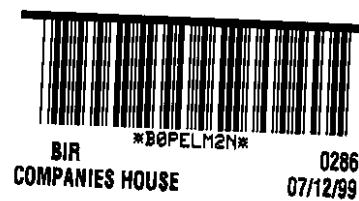


**Midlands Excellence (a company limited by
guarantee)**

Trustees' report and financial statements

For the year ended 30 June 1999
Registered charity number 1057144
Registered company number 3213914



Trustees' report and financial statements

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Trustees and independent advisors

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

Board of trustees

DW Baker	(resigned 7 December 1998)
N Baldwin	
Dr RW Cliffe	
V Cocker	
A Curtis	(resigned 15 March 1999)
Sir BK Follett	(resigned 5 October 1998)
S Fullard	(appointed 15 March 1999)
MC Gillespie	
Dr DM Green	(resigned 4 August 1999)
C Hannah	
DP Hollingsworth	(resigned 15 March 1999)
RK Huff	(resigned 20 July 1999)
AD Jones	(Chairman)
J Kirk	
C Merrick	(appointed 5 July 1999)
MJ Parker	
EJ Roberts	(Deputy chairman)
KR Shergold	
T Watts	
GJ Wise	(appointed 7 December 1998)

Independent advisors are as follows:

Auditors

KPMG
2 Cornwall Street
Birmingham
B3 2DL

Bankers

Midland Bank plc
130 New Street
Birmingham
B2 4JU

Solicitors

Shakespeares
10 Bennetts Hill
Birmingham
B2 5RS

Registered office

TNT Express House
Holly Lane
Atherstone
Warwickshire
CV9 2RY

Trustees' report

Midlands Excellence was established in June 1996 with a vision to improve the competitiveness and efficiency of organisations in the Midlands region and our prime means of achieving this objective is by promoting 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 use of resources.

Midlands Excellence employs one full time and two part time staff managed by a Chief Executive seconded from Severn Trent Plc for a two year term. The current secondment will be completed at the end of December 1999 and the new Chief Executive is to be seconded from Lloyds TSB for a two year period. Midlands Excellence is 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 which meets formally three times a year and has the vested authority to appoint new trustees. There have not been any material changes to the 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 sponsorship and most of the founder sponsors are represented on the board of the charitable company. In addition, matched government funding has been provided under Competitiveness White Paper Two for the period September 1996 to September 1999. We are delighted that nearly all of our original founder sponsors are continuing with their financial support for the next three years.

Midlands Excellence organises many presentations and attends numerous regional business meetings to promote its work all of which involves close links with the CBI, Government Offices, Training & Enterprise Councils, Business Links, Chambers of Commerce and other bodies in the region.

Midlands Excellence administers the Midlands Quality Awards which require 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 in Europe, is to assist applicant organisations to learn and develop in the quest for business excellence. Our second awards cycle was completed in November 1998 and six companies received awards at a gala ceremony in Birmingham with 1,600 guests in attendance. We trained 210 assessors in 1998 to undertake assessments of the award applicants. Our assessors are drawn from organisations from across the Midlands and after completion of training they are able to assist their own organisations in self-assessment activities. More than 350 assessors have been trained by Midlands Excellence in the last two years and we believe that our training has a significant benefit for the companies which provide assessors.

In addition, an annual Midlands Excellence Winners conference is held in February each year and 400 delegates attended the February 1999 conference. To improve awareness of the EFQM Excellence Model® and to promote the concept of continuous improvement through an everyone involved approach to customer satisfaction, 5,500 free newsletters are produced every two months by Midlands Excellence. Midlands Excellence provides a free advisory service to organisations that wish to adopt the EFQM Excellence Model® and our Chief Executive undertakes many public speaking engagements to stimulate improvement activities in the Midlands region.

Midlands Excellence will complete its third awards cycle in November 1999 and is aiming to provide even more support and networking opportunities for Midlands based organisations in the coming period.

We send grateful thanks to everyone involved in providing funds and other help in the last twelve months, all of which has enabled our organisation make good progress in achieving the vision of Midlands Excellence.

The trustees are very pleased with this year's achievements and we are delighted by the growth of interest throughout the Midlands region in the EFQM Excellence Model®. We are well motivated to build and improve upon our success in the future.

Trustees' report *(continued)*

Finance

At the year end, total assets amount to £228,698 (1998: £149,817). Cash reserves at 30 June 1999 amounted to £161,687 (1998: £110,647).

The trustees are pleased with the strong financial position of Midlands Excellence. Income and expenditure have increased and this is a direct reflection of the success of the organisation. Cash reserves have increased and the charity has a much stronger unrestricted fund position than last year. It is important that a strong reserve position is maintained as government funding ceases in September 1999 and Midlands Excellence will, by then, be relying solely on income from its founder sponsors, the annual awards ceremonies and our winners conferences.

The charity has continued to enjoy significant benefits from the donations in kind it receives from founder sponsors and supporters.

The trustees are also pleased to report that management and administration costs have only grown by £3,520 from the previous year and that the direct charitable expenditure has increased by £57,562.

Year 2000

The year 2000 potentially has wide ranging financial and operational consequences. Midlands Excellence has carried out reviews to identify areas where year 2000 compliance is necessary. Following these reviews our computer system has been replaced and all office systems are now fully year 2000 compliant. An old non-compliant computer system has been written-off and the associated cost (£8,500) for the new IT system was committed during the financial year with payment due during the 1999/00 period.

Auditors

In accordance with Section 384 of the Companies Act 1985 a resolution for the re-appointment of KPMG as auditors of the charitable company is to be proposed at the forthcoming annual general meeting.

Approved by the board of trustees on 20 October 1999 and signed on its behalf by:



J Kirk
Trustee

TNT Express House
Holly Lane
Atherstone
Warwickshire
CV9 2RY

Statement of trustees' responsibilities

Law applicable to incorporated charities in England and Wales requires the trustees, who are also directors of the charitable company, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity at the end of the year and of its financial activities during the period then ended. 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;
- 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 which 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.



2 Cornwall Street
Birmingham
B3 2DL

Report of the auditors to the trustees of Midlands Excellence

We have audited the financial statements on pages 6 to 13.

Respective responsibilities of trustees and auditors

As described on page 4, the trustees, who are also the directors of Midlands Excellence, are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 30 June 1999 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to be 'KPMG' or a similar stylized signature.

KPMG
Chartered Accountants
Registered Auditors

20 October 1999

Income and expenditure account
for the year ended 30 June 1999

	1999 £	1998 £
Income of continuing operations		
Sponsorship	6,000	-
Grant receivable from government and other public bodies	65,000	50,000
Other income	242,750	144,428
	<hr/>	<hr/>
Total income of continuing operations	313,750	194,428
	<hr/>	<hr/>
Expenditure		
Direct charitable expenditure	243,544	175,323
Management and administration	25,633	24,893
	<hr/>	<hr/>
Total expenditure	269,177	200,216
	<hr/>	<hr/>
Net income/(expenditure) for the year	44,573	(5,788)
	<hr/> <hr/>	<hr/> <hr/>

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.

Statement of financial activities
for the year ended 30 June 1999

	Note	Unrestricted funds £	1999 Restricted income fund £	Total £	1998 Total £
Income and expenditure					
Incoming resources					
Sponsorship		6,000	-	6,000	-
Grants receivable from government and other public bodies		65,000	-	65,000	50,000
Other income	2	319,603	5,100	324,703	226,523
		<hr/>	<hr/>	<hr/>	<hr/>
Total incoming resources		390,603	5,100	395,703	276,523
Resources expended					
Direct charitable expenditure	3	300,685	10,537	311,222	243,123
Other expenditure					
Management and administration	4	39,908	-	39,908	39,188
		<hr/>	<hr/>	<hr/>	<hr/>
Total resources expended		340,593	10,537	351,130	282,311
Net incoming/(outgoing) resources before transfers					
Transfer between funds	9	50,010 (5,437)	(5,437) 5,437	44,573 -	(5,788) -
		<hr/>	<hr/>	<hr/>	<hr/>
Net movement in funds		44,573	-	44,573	(5,788)
		<hr/>	<hr/>	<hr/>	<hr/>
Fund balances brought forward at 1 July 1998		66,780	-	66,780	72,568
Net movement in funds		44,573	-	44,573	(5,788)
		<hr/>	<hr/>	<hr/>	<hr/>
Fund balances carried forward at 30 June 1999		111,353	-	111,353	66,780
		<hr/>	<hr/>	<hr/>	<hr/>

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.

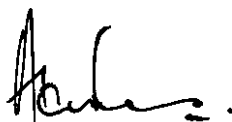
Balance sheet

at 30 June 1999

	Note	1999	1998
		£	£
Fixed assets			
Tangible assets	6	419	3,811
Current assets			
Debtors	7	66,592	35,359
Cash at bank and in hand		161,687	110,647
		<u>228,279</u>	<u>146,006</u>
Creditors: Amounts falling due within one year	8	<u>117,345</u>	<u>(83,037)</u>
Net current assets		<u>110,934</u>	<u>62,969</u>
Total assets less current liabilities		<u>111,353</u>	<u>66,780</u>
Reserves			
Unrestricted funds		111,353	66,780
Restricted funds	9	-	-
		<u>111,353</u>	<u>66,780</u>

These financial statements were approved by the board of trustees on 20 October 1999 and were signed on its behalf by:

AD Jones
Trustee



J Kirk
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 and does not have share capital. 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 by Charities.

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 market value as income and the cost shown within the appropriate expense.

Government funding

Government funding has been received through Central England TEC (July 1997 - March 1998) and Coventry CCTE (April 1998 - June 1998). 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.

Expenditure

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

Expenses which are common 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:

Fixtures, fittings and 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.

Notes (continued)

1 Principal accounting policies (continued)

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. All expenditure is made in accordance with the charity's objects.

Restricted income funds

Restricted income funds are funds received in relation to the sponsorship of newsletters.

2 Other income

	Unrestricted funds £	1999 Restricted income funds £	Total £	1998 Total £
Donations in kind	81,953	-	81,953	82,095
Assessor training	47,770	-	47,770	33,134
Courses	17,337	-	17,337	-
Newsletters	-	5,100	5,100	5,200
Bank interest	4,885	-	4,885	2,912
Award entry fees	1,450	-	1,450	1,215
Winners conference	31,217	-	31,217	13,860
Awards evening	130,248	-	130,248	82,248
Literature	4,743	-	4,743	5,859
	<hr/>	<hr/>	<hr/>	<hr/>
	319,603	5,100	324,703	226,523
	<hr/>	<hr/>	<hr/>	<hr/>

Donations in kind

	1999 £	1998 £
Emoluments for services as trustee	49,000	49,000
Professional services	2,560	555
Audit fee	2,600	3,000
Course costs	18,000	18,800
Office rent	3,672	6,240
Postage	6,121	4,500
	<hr/>	<hr/>
	81,953	82,095
	<hr/>	<hr/>

Notes (continued)

3 Direct charitable expenditure

	Unrestricted funds £	1999 Restricted income funds £	Total	1998 Total £
Staff costs	63,485	-	63,485	60,700
Motor and travel expenses	3,149	-	3,149	2,542
Newsletter costs	-	10,537	10,537	12,283
Course costs/training material	72,313	-	72,313	57,128
Printing, stationery and advertising	16,664	-	16,664	17,035
Assessor dinner	6,916	-	6,916	-
Awards evening	113,831	-	113,831	80,686
Winners conference	24,327	-	24,327	12,749
	<u>300,685</u>	<u>10,537</u>	<u>311,222</u>	<u>243,123</u>

4 Management and administration

	Unrestricted funds £	1999 Restricted income funds £	Total £	1998 Total £
Staff costs	14,486	-	14,486	11,701
Secretarial costs	-	-	-	146
Recruitment costs	228	-	228	-
Motor expenses	3,150	-	3,150	2,541
Insurance	1,789	-	1,789	1,459
Telephone	2,596	-	2,596	2,301
Sundry	99	-	99	5,330
Depreciation	209	-	209	1,270
Loss on disposal of fixed assets	383	-	383	-
Bank charges	15	-	15	-
Professional fees	2,560	-	2,560	505
Audit fee	2,600	-	2,600	3,000
Postage	6,121	-	6,121	4,500
Bad debts	2,000	-	2,000	195
Office rent	3,672	-	3,672	6,240
	<u>39,908</u>	<u>-</u>	<u>39,908</u>	<u>39,188</u>

Insurance costs include £1,500 (1998: £1,155) relating to professional indemnity insurance for the year.

Notes (continued)

5 Staff numbers and costs

Wages and salary costs are paid via a recharge from TNT and as a donation in kind from Severn Trent Water Limited for those people working for Midlands Excellence but not employed by the charitable company.

	1999 £	1998 £
Emoluments for services as trustee (donated in kind by Severn Trent Water Limited)	49,000	49,000
Staff fee	18,314	17,600
Wages and salaries	10,423	5,669
Social security costs	234	132
	<hr/> 77,971 <hr/>	<hr/> 72,401 <hr/>

Reimbursement of expenses

One trustee was reimbursed for motor and travel expenses incurred during the year in relation to work undertaken for the charity.

	1999 £	1998 £
Motor and travel expenses (reimbursed)	108	245
	<hr/>	<hr/>

The other trustees did not receive any emoluments.

6 Tangible assets

	Fixtures, fittings and equipment £
Cost	
At beginning of year	6,351
Disposals	(5,305)
	<hr/>
At end of year	1,046
	<hr/>
Depreciation	
At beginning of year	2,540
Charge for year	209
Disposals	(2,122)
	<hr/>
At end of year	627
	<hr/>
Net book value	
At 30 June 1999	419
	<hr/>
At 30 June 1998	3,811
	<hr/>

All assets are for the use of Midlands Excellence.

Notes (continued)

7 Debtors

	1999 £	1998 £
Other debtors	63,074	32,469
Prepayments	3,518	2,890
	<u>66,592</u>	<u>35,359</u>

8 Creditors: Amounts falling due within one year

	1999 £	1998 £
Taxation and social security costs	66	-
Other creditors	424	13,139
Accruals and deferred income	116,855	69,898
	<u>117,345</u>	<u>83,037</u>

Deferred income comprises receipts in advance for the 1999 Midlands Quality awards and £25,000 relating to sponsorship received in advance.

9 Restricted funds

	Incoming resources £	Outgoing resources £	Transfer from unrestricted funds £	Balance at 30 June 1999 £	Balance at 30 June 1998 £
Newsletter	5,100	(10,537)	5,437	-	-

10 Analysis of net assets between funds at 30 June 1999

	Tangible fixed assets £	Net current Assets £	Total £
Restricted funds	-	-	-
Unrestricted funds	419	118,134	118,553
	<u>419</u>	<u>118,134</u>	<u>118,553</u>