

Midlands Excellence
(a company limited by guarantee)

**Trustees' report and financial
statements**

Registered charity number 1057144

Registered company number 3213914

For the year ended 30 June 2002



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Trustees and independent advisors

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

Board of Trustees

AD Jones OBE	(Chairman)
EJ Roberts CBE	(Deputy chairman)
R Bradnock	
GS Burton	
Dr RW Cliffe	
B Duckworth	
CF Hannah	
JE Kirk	
MFP Lavery	
JF Lockett PhD	
AG Maclellan	
C Merrick	
MJ Parker	
T Watts	
P Golby	(appointed 23 May 2002)
DJ Bartlett	(appointed 14 March 2002)
NP Baldwin	(resigned 14 March 2002)
IK Nield	(Chief executive)
MC Gillespie	(resigned 20 February 2002)
JB Layne	(resigned 1 July 2002)
G Mackintosh	(resigned 14 March 2002)
KR Shergold	(resigned 17 July 2002)

Independent advisors are as follows:

Auditors

KPMG LLP
2 Cornwall Street
Birmingham
B3 2DL

Bankers

HSBC
130 New Street
Birmingham
B2 4JU

Solicitors

Shakespeares
Somerset House
37 Temple Street
Birmingham
B2 5DJ

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 performance of organisations in the Midlands region and our prime means of achieving this objective is 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.

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 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 donations. In addition, funding has been provided by Advantage West Midlands through the Skills Development Fund and we are delighted that nearly all our original founder donors are continuing to provide financial support.

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, Regional Development Agencies, Small Business Service, Business Links, Chambers of Commerce and other bodies in the region.

Midlands Excellence organises and administers the annual Midlands Excellence Awards that 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 of its kind in Europe is to assist applicant organisations to learn and develop in the quest for business excellence. Our fifth award cycle was completed in October 2001 and six companies received awards, including a new award recognising the organisation that has demonstrated the best equal opportunities performance in the region at a gala ceremony in Birmingham with 1,500 guests in attendance.

We trained 220 assessors in 2001 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 1,000 assessors have been trained by Midlands Excellence in the last four years and there is growing evidence that our training brings significant benefits to the organisations that provide the assessors.

In addition, an annual Midlands Excellence Winners' Conference is held in February each year and 500 delegates attended the extremely successful 2002 conference. To improve awareness of the EFQM Excellence Model © and to promote the concept of continuous improvement 9,000 free newsletters are distributed 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 together with members of the Midlands Excellence team undertake many public speaking engagements to stimulate improvement activities in the Midlands region.

Midlands Excellence will complete its sixth awards cycle in October 2002 and we intend to provide even more support, together with extensive networking opportunities for Midlands based organisations in the coming period.

Ian Nield, our current chief executive, was seconded to Midlands Excellence by Lloyds TSB Bank PLC for two years until the end of 2001 and he joined the organisation on 1 January 2002, with his salary now being financed by the charity. Midlands Excellence employs five full time persons and three part time staff. Our small team of highly committed enthusiastic people has continued to produce first class results and we are most grateful for their efforts.

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

The Trustees believe Midlands Excellence has made significant 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 motivated to build upon our success and achieve further performance improvements in the future.

Trustees' report *(continued)*

Finance

As at the year end, total assets amount to £351,917 (2001: £418,764). Net income for the year is £15,039 (2001: £48,217) and cash reserves at 30 June 2002 amounted to £275,484 (2001: £355,255).

The Trustees are pleased with the strong financial position of Midlands Excellence and the charitable company has successfully generated a surplus despite the extra fixed costs incurred during the year. The charitable company has continued to enjoy significant benefits from the donations in kind it receives from its 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 surplus generated from successful Midlands Excellence events and training programmes. Midlands Excellence also receives financial support from development agencies in return for its work to help fulfil the objectives of the regional strategy.

Economic uncertainty has a material impact on the stability of our position and the Trustees consider it prudent to maintain reserves at a level that will protect the ongoing work of the charity in the event of a sudden loss of income, thereby allowing a reasonable period to generate alternative income streams.

The Trustees have, therefore, adopted the policy to hold six months of anticipated fixed costs in reserve and this target is expected to be reached by 31 December 2004. The level of unrestricted funds at 30 June 2002 meets this requirement. The Trustees will review the appropriateness of this policy each year in the light of their annual assessment of risks faced by the charity.

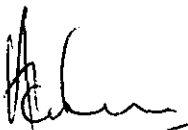
Risk management

The Trustees are in the process of examining the major strategic, business and operational risks, which the charitable faces. Once established, the charitable company's systems and procedures will be reviewed to ensure these are sufficient to mitigate the major risks faced company by the charity.

Auditors

KPMG were re-appointed auditors of the company at the last annual general meeting. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly, KPMG resigned as auditors on 8 July 2002 and the Trustees thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming annual general meeting.

Approved by the board of trustees on 24 October 2002 and signed on its behalf by:



A D Jones
Trustee

TNT Express House
Holly Lane
Atherstone
Warwickshire
CV9 2RY

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 period. 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.



2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Midlands Excellence

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

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 4, 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 the 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 30 June 2002 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.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

24 October 2002

Income and expenditure account
for the year ended 30 June 2002

	2002 £	2001 £
Income from continuing operations		
Donations	54,446	61,667
Grant receivable from government and other public bodies	30,000	30,000
Other income	346,372	339,710
	<hr/>	<hr/>
Total income from continuing operations	430,818	431,377
	<hr/>	<hr/>
Expenditure		
Direct charitable expenditure	345,120	328,203
Management and administration	70,659	54,957
	<hr/>	<hr/>
Total expenditure	415,779	383,160
	<hr/>	<hr/>
Net income for the year	15,039	48,217
	<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 2002

	<i>Note</i>	Unrestricted funds	
		2002	2001
		£	£
Income and expenditure			
Incoming resources			
Donations		54,446	61,667
Grants receivable from government and other public bodies		30,000	30,000
Other income	2	501,464	572,983
		<hr/>	<hr/>
Total incoming resources		585,910	664,650
		<hr/>	<hr/>
Resources expended			
Direct charitable expenditure	3	407,098	422,469
Other expenditure			
Management and administration	4	163,773	193,964
		<hr/>	<hr/>
Total resources expended		570,871	616,433
		<hr/>	<hr/>
Net movement in funds		15,039	48,217
		<hr/>	<hr/>
Fund balances brought forward at 1 July 2001		208,700	160,483
Net movement in funds		15,039	48,217
		<hr/>	<hr/>
Fund balances carried forward at 30 June 2002		223,739	208,700
		<hr/>	<hr/>

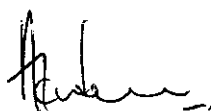
All amounts above are derived from continuing operations.

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 2002

	<i>Note</i>	2002	2001
		£	£
Fixed assets			
Tangible assets	6	10,011	9,747
Current assets			
Debtors	7	66,422	53,762
Cash at bank and in hand		275,484	355,255
		<u>341,906</u>	<u>409,017</u>
Creditors: Amounts falling due within one year	8	<u>(128,178)</u>	<u>(210,064)</u>
Net current assets		213,728	198,953
Total assets less current liabilities		223,739	208,700
Reserves			
Unrestricted funds		<u>223,739</u>	<u>208,700</u>

These financial statements were approved by the board of Trustees on 24 October 2002 and were signed on its behalf by:



AD Jones OBE
Chairman



IK 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.

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 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.

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 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.

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. 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.

2 Other income

	2002 £	2001 £
Donations in kind	155,092	233,273
Assessor training	47,194	72,612
Courses	57,011	42,970
Bank interest	7,707	8,381
Award entry fees	26,525	10,745
Winners' conference	40,175	39,383
Awards evening	167,760	160,892
Literature	-	4,696
Assessor dinner	-	31
	<hr/> 501,464	<hr/> 572,983

Donations in kind

	2002 £	2001 £
Emoluments for services	40,800	67,878
Professional services	10,000	6,650
Website development	47,500	96,500
IT support	20,158	19,898
Audit fee	2,000	3,000
Course costs	21,178	26,388
Office rent	4,106	3,959
Postage	9,350	9,000
	<hr/> 155,092	<hr/> 233,273

Notes (continued)

3 Direct charitable expenditure

	2002 £	2001 £
Staff costs	131,494	107,383
Motor and travel expenses	3,626	2,359
Newsletter costs	2,469	2,848
Course costs/training material	83,442	123,979
Printing, stationery and advertising	12,873	14,201
Assessor dinner	-	9,093
Awards evening	147,020	134,913
Winners' conference	26,174	27,693
	<hr/> 407,098 <hr/>	<hr/> 422,469 <hr/>

4 Management and administration expenditure

	2002 £	2001 £
Staff costs	56,355	40,897
Motor expenses	3,625	2,359
Insurance	1,938	1,951
Telephone	1,193	2,795
Sundry	54	378
Depreciation	3,624	3,055
Bank charges	542	690
Professional fees	10,000	7,150
Website development	47,500	96,500
IT support	20,175	19,898
Audit fee	3,500	3,000
Postage	9,350	9,006
Bad debts	-	2,326
Office rent	4,105	3,959
Investors in Excellence	837	-
Entertaining	975	-
	<hr/> 163,773 <hr/>	<hr/> 193,964 <hr/>

Insurance costs include £1,697 (2001: £1,650) 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 Lloyds TSB Bank plc for those people working for Midlands Excellence but not employed by the charitable company.

	2002 £	2001 £
Emoluments for services as trustee (donated in kind by Lloyds TSB Bank plc)	40,800	67,878
Staff fee	20,796	20,472
Wages and salaries	105,682	55,985
Social security costs	9,180	3,945
Pension costs	11,391	-
	<hr/> 187,849	<hr/> 148,280

Trustees' emoluments and expenses

Ian Nield, a Trustee was paid emoluments for his services as chief executive of £32,880 for the period from 1 January 2002 to 30 June 2002. Emoluments include pension payments of £5,000. Prior to this time the costs of his services was provided as donations in kind by Lloyds TSB Bank plc. He was also reimbursed £3,497 for motor and travel expenses.

No other Trustee received emoluments for their services nor was reimbursed expenses during the year.

6 Tangible assets

	Office equipment £
<i>Cost</i>	
At beginning of year	15,278
Additions	3,888
	<hr/>
At end of year	19,166
	<hr/>
<i>Depreciation</i>	
At beginning of year	5,531
Charge for year	3,624
	<hr/>
At end of year	9,155
	<hr/>
<i>Net book value</i>	
At 30 June 2002	10,011
	<hr/>
At 30 June 2001	9,747
	<hr/>

All assets are used for charitable purposes.

Notes (continued)

7 Debtors

	2002 £	2001 £
Other debtors	65,692	47,122
Prepayments	730	6,640
	<u>66,422</u>	<u>53,762</u>

8 Creditors: Amounts falling due within one year

	2002 £	2001 £
Taxation and social security costs	6,696	7,897
Other creditors	12,806	50,886
Accruals and deferred income	108,676	151,281
	<u>128,178</u>	<u>210,064</u>

Deferred income comprises receipts in advance for the 2002 Midlands Excellence Awards dinner, government grants and £36,680 relating to donations received in advance.

9 Related party transactions

A number of the Trustees are senior officials of organisations whose staff benefit from the programmes delivered by Midlands Excellence. They are charged at standard programme rates. The most significant of these programmes, delivered to PricewaterhouseCoopers, was valued at £12,500.