Committee, my Vice Chairmen, Andy Willox and Wilfred Mitchell for all their support during this period.

# Making the Headlines

2010 has continued to be a tough year for small businesses and the FSB has ensured that the voice of our important sector has never been far from the headlines. In total, over 12,000 articles have appeared in regional, national, online, trade and consumer press. On average, the press and public affairs team in Westminster has secured 55 national news articles per month, worth over £9 million.

This coverage has focused on a range of policy areas, from the disruption caused by the severe weather and the newly launched 'Voice of Small Business' Quarterly Index and survey work, to pensions 'auto-enrolment' due to come into effect from 2012, for which we secured a front page.

The plight of small businesses at the hand of the banks has been a constant issue throughout the year. The co-operation that members have given in being case studies for both print and broadcast media, as well as those members taking part in the survey panel has been pivotal; it has ensured that the FSB is the 'go-to' organisation for journalists looking to find out what is happening in the sector.

In 2009, the FSB saw a 288 per cent increase in national broadcast

coverage, from 100 national TV and radio interviews in 2005 to 388 in 2009. In the 12 months to the end of October 2010, the FSB appeared on 205 national TV and 131 national radio interviews, including the business slots of BBC Breakfast, the Today programme and Wake up to Money, as well as providing comment on breaking news items on Sky News, BBC News Channel and Bloomberg.

This year has also seen the FSB ramp up its social media involvement with national Facebook and Twitter pages.

Since the Twitter page (@fsbpress) was created 18 months ago, we have 3,000 followers – more than any other business organisation. In that time Twitter has generated almost 5,000 referrals to the FSB website. The account is followed by key journalists,



**John Walker with Jim Mather MSP Minister for Enterprise, Energy and Tourism**

Government departments, members and non-members as well as other business organisations.

The FSB Facebook fan page account has gained over one thousand 'fans' since it was started 18 months ago and has generated

2,500 referrals to the website. The press and public affairs team use this space to generate conversation with 'fans' as well as list events and put up photos from events from across the regions.

This proactive use of social media has meant that all stakeholders, including members, journalists, Government departments and other business organisations get to see a consistent message and it allows us to drive more people to the FSB website.

Through regularly updating the home page of the website and ensuring that links from social media, newsletters and press releases direct the reader back to the website, we have seen almost 1 million visits to the FSB website in the last 12 months, 2.7 million unique visitors and almost 4 million page views, with each person spending around three minutes on the site and looking at, at least four pages – which is very high compared to other similar sites.

We look forward to yet another record-breaking year of FSB press coverage in 2011.



**L-R Edwin Poots MLA, Environment Minister (Northern Ireland) with Wilfred Mitchell OBE, FSB NI Policy Chair; John Walker, FSB National Chair and The Rt Hon Peter Robinson MLA, Northern Ireland First Minister.**

# Honorary Secretary's Report



**David Stallon**  
Honorary National Secretary

This has been a year of dramatic changes for your Federation; the recession that we all knew was inevitable, yet failed to predict or plan for, turned into a disaster for the economies of the entire world, let alone our small island.

The floods around the UK in the early part of this reporting period brought yet more misery to businesses already struggling, whilst the snow storms that followed closed many companies for weeks. Our recruitment teams were involved in helping to save other businesses from these natural disasters instead of courting new members.

Your Federation of Small Businesses still stands taller than the combined competition and we were the first ones at your door offering real help, whether

financial advice and assistance or simply a shoulder to lean on whilst Government and other insurers dithered in the wings. Towergate, our own member benefit provider, was there shoulder to shoulder with us giving help to all members, even to those who were not their customers.

Now here we are, reading the first annual report from the new Honorary National Secretary of the best small business organisation in the UK and probably Europe, once again proving that life goes on.

## **EVOLUTION**

In March of this year you elected new officers to the very top of this organisation; you made it clear that you expected changes to be made and we listened; we are still listening. A process now known as 'Evolution' had been started into which each and every member had been invited to contribute individually or via branches and regions. The first of the 'Evolution' meetings was held in June, attended by all of the National Councillors. Your ideas on 'Evolution' had all been collated and were presented for debate under the control of a professional facilitator; the Executive officers stayed out of the debate and it was left entirely to your representatives to deliver on your opinions.

Several common themes were identified across the country and those themes have given direction to the Board of Directors in all of their subsequent meetings. The process continues, more meetings are being arranged and your views are being honed down to principles that can be incorporated in the future plans for your Federation.

## **ADMINISTRATION AND GOVERNANCE**

Since taking office in March of this year many issues concerning the governance and administration of the company have come to light; methods that were acceptable in the past are no longer valid in the modern commercial world especially with the requirements for scrutiny that are implied in the 2006 Companies Act. We have set to and are tackling these problems with the full co-operation of the staff, who themselves want to see the company driving forward at a time when there is such a great need for our services and many efforts to compete with us.

Our staff continue to provide a highly professional and much appreciated service; indeed I take this opportunity to thank Julie Lilley, Head of Operations, the Senior Management team and our staff for helping to produce such a smooth transfer of responsibilities following my election in March.

# Member Services Report



**Sandy Harris**  
Member Services Chairman

Despite the challenges that the economic climate has delivered it is reassuring to report on the support I have been provided by the magnificent team from Member Services.



So that they are properly recognised the member team comprises Carol Wells, Carol Undy, Mike Pearson, Colin Willman and our new member Robin Twigge.

This team however would not be able to operate as an efficient unit without the support from our staff within the Member Services Department. Leading this team is the Head of Member Services, who consistently ensures that support is available to assist us confront new challenges and that we continue to offer the best range of services to our members.

## THE OPPORTUNITIES AND CHALLENGES OF 2009/10

During this year I was delighted to welcome three new commercial partners to our team.

Commencing with FSB Fuel Card who have been able to offer our members a fuel management and control system using the FSB discounted fuel card. Members who have obtained a card are reporting high levels of satisfaction with the administration of the service as well as the saving against fuel prices. (Fuel Card contact 0845 0730873).

Our second new addition is FSB CreditPal who have enjoyed considerable positive exposure in the media recently and I am sure will provide an extremely beneficial service to members. This is an online service that collects, validates and standardises monthly management accounts to provide up-to-date credit information and recommendations enabling better business risk management and improved access to credit.  
[www.creditpal-online.com/fsb](http://www.creditpal-online.com/fsb)

Finally I would welcome FSB Print & Mail which is an online mail management solution which saves significant amounts of both time and money for the small business. This service enables small businesses to save on their routine postal costs as well as engage more efficiently in promotional mail campaigns. (FSB Print & Mail contact 01761 416311)

I would also take this opportunity to thank all of our service partners for their hard work over the last year which has resulted in delivering increasing commission revenues to the FSB. The overall members' benefits package remains strong, offering great value to our members. However there is no sitting on our laurels for the Member Services team who will continue to work hard to deliver additional and enhanced services to the membership of the UK's Leading Business Organisation.

## RETENTION

Writing on behalf of the Retention Committee I can confirm how delighted we are with the improvement in the retention rates. The first issue of Retention Matters in November 2008 highlighted a retention rate of 83.50%; at the time, the UK was on the verge of

a damaging and long lasting recession.

What have you/we achieved since then? The FSB has successfully improved retention to 85.05%. Many membership organisations would like to reach similar rates in their models. The task for the coming 12 months is to maintain this performance (could 86% be possible?). The FSB is faced with subscription rate increases for a significant number of members. In addition, whilst there are many claims that the proverbial 'green shoots' are appearing on the landscape, there are many small business owners battling against the odds to weather the economic storm. This makes the task of retaining and recruiting new members that much harder. Therefore, the continued application of retention initiatives will be in place throughout 2010-2011 financial year.

Back in 2007, the Retention Committee commissioned market research to better understand why members choose to leave/renew their FSB membership. This research derived new opportunities that have been used to improve the 'Member Experience' and will continue to assist in improving retention. In Q1 2011, we are repeating the research to ensure that we continue to improve the initiatives developed to improve retention. In addition, we will be using the knowledge gained from the Data Segmentation Project to assist the Recruitment team in terms of identifying small business types that (a) are likely to want to join the FSB and (b) will stay with us for a number of years. Retention starts with Recruitment. Recruitment starts with Retention.

Once again, thank you for the support of all in achieving a retention rate of 85.05%!!



# Marketing Report

The Marketing Committee, a sub-committee of the Executive Board consists of Standing Committee Chairmen with additional representation from FSB Publications, National Secretary, a National Councillor, Senior Management team members and Tony Cherry as Chairman. Sandy Harris retired earlier this year as Marketing Chairman and this report reflects mainly the work that he and the Committee achieved over the past year.

Marketing the FSB is all about the three 'Rs':

- Recruitment
- Retention
- Raising the Profile

Key marketing initiatives undertaken include:

- Production of 2009-10 and 2010-11 Marketing Plans. The committee have identified more opportunities to work collectively to achieve the marketing plan objectives as agreed by National Council.
- The Regional Growth Fund (raising the regional profile). The individual regional initiatives were reported in a newsletter distributed to National Council in November 2010. Congratulations go to the Regions for their support and hard work. Due to financial constraints the initiative will be succeeded by a regional bidding competition in 2010-11.
- To develop the main FSB website with search engine marketing and social networking. Search Engine Marketing has been used to raise the profile of the FSB. A consistent approach to regional and national websites is being developed.
- Improve awareness of services & benefits (Member Benefits & Services Portfolio). All members received a booklet detailing the benefits and services available to them.
- Potential Member Booklet. The Potential Member booklets continue to be made available for use by Regions.
- Improve awareness of 'right of membership'. Publicity gained regarding the advantages of FSB membership continues to aid Recruitment. The promotion of 'right of membership benefits' at Regional events is to be supported.
- Radio Campaigns. The use of syndicated interviews featuring membership benefits.

# Recruitment Report



**Colin Stratton**  
Recruitment Chairman

On behalf of the Recruitment Committee I am pleased to present this report to members.

It has been a difficult year for business and the FSB has been no exception. Yet by all working together, recruiters,

staff and activists, we have maintained our position as the UK's leading business organisation with a membership of 210,000.

The annual recruitment figure this year was almost 28,000, which was lower than forecasted, but in an exceptionally difficult year I would like to say a personal thank you to the Consultants and Recruiters for providing this number of new members to the organisation... well done.

It has been another year of change and here I would like to say a thank you to my committee for their support; to our Membership Department; to the editors and production team of Regional Voice; to the members and activists who have supported recruitment and the recruitment campaign. Thanks also to our Policy, Press and Public Affairs Departments who do so much to raise our profile and assist recruitment.

During the last year the Recruitment Co-ordinator has done an exceptional job and recently the Head of Regional Staff has joined the team.

The Recruitment Conference took place again this year and some significant changes were made to the format to encourage more individual participation. The new format was well accepted and certainly worked and the feedback received from the attendees confirmed that the interaction between consultants, recruiters, senior staff, and committee was indeed beneficial. Also acknowledged at the Conference alongside Sue Parkinson's 25 year service within the membership department, was Bob Nuttall, who also celebrated 25 years as a Consultant.

As we move into 2011 we have to be optimistic and with additions to the recruitment team, new methods being sourced to encourage new members to join as well as new incentives within the sales teams we can look forward to a positive year maintaining our position as the leading business organisation in the UK and having the respect and ear of Government.

# Procedures Report



**Peter Clark**  
Procedures Chairman

I was heartened by the support the 2010 AGM gave the considerable number of motions that were proposed to amend the FSB's Memorandum and Articles of Association and Rules, principally to bring our Articles and Rules in line

with the 2006 Companies Act. In particular the approval of Rule 8 (h) (a) ends a prolonged saga!

The motions provided the organisation with the authority to go ahead and arrange the supply of the AGM documents and ballots for the motions at the AGM electronically for those members that choose that option. It has taken quite a significant amount of planning and has included valuable support from the treasury and IT committees, membership and administration departments as well as FSB Publications. A positive decision was made by the Executive Board, in recognition of current economic circumstances, to reduce the size and expense of the hard copy versions of the AGM Accounts and Reports.

The reduction in costs of the printed copies and the option to obtain the AGM documents electronically will save the FSB a substantial sum in the current financial year. Because of the additional set up costs involved this year the savings will increase further in 2011/12. At the time of writing this report 85% of members who responded to our invitation opted to accept their documents electronically.

We have continued making adjustments to the FSB's Memorandum and Articles of Association and Rules in order to bring us up to date in some areas, reflect the concerns and views of volunteers and enable the organisation to be more flexible with the organisation of its AGM and National Conference in the future.

Together the members of this committee have been actively involved in improving our 'internal' rules in the form of changes to the Manual of Standard Procedures and a much improved Secretaries Manual.

In May 2010 Dave Stallon, Honorary National Secretary, Rory MacKail and Jim O'Neil joined Gill Lang and Carol Undy on the Procedures Committee. The Head of Administration and her team based in Blackpool, continue to provide exceptional support and understanding!

# IT Report



**Peter Scargill**  
IT Chairman

The IT Committee currently consists of five volunteer members: Peter Scargill, Carol Wells, Steve Collie, David Miles and Nigel Duncan, along with my skilled team at Head Office. To allow the Committee to continue meeting the

technological challenges of the 21st century it will continue to expand and develop as needed.

The IT Committee has had an exceptionally productive year. After much deliberation we have chosen a new provider for our IT outsourcing and BIS (Business Information System) support. We are now able to progress speedily with new developments. BIS is producing excellent management information and an additional module for prospects has been included; this now allows prospective members to be sent automatically to our consultants. We have also implemented a new numbering system for members to enable tracking from prospect through to retirement.

Due to the explosion of social networks the IT Committee are working on strategies to allow the FSB to utilise this exciting and potentially game-changing way of communicating with our members. Our Twitter accounts have a good following and we are continually looking at new ways to interact with our members.

For Conference 2010 further improvements were incorporated into the website to give members the best multimedia experience of our Conference. With the growth of smartphones a mobile website was also created allowing members to read shortened reports and watch videos on their devices.

The main FSB website has undergone some changes including a new wider format which reflects the average-size computer screen now in use. We are currently attracting up to 4,620 daily visits to the website despite the recession.

Our staff and volunteers now regularly use modern IT tools such as Gotomeeting, Gotowebinar, Skype, ooVoo and Sharepoint for internal communications and document sharing, enabling considerable savings in travel and postage. Meanwhile our emailing system continues to inform our members while minimising costs.

I would like to take this opportunity to thank all of my Committee and support staff for their hard work in challenging times.

# Sponsorship Report

# FSB Nationwide



**Norman Lay**  
Sponsorship Chairman

The past year has been a very difficult and turbulent time both economically and politically but I'm pleased to report that all the sponsorship activities planned for 2010 have been delivered successfully.

I believe the key to this success has been two-fold:

- the dedication and commitment of the Sponsorship Committee
- the trust and support we have built up with all our sponsors and supporters

This is my opportunity to thank all the staff and the members of the Sponsorship Committee for their continuing enthusiasm and professionalism. I also express my thanks and appreciation to all our sponsors and supporters with whom we have worked so closely and built up solid relationships.

Sponsorship highlights for 2010 are too numerous to mention in the space available here in this report, but by far the most significant was the staging of our National Conference in Aberdeen.

Visa took the decision to become the main sponsor for the 2010 Conference and I am sure I speak for them when I say that the event was an outstanding triumph; Visa's involvement has been extremely positive. Nigel Eaton, Vice President of Visa Europe said that the Conference and Exhibition was one of the most professional and enjoyable events he has supported, commenting, "it worked so well on so many levels and Visa are delighted to have played a part in its success".

At the time of writing this report I can announce that Visa has just agreed to continue their sponsorship of the Conference and we look forward to welcoming them to Liverpool in 2011.

During 2010 we continued to take sponsorship development forward and integrate all our activities into the major objectives of Recruitment, Retention and Raising the Profile of the FSB. The Committee has added a further objective, that of regional involvement. Throughout the year we have striven to provide opportunities that endorse and sustain these objectives, including new networking events staged in landmark Cathedral locations, an on-going association with the GB Women's Wheelchair Basketball team, Gold Club leisure and sporting events and the Tall Ships Races.

On behalf of the Sponsorship Committee I am looking forward to taking all these activities, plus a series of new and challenging projects forward into the coming year.



**Mark McGhee, ex-Manager of Aberdeen FC (who officially opened the 2010 Conference Exhibition) with Andy Willox OBE (Scottish Policy Convener)**



**FSB Publication Team. L-R John Friel, Nigel Duncan, Stephen Cole and Dave Clark**



**The new Press and Parliamentary office in Cardiff (showing the signage in both English and Welsh), where the Welsh team are based**

# Honorary Treasurer's Report



**Tony Feliciello**  
Honorary National Treasurer

I am not pleased to once again have to report a deficit for the year but at the same time all is not doom and gloom as we had given advance warning of this in our 2008 and 2009 Annual Reports and progress is being made to reverse this.

Recruitment have had another difficult year and it is disappointing that subscription income is only marginally up on the previous year as the number of new members recruited was again less than the record levels achieved two years ago. However, this reduction in new income has been offset by increased renewal income as our membership retention rate just exceeded the ambitious target of 85% that had been set for the year and the retention committee must be commended for this.

As the year progressed, we were becoming increasingly concerned about the effect on us of one of the worst recessions we have had and so the Treasury Committee put in place challenging mid-year revised expenditure targets on the basis that our income budgets were at risk. We are pleased to report that with the support and commitment from our members and staff, we were able to contain our operating expenditure to the same level as in 2009, which accordingly reduced our operating deficit to less than was expected and 16% lower than last year.

However, with the banks' interest rates remaining at record lows for most of the year, the interest on our cash deposits fell another £180,600 in the year and without the benefit of last year's valuation adjustment of £308,200 on our equity investment fund, the final deficit ended £144,400 higher than last year.

Our investment in fixed assets in the year grew by £1.4m, most significantly; on the completion of the refurbishment of 23 Palace Street, the property adjacent to our London office; the purchase of a new office in Cardiff; and the ongoing development of our core membership and other IT systems; all of which show an ongoing commitment to build the infrastructure necessary to benefit the Federation for the future.

We continued to help our members as loans were made available again, this time to those in Cumbria affected by the devastating floods there in November.

Our public profile remained high during the general election campaigns in the year and relationships with the new Government are being firmly established.

The recruitment campaign launched at last year's National Conference is underway to increase the number of new members and the retention committee continues to keep the members we have. However, the challenge continues on costs, which, having been contained in the year, are under rigorous scrutiny as all aspects of the Federation's structure are presently being looked into in order to ensure that we keep our expenditure to within our income levels, to achieve long-term sustainability and to avoid continuing deficits, which drain our reserves.

The increase in the VAT rate to 20% from January 2011 will have an impact on our costs as will other recent changes proposed by the new Government, all of which we are currently considering.

At the AGM in 2008, a motion was passed for the subscriptions of those members who joined prior to May 2003 to be increased from October 2010 and this is being phased in throughout this year. However in order to continue to meet our objectives and to ensure that we have sufficient reserves to maintain our lobbying and campaigning representation and to continually add value to the benefits that are available or are provided free of charge to our members, all subscriptions need to be brought into line with the latest rates being paid and motions are being put forward to achieve this. Increases in the Associate, Joint and Retired categories are also proposed and it is hoped that all members will support these motions as a move towards smaller annual increases rather than large increases every five years or so, as has been the past practice, which unbalances the matching of expenditure to income leading to fluctuating reserves and uncertainty.

This year, we have made some changes to the format of the Financial Statements; particularly the Consolidated Income and Expenditure Account and its analyses and some of the notes which have been tidied up and resequenced. We hope that this makes these parts of the accounts clearer.

In summary, it has been a very challenging year for all the new honorary officers and I must thank the directors, members, staff and in particular the treasury committee that have all supported me during these difficult times. Investment for the future has continued and the deficit has been contained without affecting the Federation's operations, its activities, its commitment to its members and its public profile during the past election year. This challenging work continues for us all and I look forward to further improvements being achieved in 2011.

# Accounts

for the year ended 30 September 2010

## Contents

	page
Honorary Officers and Advisers	13
Directors	14
Directors' Report	15
Independent Auditors' Report	16
Consolidated Income and Expenditure Account	17
Consolidated Balance Sheet	18
Federation Balance Sheet	19
Consolidated Cash Flow Statement	20
Notes to the Consolidated Financial Statements	21

## Honorary Officers of the Federation

<b>J Walker</b>	National Chairman (appointed 18.03.2010)
<b>J Wright</b> CBE	National Chairman (resigned 18.03.2010)
<b>A Cherry</b>	National Vice Chairman
<b>C Willman</b>	National Vice Chairman (appointed 18.03.2010)
<b>C Wells</b>	National Vice Chairman (resigned 18.03.2010)
<b>D Stallon</b>	National Secretary (appointed 18.03.2010)
<b>D Dexter</b> FCA	National Secretary (resigned 18.03.2010)
<b>A Feliciello</b>	National Treasurer (appointed 27.01.2010)
<b>J Crump</b>	National Treasurer (resigned 11.11.2009)

## Registered Auditors

### **HW Chartered Accountants**

Pacific Chambers  
11-13 Victoria Street  
Liverpool  
L2 5QQ

# Directors of the Federation

Served as : EB = Executive Board, NC = National Councillor, DNC = Deputy National Councillor

J Allen	DNC	(appointed 22.11.2009)	N Lay	EB	
A Arcari	DNC	(resigned 22.11.2009)	H Lillis	DNC	
F Berry	NC		A Lovatt	NC	
S Birch	NC	(appointed 25.03.2010)	G MacEwan	DNC	(appointed 30.11.2009 until 29.09.2010)
E Bridges	NC			NC	(from 29.09.2010)
C Burgess	DNC		R MacKail	EB	
J Burrows	DNC		D McCrossan	DNC	(resigned 24.10.2009)
M Cherry	EB	(appointed 13.05.2010)	M Mealing	NC	
A Cherry	EB		D Miles	DNC	(until 10.11.2009)
P Clark	EB			NC	(from 10.11.2009)
S A Collie	NC		J Miller	NC	(resigned 31.07.2010)
T Constable	NC		W Mitchell	DNC	(appointed 24.10.2009 until 13.05.2010)
D Cox	DNC			EB	(from 13.05.2010)
J Crump	EB	(resigned 11.11.2009)	K Moon	DNC	
C Culshaw	NC		C Morgan	DNC	
C Davenport	NC	(appointed 22.11.2009)	S Morris	NC	(appointed 31.03.2010)
P Davys	NC		A Mullen	DNC	(appointed 01.06.2010 until 12.09.2010)
D Dexter	EB	(resigned 18.03.2010)		NC	(from 12.09.2010)
S Dexter	NC		I O'Donnell	DNC	(appointed 17.11.2009)
W Domhof	DNC		J O'Neil	EB	
D Dunn	NC		V Peake	NC	
M Eathorne- Gibbons	NC	(appointed 22.11.2009)	A Petim	NC	
I Fairweather	DNC		C Prentis	NC	
A Feliciello	NC	(until 27.01.2010)	P Pybus	NC	
	EB	(from 27.01.2010)	J Ritchie	NC	
		(resigned 22.11.2009)	J Royle	NC	(resigned 10.11.2009)
J Flather	DNC		M Salamon	NC	(resigned 17.05.2010)
J Flower	DNC		Y Salmi	DNC	
A Forsell	NC	(appointed 26.11.2009)	P Sandhu	NC	(appointed 10.11.2009)
R Freeman	DNC	(resigned 17.11.2009)	P Scargill	EB	
J Friel	NC		S Sharp	DNC	(appointed 10.11.2009)
C Glen	DNC	(resigned 17.05.2010)	G Shimmmin	DNC	
W Grant	NC		P Smith	NC	(resigned 22.11.2009)
E Gray	DNC	(resigned 20.11.2009)	D Stallon	NC	(until 18.03.2010)
R Gregg	DNC	(appointed 23.11.2009)		EB	(from 18.03.2010)
C Griffiths	DNC	(resigned 23.02.2010)	P Stapleton	NC	(until 22.11.2009)
J Hadley	DNC			DNC	(from 22.11.2009)
R Handford	DNC		M Stockwood	DNC	
A Harris	EB		C Stratton	EB	
J Hilder	EB		D Taylor	DNC	
D Holmes	DNC		S Terpilowski	DNC	
R House	DNC		P Thompson	DNC	(resigned 23.11.2009)
D Huckle	DNC	(resigned 11.11.2009)	P Thornton	DNC	
J Hunt	NC		P Trowell	NC	
T Hunter- Henderson	NC		R Twigge	NC	
R Jeffries	NC	(appointed 05.11.2009)	J Walker	EB	
A Keenlyside	NC	(resigned 05.11.2009)	T Watt	NC	(resigned 26.11.2009)
	DNC	(appointed 23.02.2010)	T Weaver	DNC	
D Knowles-Leak	DNC	(appointed 19.11.2009)	C Wells	EB	(resigned 18.03.2010)
A Ladd	DNC	(appointed 06.12.2009)	B Wheatley	DNC	(resigned 19.11.2009)
		(resigned 03.03.2010)	A Whitton	NC	
D Land	DNC	(appointed 11.11.2009)	I Wicks	DNC	(appointed 10.11.2009)
G Lang	EB	(resigned 13.05.2010)	C Willman	EB	
	NC	(appointed 01.06.2010 until 07.07.2010)	A Willox	EB	
	EB	(from 07.07.2010)	J Wright	EB	(resigned 18.03.2010)
A Lay	NC				

# Directors' Report

for the year ended 30 September 2010

The directors present their report and the consolidated financial statements for the year ended 30 September 2010.

## DESCRIPTION OF BUSINESS

The Federation's principal activity continued to be that of the promotion and furtherance of the interest of persons who are self-employed, direct or control small businesses, and the provision of a national voice and platform for such persons.

There are two subsidiary companies. The principal activity of NFSE Sales Limited is the publication of a magazine for the Federation. FSB (Member Services) Limited arranges insurance agencies on behalf of the members of the Federation.

## PERFORMANCE IN THE YEAR

The Federation continues to rely upon subscriptions and joining fees from its members which provide over 90% of its income (2009: 89%) which, in the year, including interest received, totalled £27,685,954 (2009: £27,843,791). With total costs, including tax, for the year at £29,310,967 (2009: £29,324,391) there was a deficit of £1,625,013 (2009: deficit £1,480,600), which has been dealt with as explained in note 12 to these financial statements. The deficit for the year reflects the ongoing proportion of income committed to members' benefits and continued development of the Federation.

General Reserves as at 30 September 2010 were £7,736,336 (2009: £9,361,349) which represented 27% of total operating expenditure (2009: 32%).

Membership of the Federation decreased during the year to 209,692 as at the year-end.

The Federation's business strategy is to continue to pursue the six main objectives (to recruit continuously at a high level, to retain as many members as possible, to promote the interests of members, to protect members' businesses, to publicise the benefits of self-employment and business ownership and to identify the continuously changing needs of members) to achieve the organisation's mission statement of being and remaining the largest and most effective

organisation promoting and protecting the interests of the self-employed and small business owners within the UK.

## PRINCIPAL RISKS AND UNCERTAINTIES

The Federation has various committees reporting to National Council, including the Executive Board, IT, Member Services, Policy, Procedures, Recruitment, Sponsorship and Treasury, that control and manage various activities, identifying on an ongoing basis any potential risks faced by the organisation and proposing solutions to mitigate these.

## MOVEMENT OF FIXED ASSETS

Details of changes in fixed assets are given in note 13 to these financial statements.

## DIRECTORS

The honorary officers, members of the executive board, national councillors and deputy national councillors at 30 September 2010, all of whom have been directors for the whole of the year ended on that date, except as detailed, are listed on pages 13 and 14.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained

in the financial statements;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## INSURANCE OF DIRECTORS

The Federation maintains insurance for the directors in respect of their duties.

## STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

We, the directors of the company who held office at the date of approval of these financial statements as set out above each confirm, so far as we are aware, that:

- (a) there is no relevant audit information of which the company's auditors are unaware; and
- (b) we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## AUDITORS

The auditors, HW Chartered Accountants will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

By order of the directors 13 January 2011.

## D Stallon

Company Secretary

Sir Frank Whittle Way  
Blackpool Business Park  
Blackpool FY4 2FE

# Independent Auditors' Report

to the Members of National Federation of Self Employed and Small Businesses Limited

We have audited the group and parent company financial statements of National Federation of Self Employed and Small Businesses Limited for the year ended 30 September 2010 set out on pages 17 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 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 THE DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## SCOPE OF THE AUDIT

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## OPINION ON THE ACCOUNTS

In our opinion the financial statements:

- Give a true and fair view of the state of the group's and parent company's affairs as at 30 September 2010 and of the group's deficit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

## OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

**Francis James Murphy**  
Senior Statutory Auditor

For and on behalf of:  
HW Chartered Accountants  
Statutory Auditors  
Pacific Chambers  
11-13 Victoria Street  
Liverpool L2 5QQ

13 January 2011

# Consolidated Income and Expenditure Account

for the year ended 30 September 2010

	Notes	2010 £	2009 £
<b>Income</b>			
Subscriptions		24,985,830	24,956,235
Other operating income	3	2,566,470	2,573,297
		27,552,300	27,529,532
<b>Commission payable</b>		<b>(5,168,814)</b>	<b>(5,438,620)</b>
		<b>22,383,486</b>	<b>22,090,912</b>
<b>Operating costs</b>			
<b>Members' benefits</b>			
Policy	3	4,850,613	4,584,840
Regions	3	5,009,988	5,275,635
Other benefits	3	7,722,314	7,656,211
		17,582,915	17,516,686
<b>Management and Administration</b>			
Management and committees	3	2,665,769	2,953,797
Head office	3	3,701,193	3,485,290
		6,366,962	6,439,087
<b>Total operating costs</b>		<b>23,949,877</b>	<b>23,955,773</b>
<b>Operating deficit for the year</b>	<b>8</b>	<b>(1,566,391)</b>	<b>(1,864,861)</b>
Interest receivable	21	133,654	314,259
Gain on investment	22	5,632	308,202
<b>Deficit before taxation</b>		<b>(1,427,105)</b>	<b>(1,242,400)</b>
Taxation	9	(197,908)	(238,200)
<b>Deficit for the financial year</b>	<b>12</b>	<b>(1,625,013)</b>	<b>(1,480,600)</b>

The income and expenditure for the year in both 2010 and 2009 arises wholly from continuing activities.

There are no recognised gains and losses other than those included in the above deficit and therefore no separate statement of total recognised gains and losses has been presented.

# Consolidated Balance Sheet

as at 30 September 2010

	Notes	£	2010 £	£	2009 £
<b>Fixed assets</b>					
Tangible assets	13a		6,150,050		5,342,247
<b>Current assets</b>					
Stock	15	15,197		17,247	
Debtors	16	2,257,339		1,649,448	
Cash at bank and in hand, including investment account	22	12,078,822		15,178,503	
		<b>14,351,358</b>		<b>16,845,198</b>	
<b>Liabilities:</b> amounts falling due within one year					
Creditors	17	1,746,072		1,974,096	
Deferred subscriptions	18	11,019,000		10,852,000	
		<b>12,765,072</b>		<b>12,826,096</b>	
<b>Net current assets</b>			1,586,286		4,019,102
			<b>7,736,336</b>		<b>9,361,349</b>
<b>Represented by:</b>					
Reserves	19		<b>7,736,336</b>		<b>9,361,349</b>

Approved by the Directors on 13 January 2011

**J Walker**  
Honorary Officer/Director

**A Feliciello**  
Honorary Officer/Director

Company Registration No: 01263540

The notes on pages 21 to 30 form part of these financial statements

# Federation Balance Sheet

as at 30 September 2010

	Notes	£	2010 £	£	2009 £
<b>Fixed assets</b>					
Tangible assets	13b		6,149,177		5,341,121
Investments	14		2,100		2,100
			<b>6,151,277</b>		<b>5,343,221</b>
<b>Current assets</b>					
Debtors	16	2,250,121		1,740,398	
Cash at bank and in hand, including investment account		11,983,689		14,996,704	
		<b>14,233,810</b>		<b>16,737,102</b>	
<b>Liabilities: amounts falling due within one year</b>					
Creditors	17	1,629,944		1,867,167	
Deferred subscriptions	18	11,019,000		10,852,000	
		<b>12,648,944</b>		<b>12,719,167</b>	
<b>Net current assets</b>					
			1,584,866		4,017,935
			<b>7,736,143</b>		<b>9,361,156</b>
<b>Represented by:</b>					
Reserves			<b>7,736,143</b>		<b>9,361,156</b>

Approved by the Directors on 13 January 2011

**J Walker**  
Honorary Officer/Director

**A Feliciello**  
Honorary Officer/Director

Company Registration No: 01263540

The notes on pages 21 to 30 form part of these financial statements.

# Consolidated Cash Flow Statement

for the year ended 30 September 2010

## Reconciliation of operating deficit to net cash flow from operating activities

	Notes	2010 £	2009 £
Operating deficit before exceptional items		(1,566,391)	(1,864,861)
Depreciation on tangible fixed assets		769,449	683,129
Decrease/(increase) in stocks		2,050	(3,470)
Increase in debtors and prepayments		(607,891)	(74,579)
Decrease in creditors and accruals		(228,024)	(321,544)
Increase/(decrease) in deferred subscriptions		167,000	(79,000)
<b>Net cash outflow from operating activities</b>		<b>(1,463,807)</b>	<b>(1,660,325)</b>

## Cash flow statement

	Notes	2010 £	2009 £
Net cash outflow from operating activities		(1,463,807)	(1,660,325)
Returns on investments and servicing of finance	21	133,654	314,259
Taxation	9	(197,908)	(238,200)
Capital expenditure	21	(1,577,252)	(447,474)
Gain on investment	22	5,632	308,202
<b>Decrease in cash, including investments</b>	<b>22</b>	<b>(3,099,681)</b>	<b>(1,723,538)</b>

# Notes to the consolidated financial statements

for the year ended 30 September 2010

## 1 Accounting Policies

### 1.1 Basis of preparation of accounts

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards. The financial statements incorporate the results of the principal activity, which is described in the Directors' Report and which is continuing. The financial statements have been prepared in accordance with applicable accounting standards.

The consolidated financial statements include the results of National Federation of Self Employed and Small Businesses Limited, and its subsidiary undertakings drawn up to 30 September 2010. No income and expenditure account for the company has been presented by National Federation of Self Employed and Small Businesses Limited as permitted by Section 408 of the Companies Act 2006.

The accounts of the subsidiaries NFSE Sales Limited and FSB (Member Services) Limited have been prepared on a going concern basis. This has only been possible as a result of the Federation's continued contractual arrangements with these businesses. In the case of NFSE Sales Limited, the Federation has a contribution arrangement for the purchase of publications.

### 1.2 Subscriptions

Membership subscriptions, on receipt, are deferred and released to income over the period to which the membership relates.

### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets over their expected useful lives.

Assets used in the regions are included in the Federation accounts and depreciation recharged as appropriate. Depreciation rates are set by the Treasury Committee as follows:

Freehold and long leasehold buildings	2%	straight line basis
Motor vehicles	25%	straight line basis
Fixtures, fittings and office equipment	20%	straight line basis
Computer hardware and software	33.3%	straight line basis

### 1.4 Stock

Stock is valued at the lower of cost and net realisable value.

### 1.5 Interest

Interest is accounted for on the accruals basis.

### 1.6 Pension Contributions

The company operates a defined contribution pension scheme. Contributions are charged to the income and expenditure account as they become payable in accordance with the rules of the scheme.

### 1.7 Operating Leases

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profit on a straight line basis over the period of the lease.

### 1.8 Consolidation

The consolidated financial statements of the Federation (which include Federation offices, regions, branches and committees) are prepared on the acquisition basis and include the financial statements of NFSE Sales Limited, FSB (Member Services) Limited and FSB Gold Club Limited (dormant), all being 100% owned subsidiaries of the Federation.

# Notes to the consolidated financial statements

for the year ended 30 September 2010

continued

## 1 Accounting Policies (continued)

### 1.9 Format of accounts

The headings of the income and expenditure account do not follow those set out in the Companies Act 2006. The Directors consider that the nature of the business is such that the headings adopted are both more informative and more accurately reflect the specific nature of the Federation's activities.

## 2 Members liability

Every member of the Federation undertakes to contribute to the assets of the Federation, in the event of the same being wound up while he is a member, or within one year after he ceased to be a member, for payment of the debts and liabilities of the Federation contracted before he ceased to be a member, and the costs, charges and expenses of winding up, and the adjustment of the rights of the contributories among themselves such amount as may be required not exceeding £1.

## 3 Other operating income/operating costs

	Notes	Income £	2010 Expenditure £	Income £	2009 Expenditure £
<b>Commissions received</b>		<b>582,406</b>	<b>–</b>	<b>539,191</b>	<b>–</b>
<b>Policy</b>					
Parliamentary and Press Offices	4	–	2,663,930	–	2,533,876
Committees		–	257,350	–	315,527
Policy Units		1,972	331,816	185	346,786
Area Policy Managers		–	895,361	–	869,486
Campaigns/lobbying/surveys/publications		14,000	543,173	–	370,690
Subscriptions		–	158,983	–	148,475
		<b>15,972</b>	<b>4,850,613</b>	<b>185</b>	<b>4,584,840</b>
<b>Regions</b>					
Regions and Branches		366,437	2,686,626	352,803	2,722,844
Regional Organisers Scheme		–	2,323,362	–	2,552,791
		<b>366,437</b>	<b>5,009,988</b>	<b>352,803</b>	<b>5,275,635</b>
<b>Other Benefits</b>					
Rights of Membership Benefits		–	5,826,569	–	5,662,031
NFSE Sales Limited		793,342	1,104,299	866,269	1,140,566
FSB (Member Services) Limited		149,427	1,385	117,327	1,176
Gold Club		17,533	24,352	14,395	19,692
Prime Charitable Trust		–	6,000	–	6,000
Regional Voice		61,986	542,360	60,330	535,602
Annual Report		–	217,349	–	217,121
Small Business Champions Award		–	–	52,857	74,023
		<b>1,022,288</b>	<b>7,722,314</b>	<b>1,111,178</b>	<b>7,656,211</b>
<b>Member Benefits</b>		<b>1,404,697</b>	<b>17,582,915</b>	<b>1,464,166</b>	<b>17,516,686</b>

# Notes to the consolidated financial statements

for the year ended 30 September 2010

continued

## 3 Other operating income/operating costs (continued)

	Notes	Income £	2010 Expenditure £	Income £	2009 Expenditure £
<b>Management and committees</b>					
Management costs	6	167,803	1,153,593	168,641	1,316,864
Honorary officers and other honoraria	7	–	621,803	–	603,312
Recruitment committee		204,528	422,964	211,592	387,910
Member Services committee		171,162	197,846	148,540	205,244
Sponsorship committee		28,714	55,891	28,426	47,280
IT committee		–	43,675	–	92,912
Marketing committee		–	169,997	–	300,275
		<b>572,207</b>	<b>2,665,769</b>	<b>557,199</b>	<b>2,953,797</b>
<b>Head office</b>	5	<b>7,160</b>	<b>3,701,193</b>	<b>12,741</b>	<b>3,485,290</b>
<b>Management and Administration</b>		<b>579,367</b>	<b>6,366,962</b>	<b>569,940</b>	<b>6,439,087</b>
<b>Total operating income and expenditure</b>		<b>2,566,470</b>	<b>23,949,877</b>	<b>2,573,297</b>	<b>23,955,773</b>

## 4 Parliamentary and press offices

	2010 £	2009 £
London	1,927,533	1,824,177
Scotland	273,012	265,410
Wales	218,275	235,455
Northern Ireland	192,299	187,541
Brussels	52,811	21,293
	<b>2,663,930</b>	<b>2,533,876</b>

## 5 Head office

	2010 £	2009 £
Staff related costs	1,991,163	1,874,955
Building costs	101,522	113,215
Computer costs	600,819	565,768
Depreciation	530,343	422,124
General office costs	477,346	509,228
	<b>3,701,193</b>	<b>3,485,290</b>

# Notes to the consolidated financial statements

for the year ended 30 September 2010  
continued

## 6 Management costs

	Income £	2010 Expenditure £	Income £	2009 Expenditure £
National Council	–	156,583	–	167,229
Executive Board	–	70,029	–	72,683
Executive Board Liaison Officer costs	–	11,405	–	11,960
Treasury committee	–	48,383	–	27,188
Disputes and disciplinary committee	–	56,773	–	84,280
Procedures committee	–	10,963	–	6,832
Regional and branch officers' meetings	–	136,624	–	90,017
Other meetings	10,000	143,021	–	104,317
Directors liability and other insurances	–	37,016	–	14,555
Directors conference costs	–	29,352	–	30,623
AGM and national conference costs	157,803	282,528	168,641	447,018
Professional fees	–	132,318	–	154,707
Staff training costs	–	38,598	–	67,787
Member training costs	–	–	–	37,668
	167,803	1,153,593	168,641	1,316,864

Note: The national conference cost is a net cost, after recharging £194,411 (2009: £221,225) to other departments.

## 7 Honorary officers' costs and other honoraria

	2010 £	2009 £
Honorary national chairman's honorarium	69,375	55,500
Honorary national chairman's expenses & NI costs	66,968	85,394
Honorary national vice-chairmen's honoraria	67,500	60,511
Honorary national vice-chairmen's expenses & NI costs	18,905	16,039
Honorary national secretary's honorarium	69,375	47,500
Honorary national secretary's expenses & NI costs	24,622	28,885
Honorary national treasurer's honorarium	26,344	22,848
Honorary national treasurer's expenses & NI costs	8,064	11,574
Standing Committee chairmen's & other honoraria	246,257	249,703
Standing Committee chairmen's & other NI costs	24,393	25,358
	621,803	603,312

# Notes to the consolidated financial statements

for the year ended 30 September 2010

continued

## 8 Operating Deficit

	2010 £	2009 £
The operating deficit for the year is stated after charging:		
Depreciation	769,449	683,129
Operating lease rentals of land and buildings	7,800	3,900
Auditors' remuneration for audit:		
Federation	13,923	13,353
NFSE Sales Limited	2,000	1,975
FSB (Member Services) Limited	975	925
FSB Gold Club Limited	–	1,064
	16,898	17,317

## 9 Taxation

	2010 £	2009 £
UK Corporation Tax:		
On interest and commission receivable for the year	197,822	238,200
Prior Year under provision	86	–
	197,908	238,200

## 10 Employee information

The average weekly number of persons employed in the financial year was as follows:

	2010 Number	2009 Number
Head office	57	52
Press and parliamentary offices	37	34
Regions	56	55
Area Policy Units	17	15
	167	156

The total cost to the Federation in respect of all its employees in the financial year is as follows:

Staff costs	2010 £	2009 £
Gross wages and salaries	5,441,236	5,174,972
Social security costs	586,770	568,095
Pensions costs	254,849	212,022
	6,282,855	5,955,089
Honoraria – Executive Board members & others	517,653	481,706
Honoraria – NFSE Sales Limited directors	64,675	58,590

# Notes to the consolidated financial statements

for the year ended 30 September 2010

continued

## 11 Pension commitments

During the year ended 30 September 2010 £254,849 was paid into employees' personal pension schemes (2009: £212,022).

## 12 Deficit of the Federation

Of the consolidated deficit for the financial year, £1,625,013 (2009: deficit £1,480,600) has been dealt with in the financial statements of the Federation and deducted from reserves. The Federation has taken advantage of the legal dispensation allowing it not to publish a separate income and expenditure account.

## 13a Tangible fixed assets

### Group

	Land & Buildings £	Motor Vehicles £	Computer Equipment £	Fixtures & Fittings £	Total £
<b>Cost</b>					
At 1 October 2009	5,042,829	171,359	1,649,538	749,868	7,613,594
Additions	1,004,522	67,423	404,053	103,225	1,579,223
Disposals	–	(67,321)	(45,279)	(63,136)	(175,736)
At 30 September 2010	6,047,351	171,461	2,008,312	789,957	9,017,081
<b>Depreciation</b>					
At 1 October 2009	827,239	92,473	803,882	547,753	2,271,347
Charge for the year	102,872	39,649	536,441	90,487	769,449
On disposals	–	(67,321)	(43,308)	(63,136)	(173,765)
At 30 September 2010	930,111	64,801	1,297,015	575,104	2,867,031
<b>Net Book Amount</b>					
At 30 September 2010	5,117,240	106,660	711,297	214,853	6,150,050
At 30 September 2009	4,215,590	78,886	845,656	202,115	5,342,247

# Notes to the consolidated financial statements

for the year ended 30 September 2010

continued

## 13b Tangible fixed assets

### Federation

	Land & Buildings £	Motor Vehicles £	Computer Equipment £	Fixtures & Fittings £	Total £
<b>Cost</b>					
At 1 October 2009	5,042,829	171,359	1,638,809	749,228	7,602,225
Additions	1,004,522	67,423	402,962	103,225	1,578,132
Disposals	–	(67,321)	(45,279)	(63,136)	(175,736)
At 30 September 2010	6,047,351	171,461	1,996,492	789,317	9,004,621
<b>Depreciation</b>					
At 1 October 2009	827,239	92,473	794,279	547,113	2,261,104
Charge for the year	102,872	39,649	535,097	90,487	768,105
On disposals	–	(67,321)	(43,308)	(63,136)	(173,765)
At 30 September 2010	930,111	64,801	1,286,068	574,464	2,855,444
<b>Net Book Amount</b>					
At 30 September 2010	5,117,240	106,660	710,424	214,853	6,149,177
At 30 September 2009	4,215,590	78,886	844,530	202,115	5,341,121

## 14 Fixed asset investments

	Interests in group undertakings £
At 30 September 2010	2,100

The Federation has a beneficial interest in the issued share capital of NFSE Sales Limited, FSB (Member Services) Limited and FSB Gold Club Limited (dormant). All companies are registered in England and Wales. The principal activity of NFSE Sales Limited is the publication of a magazine for the Federation. FSB (Member Services) Limited arranges insurance agencies on behalf of the members of the Federation.

At 30 September 2010 the aggregate share capital and reserves of NFSE Sales Limited amounted to £1,193 and the loss for the year then ended was £1.

At 30 September 2010 the aggregate share capital and reserves of FSB (Member Services) Limited amounted to £999 and the surplus for the year then ended was £1.

At 30 September 2010 the aggregate share capital and reserves of FSB Gold Club Limited amounted to £100.

# Notes to the consolidated financial statements

for the year ended 30 September 2010

continued

## 15 Stock

	Consolidated		Federation	
	2010 £	2009 £	2010 £	2009 £
Items for resale	15,197	17,247	–	–

## 16 Debtors

	Consolidated		Federation	
	2010 £	2009 £	2010 £	2009 £
Crises loans to members	160,860	55,188	160,860	55,188
Prepayments	802,851	1,015,028	755,324	1,009,925
Amount owed by group companies	–	–	457,158	382,657
Other debtors	1,293,628	579,232	876,779	292,628
	2,257,339	1,649,448	2,250,121	1,740,398

Included in the above are amounts due after one year and are shown below.

### Amounts falling due after one year

Other debtors	226,088	952	226,088	952
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## 17 Creditors: amounts falling due within one year

	Consolidated		Federation	
	2010 £	2009 £	2010 £	2009 £
Trade creditors	321,542	637,300	319,490	630,280
Amount owed to group companies	–	–	100	100
Other creditors	149,692	189,937	149,692	189,389
Tax and social security costs	331,683	263,354	321,960	259,019
Accruals and deferred income	943,155	883,505	838,702	788,379
	1,746,072	1,974,096	1,629,944	1,867,167

## 18 Deferred Subscriptions

	Consolidated		Federation	
	2010 £	2009 £	2010 £	2009 £
Deferred subscriptions b/fwd	10,852,000	10,931,000	10,852,000	10,931,000
Movement in year	167,000	(79,000)	167,000	(79,000)
Deferred subscriptions c/fwd	11,019,000	10,852,000	11,019,000	10,852,000

# Notes to the consolidated financial statements

for the year ended 30 September 2010

continued

## 19 Reconciliation of movements in reserves

	2010 £	2009 £
Deficit for the financial year	(1,625,013)	(1,480,600)
Opening reserves	9,361,349	10,841,949
Closing reserves	7,736,336	9,361,349

## 20 Capital commitments

Group and Federation	2010 £	2009 £
Capital expenditure that has been authorised by the directors but has not yet been contracted for	556,500	1,012,700
Authorised capital expenditure that has been contracted for	–	912,300

## 21 Gross cash flow

	2010 £	2009 £
<b>Returns on investments and servicing of finance</b>		
Interest received	133,654	314,259
<b>Investing activities</b>		
Payments to acquire tangible fixed assets excluding those on finance leases and hire purchase contracts	(1,579,223)	(448,275)
NBV of disposals of fixed assets	1,971	801
	1,577,252	(447,474)

## 22 Analysis of changes in net cash

	At 2009 £	Cash Flow £	At 2010 £
Cash	15,178,503	(3,099,681)	12,078,822

Note: Cash includes an equity investment cost of £2,880,000 the market value of which as at 30 September 2010 was £3,191,074

## 23 Control

The company is controlled by the Executive Board and National Council.

# Notes to the consolidated financial statements

for the year ended 30 September 2010

continued

## 24 Directors' Transactions

The following is the list of financial transactions all of which relate to the sale of goods or service during the year ended 30 September 2010 between the Federation (and its subsidiaries) and its directors (including their immediate family and companies), where the total exceeds £1,000, including invoices for attendance allowance.

Director	Amount £	Owing at 30.09.10*	Director	Amount £	Owing at 30.09.10*
E Bridges	11,487	142	H Lillis	8,593	600
J Burrows	5,723		A Lovatt	7,400	
A Cherry	1,600		G MacEwan	1,430	160
S Cole	2,278	141	R MacKail	9,775	200
S A Collie	12,497		M Mealing	3,400	
T Constable	1,277		D Miles	8,649	
D Cox	2,725		J Miller	1,710	
C Culshaw	5,385		W Mitchell	7,400	
C Davenport	5,360	150	K Moon	7,100	
D Dexter	1,095		I O'Donnell	1,110	
S Dexter **	15,945		J O'Neil	7,997	700
D Dunn	5,750		V Peake	5,121	
M Eathorne-Gibbons	5,528		C Prentis	1,588	
I Fairweather	2,900		J Ritchie	6,891	
A Feliciello	5,150		P Scargill	13,450	
J Friel	14,859		S Sharp	1,790	125
W Grant	2,850	100	D Stallon	1,350	
R Handford	2,800		P Stapleton	1,171	300
R House	18,046	500	S Terpilowski	1,149	586
D Huckle	1,400		P Thornton	2,333	
J Hunt	2,145		P Trowell	3,972	
T Hunter-Henderson	5,600		T Weaver	1,329	
R Jeffries	2,043		C Wells	1,700	
A Keenlyside	5,941		I Wicks	4,956	542
G Lang	10,751	679	C Willman	14,616	
A Lay	1,921		A Willox	9,698	

\*Balance owing at 30 September 2010 included in trade creditors

\*\*Please note that £6,585 of this amount is included in Note 7.

# Mission Statement

To be and remain the largest and most effective organisation promoting and protecting the interests of the self employed and small business owners within the UK.

Principal objectives to achieve the mission statement

To recruit continuously at a high level

To retain as many members as possible

To promote the interests of members

To protect members' businesses

To publicise the benefits of self employment and business ownership

To identify the continuously changing needs of members

## Offices & Contacts

### Head Office

Federation of Small Businesses  
Sir Frank Whittle Way  
Blackpool Business Park  
Blackpool FY4 2FE

### UK Press & Parliamentary Office

Federation of Small Businesses  
2 Catherine Place  
Westminster  
London SW1E 6HF

### Brussels Office

Federation of Small Businesses  
Logos, Rue d'Idalie 9-13  
B - 1050  
Brussels  
Belgium

### Scotland Office

Federation of Small Businesses  
74 Berkeley Street  
Glasgow G3 7DS

### Wales Office

Federation of Small Businesses  
1 Cleeve House  
Lambourne Crescent  
Llanishen  
Cardiff CF14 5GP

### Northern Ireland Office

Federation of Small Businesses  
Cathedral Chambers  
143 Royal Avenue  
Belfast BT1 1FH



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