

C. H.

MIDLANDS EXCELLENCE
(a company limited by guarantee)

Trustees' Report and Financial Statements

Registered charity number : 1057144
Registered company number : 3213914

For the year ended 31 December 2004



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(a company limited by guarantee)
Trustees' Report and Financial Statements
For the year ended 31 December 2004

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Legal and Administrative Information

Status

The organisation is a charitable company limited by guarantee, incorporated on 19 June 1996 and registered as a charity on 29 July 1996.

The company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association.

Trustees and independent advisors

Trustees, who act either as directors or as company secretary for the purpose of company law, who will be referred to as Trustees throughout these financial statements, are as follows :

Board of Trustees

A D Jones OBE	(Chairman)
E J Roberts CBE	
R Bradnock	
Dr R W Cliffe	
M F P Lavery	
C Merrick	
I K Nield	(Chief executive)
C J F Flint	(Company secretary)
D Cooper	
D Grove	

Independent advisors are as follows :

Auditors

Walker Thompson
Empress House
43A Binley Road
Coventry
CV3 1HU

Solicitors

Shakespeares
Somerset House
37 Temple Street
Birmingham
B2 5DJ

Bankers

HSBC
130 New Street
Birmingham
B2 4JU

Registered office

c/o BMW Hams Hall Plant
Canton Lane
Coleshill
North Warwickshire
B46 1GB

Trustees' report

Midlands Excellence was established in June 1996 with a vision to improve the competitiveness and performance of organisations in the Midlands region primarily by promoting widespread use of the European Foundation for Quality Management (EFQM) Excellence Model ©. The EFQM Excellence Model © encourages organisations to develop improvement action plans that produce better results by focusing on enablers which include leadership, policy, people management, processes and the effective use of resources.

We are a company limited by guarantee that is governed by its Memorandum and Articles of Association. The chief executive is accountable to a board of trustees and this body has the vested authority to appoint new trustees. There have not been any material changes to the successful policies of Midlands Excellence since the report of the trustees last year and all transactions with related parties are undertaken at arms length.

Midlands Excellence is financed partly by corporate donations and we are delighted that nearly all our original founder donors are continuing to provide financial support. In addition, funding has been provided by Advantage West Midlands to support the valuable work that we undertake in the West Midlands and we believe this has led to performance improvements for many organisations.

We organise many presentations and attend numerous regional business meetings to promote our work. Our activities involve maintaining close links with the CBI, Government Offices, Small Business Service, Business Links, Chambers of Commerce as well as other business and educational bodies in the region.

Midlands Excellence organises and administers the annual Midlands Excellence Awards programme that requires applicant organisations to carry out self-assessment work using the EFQM Excellence Model ©. The thrust of our successful regional awards scheme, which is now the largest of its kind in Europe, is to assist applicable organisations to learn, develop and improve in the quest for business excellence. Our eighth award cycle was completed in November 2004 and four organisations received awards at a gala ceremony in Birmingham with 1,400 guests in attendance.

We trained 180 assessors in the period covered by this report to use the EFQM Excellence Model © and this enabled them to undertake assessments of the award applicants. Our assessors are drawn from organisations that operate not just in the Midlands but throughout the UK and after completion of training these committed volunteers are able to assist their own organisations in self-assessment improvement activities. More than 1,500 assessors have been trained by Midlands Excellence in the last eight years and there is growing evidence that our training brings significant benefits to the organisations that provide the assessors.

An annual Midlands Excellence Conference is held in the first quarter every year and 350 delegates attended the extremely successful 2004 conference. In addition a further 200 delegates attended a conference dedicated to leadership which was held in April in conjunction with the CBI and the Leadership Trust.

During the period, Midlands Excellence has vigorously promoted the exciting new Investors in Excellence standard that we launched in late 2002 and this valuable initiative is now improving the results of all types of organisations, not only in the Midlands but also further afield.

To improve awareness of the EFQM Excellence Model © and promote the concept of continuous improvement in excess of 4,000 free newsletters are distributed every three months by Midlands Excellence. We provide a free advisory service to organisations that wish to adopt the EFQM Excellence Model © and our chief executive together with members of the Midlands Excellence team undertake many public speaking engagements to stimulate improvement activities in the Midlands region.

Midlands Excellence employs nine full time people and one part time member of staff. Our small team of highly committed enthusiastic people has continued to produce first class results and we are most grateful for their tremendous commitment and dedication.

We send grateful thanks to everyone involved in providing funds and other help in the period covered by this report all of which has enabled the charity to make good progress in achieving its vision.

The trustees believe Midlands Excellence has made excellent progress in the last twelve months and it is pleasing to see the continuing growth of interest throughout the Midlands region in the EFQM Excellence Model ©. We are well placed to build upon our successes and achieve further performance improvements in the future.

Finance :

At the end of 2004, our net assets amounted to £212,448 (2003 : £211,618) and net income for the twelve months covered by this report was £830 (2003 : £12,121 expenditure). Cash reserves at 31 December 2004 amounted to £194,013 (2003 : £118,816). Our latest accounting period has seen continued investment in resources to meet the growing demand for the services provided by the charity and provide a platform for future growth.

The trustees are satisfied with the financial position of Midlands Excellence. The charity has continued to enjoy benefits from the donations in kind it receives from our generous founder donors and supporters for which we express our thanks.

Reserves :

Current income streams are dependent on the ongoing generosity of our donors together with the financial surpluses generated from successful Midlands Excellence events and training programmes. Midlands Excellence continues to receive valuable financial support from Advantage West Midlands in return for the work we undertake to help fulfil the objectives of the regional economic strategy.

Our policy is to hold such reserves as will allow the charity a reasonable period of time to identify alternative sources of revenue in the event of a sudden and significant loss of income. In making their judgement as to the level of reserves to be retained, the trustees review the anticipated level of fixed costs arising in the next six months and consider the level of reserves at 31 December 2004 to be sufficient.

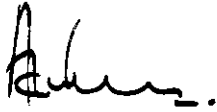
Risk Management :

The trustees regularly review the major strategic, business and operational challenges which the charity faces and agree suitable actions to mitigate risks.

Auditors :

A resolution for the re-appointment of Walker Thompson as auditors of the company is to be proposed at the forthcoming annual general meeting.

Approved by the board of trustees on 14 September 2005 and signed on its behalf by :

A handwritten signature in black ink, appearing to read 'A D Jones', followed by a period.

A D Jones
Chairman

Statement of trustees' responsibilities

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that year. In preparing those financial statements, the trustees 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 in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

1. The first part of the report
describes the general situation
of the country and the
state of the economy.
It also mentions the
main problems of the
country and the
state of the economy.
The second part of the
report describes the
main problems of the
country and the
state of the economy.
The third part of the
report describes the
main problems of the
country and the
state of the economy.

Independent auditors' report to the members of Midlands Excellence

We have audited the financial statements on pages 7 to 16

Respective responsibilities of trustees and auditors

The Trustees, who are also the directors of Midlands Excellence for the purposes of company law, are responsible for preparing the Trustee's report and, as described on page 6, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 trustees' report is not consistent with the financial statements, if the charitable 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 company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with 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 trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

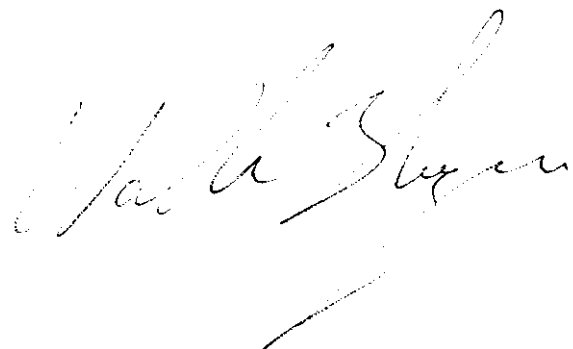
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 affairs of the charitable company as at 31 December 2004 and of its incoming resources and application of resources, including its income and expenditure, in the year ended 31 December 2004 and have been properly prepared in accordance with the Companies Act 1985.

Walker Thompson
Empress House
43A Binley Road
Coventry
CV3 1HU

16 September 2005



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**Income and expenditure account
for the year ended 31 December 2004**

	12 mnths 2004 £	18 mnths 2003 £
Income from continuing operations		
Donations	71,663	188,228
Grants receivable from government and other bodies	158,389	93,286
Other income	467,832	582,866
	-----	-----
Total income from continuing operations	697,884	864,380
	=====	=====
Expenditure		
Direct charitable expenditure	523,978	704,592
Management and administration	173,076	171,909
	-----	-----
Total expenditure	697,054	876,501
	=====	=====
Net income/(expenditure) for the year	830	(12,121)
	=====	=====

The income and expenditure account has been prepared to comply with Companies Act requirements. It differs from the statement of financial activities by virtue of excluding the value of donated services.

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**Statement of financial activities
for the year ended 31 December 2004**

	Note	Unrestricted funds	
		12 mnths 2004 £	18 mnths 2003 £
Income and expenditure			
Incoming resources			
Donations		71,663	188,228
Activities to further the charity's objects :			
Grants receivable from government and other public bodies		158,389	93,286
Other income	2	475,531	614,734
Investment income and interest		3,195	6,274
Total incoming resources		<u>708,778</u> =====	<u>902,522</u> =====
Resources expended			
Direct charitable expenditure	3	528,130	719,696
Other expenditure			
Management and administration	4	179,818	194,947
Total resources expended		<u>707,948</u> =====	<u>914,643</u> =====
Net movement in funds		<u>830</u> =====	<u>(12,121)</u> =====
Fund balances brought forward at 1 January 2004		211,618	223,739
Net movement in funds		830	(12,121)
Fund balances carried forward at 31 December 2004		<u>212,448</u> =====	<u>211,618</u> =====

All amounts above are derived from continuing operations.

The charitable company has no other recognised gains or losses other than the net movement in funds for the year.

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Balance sheet
At 31 December 2004

	Note	2004	2003
		£	£
Fixed assets			
Tangible assets	6	17,836	18,035
Current assets			
Debtors	7	153,707	131,975
Cash at bank and in hand		194,013	118,816
		<u>347,720</u>	<u>250,791</u>
Creditors :			
Amounts falling due within one year	8	153,108	57,208
		<u>194,612</u>	<u>193,583</u>
Net current assets			
		<u>212,448</u>	<u>211,618</u>
Total assets less current liabilities		<u>212,448</u>	<u>211,618</u>
Reserves			
Unrestricted funds		<u>212,448</u>	<u>211,618</u>

These financial statements were approved by the board of Trustees on 14 September 2005 and were signed on its behalf by :-



A D Jones OBE
Chairman



T K Nield
Trustee

Notes

(forming part of the financial statements)

1. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements :

Status of the company

The charitable company is limited by guarantee. The liability of the members is limited to a contribution of £1 each in the event of the charitable company being wound up.

Basis of preparation

The financial statements are prepared under the historical cost accounting rules and in accordance with applicable Accounting Standards and comply with the Statement of Recommended Practice : Accounting and Reporting by Charities. They are also prepared in accordance with the Companies Act.

Cash flow statement

The charitable company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is entitled to the filing exemptions as a small company under Section 246 to 249 of the Companies Act 1985.

Donations in kind

Services received by the charity for no charge have been included in the Statement of Financial Activities (SOFA) at their cost to the donor as income and within the appropriate expenditure headings.

Government funding

Government funding has been received through Advantage West Midlands. The amount received is based on contacts made during the period and the number of businesses using the Business Excellence model. Grants receivable are accounted for on the accruals basis subject to any adjustments required for failure to meet designated targets.

Basis of deferral of income

Annual sponsorship income is accounted for equally on a monthly basis.

Expenditure

All expenses incurred in promoting or meeting the objectives of Midlands Excellence have been included as direct charitable expenses. Expenses relating to general administration of the charity have been included as management and administration.

Notes (continued)

1. Principal accounting policies (continued)

Expenses which relate to both direct and indirect costs have been apportioned on the basis of time spent by staff relating to the appropriate area of the charities activities.

Fixed assets and depreciation

Depreciation is provided so as to write off the cost, less estimated residual value, of tangible fixed assets over their estimated useful lives, by equal instalments, as follows :

Office equipment - 20% straight line

Taxation

A provision for taxation is not required as the company is a registered charity and its charitable status has been agreed by the Inland Revenue.

Reserves

Unrestricted funds

Unrestricted funds are retained to the extent considered necessary to ensure adequate funds are available to cover future capital and revenue costs which may not be covered by incoming resources. The level of reserves is maintained at a level equivalent to 6 months anticipated fixed costs. All expenditure is made in accordance with the charity's objectives.

Pension Costs

The company operates a defined contribution scheme. Contributions payable for the year are charged to income and expenditure account when payable.

2. Other income

	12 mnths 2004 £	18 mnths 2003 £
Donations in kind	10,894	38,142
Assessor training	41,778	57,133
Courses	54,228	57,615
Award entry fees	14,450	14,050
Winners' conference	47,617	41,607
Awards evenings	148,256	249,012
Investors in Excellence	130,757	145,801
Miscellaneous income	27,551	11,374
	----- 475,531 =====	----- 614,734 =====

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Notes (continued)

2. Other income (continued)

Donations in kind

	12 mnths 2004 £	18 mnths 2003 £
Professional services	-	2,625
Website development	-	4,875
IT support	1,230	8,500
Relocation costs	3,485	-
Office rent	2,027	7,038
Postage	4,152	15,104
	-----	-----
	10,894	38,142
	=====	=====

3. Direct charitable expenditure

	12 mnths 2004 £	18 mnths 2003 £
Staff costs	258,069	296,875
Motor and travel expenses	9,071	7,963
Newsletter costs	9,995	25,978
Course costs/training material	12,042	17,754
Printing, stationery and advertising	14,285	13,253
Awards evening	128,808	257,275
Winners' conference	29,085	27,328
Investors in Excellence	66,775	73,270
	-----	-----
	528,130	719,696
	=====	=====

Notes (continued)

4. Management and administration expenditure

	12 mnths 2004 £	18 mnths 2003 £
Staff Costs	110,601	127,232
Motor expenses	9,071	7,963
Insurance	2,440	3,695
Telephone	3,850	5,192
Sundry	2,338	6,702
Depreciation and Loss on Disposal	6,378	8,161
Bank charges	321	66
Professional fees	2,915	5,685
Website development	16,700	7,425
IT support	1,230	8,500
Audit fee	5,000	5,000
Bad debts	-	807
Office rent	13,109	7,123
Relocation costs	3,485	-
Relationship Management	2,380	1,396
	----- 179,818 =====	----- 194,947 =====

Insurance costs include £1,785 (2003 : £1,785) relating to professional indemnity insurance for the year.

5. Staff numbers and costs

	12 mnths 2004 £	18 mnths 2003 £
Wages and salaries	309,062	360,013
Social security costs	33,645	35,331
Pension costs	25,963	28,763
	----- 368,670 =====	----- 424,107 =====

The average number of employees during the year was 9 (2003 : 8).

Only one employee had earnings in excess of £50,000 pa (2003 : 1).

Pension contributions due to be paid at 31/12/04 were £4,251 (2003 : £3,242)

Notes (continued)

Trustees' emoluments and expenses

Ian Nield, a Trustee was paid emoluments for his services as chief executive of £92,425 (2003 : £116,000 for 18 months). Emoluments include pension payments of £12,591 (2003 : £17,333). He was also reimbursed £3,634 for motor and travel expenses (2003 : £4,518).

No other Trustee received emoluments for his or her services or was reimbursed expenses during the year.

6. Tangible assets

	Office Equipment £
Cost	
At 1/1/04	31,873
Additions	6,179

	38,052
Disposals	1,550

At 31/12/04	36,502
	=====
Depreciation	
At 1/1/04	13,838
Charge for period	5,913

	19,751
Eliminated on disposals	1,085

At 31/12/04	18,666
	=====
Net book value	
At 31/12/04	17,836
	=====
At 31/12/03	18,035
	=====

All assets are used for charitable purposes.

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Notes (continued)

7. Debtors

	12 mnths 2004 £	18 mnths 2003 £
Other debtors	149,105	109,551
Prepayments	1,178	5,106
Taxation	3,424	17,318
	----- 153,707 =====	----- 131,975 =====

8. Creditors : Amounts falling due within one year

	12 mnths 2004 £	18 mnths 2003 £
Bank Overdraft	445	-
Taxation and social security costs	14,155	11,270
Other creditors	82,684	4,952
Accruals and deferred income	55,824	40,986
	----- 153,108 =====	----- 57,208 =====

Deferred income comprises receipts in advance for activities in the following year and £25,202 (2003 : £11,665) relating to donations received in advance.

9. Related party transactions

Transactions :

A number of the trustees are senior officials of organisations which sponsor, or whose staff benefit from, the programmes delivered by Midlands Excellence. Services provided are charged at standard programme rates. In aggregate the income from these organisations in the year amounted to £286,017 (2003 : £309,553). Additionally services were obtained from these organisations amounting to £5,215 (2003 : £47,012) in aggregate inclusive of donations in kind.

Notes (continued)

The details of the more significant of these are as follows :

Trustee	Organisation	Income	Payments	Balance @ 31/12/04
Dr R W Cliffe	Lloyds TSB	27,884		652 Dr
M F P Lavery	Advantage West Midlands	169,948		34,796 Dr

Other :

Mr T Hunt, the Communications Manager, is a son in law of E J Roberts CBE.

Investors in Excellence Ltd, a company registered in England, has four directors in common with this company but is not under common control. It operates throughout the United Kingdom.

Management charges in respect of administrative expenses were charged to Investors in Excellence Ltd at £4,611 which is still outstanding at the year end.

Auditors Remuneration

The auditors received remuneration of £2,915 (2003 : £3,045) for non-audit services in addition to the audit fee of £5,000. (2003 : audit services £5,000)

10. Future Commitment

The annual licence fee to occupy the premises at Hams Hall is £20,448 expiring August 2005.