

Federation of Small Businesses

# Annual Report and Financial Statements 2017 - 18



## WHO WE ARE

**The Federation of Small Businesses' (FSB) mission is to help smaller businesses achieve their ambitions. As experts in business, we are a not-for-profit campaigning organisation. Established 45 years ago, we offer a powerful voice which is heard in governments at all levels and vital business services and products to our members.**

### **For thriving communities and economies**

The 5.6 million small businesses in the UK make up 99.3 per cent of all private sector businesses. They contribute a staggering amount to the UK's national and local economies, as well as being a major source of employment; more than 16 million people are employed by smaller firms. Our work is crucial.

As the UK's largest business group our success in supporting small businesses and the self-employed helps drive the economy, strengthens our communities and

creates jobs. Smaller businesses help to make our towns, cities and rural spaces more vibrant, rich and diverse places in which to live, work, study and visit.

### **Member-led**

We are a proudly member-led organisation. All our elected member leaders, at both local and national levels, have one thing in common – they all own and run businesses. That means that as an organisation our members lead from the front, working closely with a strong team of skilled, expert staff.

National Chairman Mike Cherry  
and FSB member and award winner  
Amanda Winwood of Made for Life



Our members set the strategy, based on their first-hand knowledge of running a business in the UK today. Because our members genuinely understand what it's like to be an independent business owner, we focus on the real issues that matter most. That is what makes FSB the formidable campaigning force that we are today.

**Benefits**

As well as being part of the UK's biggest and most established small business community and successful campaigning organisation, our members receive a range of benefits and services that can help them run and grow their businesses. These include 24/7 access to legal advice; Inland Revenue Inspection (HMRC) cover; access to finance; debt recovery; cyber protection; access to a medical and health service and the award-winning First Voice magazine.

**FSB's corporate objectives are:**

- 1. To be recognised as the most influential and trusted business organisation**
- 2. To value diversity and inclusion in everything we do**
- 3. To be fully representative of the whole UK smaller business community**
- 4. To provide the most valued package of business benefits and services**
- 5. To provide the most effective networking for smaller businesses across the UK**



# HIGHLIGHTS

October 2017 - September 2018

## Key lobbying wins



Staircase Tax abolished



£940 million reduction in business rates for small firms



VAT threshold frozen for a further two years



Fuel Duty Freeze



Exemption of small firms for IR35 extension



New Enterprise Allowance for the newly self-employed maintained



£675 million Future High Streets Fund



Apprenticeship training co-investment rates halved

## In numbers

90%

of UK MPs were favourable towards FSB's work

97%

of UK MPs were aware of FSB's work

63

policy reports, policy briefings and consultation responses published

800

FSB events took place across the UK

### In the media

- FSB media coverage reached **94%** of the UK adult population
- More than **6,000** articles and broadcasts across national and key regional media
- More than **95%** of items rated 'positive' for FSB

### Social media

Posts

 7,430

Reach

 9,688,800

Followers

 93,240

Likes

 1,825,000

Videos

 82

275 emojis 

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## A MESSAGE FROM THE NATIONAL CHAIRMAN

**One of the highlights of my year was being part of the judging panel for the FSB Celebrating Small Business Awards. Reading about so many innovative, creative, thriving small businesses from all over the UK reminded me just how incredible and vital the country's small business community is. It made me proud to be National Chairman of an organisation which supports, protects and represents so many hard-working business owners and self employed.**

FSB itself is a community, and in 2017/18 that was strengthened with the bedding-in of our regional restructure programme. A large number of members work tirelessly as FSB volunteers, making the voice of small businesses heard at local, regional and national levels. The new organisational structure emboldens that, and makes us fit for the future. I saw the results of that myself during visits across the country, meeting members and staff doing an excellent job of looking after the small business community in their area.

But small businesses do so much for the wider community – from supporting charities to skills training and giving opportunities to those in harder to reach parts of the workforce, such as ex-offenders and ex-service personnel. For FSB's part, I was delighted that the Rainbow Trust became the Chairman's Charity. The Trust supports families who have a child with a



FSB National Chairman Mike Cherry and The Duke of Cambridge discuss joint mental health campaigns

life-threatening or terminal illness. Additionally, the charity campaigns for change and fairer funding to help parents more easily combine work and care if they wish.

In 2017/18 I appointed FSB's first ever Armed Forces Champion, Ren Kapur, as a special Chairman's appointment. Ren, who is the founder and CEO of X-Forces Enterprise (XFE), is working with FSB to help advance policy change for the 'armed forces in business' community. I am delighted that, as well as refreshing FSB's commitment to the Armed Forces Covenant, we also signed a memorandum of understanding with XFE to work jointly on initiatives, including policy, public affairs, public relations and regional tie-ins.

Thousands of women and men bravely serve their country in the armed forces, but can sometimes find it hard to enter the workforce when they leave. Among these service-leavers there are skills, talents and mind-sets which can make them fantastic entrepreneurs or employees. FSB was very pleased to increase its commitment to help nurture and support those service-leavers.

When we think of business support, the sorts of things which come to mind are banking or access to finance, networking opportunities, legal advice, or insurance. FSB continued to provide those member benefits and many more in 2017/18. Indeed, we joined with our partners Markel to launch FSB Insurance Service – the first ever joint venture created by FSB for FSB members.

But another kind of business support was a major focus – wellbeing. When starting or running your own business it can be easy to forget the importance of looking after yourself, both physically and mentally. And yet as rewarding and fulfilling as it can be to run your own business, it can also be incredibly tiring, stressful and at times – as many of our members say – a lonely experience.

In 2017/18 FSB created a wellbeing in small business hub for small business owners and, in the case of employers, their staff. A digital campaign to raise awareness ran alongside this. We worked with many partners on this, from the mental health charity Mind, to the UK’s public health bodies, and from the Chartered Institute of Personnel & Development to the UK Green Building Council and the Jo Cox Foundation.

I was happy to have been invited to discuss this issue with HRH Prince William, as part of the Heads Together mental health initiative spearheaded by The Royal Foundation of The Duke and Duchess of Cambridge and The Duke and Duchess of Sussex.

FSB has come a long way since it was formed in 1974. But now, as then, we are needed more than ever, standing up for our members and small businesses, lobbying policy decision-makers at all levels. 2017/18 saw policy wins on business rates, VAT and late payments among many others – all of this at a time when the domestic agenda was being squeezed by the political focus on the Brexit process.

This is what FSB is all about: supporting its members and making their voices heard. There were great leaps forward in 2017/18 thanks to our network of volunteers and staff across the organisation, who continued to deliver real results.



**Mike Cherry OBE**  
**National Chairman**  
Federation of Small Businesses



Mike Cherry (left) and Chancellor of the Exchequer, Phillip Hammond

## CHAIRMAN, POLICY AND ADVOCACY'S REPORT

**The year 2017/18 saw a serious step-up in our lobbying and campaigning work. We influenced those in power to create changes that benefit our members and the small business community. This work relied on our members right across the country, in all nations and regions, providing evidence and views, supported by FSB regional staff and teams in Westminster, Glasgow, Cardiff and Belfast.**

FSB's voice was heard in the UK; in England and its regions, in Scotland, Wales and Northern Ireland, but also, critically, within every local community. Our strength and impact are clear whenever I speak to Ministers, MPs, Councillors and all those in public office.

Throughout the year, Brexit of course dominated politics and business. It remains the defining issue of our times. We have ensured that the small business voice has

been heard throughout this turbulent period in British politics. We have been pressing hard for a pro-business Brexit that rests on trade, talent and transition since the day after the referendum.

It has been critical for us to make sure Ministers were not only focused on Brexit but also focused on key domestic issues that face our members. The year started with the collapse of Carillion, where we proposed, and were then appointed on to, a Government rescue taskforce. We secured help for suppliers affected but also used this moment to tighten late payment rules more broadly, securing a pledge from the Chancellor and the Prime Minister to eliminate late payments. As a result, late payers will now not win Government business.

The stand-out moment for FSB was the Chancellor's Autumn Budget. As well as being name-checked twice in the

Shadow Chancellor John McDonnell MP (left) with FSB's Martin McTague at Labour Party Conference 2018





Budget speech, we secured a £500 million package of help on business rates for the high street. That will reduce many bills by a third in 2019 and 2020 – a saving of £16,000 to some members. In addition, we downgraded inflationary increases to be lower in future years, for everyone.

We prevented a wholesale expansion of VAT; focused the Employment Allowance and Entrepreneurs' Relief on small businesses; and extended the New Enterprise Allowance to help move those on benefits into business. Also announced in the Budget: the costs of small businesses training for an apprentice will halve; fuel duty is frozen for the ninth consecutive year and we will direct a £10 million pilot scheme on self-employment training in Manchester.

But as last year drew to a close, we weren't done! Having identified surprise increases and backdating in members' business rates bills for those premises with more than one floor, we coined the name for this increase the 'Staircase Tax' and then campaigned for its abolition. We persuaded the Government to introduce a Bill to eliminate the tax, which went on to receive Royal Assent. Our very own piece of legislation, which others said was impossible, as Brexit dominated.

In Scotland, after FSB campaigning, small firms benefitted from new rates reliefs designed to encourage investment and give local day nurseries a boost. Further, after another devastating fire on Glasgow's

Sauchiehall Street, we secured a £5 million rates fund for businesses in the vicinity. We also won new skills funding for smaller operators in big businesses' supply chains and successfully made the case for Scotland's enterprise and skills agencies to prepare businesses for changing trading conditions as the UK leaves the EU.

In Wales, we achieved more wins. The Welsh Government announced a £57 million Brexit preparedness fund and Brexit portal after working closely with FSB. In the wake of the UK Government Budget announcement on business rates, our calls in Wales led to a £2,500 cut to business rates bills for many businesses. We also launched a new campaign on the Future of Welsh Towns, taking a fresh look at how businesses, politicians and communities can work together to exploit technological advances so our towns succeed and thrive, despite significant challenges.

In Northern Ireland, FSB campaigning led to valuable wins including £20 million to extend Small Business Rate Relief, a £2 million Regeneration Fund after the devastating Bank Buildings fire in Belfast, and £350 million towards the Belfast Region City Deal. Brexit dominated the agenda for much of the year, with high-level engagements topped off by FSB hosting a roundtable with the Prime Minister, and a Chancellor roundtable at the FSB Belfast Office.

All the above successes at every level of FSB rest squarely on our reach, and reputation. They only come about because we have the support of our members, and are respected as the UK's leading business organisation. We are close to our grassroots, backed up by expert staff. Altogether, this makes us a formidable political campaigner.

2018/19 looks to be no less dramatic than 2017/18, but we are strong and well-positioned to make the most of it for our members.



**Martin McTague**  
Chairman, Policy and Advocacy  
Federation of Small Businesses



## FINANCE DIRECTOR'S REPORT

**The results for the Group for the year ended 30 September 2018 showed a surplus for the financial year of £1.8m. This is an increase of £2.1m on the previous year, and is the second year in which the overall financial result has improved. These improvements reflect the focus of the past two years on enhancing the member offering and experience in order to increase member retention, and on improving the organisation's cost efficiency.**

Income from subscriptions and joining fees continued to be the most significant source of revenue for FSB, providing more than 95 per cent of the Group's income in 2017/18, an increase from 92 per cent in 2016/17. Income from subscriptions and joining fees grew by circa £696,000 (more than 2%) in the year ended 30 September 2018, predominately because the proportion of members renewing their subscription has increased year on year. FSB has made considerable efforts to enhance the offering and service to its members, and the success of this is evident in the increasing retention rates.

Administrative expenses, which reduced by £1.9m in the year ended 30 September 2017, reduced by a further £2.2m (more than 8%) in 2017/18. This is thanks to an ongoing focus on cost efficiency which continues to be a significant project across every part of the organisation. Improvements to the organisational structure, together with cultural change, have ensured spend remains closely aligned with corporate objectives. The development of operational processes, and investment in systems such as videoconferencing, have helped promote efficiency as well as environmental protection.

FSB has approved a business plan for 2018/19 which will continue to build on the developments delivered in 2017/18. The organisation operates in a competitive marketplace where the ability to attract and retain members remains critical to its success. Therefore, market leading products and services that support today's small business owners will continue to be developed. FSB will also continue to invest in its sales channels and in tools to support growth by attracting and retaining more members.

Maintaining a strong balance sheet is important in ensuring that FSB can fund these developments which will secure its long term financial stability. I am therefore pleased to report that 2017/18 saw FSB's balance sheet strengthen, with net assets increasing by £1.8m to more than £14.5m as at 30 September 2018.



FSB Celebrating Small Business Awards 2018 winners with awards host Jon Culshaw

The net book value of tangible and intangible fixed assets reduced by more than £700,000. Depreciation and amortisation charges for the year amounted to circa £861,000, whilst capital expenditure amounted to circa £148,000. Capital expenditure on tangible and intangible fixed assets increased by more than 90 per cent in 2017/18 compared with 2016/17. Furthermore, an additional circa £111,000 of capital commitments were made to improve business systems at the year end.

The Geographical Recruitment Areas are now fully amortised in the Group's balance sheet. These were acquired between January 2012 and December 2013, at a cost of just over £3m, in order to bring the management of FSB's sales function in house.

During 2017/18, cash inflows from operating activities increased by more than £1.4m to in excess of £2m, and the movement in cash balances was £2m. The management of cash deposits is a key activity for FSB and interest of circa £97,000 was generated on cash balances in 2017/18. Low interest rates prevailed throughout the period; however, the Bank of England base rate increased by 0.25 per cent part way through the year. This, together with recent enhancements to FSB's treasury management activities, presents an opportunity for increased interest generation in the coming year.

In order to deliver both liquidity and returns, whilst managing risk to an acceptable level, FSB holds investments in two discretionary managed portfolio funds, alongside its cash deposits. The market value of these managed investments increased by £171,670 in 2017/18 to a value of £3.7m. This follows an increase of £161,960 in 2016/17. The original investment value was £3m, of which £1m was invested in 2014 and £2m in 2015.

The funds are held in portfolios which diversify risk via a range of asset types, sectors and geographies and which are actively managed to a risk profile consistent with FSB's attitude to risk. The Board regularly reviews the balance of cash deposits and managed investments to ensure they continue to meet FSB's need to generate an acceptable return whilst also managing risk.

In summary, 2017/18 saw FSB deliver a strong financial result. This will provide a stable basis for continued investment designed to deliver to members the benefits that we have committed to in our business plan and corporate objectives.



**David Miles**  
Finance Director  
Federation of Small Businesses

## COMMERCIAL DIRECTOR'S REPORT

### **The rollout of the modernisation programme at FSB in 2017/18 provided a tremendous opportunity for the commercial side of the business.**

With the focus having been placed on the structure of the organisation during the modernisation process, the time was right to look hard at our offer for members and ensure that it was the best it could be. We started by getting back to basics and ensuring that the needs and wants of our members were at the heart of everything we do.

To underpin this, we began investing in two key areas; our data and our customer experience. Our data programme allows us to understand the patterns of usage of our services by our members and to ascertain what is genuinely useful and where membership is delivering greatest value. This will be achieved by further investment in our core CRM system reflected in our business processes.

We also appointed a new customer experience manager to begin to map the customer journeys of our members, volunteers and all who come into contact with FSB. This will enable us to prioritise the areas where we can make the biggest differences.

We reviewed our Business Essentials membership against the criteria of being aligned with our policy

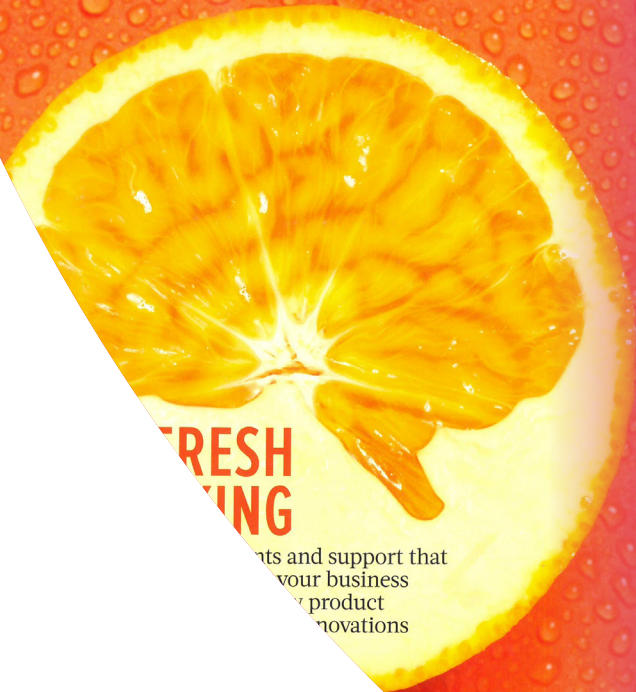
goals, genuinely solving problems for small businesses and delivering the highest quality solutions possible. As a result, we parted company with some of our lesser-used services such as FSB Business Leads and developed a strategy to streamline other services whilst enhancing our core services.

We created an online booking system for FSB Legal Services, added a payroll option to FSB Workplace Pensions and launched a new website landing page and a more streamlined process for FSB Business Banking customers.

The 2017/18 year also saw the addition of two key new services as part of the Business Essentials package. In January, FSB Funding Platform was launched. This offers FSB members direct access to hundreds of business funding options with a single application. It has been a great experience to watch the speed with which applications turn into funding for a huge range of reasons and varying amounts.

FSB Insurance Service was relaunched with new providers, part owned by FSB in a unique new joint venture. A fully fledged general insurance broker, it is able to provide members with products tailored to their needs. It also offers a wealth of services and assets, foremost of which is the insurance advice line. The service genuinely works in the interests of small businesses and the team there take the time to find the most appropriate products in every case.

Driving Business Ambition



FRESH  
ING

...nts and support that  
...your business  
...product  
...innovations

FSB's award-winning First Voice magazine

HOW TO

Simple steps to  
improve your public  
speaking skills

FSB's events programme went from strength to strength. It included a GDPR roadshow, which visited 21 locations in the run-up to the deadline for GDPR in May 2018. It was extremely well attended by members and non-members alike. This seminar format, created centrally and delivered locally, is now being adopted for a wider range of topics.

Widespread interest in GDPR resulted in the biggest spike in visitors to our website to date, as well as the highest recorded revenue for First Voice, both online and in print. First Voice, FSB's award-winning magazine, continued to be well read amongst the membership base. Sixty-nine per cent of members surveyed said they read most, or every, issue.

Marketing activities overall focused around supporting our membership sales advisors in their local and regional areas and maintaining regular contact via email with our members and potential members, as well as a series of below-the-line promotional activities.

I am very pleased to report that we saw an increase in the brand awareness of FSB. A survey of non-members found that brand awareness had risen from 50 per cent to 64 per cent year-on-year. The findings also revealed that amongst members, FSB is seen as a "credible and trustworthy organisation that provides helpful and sound advice and a range of essential services".

Most members also see FSB as "experts in small business". This is a positive indication that our brand

positioning, professional marketing, public relations, public affairs, media and commercial activity, delivered by FSB's staff teams, are all working in unity to deliver FSB's corporate objectives.



**Dave Stallon**  
**Commercial Director**  
Federation of Small Businesses

## CHIEF EXECUTIVE'S REPORT

**It was clear from the start that 2017/18 was going to be a challenging year. On the political front there was continued uncertainty over Brexit. This meant that FSB had to work even harder than usual to ensure our members' views were represented at the highest level of governments across the UK – not just on Brexit but on important domestic issues, such as business rates, too.**

For FSB, it was also a year of change. Following several years of redevelopment, our modernisation programme was completed with the regional restructure which was successfully rolled out.

During the transition year we saw considerable activity with 50 Special Interest Groups and hundreds of events held right across the country, including our very successful inaugural FSB Celebrating Small Business Awards. They helped showcase our talented members – and all small businesses – in twelve areas across the UK and culminated in a final event in London in May. The Prime Minister, Theresa May, sent a personal video

message to the finalists, and thanked our National Chairman and the whole FSB team for all they do.

To ensure we have opened up volunteer opportunities to all our members, we worked with Electoral Reform Services to facilitate local and director elections online. For the first time we also ran an elections awareness campaign right across social media. We certainly worked hard to get the word out – and the total reach on Twitter was 145 million users. Amazing!



FSB Celebrating Small Business Awards 2018 national finalists

Volunteers really are at the heart of what we do at FSB – we literally couldn't do it without them. One of the big motivations for the restructure was to ensure we were able to better support our grassroots members.

One thing members had told us was that as part of a lobbying organisation they wanted to be able to take part in campaigns which could bring about real change. Responding to that we appointed a campaigns advisor who, working with staff across FSB, has rolled out a number of highly successful campaigns all focused on our members.



We ran an important campaign calling for the Government to better support the self-employed – Think Self-Employed; as well as a campaign to raise awareness of the incoming GDPR rules to small businesses; and the first of our 'Wellbeing in the Workplace' campaigns, with a focus on mental health.

On International Women's Day in March, we ran a campaign called #100FSBwomen that presented some of our members as 'digital' role models, led by our public relations manager. FSB research has shown that the untapped potential of women in enterprise can be addressed by increasing role models and that was at the crux of the campaign.

The campaigns work has also helped boost FSB's profile in the media where 2017/18 was another strong year. FSB media coverage reached 94 per cent of the UK adult population, whether in national or regional outlets, broadcast and print. Of that coverage, more than 95 per cent of items rated positive for FSB.

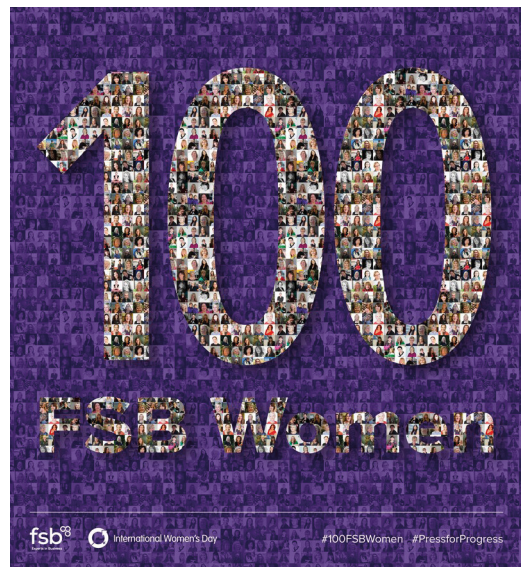
On the policy side, it was extremely busy both with Brexit and the domestic agenda. It's really impressive to see that 97 per cent of UK MPs were aware of FSB's work and 90 per cent of them were favourable of FSB's work.

Recruiting and retaining our members is vital so that we can continue to be the credible voice of small

business and we have an excellent, professional network of self-employed membership sales advisors. With their hard work, I'm pleased to say we maintained stability in our overall membership numbers.

Retention increased to 86.7 per cent, above the target for the year. One of the keys to retaining members is to ensure FSB has a much greater digital presence and focus. The IT team worked hard with the Chief Commercial Officer to ensure we offer not just the best benefits and advice, but the most modern and flexible ways of accessing them.

While volunteers are the lifeblood of FSB, we could not deliver the professional service we do, right across the UK, without our dedicated staff. There was an exceptional response to our annual staff survey with 94 per cent of staff taking part – up from 91 per cent in 2015. The great news is that the overall engagement score has increased from 77 per cent to 80 per cent since 2015, showing FSB has a really engaged workforce. One result I am personally really proud of is that 86 per cent of staff agree that FSB is an honest and ethical employer – that's an exemplary score.



The year was full of challenges as we faced Brexit and continued to modernise. But with volunteers and staff working together we ensured that FSB continued to be the voice of small businesses right across the UK in the year 2017/18.



**Julie Lilley**  
**Chief Executive**  
 Federation of Small Businesses

# FINANCIAL STATEMENTS

Group Strategic Report, Report of the Directors  
and Consolidated Financial Statements  
for the Year Ended 30 September 2018

for

National Federation of Self Employed  
and Small Businesses Limited



## COMPANY INFORMATION

For the Year Ended 30 September 2018

### Directors

M H Cherry  
D A Stallon  
G M MacEwan  
M G McTague  
D J Miles  
V Weisweiller  
P B C Davys  
G Lovatt  
A L Lay  
M D Coley  
I D O'Donnell

### Registered Office

Sir Frank Whittle Way  
Blackpool Business Park  
Blackpool  
Lancashire  
FY4 2FE

### Registered Number

01263540

### Auditors

Haines Watts  
Statutory Auditor  
3rd Floor Pacific Chambers  
11-13 Victoria Street  
Liverpool  
Merseyside  
L2 5QQ

# GROUP STRATEGIC REPORT

For the Year Ended 30 September 2018

**The directors present their strategic report of the company and the group for the year ended 30 September 2018.**

## REVIEW OF BUSINESS

The principal activity of the National Federation of Self Employed and Small Businesses Limited (the Federation) continues to be that of the promotion and furtherance of the interests of persons who are self-employed, direct or control small businesses, and the provision of a national voice and platform for such persons.

The results for the Group (FSB) show a surplus for the financial year of £1.8m (2017: deficit £0.3m). This is after accounting for an unrealised gain of £0.2m resulting from an increase in the carrying value of investments (2017: unrealised gain of £0.2m). Income from subscriptions and joining fees, which provided over 95% of the Group's income (2017: 92%) amounted to £26.4m (2017: £25.7m). General reserves increased to £14.6m (2017: £12.8m) and the net cash inflow from operating activities was £2.1m (2017: £0.6m).

The consolidated financial statements include the results of its three subsidiary companies; FSB Publications Limited, the principal activity of which is the publication of First Voice magazine, F.S.B. (Member Services) Limited, which arranges additional benefits on behalf of FSB members and FSB Recruitment Limited, which provides recruitment services for FSB.

FSB is organised across the UK through geographical areas in the devolved nations and English regions. Local events are undertaken throughout the regions as well as national campaigns.

Throughout the year FSB hosts campaigns and events, and publishes periodic publications to its members, raising awareness of key business issues. Over the last financial year FSB has raised awareness of numerous issues affecting small businesses. These have included:

High Streets Hub – this campaign focused on lobbying Government to reduce the burden on small businesses. The Government unveiled a £1.5 billion package of support measures for small firms on high streets. It also pledged to cut business rates bills by one third for retail properties with a rateable value of under £51,000, for two years from April 2019. This will apply to the vast majority of small retailers, as well as cafés, restaurants and bars.

Think Self-Employed – This campaign sought to raise awareness of the challenges faced by self-employed individuals. FSB engaged with all political parties to encourage them to think about the self-employed and the importance of this sector, which contributes in excess of £270 billion to the UK economy.

It's OK to Talk about Mental Health – this campaign aimed to provide a better understanding of mental health and how it affects business owners and their employees. This followed on from the previous year's Wellbeing campaign, which provided advice for businesses on mental health and wellbeing.

On the commercial side, the benefits offered to members were extended over the past year to include two key new services. FSB Funding Platform was launched which offers FSB members direct access to hundreds of business funding options with a single application.

FSB Insurance Service was relaunched with new providers, part owned by FSB in a unique new venture.

A fully fledged general insurance broker, it is able to provide members with products tailored to their needs.

### PRINCIPAL RISKS AND UNCERTAINTIES

The responsibility for risk management and the internal control environment resides with the Board of Directors. FSB has subsidiary companies and various committees reporting to the Board of Directors, including the Finance Committee, the UK Policy Committee and the Commercial Committee, that control and manage various activities, identifying on an ongoing basis any potential risks faced by the organisation and proposing solutions to mitigate these.

The list below includes the principal risks that may impact the company achieving its strategic objectives. The list does not include all of the risks faced by the company, nor does it list the risks in order of priority.

### STRATEGY

FSB's business strategy is to continue to pursue the five corporate objectives (to be recognised as the most influential and trusted business organisation, to value diversity and inclusion in everything we do, to be fully representative of the whole UK smaller business community, to provide the most valued package of business benefits and services, and to provide the most effective network for smaller businesses across the UK) to achieve the organisation's mission which is to help smaller businesses achieve their ambitions.

FSB takes seriously all issues with regard to recycling and the environment. Within the organisation there is an active preference towards recycling wherever possible and minimising any impact on the environment. Internally there has been a move to reduce the use of paper and aim for a paperless office environment, together with investment in virtual meeting technology to reduce overall travel requirements. Communications with members, including membership renewal and publications, are also now being distributed digitally. We also look towards best practice in terms of refurbishment projects on our property, and adopting energy saving options wherever possible.

The organisation's strategy for growth is underpinned by excellence in representation and service, and ongoing development of relevant products and services to enhance the experience of members, improve retention levels and attract growing numbers of new members.

### ECONOMIC CONDITIONS

The company operates in a competitive industry, and its ability to attract and retain members may be impacted by economic conditions, business confidence and the behaviour of competitors. The Board of Directors reviews performance and ensures that management is focused on key priorities to mitigate this risk, including enhancing the range of services offered to members, maintaining excellence in service and ensuring prices are competitive.

### BRAND AND REPUTATION

The organisation is non-political, engaged in representing and promoting the interests of its members. Failure to meet the expectations of members may impact on the brand and reputation and member loyalty. The Board of Directors ensures that procedures are in place to ensure that its non-political position and service level expectations are not compromised.

### TREASURY MEASUREMENT

The group has £18.5m cash and £3.7m investment balances as at 30 September 2018 and changes in investment conditions may expose the company to risks of poor returns. The company invests its funds for a combination of liquidity and returns, ensuring that cash is deposited on varying terms and with various financial institutions, and that investments are made into mixed portfolios with long term rather than short term growth aims.

### KEY PERFORMANCE INDICATORS

The Directors consider the surplus or deficit on ordinary activities before taxation to be the main financial KPI for the business, and monitor a range of non-financial KPIs, the principal ones being as follows;

- Membership numbers
- New member numbers
- Member retention

### ON BEHALF OF THE BOARD:

**M H Cherry OBE**

Director

8 January 2019

# REPORT OF THE DIRECTORS

For the Year Ended 30 September 2018

**The directors present their report with the financial statements of the company and the group for the year ended 30 September 2018.**

## **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 October 2017 to the date of this report.

M H Cherry

D A Stallon

G M MacEwan

M G McTague

D J Miles

V Weisweiller

P B C Davys

G Lovatt

Other changes in directors holding office are as follows:

W Mitchell – resigned 11 April 2018

J Jack – resigned 11 April 2018

A L Lay – resigned 11 April 2018, re-appointed 2 May 2018

S Dawson – appointed 12 April 2018, resigned 4 Sept 2018

M Coley – appointed 12 April 2018

I O'Donnell – appointed 12 April 2018

## **FUTURE DEVELOPMENTS**

The Board of Directors continues to progress a programme of modernisation to enable the Group to continue to provide excellent representation and service to members from the whole UK smaller business community. This programme involves continuous improvement in all areas of the Group's operations, including enhancements to services offered and developments in communication.

## EMPLOYEE INVOLVEMENT

The group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group. This is achieved through departmental meetings and presentations to all employees.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the group may continue.

It is the policy of the group that training, career development and promotion opportunities should be available to all employees.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report, the Report of the Directors 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 the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the surplus or deficit of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial

position of the company and the group and 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.

## STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

## AUDITORS

The auditors, Haines Watts, will be proposed for re-appointment at the forthcoming Annual General Meeting.

## ON BEHALF OF THE BOARD:

**M H Cherry OBE**  
Director

8 January 2019

# REPORT OF THE INDEPENDENT AUDITORS

To the members of National Federation  
of Self Employed and Small Businesses Limited

## OPINION

We have audited the financial statements of National Federation of Self Employed and Small Businesses Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and Notes to the Consolidated Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 30 September 2018 and of the group's surplus 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.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in

the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material

misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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.

#### **RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the Statement of Directors' Responsibilities set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### **AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Report of the Auditors.

#### **USE OF OUR REPORT**

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 a Report of the Auditors 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.

**Mr Francis Murphy (Senior Statutory Auditor)  
for and on behalf of Haines Watts**

Statutory Auditor  
3rd Floor Pacific Chambers  
11-13 Victoria Street  
Liverpool  
Merseyside  
L2 5QQ

8 January 2019

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 September 2018

	Notes	30.09.18 (£)	30.09.17 (£)
<b>Turnover</b>		<b>26,432,668</b>	25,736,232
Cost of sales		<b>2,617,852</b>	2,710,156
<b>Gross Surplus</b>		<b>23,814,816</b>	23,026,076
Administrative expenses		<b>23,540,856</b>	25,755,051
		<b>273,960</b>	(2,728,975)
Other operating income		<b>1,317,848</b>	2,277,260
<b>Operating Surplus/(Deficit)</b>	4	<b>1,591,808</b>	(451,715)
Unrealised gain on investment	5	<b>171,670</b>	161,960
		<b>1,763,478</b>	(289,755)
Interest receivable and similar income		<b>97,321</b>	82,766
<b>Surplus/(Deficit) Before Taxation</b>		<b>1,860,799</b>	(206,989)
Tax on surplus	6	<b>52,283</b>	122,871
<b>Surplus/(Deficit) for the Financial Year</b>		<b>1,808,516</b>	(329,860)
<b>Other Comprehensive Income</b>		-	-
<b>Total Comprehensive Income for the Year</b>		<b>1,808,516</b>	(329,860)
Surplus/(Deficit) attributable to: Owners of the parent		<b>1,808,516</b>	(329,860)
Total comprehensive income attributable to: Owners of the parent		<b>1,808,516</b>	(329,860)

The notes on pages 29 to 43 form part of these financial statements



# CONSOLIDATED BALANCE SHEET

30 September 2018

	Notes	30.09.18 (£)	30.09.17 (£)
<b>Fixed Assets</b>			
Intangible assets	8	55,235	546,389
Tangible assets	9	5,079,932	5,307,306
Investments	10	-	-
		<b>5,135,167</b>	5,853,695
<b>Current Assets</b>			
Stocks	11	-	21,744
Debtors	12	1,630,694	1,573,831
Investments	13	3,721,726	3,550,056
Cash at bank		18,520,169	16,504,528
		<b>23,872,589</b>	21,650,159
<b>Creditors</b>			
Amounts falling due within one year	14	14,284,805	14,622,036
		<b>9,587,784</b>	7,028,123
<b>Net Current Assets</b>		<b>14,722,951</b>	12,881,818
<b>Total Assets Less Current Liabilities</b>		<b>137,128</b>	104,511
<b>Provisions for Liabilities</b>	17		
<b>Net Assets</b>		<b>14,585,823</b>	12,777,307
<b>Reserves</b>			
Profit and loss account	18	14,585,823	12,777,307
		<b>14,585,823</b>	12,777,307

The financial statements were approved by the Board of Directors on 8 January 2019 and signed on its behalf by M H Cherry, Director.

The notes on pages 29 to 43 form part of these financial statements

# COMPANY BALANCE SHEET

30 September 2018

	Notes	30.09.18 (£)	30.09.17 (£)
<b>Fixed Assets</b>			
Intangible assets	8	<b>55,235</b>	23,551
Tangible assets	9	<b>5,069,793</b>	5,292,783
Investments	10	<b>2,101</b>	2,101
		<b>5,127,129</b>	5,318,435
<b>Current Assets</b>			
Debtors	12	<b>2,706,216</b>	2,695,018
Investments	13	<b>3,721,726</b>	3,550,056
Cash at bank		<b>17,281,828</b>	15,239,095
		<b>23,709,770</b>	21,484,169
<b>Creditors</b>			
Amounts falling due within one year	14	<b>14,455,953</b>	14,202,295
		<b>9,253,817</b>	7,281,874
<b>Net Current Assets</b>		<b>14,380,946</b>	12,600,309
<b>Total Assets Less Current Liabilities</b>		<b>137,128</b>	104,511
<b>Provisions for Liabilities</b>	17	<b>137,128</b>	104,511
<b>Net Assets</b>		<b>14,243,818</b>	12,495,798
<b>Reserves</b>			
Profit and loss account		<b>14,243,818</b>	12,495,798
		<b>14,243,818</b>	12,495,798
Company's profit/(loss) for the financial year		<b>1,748,020</b>	(611,163)

The financial statements were approved by the Board of Directors on 8 January 2019  
and signed on its behalf by M H Cherry, Director.

The notes on pages 29 to 43 form part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 September 2018

	Retained earnings (£)	Total equity (£)
<b>Balance at 1 October 2016</b>	13,107,167	13,107,167
<b>Changes in equity</b>		
Total comprehensive income	(329,860)	(329,860)
<b>Balance at 30 September 2017</b>	12,777,307	12,777,307
<b>Changes in equity</b>		
Total comprehensive income	1,808,516	1,808,516
<b>Balance at 30 September 2018</b>	14,585,823	14,585,823

## COMPANY STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 September 2018

	Retained earnings (£)	Total equity (£)
<b>Balance at 1 October 2016</b>	13,106,961	13,106,961
<b>Changes in equity</b>		
Total comprehensive income	(611,163)	(611,163)
<b>Balance at 30 September 2017</b>	12,495,798	12,495,798
<b>Changes in equity</b>		
Total comprehensive income	1,748,020	1,748,020
<b>Balance at 30 September 2018</b>	14,243,818	14,243,818

The notes on pages 29 to 43 form part of these financial statements

# CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 30 September 2018

	Notes	30.09.18 (£)	30.09.17 (£)
<b>Cash Flows from Operating Activities</b>			
Cash generated from operations	1	<b>2,078,920</b>	590,855
Tax paid		<b>(18,493)</b>	(30,495)
Net cash from operating activities		<b>2,060,427</b>	560,360
<b>Cash Flows from Investing Activities</b>			
Purchase of intangible fixed assets		<b>(43,727)</b>	(22,383)
Purchase of tangible fixed assets		<b>(104,295)</b>	(55,325)
Sale of tangible fixed assets		<b>5,915</b>	10,983
Interest received		<b>97,321</b>	82,766
Net cash from investing activities		<b>(44,786)</b>	16,041
Increase in Cash and Cash Equivalents		<b>2,015,641</b>	576,401
Cash and Cash Equivalents at Beginning of Year	2	<b>16,504,528</b>	15,928,127
Cash and Cash Equivalents at end of Year	2	<b>18,520,169</b>	16,504,528

The notes on pages 29 to 43 form part of these financial statements

# NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

For the Year Ended 30 September 2018

## 1. Reconciliation of Deficit Before Taxation to Cash Generated From Operations.

	30.09.18 (£)	30.09.17 (£)
Surplus/(Deficit) before taxation	1,860,799	(206,989)
Depreciation charges	326,402	373,079
(Profit)/loss on disposal of fixed assets	(648)	(4,020)
Amortisation charges	534,881	708,408
Unrealised gain on investment	(171,670)	(161,960)
Loss on intangibles	-	49,300
Finance income	(97,321)	(82,766)
	<b>2,452,443</b>	675,052
(Increase)/decrease in stocks	21,744	(21,744)
(Increase)/decrease in trade and other debtors	(56,863)	(382,780)
(Increase)/decrease in trade and other creditors	(338,404)	320,327
<b>Cash Generated from Operations</b>	<b>2,078,920</b>	590,855

## 2. Cash and Cash Equivalents.

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

	30.09.18 (£)	01.10.17 (£)
<b>Year Ended 30 September 2018</b>		
Cash and cash equivalents	18,520,169	16,504,528
	<b>30.09.17 (£)</b>	<b>01.10.16 (£)</b>
<b>Year Ended 30 September 2017</b>		
Cash and cash equivalents	16,504,528	15,928,127

The notes on pages 29 to 43 form part of these financial statements

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 30 September 2018

## 1. GENERAL INFORMATION

The company is a private company limited by guarantee without share capital (Co No 01263540) and is incorporated in England and Wales. The address of the registered office is Sir Frank Whittle Way, Blackpool Business Park, Blackpool, Lancashire, FY4 2FE.

## 2. ACCOUNTING POLICIES

### Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The accounts of the subsidiaries FSB Publications Limited, F.S.B. (Member Services) Limited and FSB Recruitment 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.

### Basis of consolidation

The consolidated financial statements of the Federation (which include Federation offices, regions and committees) include the financial statements of FSB Publications Limited, F.S.B. (Member Services) Limited and FSB Recruitment Limited, all being 100% owned subsidiaries of the Federation.

### Critical accounting judgements and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

- The expected lives of intangible fixed assets
- The expected lives of tangible fixed assets
- Bad debt provisions.

### Turnover

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

### Intangible fixed assets

Geographical Recruitment Areas acquired by FSB Recruitment Ltd have been amortised over their expected useful economic lives as determined by the Directors. The useful economic lives of the Areas will vary depending upon a number of factors including location and size. The Areas are amortised on a straight line basis over periods of between three and six years.

Intangible fixed assets are stated at cost less accumulated amortisation. Amortisation is provided at rates calculated using the straight-line method, to write off the cost of the fixed assets over their expected useful lives.

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Goodwill	3 - 6 years	Straight line basis
Computer Software	3 years	Straight line basis

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### Tangible fixed assets

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.

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Freehold and long leasehold buildings	50 years	Straight line basis
Motor vehicles	4 years	Straight line basis
Fixtures, fittings and office equipment	5 years	Straight line basis
Computer equipment	3 years	Straight line basis

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**Investments in associates**

Investments in associate undertakings are recognised at cost.

**Stocks**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

**Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to surplus or deficit on a straight line basis over the period of the lease.

**Pension costs and other post-retirement benefits**

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

**Investments**

The company has investments, in discretionary managed portfolio funds, and as these are considered by the

directors to be readily convertible into cash in the short term, they are held under current assets in the financial statements.

The unrealised gains and losses on these investments are included in the consolidated income statement.

**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.

**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.

**Debtors**

Short term debtors are measured at transaction price, less any impairment.

**Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

**Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**Financial instruments**

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

**Interest income**

Interest income is recognised in the consolidated statement of comprehensive income using the effective interest method.

**Continued...**

### 3. EMPLOYEES AND DIRECTORS

Staff costs, excluding directors' remuneration, were as follows:

	30.09.18 (£)	30.09.17 (£)
Wages and salaries	7,645,626	7,397,049
Social security costs	772,623	754,113
Other pension costs	419,078	401,567
	<u>8,837,327</u>	<u>8,552,729</u>

The average monthly number of employees excluding directors during the year was as follows:

	30.09.18	30.09.17
Head office	45	47
Press and parliamentary offices	42	45
Regions	54	49
Recruitment	51	52
Member services	6	6
	<u>198</u>	<u>199</u>

	30.09.18 (£)	30.09.17 (£)
Directors' remuneration	<u>330,969</u>	<u>340,359</u>

Information regarding the highest paid director is as follows:

	30.09.18 (£)	30.09.17 (£)
Emoluments etc	<u>65,000</u>	<u>65,000</u>

No retirement benefits were accruing for directors (2017 – nil) in respect of defined contribution pension schemes.

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is £1,449,337 (2017 – £1,270,233).



**4. OPERATING SURPLUS/(DEFICIT)**

The operating surplus (2017 - operating deficit) is stated after charging/(crediting):

	30.09.18 (£)	30.09.17 (£)
Depreciation - owned assets	<b>326,402</b>	373,079
(Profit) on disposal of fixed assets	<b>(648)</b>	(4,020)
Goodwill amortisation	<b>456,016</b>	527,400
Computer software amortisation	<b>78,865</b>	181,008
Auditors' remuneration - company	<b>18,668</b>	18,656
Auditors' remuneration - subsidiaries	<b>10,336</b>	10,320
Non-audit services - tax compliance	<b>12,754</b>	8,421

**5. EXCEPTIONAL ITEMS**

	30.09.18 (£)	30.09.17 (£)
Unrealised gain on investment	<b>171,670</b>	161,960

**6. TAXATION****Analysis of the tax charge**

The tax charge on the surplus/deficit for the year was as follows:

	30.09.18 (£)	30.09.17 (£)
<b>Current tax:</b>		
UK corporation tax	<b>19,666</b>	18,360
Deferred tax	<b>32,617</b>	104,511
Tax on surplus/deficit	<b>52,283</b>	122,871

UK corporation tax was charged at 19% in 2018 (2017 - 20%).

The company is taxable on the commissions and interest received in the year. The company received gross taxable commissions of £8,644 (2017 - £17,989) and interest of £97,231 (2017 - £82,766).

**Factors that may affect future tax charges**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

**Continued...**

## 7. INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements.

## 8. INTANGIBLE FIXED ASSETS

### Group

	Goodwill (£)	Computer Software (£)	Totals (£)
COST			
<b>At 1 October 2017</b>	<b>3,013,503</b>	<b>2,023,560</b>	<b>5,037,063</b>
Additions	-	<b>43,727</b>	<b>43,727</b>
<b>At 30 September 2018</b>	<b>3,013,503</b>	<b>2,067,287</b>	<b>5,080,790</b>
AMORTISATION			
<b>At 1 October 2017</b>	<b>2,557,487</b>	<b>1,933,187</b>	<b>4,490,674</b>
Amortisation for year	<b>456,016</b>	<b>78,865</b>	<b>534,881</b>
<b>At 30 September 2018</b>	<b>3,013,503</b>	<b>2,012,052</b>	<b>5,025,555</b>
NET BOOK VALUE			
<b>At 30 September 2018</b>	-	<b>55,235</b>	<b>55,235</b>
<b>At 30 September 2017</b>	456,016	90,373	546,389

**8. INTANGIBLE FIXED ASSETS (Continued)****Company**

	<b>Computer Software (£)</b>
COST	
<b>At 1 October 2017</b>	<b>1,866,427</b>
Additions	<b>43,727</b>
<b>At 30 September 2018</b>	<b>1,910,154</b>
AMORTISATION	
<b>At 1 October 2017</b>	<b>1,842,876</b>
Amortisation for year	<b>12,043</b>
<b>At 30 September 2018</b>	<b>1,854,919</b>
NET BOOK VALUE	
<b>At 30 September 2018</b>	<b>55,235</b>
<b>At 30 September 2017</b>	<b>23,551</b>

Continued...

**9. TANGIBLE FIXED ASSETS****Group**

	Freehold Property (£)	Fixtures & Fittings (£)	Motor Vehicles (£)	Computer Equipment (£)	Totals (£)
COST					
<b>At 1 October 2017</b>	<b>6,651,824</b>	<b>1,283,251</b>	<b>47,540</b>	<b>1,059,905</b>	<b>9,042,520</b>
Additions	10,938	-	13,799	79,558	104,295
Disposals	-	(14,714)	(32,500)	(19,485)	(66,699)
<b>At 30 September 2018</b>	<b>6,662,762</b>	<b>1,268,537</b>	<b>28,839</b>	<b>1,119,978</b>	<b>9,080,116</b>
DEPRECIATION					
<b>At 1 October 2017</b>	<b>1,745,491</b>	<b>991,097</b>	<b>40,769</b>	<b>957,857</b>	<b>3,735,214</b>
Charge for year	133,534	100,367	7,058	85,443	326,402
Eliminated on disposal	-	(9,810)	(32,500)	(19,122)	(61,432)
<b>At 30 September 2018</b>	<b>1,879,025</b>	<b>1,081,654</b>	<b>15,327</b>	<b>1,024,178</b>	<b>4,000,184</b>
NET BOOK VALUE					
<b>At 30 September 2018</b>	<b>4,783,737</b>	<b>186,883</b>	<b>13,512</b>	<b>95,800</b>	<b>5,079,932</b>
<b>At 30 September 2017</b>	<b>4,906,333</b>	<b>292,154</b>	<b>6,771</b>	<b>102,048</b>	<b>5,307,306</b>

**9. TANGIBLE FIXED ASSETS (Continued)****Company**

	Freehold Property (£)	Fixtures & Fittings (£)	Motor Vehicles (£)	Computer Equipment (£)	Totals (£)
COST					
<b>At 1 October 2017</b>	<b>6,651,823</b>	<b>1,261,329</b>	<b>47,540</b>	<b>1,055,286</b>	<b>9,015,978</b>
Additions	10,938	-	13,799	79,558	104,295
Disposals	-	(14,714)	(32,500)	(19,485)	(66,699)
<b>At 30 September 2018</b>	<b>6,662,761</b>	<b>1,246,615</b>	<b>28,839</b>	<b>1,115,359</b>	<b>9,053,574</b>
DEPRECIATION					
<b>At 1 October 2017</b>	<b>1,745,490</b>	<b>983,698</b>	<b>40,769</b>	<b>953,238</b>	<b>3,723,195</b>
Charge for year	133,534	95,983	7,058	85,443	322,018
Eliminated on disposal	-	(9,810)	(32,500)	(19,122)	(61,432)
<b>At 30 September 2018</b>	<b>1,879,024</b>	<b>1,069,871</b>	<b>15,327</b>	<b>1,019,559</b>	<b>3,983,781</b>
NET BOOK VALUE					
<b>At 30 September 2018</b>	<b>4,783,737</b>	<b>176,744</b>	<b>13,512</b>	<b>95,800</b>	<b>5,069,793</b>
<b>At 30 September 2017</b>	<b>4,906,333</b>	<b>277,631</b>	<b>6,771</b>	<b>102,048</b>	<b>5,292,783</b>

Continued...

**10. FIXED ASSET INVESTMENTS****Company**

On 21 December 2017, F.S.B. (Member Services) Limited acquired 30% of the share capital in Ruskin Square Limited, a company incorporated within England and Wales. The transaction acquired 100% of the B Ordinary shares.

	<b>Investments in associates (£)</b>
COST	
<b>At 1 October 2017</b>	-
Additions	-
	<hr/>
<b>Net Book Value at 30 September 2018</b>	-
	<hr/>
<b>Net Book Value at 30 September 2017</b>	-
	<hr/>

**Associate undertakings**

The following is an associate of the company. The aggregate of the share capital and reserves and loss for the year has been taken at 31 December 2017.

	<b>Ownership</b>	<b>Aggregate capital and reserves</b>	<b>Profit/(loss) for the year</b>	<b>Activity</b>
Ruskin Square Limited	30%	(112,177)	(262,178)	Insurance services

	<b>Unlisted Investments (£)</b>
COST	
<b>At 1 October 2017 and 30 September 2018</b>	2,101
	<hr/>
NET BOOK VALUE	
<b>At 30 September 2018</b>	<b>2,101</b>
	<hr/>
<b>At 30 September 2017</b>	2,101
	<hr/>

	Aggregate capital and reserves	Profit/(Loss for the year)	Activity
FSB Publications Limited	1,212	-	Publication of Magazine
F.S.B. (Member Services) Limited	174,118	24,924	Arrange Member Benefits
FSB Recruitment Limited	168,678	35,572	Recruitment
FSB Gold Club Limited	100	-	Dormant
Federation of Small Businesses Limited	1	-	Dormant
Real Life Entrepreneur Limited	1	-	Dormant
Keep Trade Local Ltd	1	1	Dormant

All subsidiaries are wholly owned and incorporated within England and Wales. All subsidiaries are registered at Sir Frank Whittle Way, Blackpool Business Park, Blackpool, Lancashire, FY4 2FE.

## 11. STOCKS

	Group	
	30.09.18 (£)	30.09.17 (£)
Finished goods	-	21,744

Stock recognised in the consolidated statement of comprehensive income as an expense was £4,944 (2017 - £2,256).

An impairment loss of £16,800 (2017 – £nil) was recognised in the consolidated statement of comprehensive income against stock during the year due to slow-moving and obsolete stock.

Continued...

**12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	30.09.18 (£)	30.09.17 (£)	30.09.18 (£)	30.09.17 (£)
Trade debtors	<b>146,033</b>	190,276	<b>1,654</b>	1,224
Amounts owed by group undertakings	-	-	<b>1,658,895</b>	1,605,226
Other debtors	<b>21,769</b>	45,204	<b>21,163</b>	45,204
VAT	-	-	<b>13,399</b>	24,055
Accrued income	<b>260,034</b>	191,917	<b>75,952</b>	-
Prepayments	<b>1,202,858</b>	1,146,434	<b>935,153</b>	1,019,309
	<b>1,630,694</b>	1,573,831	<b>2,706,216</b>	2,695,018

An impairment loss of £3,000 (2017 - Nil) was recognised against trade debtors within the group.

**13. CURRENT ASSET INVESTMENTS**

	Group		Company	
	30.09.18 (£)	30.09.17 (£)	30.09.18 (£)	30.09.17 (£)
Listed investments	<b>3,721,726</b>	3,550,056	<b>3,721,726</b>	3,550,056

Market value of listed investments at 30 September 2018 held by the group and the company - £3,721,726.

**14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	30.09.18 (£)	30.09.17 (£)	30.09.18 (£)	30.09.17 (£)
Trade creditors	<b>693,856</b>	728,376	<b>469,569</b>	541,823
Amounts owed to group undertakings	-	-	<b>1,133,007</b>	594,214
Social security and other taxes	<b>231,167</b>	208,932	<b>231,167</b>	208,932
VAT	<b>41,474</b>	59,917	-	-
Other creditors	<b>15,015</b>	80,942	<b>15,015</b>	38,172
Accrued expenses	<b>1,352,423</b>	1,765,416	<b>656,325</b>	1,040,701
Prepaid subscriptions	<b>11,950,870</b>	11,778,453	<b>11,950,870</b>	11,778,453
	<b>14,284,805</b>	14,622,036	<b>14,455,953</b>	14,202,295



**15. LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

<b>Group</b>	Non-cancellable operating leases	
	<b>30.09.18 (£)</b>	<b>30.09.17 (£)</b>
Within one year	<b>31,108</b>	38,052
Between one and five years	<b>36,293</b>	69,867
	<b>67,401</b>	107,919

<b>Company</b>	Non-cancellable operating leases	
	<b>30.09.18 (£)</b>	<b>30.09.17 (£)</b>
Within one year	<b>31,108</b>	38,052
Between one and five years	<b>36,293</b>	69,867
	<b>67,401</b>	107,919

**16. FINANCIAL INSTRUMENTS**

<b>Group Financial Instruments</b>	<b>2018 (£)</b>	<b>2017 (£)</b>
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<b>18,948,005</b>	16,931,925
	<b>18,948,005</b>	16,931,925
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>14,012,164</b>	14,353,187
	<b>14,012,164</b>	14,353,187
<b>Company Financial Instruments</b>	<b>2018 (£)</b>	<b>2017 (£)</b>
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<b>19,052,891</b>	16,914,804
	<b>19,052,891</b>	16,914,804
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>14,224,786</b>	13,993,363
	<b>14,224,786</b>	13,993,363

Financial assets that are debt instruments measured at amortised cost comprise all current debtors (other than prepayments) and cash at bank and in hand.

Financial liabilities measured at amortised cost comprise all of the current liabilities other than tax liabilities.

**Continued...**

**17. PROVISIONS FOR LIABILITIES**

	<b>Group</b>		<b>Company</b>	
	<b>30.09.18 (£)</b>	<b>30.09.17 (£)</b>	<b>30.09.18 (£)</b>	<b>30.09.17 (£)</b>
Deferred tax				
Other timing differences	<b>137,128</b>	104,511	<b>137,128</b>	104,511

**Group**

	<b>Deferred tax (£)</b>
On unrealised investment gains	<b>137,128</b>
<b>Balance at 30 September 2018</b>	<b>137,128</b>

**Company**

	<b>Deferred tax (£)</b>
On unrealised investment gains	<b>137,128</b>
<b>Balance at 30 September 2018</b>	<b>137,128</b>

**18. RESERVES****Group**

	<b>Profit and loss account (£)</b>
At 1 October 2017	<b>12,777,307</b>
Surplus for the year	<b>1,808,516</b>
<b>At 30 September 2018</b>	<b>14,585,823</b>

**Profit and loss account**

Includes all current and prior period retained profits and losses.

**19. PENSION COMMITMENTS**

The National Federation of Self Employed and Small Businesses Limited operates a defined contribution scheme on behalf of its employees. The scheme is held in a separately administered fund independent from the group. Contributions in the year amounted to £419,078 (2017 - £401,567). There were £7,042 contributions outstanding at 30 September 2018 (2017 - £0).

**20. CAPITAL COMMITMENTS**

	<b>30.09.18 (£)</b>	<b>30.09.17 (£)</b>
Contracted but not provided for in the financial statements	<b>111,969</b>	6,000

**21. RELATED PARTY DISCLOSURES**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

**22. ULTIMATE CONTROLLING PARTY**

National Federation of Self Employed and Small Businesses Limited is a company limited by guarantee. The company is controlled by the Board of Directors.

**23. DIRECTORS HONORARIA**

The following is a list of honoraria paid to directors for their term of office during the year:

<b>Director</b>	<b>Honoraria (£)</b>	<b>Position</b>
Cherry, Michael	<b>65,000</b>	National Chairman
Stallon, David	<b>53,750</b>	Commercial Director
Jack, Janet	<b>25,000</b>	Finance Director (to 11/04/18)
Lay, Alexis	<b>19,315</b>	National Vice Chairman (to 11/04/18) Director (from 02/05/18)
McTague, Martin	<b>50,000</b>	Chairman, Policy and Advocacy
Coley, Melanie	<b>11,763</b>	National Vice Chairman (from 12/04/18)
Miles, David	<b>23,654</b>	Non-operational Director (to 11/04/18) Finance Director (from 12/04/18)
Dawson, Salena	<b>17,769</b>	Operations Director (from 12/04/18 to 04/09/18)
MacEwan, Gillian	<b>5,000</b>	Non operational Director
Mitchell, Wilfred	<b>2,654</b>	Non operational Director (to 11/04/18)
O'Donnell, Ian	<b>2,353</b>	Non operational Director (from 12/04/18)
Weisweiller, Veronika	<b>5,000</b>	Non operational Director
Lovatt, Gary	<b>5,000</b>	Non operational Director
Davys, Peter	<b>5,000</b>	Non operational Director



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