

FEDERATION OF MASTER BUILDERS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

Company Number 368163

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FEDERATION OF MASTER BUILDERS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

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FEDERATION OF MASTER BUILDERS LIMITED

REPORT OF THE NATIONAL COUNCIL

FOR THE YEAR ENDED 31 DECEMBER 2006

The members of National Council are pleased to present their report and the accounts for the year ended 31 December 2006

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 four 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 achieved a net surplus on ordinary activities of £939, after taxation, the result became a deficit of £12,331, which is subtracted from the cumulative balance on the Profit and Loss Account brought forward.

However, the directors are confident about the future prospects of the Federation.

RISKS

The surplus was much lower than in previous years mainly due to provisions made in NRW for Warranty claims that have not as yet been reimbursed and off policy payments made in 2007 for warranty claims that existed at the year end. The Directors do not envisage a provision of this magnitude in future years. However the risks faced by the Group have increased markedly as a result of increased regulation of the insurance sector as well as stricter interpretation of the warranty insurance policy by the insurers.

FINANCIAL INSTRUMENTS

The Federation finances operations through bank balances, plus debtors and creditors. Cash flow is regularly monitored.

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	P J McGeever
J Barton	J McKechnie
D Bentley	D Marriott
R Billingham	C E Morris
D G Bostock	J Morrison
W T D Croft	A Oldham
P J Dancy (appointed 22 September 2006)	R Pennycook
N Etchells	N Pound (resigned 12 June 2006)
K G R Farnham	M J Quickfall
R W Fulton	H W G Rackham
W Gater	P W Russell (resigned 12 June 2006)
J M Gilmour	G Snow
T W Hole	R F Storer
J Longworth	B J Sutherland (appointed 30 June 2006)
G H Lister	B G Tierney MBE
G E Marjoram	S Tuthill MBE
C Maclynn	J Weightman (appointed 12 June 2006)
	A R Wilson

FEDERATION OF MASTER BUILDERS LIMITED

REPORT OF THE NATIONAL COUNCIL (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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,
- 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.

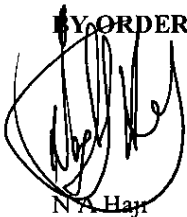
So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

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



N A Hajj
Company Secretary

11 June 2007

Registered Office

Gordon Fisher House
14/15 Great James Street
London
WC1N 3DP

**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 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions 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

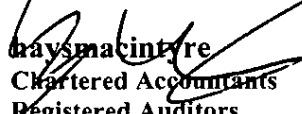
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and the company's affairs as at 31 December 2006 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.


Gray Macintyre
Chartered Accountants
Registered Auditors

**Fairfax House
15 Fulwood Place
London
WC1V 6AY**

11 June 2007

FEDERATION OF MASTER BUILDERS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006 £	2005 £
TURNOVER	2	4,753,716	4,413,129
Less Cost of sales		(528,124)	(507,990)
GROSS PROFIT		4,225,592	3,905,139
Less Administrative expenses		(4,369,042)	(3,868,513)
OPERATING (LOSS)/PROFIT	3	(143,450)	36,626
Rent receivable		95,821	97,926
Investment income		48,568	52,397
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		939	186,949
Tax on ordinary activities	5	(13,270)	(38,704)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(12,331)	148,245
Balance brought forward		3,603,943	3,445,308
Transfer from revaluation reserve		-	10,390
BALANCE CARRIED FORWARD		<u>£3,591,612</u>	<u>£3,603,943</u>

There were no discontinued operations during the year

The group has no recognised gains or losses other than the profit for the year

FEDERATION OF MASTER BUILDERS LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2006

	Note	2006 £	2005 £
TANGIBLE FIXED ASSETS	6	4,318,515	4,324,030
CURRENT ASSETS			
Debtors	8	451,177	394,593
Cash at bank and in hand		1,337,291	1,139,905
		<u>1,788,468</u>	<u>1,534,498</u>
CREDITORS: amounts falling due within one year	9	(2,006,281)	(1,745,495)
NET CURRENT LIABILITIES		<u>(217,813)</u>	<u>(210,997)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£4,100,702</u>	<u>£4,113,033</u>
Representing:			
Revaluation reserve	10	509,090	509,090
Profit and loss account	11	3,591,612	3,603,943
		<u>£4,100,702</u>	<u>£4,113,033</u>

Approved by National Council on 11 June 2007

G Lister
Director



R F Storer
Director



FEDERATION OF MASTER BUILDERS LIMITED

PARENT COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2006


	Note	2006 £	2005 £
FIXED ASSETS			
Tangible assets	6	4,318,515	4,324,030
Investments	7	6,102	6,102
		<u>4,324,617</u>	<u>4,330,132</u>
CURRENT ASSETS			
Debtors	8	420,101	274,170
Cash at bank and in hand		1,248,706	1,139,905
		<u>1,668,807</u>	<u>1,414,075</u>
CREDITORS amounts falling due within one year	9	(2,850,702)	(2,622,800)
NET CURRENT LIABILITIES		<u>(1,181,895)</u>	<u>(1,208,725)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£3,142,722</u>	<u>£3,121,407</u>
Representing:			
Revaluation reserve	10	509,090	509,090
Profit and loss account	11	2,633,632	2,612,317
		<u>£3,142,722</u>	<u>£3,121,407</u>

Approved by National Council on 11 June 2007

G Lister
Director



R F Storer
Director



FEDERATION OF MASTER BUILDERS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	£	2006 £	£	2005 £	£
Operating (loss)/profit per accounts			(143,450)			36,626
Depreciation			124,363			131,512
			(19,087)			168,138
Movement in stock		-			10,190	
Movement in debtors		(48,726)			(105,904)	
Movement in creditors		289,576			230,381	
Profit on disposal of fixed assets		(10,750)			(597)	
			230,100			134,070
NET CASH INFLOW FROM OPERATING ACTIVITIES			211,013			302,208
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE						
Interest received		48,568			52,397	
Rent received		95,821			97,926	
NET CASH INFLOW FROM INVESTMENTS			144,389			150,323
TAXATION						
UK Corporation tax paid			(47,287)			(43,631)
CAPITAL EXPENDITURE						
Acquisition of fixed assets		(123,471)			(529,562)	
Proceeds from sale of fixed assets		15,373			4,122	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			(108,098)			(525,440)
INCREASE/(DECREASE) IN CASH IN THE YEAR	3		£200,017			£(116,540)

FEDERATION OF MASTER BUILDERS LIMITED

NOTES TO THE GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

1. ANALYSIS OF CASH AS SHOWN IN IN THE BALANCE SHEET	2006 £	2005 £	Change £
Cash at bank and in hand	1,337,291	1,139,905	197,386
Bank overdraft	-	(2,631)	2,631
	<u>£1,337,291</u>	<u>£1,137,274</u>	<u>£200,017</u>
2. ANALYSIS OF NET FUNDS	At 1 January 2006 £	Cashflow £	At 31 December 2006 £
Cash at bank and in hand	1,139,905	197,386	1,337,291
Bank overdraft	(2,631)	2,631	-
	<u>£1,137,274</u>	<u>£200,017</u>	<u>£1,337,291</u>
3. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			2006 £
Increase in cash in the year			200,017
Net funds at 1 January 2006			<u>1,137,274</u>
Net funds at 31 December 2006			<u>£1,337,291</u>

FEDERATION OF MASTER BUILDERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

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) 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

2. TURNOVER

	2006 £	2005 £
Subscription income	4,409,346	4,102,789
Sales of goods	31,485	22,842
Sales of services	312,885	287,498
	<u>£4,753,716</u>	<u>£4,413,129</u>

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging

Auditors' remuneration

Depreciation

16,000	15,400
<u>124,363</u>	<u>131,512</u>

FEDERATION OF MASTER BUILDERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

4. EMPLOYEES	2006 £	2005 £
Wages and salaries	1,815,846	1,715,110
Social security costs	215,556	186,884
Pension costs	129,182	132,628
	<u>£2,160,584</u>	<u>£2,034,622</u>
The average number of people employed during the year was	<u>63</u>	<u>65</u>
5. TAXATION	£	£
(a) Analysis of charge in the year		
Current tax:		
UK Corporation tax on profits for the year	12,796	46,813
Deferred tax adjustment	-	(8,000)
Adjustments in respect of prior years	474	(109)
Tax on profit on ordinary activities	<u>£13,270</u>	<u>£38,704</u>
(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	<u>£939</u>	<u>£186,949</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	282	56,085
Effects of		
Expenses not deductible for tax purposes	11,029	3,670
Depreciation in excess of capital allowances	8,849	17,276
Losses carried back to prior year	(7,860)	-
Reversal of marginal relief	12,435	-
Marginal rate relief	<u>(11,939)</u>	<u>(30,218)</u>
Current tax charge for the year	<u>£12,796</u>	<u>£46,813</u>

FEDERATION OF MASTER BUILDERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

6	TANGIBLE FIXED ASSETS COMPANY AND GROUP	Land & Buildings £	Equipment & Vehicles £	Total £
	COST OR VALUATION			
	At 1 January 2006	4,230,332	1,063,132	5,293,464
	Additions	39,896	83,575	123,471
	Disposals	-	(64,910)	(64,910)
	At 31 December 2006	4,270,228	1,081,797	5,352,025
	Comprising			
	Cost	1,100,228	1,081,797	2,182,025
	Valuation June 1999	1,200,000	-	1,200,000
	Valuation April 2005	1,970,000	-	1,970,000
		4,270,228	1,081,797	5,352,025
	DEPRECIATION			
	At 1 January 2006	119,443	849,991	969,434
	Charge for the year	43,247	81,116	124,363
	Eliminated on disposals	-	(60,287)	(60,287)
	At 31 December 2006	162,690	870,820	1,033,510
	NET BOOK VALUE			
	At 31 December 2006	£4,107,538	£210,977	£4,318,515
	At 31 December 2005	£4,110,889	£213,141	£4,324,030

In accordance with the exemption afforded to Not for Profit organisations by Financial Reporting Standard 15 Tangible Fixed Assets, National Council decided that the benefits of undertaking the five-yearly full valuation of all properties at 31 December 2004 were outweighed by the costs of performing the valuation. Hence a full valuation of all properties was not undertaken as at 31 December 2004 although the Federation's largest property was revalued in April 2005.

7.	INVESTMENTS – COMPANY	2006 £	2005 £
	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.

FEDERATION OF MASTER BUILDERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

8.	DEBTORS	Group		Company	
		2006 £	2005 £	2006 £	2005 £
	Trade debtors	110,889	53,977	110,889	53,347
	Prepayments	99,470	93,480	99,470	93,480
	Accrued income	180,800	90,000	180,800	90,000
	Corporation tax recoverable	7,860	-	-	-
	Deferred tax	8,000	8,000	8,000	8,000
	Sundry debtors	44,158	149,136	20,942	29,343
		<u>£451,177</u>	<u>£394,593</u>	<u>£420,101</u>	<u>£274,170</u>
9.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR				
	Bank overdraft	-	2,631	-	-
	Subscription in advance	1,051,408	986,437	920,435	877,395
	Trade creditors	93,662	67,801	88,157	62,366
	Tax and social security	205,450	227,036	205,450	227,036
	Accruals	589,420	332,743	472,508	300,870
	Corporation tax	20,654	46,813	20,654	19,256
	Due to subsidiaries	-	-	1,122,597	1,084,860
	Other creditors	45,687	82,034	20,901	51,017
		<u>£2,006,281</u>	<u>£1,745,495</u>	<u>£2,850,702</u>	<u>£2,622,800</u>
10	REVALUATION RESERVE			Group £	Company £
	Balance at 1 January 2006 and at 31 December 2006			<u>£509,090</u>	<u>£509,090</u>
11.	PROFIT AND LOSS ACCOUNT			Group £	Company £
	The company is limited by guarantee and has no share capital				
	The movement on Profit and Loss Account during the year was as follows				
	Balance at 1 January 2006			3,603,943	2,612,317
	(Loss)/profit for the year			(12,331)	21,315
	Balance at 31 December 2006			<u>£3,591,612</u>	<u>£2,633,632</u>

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

FEDERATION OF MASTER BUILDERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2006

12. RELATED PARTY TRANSACTIONS

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

13. POST BALANCE SHEET EVENTS

On 11 June 2007, the directors of the Federation's subsidiary company, National Register of Warranted Builders (FMB) Limited declared a dividend of £750,000 payable to the Federation