



Annual Report and Accounts

2003/2004



Our mission

To be the first choice business association for small and medium-sized building firms throughout the UK by:

- Protecting their interests against unnecessary or bureaucratic regulation.
- Promoting them as dependable, quality builders and specialist trades people.
- Providing services and support to help them run better businesses.
- Projecting their opinions in major policy issues.



Our aims

- Sustain our position as the voice of small and medium-sized building firms.
- Enhance our financial strength by:
 - Returning an average group operating surplus of 5% of total income during the period 2002 – 2005.
 - Growing non-subscription income to 12% of total income by 2005.
 - Expanding our range of services and benefits through being a preferred supplier of revenue earning business services to our members.
 - Maintaining the overall FMB membership at a minimum of 13,000 members whilst increasing the range of membership types to meet the needs of existing and prospective members and their customers.
- Increase the promotion of FMB's members.
- Develop the FMB team of active members and staff.

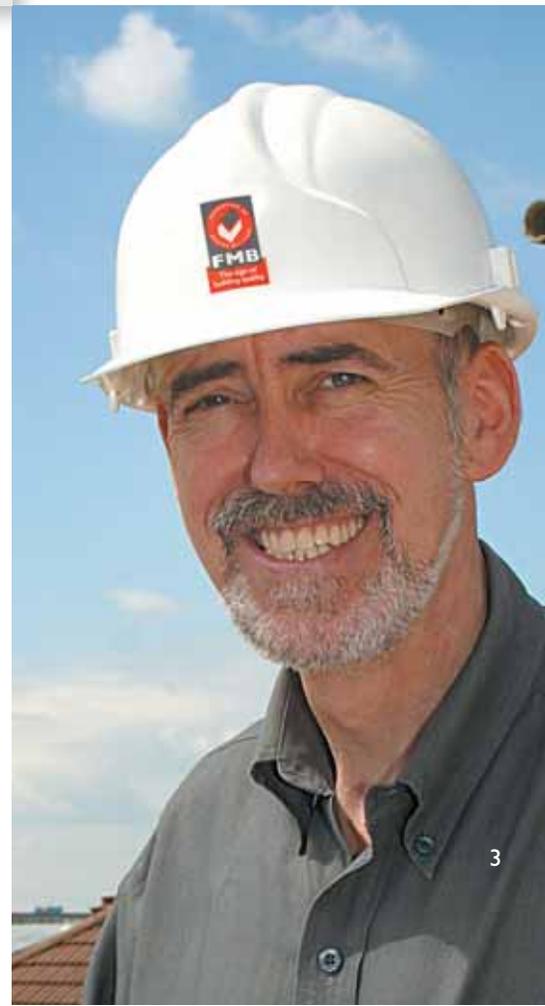


Federation of Master Builders

Annual Report 2003/2004

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Financial highlights

Members' Funds

The Group as a whole made a net surplus before tax of £233,801 (2002: £166,075).

The increased surplus compared to 2002 was the result of an increase in income of 12% and a smaller increase in costs of 7%.

Positive cashflow contributed towards a healthy increase in bank deposits during the year of £179,028.

Income

Subscription income was £311,917 (9%) higher than in 2002.

Non-subscription income was £138,695 (48%) higher than in 2002.

Investment income was £9,282 (21%) higher than in 2002.

Expenditure

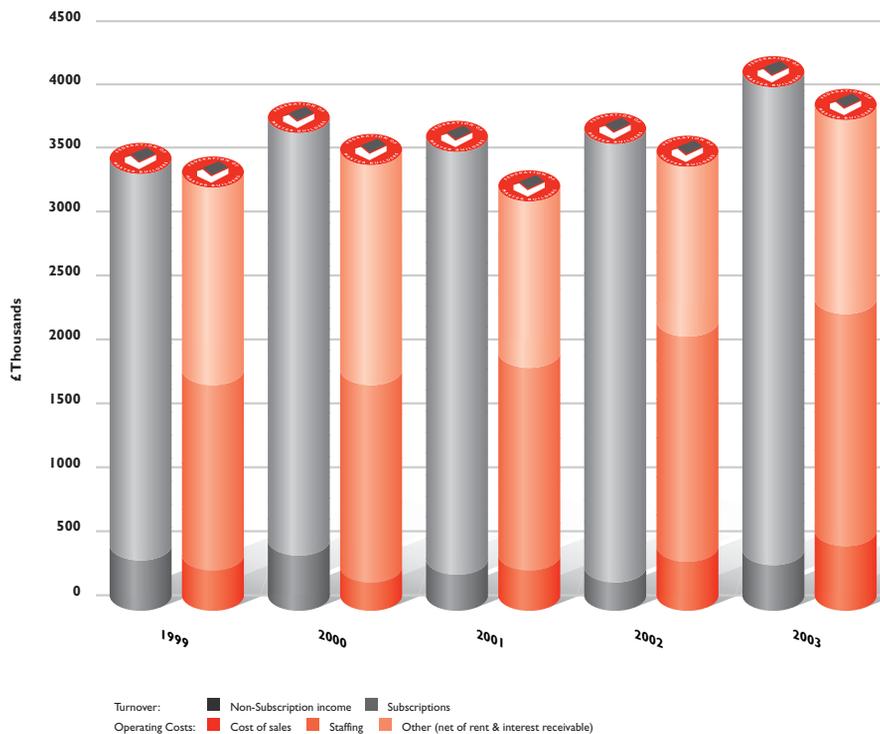
Operating costs increased by £228,000 (6%). This increase was kept low by renegotiating contracts with certain suppliers of services such as telecommunications and credit checks, hence reducing the expenditure in these areas significantly.

Staff costs including wages and salaries, Social Security costs and pension costs increased by £40,000 representing a 3% increase.

Turnover / Operating Costs

The five-year summary of Turnover and Operating Costs is depicted below.

Turnover and Operating Costs



In this, my second and final year as Chairman of National Council, I am delighted to report that both the FMB and its members are going from strength to strength.

The market for building work in the UK has remained strong throughout the year. However, the weakening in demand seen around the end of 2003 and the inexorable rise of consumer indebtedness gives cause for concern to members' future workload.



Chairman's

introduction

Fortunately, FMB's findabuilder service continues to be a source of opportunities for members with job leads being added at a rate of over £40 million per month. Findabuilder is growing in importance as a reliable source of work for members.

Over the past 12 months the FMB continued to work on the priorities set by our mission statement.

Following last year's pilot consumer campaign, we have developed the promotion of the FMB's members through national and local media, radio and television. We are now launching a nationwide advertising and public relations campaign to ensure that consumers know that the FMB is The Sign of Building Quality.

The FMB is constantly developing its service provision and the conclusion of the agreement with Nissan gives members access to the full range of Nissan light commercial vehicles and cars at highly competitive prices.

Members have been in touch throughout the year on issues of importance to them, and I am pleased to say that our work representing members has enabled the FMB and its members to take a prime position on health and safety, training and many other issues.

We have worked hard with the Inland Revenue to develop a new CIS tax scheme that should significantly reduce administrative burdens for members. We also formed a wide-ranging coalition to reinforce our campaign for a reduced rate of VAT on domestic repair, maintenance and improvement work.

Across the countries of the United Kingdom, the FMB's presence continues to grow.

In Scotland, we recruited a dedicated staff member for the North of Scotland, and increased our profile through exhibiting at Scotbuild.

This year, following our successful involvement in 2002, the FMB was a major exhibitor at Construct Ireland.

Our contacts with the Welsh Assembly and Executive have increased again, and the MasterBond warranty is gaining acceptance amongst Welsh local authorities.

Finally, I would like to thank all members of National Council for their help and support during my two years as Chairman. It has been a rewarding role, and I look forward to seeing the Council flourish under the Chairmanship of my successor.

A handwritten signature in blue ink, which appears to read 'D. Croft', is positioned above the printed name 'David Croft'.

David Croft





National President's review



As I write this review, my second term as National President is drawing to a close. There have been many highlights during this second year.

I am pleased that EBC (the European Builders Confederation) has gained renewed vigour and that it is once again effectively representing members' views in Brussels.

As a Board member of the CITB, I take a keen interest in training and I am pleased that the FMB's relationship with CITB has continued to improve this year. The forthcoming review of New Entrant Training Grants will be an important opportunity for the FMB to show its commitment to training. I am also pleased that the focus of grant payments is moving to achievement based awards.

The FMB continues to develop its relationship with the Health and Safety Executive. We were shortlisted for an award at the Working Well Together Awards 2003, principally for our involvement in Safety and Health Awareness Days (SHAD's) and our participation in the Worker Safety Advisor (WSA) pilot. Since then, the SHAD programme had taken another great leap forwards with a further 25 events planned or having taken place in 2004. I am also optimistic that our joint bid for WSA Challenge Fund support with the TGWU and UCATT will herald a new era of employer and worker collaboration on health and safety issues.

We have continued to make the case for a practical nationwide certification scheme for domestic builders in the UK. As the struggles of the Government's Quality Mark scheme have shown, it is vital that any certification scheme is attractive to both the builders and consumers in equal measure.

One of the highlights of my second year in office was to preside at the Master Builder of the Year Awards, which, this year, were combined with the Interbuild exhibition.

As I leave the Presidency, I would like to extend my grateful thanks to the Federation's staff for their help and support throughout this year and for the whole of my time as President. I would also like to thank the many hundreds of FMB members for their sterling work in support of their colleagues, whether inside the Federation or on our behalf with outside organisations.

Finally, I would also like to thank my wife, Carole. Without her unstinting and loyal support I would not have been able to carry out the duties of National President.

Geoff Snow



Director General's report

In my report last year, I emphasised the commitment of the FMB to achieve Investors in People status. We have worked hard on improving our team building, communications and people management skills all year, and I am therefore delighted to say that the FMB has now been awarded IiP status. I would like both to congratulate and thank the staff of the FMB for their dedication and hard work in achieving this award. Achieving IiP is a demonstration of the engagement of the FMB and its staff to provide members with top quality services.

As well as developing our organisation, the finances of the organisation remain sound. Our surplus this year remained above the 5% target, and we continue to enhance our existing services to members, as well as investing in new initiatives.

The last 12 months have also been successful for recruitment. Membership overall continues to grow steadily, and Warranted membership increased by 7% over the year.

In response to members' calls for wider promotion of the FMB, this year saw much greater promotion of FMB builders, with a nationwide campaign of exhibitions and advertising. The highly successful consumer driven Master Builder of the Year Awards reached their finale in Birmingham in April, with Ken Farnham achieving the accolade of Master Builder of the Year for the second time.

While this has been a good year for the FMB, we cannot allow ourselves to become complacent. The tide of bad publicity against rogue builders is a constant reminder of the pressures that members face in the market place. The FMB is in competition with a variety of other associations and schemes, all of which wish to show that they offer the best



for their members. We must meet this challenge, and constantly strive to demonstrate that the FMB and its members are "The sign of building quality".

Ian Davis



protec

our members against unnecessary

During the past year, the FMB continued to take an active role in ensuring that members' businesses were not damaged by ill thought out and poorly implemented regulations.



Bogus Traders

Following a complaint by Citizens' Advice, the Office of Fair Trading began a Market Report into doorstep selling, and in particular bogus trading. The FMB took a keen interest in this work, both to ensure that every available opportunity to attack the informal economy was taken, but also to protect members from any regulatory proposals that might have prevented them from advertising their services and responding to emergencies. To this end we:

- Joined forces with Trading Standards to support the campaign for a ban on doorstep selling of domestic repairs;
- Supported the Private Members' Bill introduced by Paul Truswell MP to bring the ban into effect;
- Made submissions to the OFT, highlighting the importance of ensuring that both legitimate advertising and speedy emergency repairs can continue.

Over the next twelve months we will continue to press the DTI to take this opportunity to remove bogus traders from the domestic repair market.

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y bureaucracy

Health and Safety

The FMB's relationship with the Health and Safety Executive goes from strength to strength.

- Our continued leadership of the Safety and Health Awareness Day (SHAD) programme saw some 32 events held up and down the UK attracting some 6000 attendees. The SHADs continue to be the most successful method of making key health and safety messages accessible to small firms.
- The FMB was delighted when the HSE announced plans for a Worker Safety Advisor (WSA) Challenge Fund. We submitted a joint bid with the TGWU and UCATT and are very pleased that the bid was successful and that WSA services will be provided to builders in the Bristol and Plymouth areas as a result.
- We continue to take the lead in consultations on new regulations such as those on Work at Heights and Vibration. We are collaborating with the HSE and Silsoe Research to ease the burden of compliance with the Whole Body Vibration Regulations.
- The Construction (Design and Management) Regulations have been in place for 10 years, and the FMB is playing a leading role in their review, to ensure that small firms have access to the advice they need, without being subject to excessive bureaucracy.
- We played a leading role in bringing an industry wide Occupational Health scheme a step nearer by helping to found Constructing Better Health Ltd. This employer – union joint body will manage a pilot scheme in the English Midlands.

Certification

Policy on certification issues developed in a number of directions over the year:

- Membership of MasterBond grew significantly, and much of our promotional campaign was focused on the benefits to both consumers and builders of a warranty on building work.
- We continued to work with the DTI on improving its Quality Mark scheme to make it more attractive to builders and consumers alike. We are disappointed that the scheme has failed to take off, and hope that it will gain new momentum in the coming year, on the basis of recognising existing trade association vetting procedures and codes of practice, like that of the FMB.
- We have worked hard with Constructionline this year to promote the benefits of a single pre-qualification system for public works.
- The growth of self-certification schemes such as FENSA continues to be a concern, and we have promoted the concept of a single structure for such schemes to minimise the administration required.
- The FMB has also signed an agreement with the leading conservatory manufacturer K2 to establish an approved installer scheme for K2 conservatories based on the MasterBond scheme.

Case Study - CIS Tax Scheme

The reform of CIS has been a major topic of concern to members this year and the FMB has taken an active role in ensuring that the new scheme reflects the needs of smaller builders when it is introduced.

- We consulted widely with members on their key concerns, and have pursued them throughout the negotiations with the Inland Revenue.
- The FMB has participated actively in the Construction Industry Reform Advisory Panel (CIRAP) since its inception. CIRAP is the principal discussion forum with the Inland Revenue, and our presence there ensures that our members' views are heard.
- Through the Joint Tax Committee, the other major construction trade federations back our views on CIS. This partnership has been key to presenting a united industry face in the negotiations.
- As a result of this, we have been successful in negotiating a delay in the start of the new scheme to 2006 and many other improvements to the initial draft.
- In collaboration with Warwick University, the FMB launched a major research effort into the effects of CIS on the construction industry. The results of this research fed directly into our representations to the Inland Revenue.
- We held focus groups in 2003 to permit concerned FMB members to put their views directly to the Inland Revenue team that is developing the new scheme.
- We are currently working with our industry colleagues and the Inland Revenue to develop innovative solutions to the problem of employment status.

The reform of CIS is a significant undertaking, but with the support of many active members, the FMB has made a strong case for change and for a meaningful reduction in the burdens faced by smaller builders.



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Marketing to our members



The FMB's first ever consumer campaign was launched in May 2003. The campaign has met all its principal aims in full and was shortlisted for the Construction Marketing Awards Campaign of the Year. The campaign aims were:

- Generate more business opportunities for FMB members.
- Raise the profile of the FMB as "The sign of building quality" and the FMB as the first port of call for those looking for professional builders.
- Increase awareness and use of the FMB's "Find A Builder" website as an essential source of information for consumers.
- Inform and encourage the public to avoid rogue traders and to take building decisions seriously and choose FMB members.
- Improve the public perception of the SME sector of the UK building industry.

The campaign is being extended nationally throughout 2004 and into 2005, to maintain the momentum and to build on the success of the 2003 campaign. The new campaign was launched in May 2004 and includes the following elements:

- Further enhancements of the dedicated consumer website – www.findabuilder.co.uk
- "The Essential Guide to Home Improvement" – a glossy magazine designed to inform and inspire homeowners who are thinking about having building work done – is being completely re-written and expanded from 16 to 24 pages. The guide will continue to be available both on-line and as hard copy.
- Advertising including newspaper and billboard advertisements and radio promotion of FMB members.
- E-marketing activities including email competitions and a regular electronic magazine – ezine.
- Comprehensive public relations campaign.
- Content partnering with other home improvement websites.
- Consumer exhibitions including all the National Homebuilding and Renovating Shows.
- Shopping centre exhibitions with associated direct mail promotions to homeowners and also to prospective members.

The response to the consumer campaign has continued to exceed our initial expectations:

- Since its launch in April 2003, the Find A Builder website has been an outstanding success with over 23,000 consumer visits every month.
- FMB members have benefited from the rapidly increasing volumes of new job leads, which have reached £500 million per annum – and rising.
- During the past twelve months around 30,000 copies of "The Essential Guide to Home Improvement" were distributed to consumers and several thousand more were downloaded from the findabuilder consumer website.
- Traffic to the main FMB website increased to 65,000 visits every month and generated over 100 new enquires for FMB membership every month.



Information

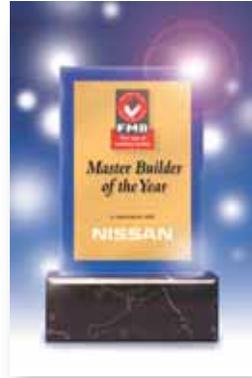
Significant improvements to the quality and content of FMB publications ensured that members were kept up-to-date with changes to legislation and other key issues that impact on their businesses. Increased use of fax and email has helped to improve the delivery of information directly to members.

- Twelve Factsheets were published in the year on topics including – Adjudication, Redundancy, Whole Body Vibration, Paternity Leave and Bogus Data Protection Agencies.
- Members are making much greater use of the FMB members' website for "24/7" access to a wide range of information. The site was completely redesigned in time for Interbuild in April 2004.
- More hard information and better presentation was introduced into many FMB publications, including the Yearbooks.
- Master Builder magazine, which goes out to all 13,000 FMB members each month, was completely redesigned in time for the Master Builder of the Year awards issue in May 2004. Supplements appear in the magazine every month. The Scottish and Welsh issues include their own dedicated newsletters.

Master Builder of the Year Awards

These awards have once again attracted entries from very best builders across the whole SME sector of the construction industry. The very high standard of entries submitted by satisfied clients has continued to attract media interest, particularly the national press.

- Coverage included several double-page spreads in the Sunday Times.
- The awards reinforce the FMB as "The sign of building quality".
- The 2004 awards attracted new sponsors including Nissan, who have confirmed their commitment to supporting the 2005 awards.
- Nissan and the other sponsors bring with them exciting new benefits for FMB members.



provided

services to members

Helplines

Members have continued to benefit from the extensive range of comprehensive support services that are available through the FMB Helplines:

- The overall number of enquiries has continued to increase and is up by 5% on the previous 12 months.
- Email enquiries to FMB have continued to grow as members make increased use of computers in their businesses.
- Members have particularly benefited from up-to-date advice on Building Regulations, wage rates, contracts, employment law and recovery of bad debts.

Exhibitions

FMB exhibited at the Interbuild, Scotbuild and Construct Ireland trade exhibitions. We fully met our objectives for these exhibitions, which included:

- Recruiting new members.
- Ensuring that FMB was seen by members, potential members and other organisations to be playing an active role in premier construction trade shows.
- Providing an opportunity to meet members face-to-face.
- Establishing new partnerships.
- FMB is also exhibiting at all the Homebuilding and Renovating exhibitions in 2004, to further raise the profile of the FMB amongst consumers and builders.



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Find A Builder

- Free service giving members a greater choice of jobs.
- The value of work passed on to FMB members through this service continues to increase, with over £500 million worth of new business leads generated during the past year.
- FMB members have been delighted with the service, which has given many of them a succession of new, quality jobs.

Nissan partnership

A new partnership with Nissan was launched in September 2003.

- Enables members to purchase new vehicles from the Nissan Light Commercial Vehicle range at substantial discounts.

Find A Vehicle

A renewed partnership with BT Fleet, GE Finance and FMB Insurance Services.

- Provides members with quality used commercial vehicles and cars.

Credit Check and Debt Recovery Service

- These free services continue to help members protect themselves against high risk companies and clients.
- Many members have benefited from credit checks, which have in several cases helped to prevent losses in excess of £30,000.
- The Debt Recovery Service has similarly provided members with peace of mind and helped them to protect their businesses.

Health & Safety Workshops

The FMB, in collaboration with Working Well Together, has run another successful year of "Safety & Health Awareness Days" throughout the UK.

- A total of 25 workshops were held in the year – up by 25% on the previous year.
- Smaller, more specialised workshops covering Risk assessments for example have also been arranged this year.
- A further 4,000 builders and specialist trades people working in the SME sector have attended the workshops in the past year.
- More Safety & Health Awareness Days are already being planned for next year.

IT Workshops

A programme of 43 workshops designed to provide members with "hands on" experience of business management, estimating and risk assessment software.

- Workshops held throughout England, Scotland and Wales.
- Funding provided through CITB-ConstructionSkills.
- Member firms have been encouraged to involve their partners and colleagues in the workshops.

New Member Packs

New members now receive a robust presentation case containing all their literature and joining materials.

- Provides an enhanced first impression of the FMB.
- Provides them with material that helps them to present themselves more professionally to potential clients.

National AGM & Conference

The 2003 conference theme was 'Building the Future Safely', with presentations by Des Browne MP, who was then the Minister of State for Work & Pensions, and Kevin Myers, Chief Inspector & Head of HSE's Construction Division.

- Over 200 delegates attended the conference.
- As a result of its commitment to health & safety, the FMB was shortlisted for a Working Well Together 4C Construction Award.

The 2004 conference theme will be "Building Image", looking at the image of the SME sector of the industry and at what members can do to improve the image of their businesses.

National Construction Week

The FMB continues its support for National Construction Week:

- FMB regularly promoted NCW to members.
- FMB members actively participated in local events.
- The "Creative Spaces" competition has helped to keep NCW in the limelight throughout the year.





project

our members'

Over the past year, we have placed an even greater weight on the communication of members' views, and also focused on ensuring that these views were followed up by action.



Industry Strategy

In 2003, the Cabinet Office launched an overall review of the regulation of the construction industry. The FMB played an active role in supporting that review and in ensuring that its conclusions supported the needs of smaller building firms. As a result:

- The FMB has been invited to join the Construction Industry Policy and European Regulation (CIPER) Group. CIPER will examine forthcoming regulations and ensure that the views of the construction industry are taken into account.
- We have also been invited to participate in Sir Michael Latham's review of the Construction Act, and have formed an alliance with SEC Group on issues of adjudication and security of payment.
- So as to ensure that members' views on the modernisation of construction are heard, the FMB has joined the Strategic Forum Implementation Group and is working to communicate industry improvement messages that are accessible to smaller firms.

VAT – Time to Act

We were disappointed that the European Council was not able to agree a wide-ranging reform of VAT reduced rates in November 2003. However, the campaign for a reduced rate of VAT continues to gather momentum in the UK and pressure is growing for change.

- At a European level, the European Builders Confederation was instrumental in making the case for a reduced rate of VAT directly to senior EU Commissioners, MEPs and officials.

- The FMB also launched a groundbreaking coalition between construction, housing, heritage and consumer groups, all of which are strong supporters of a reduced rate of VAT for domestic building work. This group continues to grow and gather members from across the industry spectrum.
- We also produced two acclaimed reports into the effects of a reduced rate of VAT. These showed both that a reduced rate of VAT is the only viable means of reducing the informal economy in construction, and also that a reduced rate of VAT should be a key plank of the Government's policy on affordable homes.

Training

As the FMB's State of Trade Survey revealed, skills shortages continue to be a major concern for members. The FMB has therefore placed considerable emphasis on improving the accessibility of training funds for members.

The Federation of Master Builders thanks all its sponsors and those members and others who serve on the Federation's committees, working groups and on external bodies for their commitment and unwavering support.

- Following its conversion into a Sector Skills Council, the FMB has deepened its relationship with CITB-ConstructionSkills and is in discussions on a Sector Skills Agreement to cover Image and Recruitment, Qualifying the Workforce and Business Performance Improvement.
- The BATJIC Working Rule Agreement with the TGWU again provided for substantial increases in pay for qualified workers and apprentices, further underlining the commitment of the FMB to a qualified workforce.
- We continue to put pressure on the industry for significant increased to funding for New Entrant Training.
- In the light of concerns about the effectiveness of grant support for some training programmes, the FMB has proposed and seen adopted the rebalancing of grant payments in favour of an achievement basis.

Europe and EBC

As a founder member of the European Builders Confederation (EBC), the FMB was concerned when that organisation experienced some difficulties in 2003. However, we are now pleased to report that:

- Following changes to the Presidential team and staff of EBC, and the adoption of a forward thinking work plan, EBC is now in a much stronger position than before to be an effective advocate of members' views in Europe.
- EBC membership is growing, with former members now returning and new members showing a keen interest.
- EBC has also made decisive steps into the new Member States, a number of whose associations of small builders are already members.
- The improvements in membership have had a direct effect on the finances of EBC. EBC now makes a modest surplus, and is in a position to invest for the future.

Case Study – New Entrant Training

The provision of grant funding for New Entrant Training has been an important area of concern for FMB members. As CITB-ConstructionSkills notes, some 380,000 skilled new entrants will be required over the next five years. With smaller firms training most of the apprentices in the UK, the position of FMB members on apprentice training is vitally important.

- We continue to campaign for increased levels of grant support for new entrant training.
- To back this claim, we have produced research from members showing the true costs of training an apprentice.
- We have also highlighted that the mobile labour market in construction, and the demand for qualified labour makes it unlikely that the newly qualified apprentice will remain for long in the firm that paid for their training. Some means of rewarding the firms carrying out training therefore needs to be found.
- The FMB was instrumental in pressing for a broad review of new entrant training and in developing terms of reference for its report. That review is due to conclude in time for the 2005 CITB-ConstructionSkills grants scheme year.
- Because of the continued focus on qualification and achievement, the FMB has also pressed successfully for a re-orientation of grant support away from registration towards achievement, to ensure that scarce grant resources drive real improvements in skills levels.



Federation of Master Builders Limited

(Company number: 368163)

Report of the National Council for the Year Ended 31 December 2003

PRINCIPAL ACTIVITIES

The Federation of Master Builders is a company limited by guarantee and has no share capital. The principal activity continues to be that of an employers' association in the construction industry. The Federation owns 100% of the share capital of three subsidiary companies, whose function is to offer ancillary services to members of the Federation.

REVIEW OF BUSINESS

The combined results for the year of the Federation and its subsidiaries are presented in the Consolidated Profit and Loss Account. Before taxation, the group as a whole achieved a net surplus on ordinary activities of £233,801; after taxation, the surplus became £180,452 which is added to the cumulative balance on the Profit and Loss Account brought forward.

The directors are confident about the future prospects of the company.

FIXED ASSETS

Details of the fixed assets of both the company and of the group are in note 6 to the financial statements.

DIRECTORS

The directors who served during the year, being members of the National Council were:

A Baker	R W Moore
M J Baker (resigned 13 September 2003)	C Maclynn
J Barton	P J McGeever
R Billingham	D Marriot
D G Bostock	C E Morris
R E Burrell	J Morrison
N Etchells (appointed 12 September 2003)	A Murrell
W T D Croft	C Noble
P J Dancy	A Oldham
K G R Farnham	M J Quickfall
R W Fulton	H W G Rackham
W Gater	P W Russell
J M Gilmour	G Snow
T W Hole	R F Storer
J Hughes	B G Tierney MBE
G H Lister	S Tuthill MBE
G E Marjoram	T Wilson

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable 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 company will continue in business.

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

AUDITORS

A resolution appointing haysmacintyre will be proposed at the AGM in accordance with S385(2) of the Companies Act 1985.

By order of the National Council | P Davis Company Secretary 14th June 2004



**Federation of Master Builders Limited
& Subsidiary Companies**

Consolidated Profit and Loss Account for the Year Ended 31 December 2003

	Notes	2003 £	2002 £
Turnover	(2)	4,136,397	3,687,785
Less: Cost of sales		(523,047)	(385,486)
Gross profit		3,613,350	3,302,299
Less:			
Administrative expenses		(3,492,416)	(3,240,139)
Operating profit	(3)	120,934	62,160
Rent receivable		60,622	60,952
Investment income		52,245	42,963
		233,801	166,075
Profit on ordinary activities before taxation		233,801	166,075
Tax on ordinary activities	(5)	(53,349)	(36,108)
Profit on ordinary activities after taxation		180,452	129,967
Balance brought forward		3,071,241	2,940,901
Transfer to revaluation reserve		20,985	373
Balance carried forward		3,272,678	3,071,241

There were no discontinued operations during the year

Note of Historical Cost Profit and Losses

	2003 £	2002 £
Reported profit on ordinary activities before taxation	233,801	166,075
Realisation of property revaluation gains of previous years	10,000	-
Historical cost profit on ordinary activities before taxation	£243,801	£166,075
Historical cost profit on ordinary activities after taxation	£190,452	£129,967



Federation of Master Builders Limited

Consolidated Balance Sheet as at 31 December 2003

	Notes	2003 £	2002 £
Tangible fixed assets	(6)	2,773,763	2,922,023
Current assets			
Stocks		10,601	17,749
Debtors	(8)	523,146	232,853
Cash at bank & in hand		1,578,174	1,399,146
		2,111,921	1,649,748
Creditors - amounts falling due within one year	(9)	(1,588,315)	(1,454,854)
Net current assets		523,606	194,894
Net Assets		3,297,369	3,116,917
Representing:			
Revaluation Reserve	(10)	24,691	45,676
Profit and loss account	(11)	3,272,678	3,071,241
		3,297,369	3,116,917

Approved by National Council on 14 June 2004 – G Snow, Director; WT D Croft, Director

Parent Company Balance Sheet as at 31 December 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible assets	(6)	2,773,763	2,922,023
Investments	(7)	6,102	6,102
		2,779,865	2,928,125
Current assets			
Stock		10,601	17,749
Debtors	(8)	471,385	185,639
Cash at bank & in hand		1,548,067	1,417,985
		2,030,053	1,621,373
Creditors - amounts falling due within one year	(9)	(2,285,332)	(2,087,785)
Net current liabilities		(255,279)	(466,412)
Net Assets		2,524,586	2,461,713
Representing:			
Revaluation Reserve	(10)	4,957	25,942
Profit and loss account	(11)	2,519,629	2,435,771
		2,524,586	2,461,713

Approved by National Council on 14 June 2004 – G Snow, Director; WT D Croft, Director



**Federation of Master Builders Limited
& Subsidiary Companies**

Consolidated Cash Flow Statement for the Year Ended 31 December 2003

Notes	2003 £	2002 £
Operating profit per accounts	120,934	62,160
Depreciation	95,119	88,815
	216,053	150,975
Movement in stock	7,148	(2,652)
Movement in debtors	(117,793)	2,584
Movement in creditors	115,791	31,402
Profit on disposal of fixed assets	(38,175)	(14,240)
	(33,029)	17,094
Net cash inflow from operating activities	183,024	168,069
Returns on investments and servicing of finance		
Interest received	52,245	42,963
Rent received	60,622	60,952
Net cash inflow from investments	112,867	103,915
Taxation		
UK corporation tax paid	(35,679)	(88,958)
Capital expenditure		
Acquisition of fixed assets	(88,759)	(331,205)
Proceeds from sale of fixed assets	7,575	262,530
Net cash outflow for capital expenditure	(81,184)	(68,675)
Increase in cash in the year	(3) 179,028	114,351

Notes to the group cash flow statement for the year ended 31 December 2003

Analysis of cash as shown in the balance sheet	2003 £	2002 £	Change £
Cash at bank and in hand	1,578,174	1,399,146	179,028
Analysis of net funds	At 1.1.03 £	Cash flows £	At 31.12.03 £
Cash at bank and in hand	1,399,146	179,028	1,578,174
Reconciliation of net cash flow to movement in net funds			2003 £
Increase in cash in the year			179,028
Net funds at 1st January 2003			1,399,146
Net funds at 31st December 2003			1,578,174



Federation of Master Builders Limited & Subsidiary Companies

Notes to the Financial Statements for the Year Ended 31 December 2003

1. Accounting Policies

(a) Basis of preparation

The financial statements have been prepared on the historical cost convention, as modified by the revaluation of certain freehold land and buildings, and in accordance with applicable accounting standards.

(b) Basis of consolidation

The consolidated financial statements include all of the company's wholly-owned subsidiaries.

(c) Subscription income

Income represents subscriptions received from members apportioned on a time basis from the date of receipt, together with arrears and admission fees.

(d) Tangible fixed assets

Freehold land and buildings are shown at valuation as set out in note 6.
Other tangible assets are shown at cost.

(e) Depreciation

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its anticipated useful life, as follows:

Freehold buildings		2% of cost
Equipment & vehicles	15% – 33 $\frac{1}{3}$ of cost	
Land is not depreciated and comprises 50% of the valuation shown.		

(f) Stocks

Stocks are valued at the lower of cost and net realisable value on the first in, first out basis.

(g) Pensions

The company operates a money purchase pension scheme. Contributions are charged to the Profit and Loss Account as they become payable in accordance with the rules of the scheme.

	2003 £	2002 £
2. Turnover:		
Subscription income	3,765,131	3,453,214
Sales of goods	37,565	31,148
Sales of services	333,701	203,423
	4,136,397	3,687,785
3. Operating Profit:		
Operating profit is stated after charging:		
Auditors' remuneration	15,000	14,400
Depreciation	95,119	88,815
4. Employees		
The average number of people employed during the year was:	61	59
Wages and salaries	1,532,523	1,501,713
Social security costs	173,638	156,233
Pension costs	118,649	126,022
	1,824,810	1,783,968
Director General - aggregate amounts:		
Emoluments	95,894	99,164
Company pension contributions	11,760	11,011
	107,654	110,175

5. Taxation	2003	2002
	£	£
(a) Analysis of charge in the year:		
Current tax:		
UK Corporation tax on profits for the year	53,349	35,679
Adjustments in respect of prior years		429
Tax on profit on ordinary activities	53,349	£36,108
(b) Factors affecting tax charge for year:		
The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below:		
Profit on ordinary activities before tax	233,801	166,075
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	70,140	49,823
Effects of:		
Expenses not deductible for tax purposes	5,689	4,708
Depreciation in excess of capital allowances		1,082
Capital allowances in excess of depreciation	(8,879)	
Chargeable gain	18,873	
Marginal rate relief	(32,474)	(19,934)
Adjustment in respect of prior years		429
Current tax charge for the year	53,349	£36,108

6. Tangible fixed assets - Company & Group	Land & Buildings	Equipment & Vehicles	Total
	£	£	£
Cost or valuation at 1.1.03	2,880,000	884,830	3,764,830
Additions	-	88,759	88,759
Disposals	(145,000)	(36,558)	(181,558)
Cost or valuation at 31.12.3	2,735,000	937,031	3,672,031
Comprising:			
Cost	-	937,031	937,031
Valuation: June 1999	2,735,000	-	2,735,000
	2,735,000	937,031	3,672,031
Depreciation at 1.1.03	115,201	727,606	842,807
Charge for the year	28,800	66,319	95,119
Eliminated on Disposals	(7,250)	(32,408)	(39,658)
At 31.12.03	136,751	761,517	898,268
Net book value at 31.12.03	2,598,249	175,514	2,773,763
Net book value at 31.12.02	2,764,799	157,224	2,922,023

Land and Buildings were valued as at 30 June 1999 by Messrs. Cluttons Daniel Smith, Chartered Surveyors on the basis of open market value in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

An interim valuation of all properties was undertaken as at 31 December 2002. There was no impairment in value and so the carrying values remain unchanged

7. Investments - Company	2003	2002
	£	£
Shares of wholly-owned subsidiaries at cost:		
Construction Industry Services Limited	1,000	1,000
National Register of Warranted Builders (FMB) Limited	5,000	5,000
Trade Debt Recovery Services Limited	100	100
Building Industry Certification Scheme Limited	2	2
	6,102	6,102

In the opinion of the Directors, the market value of the investments is in excess of cost.

8. Debtors	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Trade debtors	79,733	18,309	76,957	18,309
Prepayments	89,246	88,565	89,246	88,565
Accrued income	273,954	40,800	273,954	40,800
Sundry debtors	80,213	85,179	31,228	37,965
	523,146	232,853	471,385	185,639

9. Creditors	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Amounts falling due within one year:				
Subscription in advance	905,632	896,111	838,277	826,516
Trade creditors	123,825	80,306	106,628	77,813
Tax & social security	170,761	164,514	170,761	164,514
Accruals	268,220	198,677	225,426	179,424
Corporation tax	53,349	35,679	25,721	15,556
Due to subsidiaries	-	-	876,460	775,033
Other creditors	66,528	79,567	42,059	48,929
	1,588,315	1,454,854	2,285,332	2,087,785

10. Revaluation Reserve

	Group £	Company £
Balance at 1.1.03	45,676	25,942
Transfer from Profit and Loss Reserve	(10,985)	(10,985)
Realised on sale of property	(10,000)	(10,000)
Balance at 31.12.03	24,691	4,957

11. Profit and Loss Account

The Company is limited by guarantee and has no share capital.

The movement on Profit and Loss Account during the year was as follows:

	Group £	Company £
Balance at 1.1.03	3,071,241	2,435,771
Profit for the year	180,452	62,873
Transfer to Revaluation Reserve	10,985	10,985
Realised on sale of property	10,000	10,000
Balance at 31.12.03	3,272,678	2,519,629

Federation of Master Builders Limited has taken advantage of the special exemptions under Section 230 of the Companies Act 1985 not to prepare its own Profit and Loss Account.

12. Related party transactions

i) A member of National Council, Mr J Morrison, is a major shareholder in Construction Enterprises Limited, the company which deals with the local affairs of the Northern Ireland region of the Federation.

During the year, that company charged the Federation £22,099 (2002: £23,942) for the provision of those services.

Independent auditors' report to the Members of Federation of Master Builders Limited

We have audited the financial statements of Federation of Master Builders Limited for the year ended 31 December 2003 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Parent Company Balance Sheet, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2003 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

haysmacintyre

Chartered Accountants

Registered Auditors

14th June 2004



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