

MIDLANDS EXCELLENCE
(a company limited by guarantee)

Report and Financial Statements

For the year ended 31 December 2007

Charity number 1057144

Company number 3213914

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Midlands Excellence
(a company limited by guarantee)
Trustees' Report and Financial Statements
For the year ended 31 December 2007

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Legal and Administrative Information

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)
R Bradnock
Dr R W Cliffe
M F P Lavery
D Cooper
D Grove (resigned 10/04/07)
A Lyon (appointed 10/01/07)
D Farthing (appointed 10/01/07)

Chief Executive Officer

I K Nield

Company Secretary

J M Lane

Independent advisors are as follows

Auditors

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

Bankers

Lloyds TSB
17 George Street
Tamworth
B79 7LW

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Solicitors

Blackbourn Andrews Solicitors
12 Belmont
Shrewsbury
Shropshire
SY1 1TE

Principle Office & Registered Office

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

Report of the trustees for the year ended 31 December 2007

The trustees, who are also directors of the charity for the purposes of the Companies Act, submit their annual report and the audited financial statements for the year ended 31 December 2007. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in 2005 in preparing the annual report and financial statements of the charity.

The organisation is a charitable company limited by guarantee, incorporated on 19 June 1996 and registered as a charity on 29 July 1996. It is governed by a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association. Its objects are to carry out business training and education.

Reference and administrative details

Trustees are selected from organisations that clearly demonstrate a commitment to the pursuit of excellence and typically they have worked with us so have a good understanding of our business activities. Our trustees hold senior positions in their organisations, are well respected in the community and have proven track records of sound business acumen. We aim to maintain a balance of relevant and complementary skills to ensure that the objectives of the charity are met in a prudent and effective manner so all these matters are considered before a new trustee is invited to join the board.

New trustees are issued with an induction pack and this contains useful information including the Charity Commission's booklet entitled 'The Essential Trustee: What you should know'. An induction programme is agreed which includes exposure to the Midlands Excellence team and our day to day activities.

Structure, governance and management

Statement of trustees' responsibilities

The trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations,

Law applicable to charities in England & Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the charity's financial activities during the year and of its financial position at the end of the year. In preparing the 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 UK accounting standards and statements of recommended practice 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 charity will continue in operation

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The trustees are responsible for keeping accounting records that (1) disclose with reasonable accuracy the financial position of the charity (2) enable them to ascertain the financial position of the charity and (3) ensure that the financial statements comply with the Companies Act 1985 and the trust deed. The trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Midlands Excellence is a company limited by guarantee and 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. Midlands Excellence employs twelve full time people. 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.

Midlands Excellence is financed partly by corporate donations and we are delighted that many of our founder sponsors are continuing to provide financial support. Our generous sponsors in the period included Advantage West Midlands, Lloyds TSB, West Bromwich Building Society, BMW, Fortis Bank, Pertemps Group, E.ON UK, PricewaterhouseCoopers, Richmond Motors Group, Derwent Living, The Community Housing Group, GSL and Vodafone UK. 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 all this financial assistance has led to performance improvements for many organisations.

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

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.

Risk Management:

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

Statement of disclosure of information to auditors

We, the trustees of the company who held office at the date of approval of these Financial Statements, as set out above, each confirm so far as we are aware, that

- there is no relevant audit information of which the company's auditors are unaware, and
- we have taken all the steps that we ought to have taken as trustees in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Objectives and Activities

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©. We are pleased to report the EFQM Excellence Model© continues to help organisations develop improvement action plans that lead to better results by focusing on the key enabling areas of an organisation which include leadership, policy and strategy, people management, processes and the effective use of resources. Midlands Excellence delivers its objectives through promoting, supporting and recognising excellence.

Achievements and Performance

In 2007 Midlands Excellence supported more organisations than in any previous year, continued to achieve excellent satisfaction ratings from the organisations we served and 96% of organisations advised that they would recommend the support we provide to others.

During the year, a full constitutional review was undertaken in line with the requirements of the Charities Act 2006 and the resulting enhancements to our Memorandum and Articles were approved by the Charity Commission.

A key outcome of the above mentioned review was the establishment of a not for profit subsidiary, Investors in Excellence Limited (IiE Ltd) which will commence operations on 1st April 2008. The establishment of IiE Ltd is a direct and appropriate response to the increasing number of organisations we work with that are requesting direct support for their specific improvement activities. We envisage that in future the majority of our activities will be undertaken by IiE Ltd and this is because the provision of one to one support will have the greatest positive impact on the communities that we serve. Financial surpluses achieved and knowledge gained through the broad range of activities undertaken by IiE Ltd will be passed back to Midlands Excellence which will enable continued expansion of the support we provide across the region.

A core activity is 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 continues to be the largest of its kind in Europe is to assist applicant organisations to learn, develop and improve their results in the pursuit of excellence. The programme culminates at a prestigious awards ceremony which will be held on 22nd January 2008 in Birmingham and approximately 1,350 guests will attend this high profile event.

We trained over 150 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 United Kingdom and after completion of training these committed volunteers are able to assist their own organisations in self-assessment improvement activities. More than 2,000 assessors have been trained by Midlands Excellence in the last eleven years and there is now ample evidence that our training brings significant benefits to the organisations that provide the assessors.

Annual Midlands Excellence Conferences are held in the first half of the year and 410 delegates attended the extremely successful 2007 conference. In addition regular networking events are held throughout the region and these attracted in excess of 1700 participants in the period covered by this report.

To improve awareness of the EFQM Excellence Model® and promote the concept of continuous improvement a wide range of case studies, improvement hints and tips are freely available on our web site which provides a rich source of knowledge for our communities. 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 undertook numerous public speaking engagements in the period to stimulate improvement activities in the Midlands region.

Financial review

At the end of 2007 our net assets amounted to £278,223 (2006 £267,852) and net income for the twelve months covered by this report was £10,371 (2006 £22,952). Cash reserves at 31st December 2007 amounted to £263,333 (2006 £164,940). 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 and sound management of our finances has helped enable the organisation achieve success.

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 also continues to receive valuable financial support from Advantage West Midlands in return for the work we undertake and this helps to fulfill 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 judgments as to the level of reserves to be retained the trustees continuously review the anticipated level of fixed costs arising in the following six months and consider the reserves at 31 December 2007 to be sufficient.

Plans for future periods

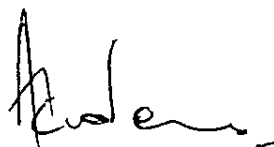
The trustees believe Midlands Excellence has again made excellent progress in the last twelve months and it is pleasing to see the continuing growth of interest throughout the midlands region in the EFQM Excellence Model®. We are well placed to build upon our successes and achieve further performance improvements in the future. Our focus for the coming year will be the provision of further support and stimulation throughout the region to increase awareness as well as interest and engagement in business excellence activities. We will continue with our core support activities (Midlands Excellence Awards, conferences, assessor training and network events) but also maintain our focus on developing further case studies, web-based support material and facilitated networks to share best practice.

In addition, the one to one support provided by Investors in Excellence Limited will ensure that we continue to meet the diverse needs of the wide range of organisations we serve.

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 17 July 2008 and signed on its behalf by



A D Jones OBE
Chairman

Independent auditors' report to the members of Midlands Excellence

We have audited the financial statements of Midlands Excellence for the year ended 31 December 2007 which comprise Statement of Financial Activities, Summary Income and Expenditure Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2007)

This report is made solely to the charity'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 charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' (who are also the directors of Midlands Excellence for the purposes of company law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

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. We also report to you whether in our opinion the information given in the Trustees' Annual Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charity 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 trustees' remuneration and other transactions is not disclosed.

We read the Trustees' Annual 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 trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all 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 applicable to Smaller Entities of the state of the charity's affairs as at 31 December 2007, and of its incoming resources and application of resources, including its income and expenditure, in the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Trustees' Annual Report is consistent with the financial statements

Walker Thompson
Accountants & Registered Auditors
Empress House
43A Binley Road
Coventry
CV3 1HU

17 July 2008



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**Summary income and expenditure account
for the year ended 31 December 2007**

	2007 £	2006 £
Income		
Donations	75,317	75,188
Grants receivable from government and other bodies	199,600	172,472
Other income	622,431	645,267
	-----	-----
	897,348	892,927
	=====	=====
 Charitable expenditure		
Direct charitable expenditure	618,726	623,829
Management and administration	268,251	246,146
	-----	-----
	886,977	869,975
	=====	=====
 Operating surplus for the year	 10,371	 22,952
	=====	=====

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, if applicable.

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**Statement of financial activities (including summary income and expenditure account)
for the year ended 31 December 2007**

	Note	Unrestricted funds	
		2007 £	2006 £
Incoming resources			
Incoming resources from generated funds			
Voluntary income - donations		75,317	75,188
Activities for generating funds			
Grants receivable from government and other public bodies		199,600	172,472
Other income	4	616,073	637,237
Investment income and interest		6,358	8,030
Total incoming resources		<u>897,348</u> =====	<u>892,927</u> =====
Resources expended			
Charitable activities	5	618,726	623,829
Governance costs	6	268,251	246,146
Total resources expended		<u>886,977</u> =====	<u>869,975</u> =====
Net movement in funds		<u>10,371</u> =====	<u>22,952</u> =====
Fund balances brought forward at 1 January 2007		267,852	244,900
Net movement in funds		10,371	22,952
Fund balances carried forward at 31 December 2007		<u>278,223</u> =====	<u>267,852</u> =====

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

Page 18 gives details of changes in resources applied for fixed assets for charity use

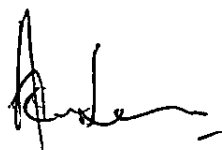
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Balance sheet
At 31 December 2007

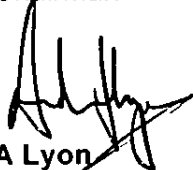
	Note	2007		2006	
		£	£	£	£
Fixed assets					
Tangible assets	9		5,426		10,785
Investments	10		1		-
			-----		-----
			5,427		10,785
Current assets					
Debtors	11	276,394		187,248	
Cash at bank and in hand		263,333		164,940	
		-----		-----	
		539,727		352,188	
Creditors:					
Amounts falling due within one year	12	266,931		95,121	
		-----		-----	
Net current assets			272,796		257,067
			-----		-----
Total assets less current liabilities			278,223		267,852
			=====		=====
Reserves					
Unrestricted funds			278,223		267,852
			=====		=====

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2007)

These financial statements were approved by the board of Trustees on 17 July 2008 and were signed on its behalf by -



A D Jones OBE
Chairman



A Lyon
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 convention and in accordance with the Financial Standard for Smaller Entities (effective January 2007). They have also been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities", published in 2005.

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

Any services received by the charity for no charge are 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.

Incoming resources

All incoming resources are included in the SOFA where the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Donated facilities are included at the value to the charity where this can be quantified and a third party is bearing the cost.

Basis of deferral of income

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

Notes (continued)

1. Principal accounting policies (continued)

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.

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

Tangible fixed assets costing more than £1,000 are capitalised and included at cost, including an incidental expenses at acquisition.

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.

Finance and Operating Leases

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred. Assets purchased under finance lease are capitalised as fixed assets. Obligations under such agreements are included in creditors.

Notes (continued)

	2007 £	2006 £
Opening deferred income	18,010	42,956
Income receivable	1,033,623	867,981
Closing deferred income	-154,285	-18,010
	<u>897,348</u>	<u>892,927</u>

	2007 £	2006 £
Operating lease rentals – other assets	20,448	20,448
Depreciation – owned assets	5,359	5,843
Auditors remuneration – audit services	4,984	4,900
– other services	4,100	3,497
	<u>34,891</u>	<u>34,688</u>

	2007 £	2006 £
Assessor training	80,163	66,887
Courses	250,589	207,017
Award entry fees	39,905	22,500
Winners' conference	47,334	37,288
Awards evenings	-	139,297
Investors in Excellence	187,747	148,815
Miscellaneous income	10,335	15,433
	-----	-----
	616,073	637,237
	=====	=====

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Notes (continued)

5. Charitable activities

	2007 £	2006 £
Staff costs	365,354	365,705
Motor and travel expenses	11,756	7,959
Newsletter costs	2,280	7,406
Course costs/training material	103,383	29,845
Printing, stationery and advertising	31,981	8,342
Awards evening	-	129,669
Winners' conference	38,226	33,795
Investors in Excellence	65,746	41,108
	-----	-----
	618,726	623,829
	=====	=====

6. Governance costs

	2007 £	2006 £
Staff Costs	156,580	156,730
Motor expenses	11,756	7,958
Insurance	2,835	2,470
Telephone	5,925	6,139
Sundry	3,858	2,141
Depreciation and Loss on Disposal	5,359	5,843
Bank charges	641	868
Professional fees	13,214	12,576
Website development	30,460	19,783
IT support	9,743	4,997
Audit fee	4,984	4,900
Office rent	20,448	20,448
Relationship Management	1,113	1,193
Bad Debts	1,335	100
	-----	-----
	268,251	246,146
	=====	=====

Insurance costs include £1,785 (2006 £1,785) relating to professional indemnity insurance for the year

Notes (continued)

7. Staff numbers and costs

	2007 £	2006 £
Wages and salaries	430,425	438,341
Social security costs	49,457	47,630
Pension costs	42,052	36,464
	-----	-----
	521,934	522,435
	=====	=====

The average number of employees during the year was 12 (2006 11) All employees have retirement benefits under money purchase schemes

Only one employee had earnings in excess of £60,000 pa (2006 1)

	2007	2006
£110,001 - £120,000	1	
£120,001 - £130,000		1

Pension contributions due to be paid at 31/12/07 were £6,001 (2006 £5,510)

8 Trustees' emoluments and expenses

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

Notes (continued)

9. Tangible assets

	Office Equipment £
Cost	
At 1/1/07	36,521

At 31/12/07	36,521
	=====
Depreciation	
At 1/1/07	25,736
Charge for period	5,359

At 31/12/07	31,095
	=====
Net book value	
At 31/12/07	5,426
	=====
At 31/12/06	10,785
	=====

All assets are used for charitable purposes

10. Fixed Asset Investments

	Unlisted Investments £
Cost	
Additions	1

At 31/12/07	1
	=====
Provisions	
Provision for period	-

At 31/12/07	-
	=====
Net book value	
At 31/12/07	1
	=====

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Notes (continued)

The Company's investments at the balance sheet date in the share capital of companies include the following

Investors in Excellence Limited

Nature of business business training and education

Class of shares	%
Ordinary	Holding 100 =====
	2007 2006 £ £
Aggregate capital and reserves	1 - ===== =====

The subsidiary commenced trading on 1 April 2008

11. Debtors

	2007 £	2006 £
Other debtors	255,730	183,181
Prepayments	20,664	4,067
	----- 276,394 =====	----- 187,248 =====

12. Creditors. Amounts falling due within one year

	2007 £	2006 £
Amounts due to subsidiary undertakings	1	-
Bank overdraft	-	1,119
Taxation and social security costs	50,877	24,777
Other creditors	43,381	15,884
Accruals and deferred income	172,672	53,341
	----- 266,931 =====	----- 95,121 =====

Deferred income comprises receipts in advance for activities in the following year of £154,285 (2006 £18,010)

Notes (continued)

13. 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 and services provided by the charity are charged at standard programme rates. In aggregate the income from these organisations in the year amounted to £332,103 (2006 £269,647)

Details of the more significant of the above transactions are as follows

Trustee	Organisation	Income	Balance @ 31/12/07
M F P Lavery	Advantage West Midlands	234,725	51,047 Dr
A D Jones OBE	GSL Group	27,705	12,242 Dr
D Farthing	E ON	23,014	1,144 Dr

Other arrangements

Investinex Ltd, a company registered in England, has four directors in common with this company but is not under common control and it operates throughout the United Kingdom

Management charges in respect of administrative expenses were charged to Investinex Ltd at £4,000. The year end net debtor was £4,700

Included in creditors at the year end is a loan from Investors in Excellence Limited with a balance of £1 (2006 £nil)

14 Operating lease commitments

The following annual operating lease payments are committed to be paid within one year

	2007 £	2006 £
Expiring		
Within one year – land and buildings	20,448 =====	20,448 =====

15. APB Ethical Standards – Provisions Available For Small Entities

In common with many other businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities, to assist with our bookkeeping and payroll procedures and with the preparation of the financial statements

Notes (continued)

16. Post balance Sheet Events

From 1 April 2008 a significant part of the company's income and expenditure has been transferred to a wholly owned subsidiary, Investors In Excellence Limited. The trading results of the subsidiary will be reported within the consolidated accounts of the company.

17 Controlling Party

The company is controlled by the trustees as a body and no single trustee has overall control.