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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	(Chairman)
EJ Roberts	(Deputy chairman)
I Nield	(Chief executive)
N Baldwin	
Dr RW Cliffe	
MC Gillespie	
C Hannah	
J Kirk	
C Merrick	
MJ Parker	
T Watts	
J Lockett	
B Duckworth	(appointed 9 October 2000)
A MacIennan	(appointed 19 March 2001)
M Laverty	(appointed 19 March 2001)
G Mackintosh	(appointed 19 March 2001)
J Layne	(appointed 19 March 2001)
R Bradnock	(appointed 19 March 2001)
G Burton	(appointed 19 March 2001)
V Cocker	(resigned 27 July 2000)
S Fullard	(resigned 19 March 2001)
KR Shergold	(resigned 19 March 2001)
D Preece	(resigned 1 March 2001)

Independent advisors are as follows:

Auditors

KPMG
2 Cornwall Street
Birmingham
B3 2DL

Bankers

HSBC
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 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 sponsorship and most of the founder sponsors are represented on the board of the charitable company. In addition, funding has been provided by Advantage West Midlands through the Competitiveness Development fund. We are delighted that nearly all of our original founder sponsors are continuing with their financial support and we have secured additional supporters this year.

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

Midlands Excellence organises and administers the annual Midlands Excellence 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 fourth award cycle was completed in November 2000 and nine companies received awards, including a new award recognising the organisation that has made the greatest impact on society in the region at a gala ceremony in Birmingham with 1,600 guests in attendance.

We trained 243 assessors in 2000 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 800 assessors have been trained by Midlands Excellence in the last three years and there is growing evidence that our training has a significant benefit for the companies which provide the assessors.

In addition, an annual Midlands Excellence Winners Conference is held in February each year and 500 delegates attended the extremely successful February 2001 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, 7,000 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 fifth awards cycle in October 2001 and intends to provide even more support and networking opportunities for Midlands based organisations in the coming period.

Ian Nield, our current chief executive, is seconded to Midlands Excellence by Lloyds TSB Bank PLC for two years and is scheduled to return to the bank at the end of the year. To enable the continuing development of Midlands Excellence we are recruiting a new chief executive and this appointment will be financed from Midlands Excellence resources. Midlands Excellence employs three 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 our organisation to make good progress in achieving the vision of Midlands Excellence.

Trustees' report *(continued)*

The Trustees believe Midlands Excellence has made significant progress this year 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 and improve upon our success in the future.

Finance

At the year end, total assets amount to £418,764 (2000: £334,697). Cash reserves at 30 June 2001 amounted to £355,255 (2000: £248,897).

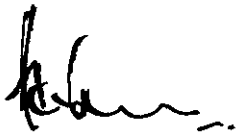
The Trustees are pleased with the strong financial position of Midlands Excellence. Income and expenditure have increased and this is a direct reflection of the success of the organisation. Cash reserves have increased and the charity has a much stronger unrestricted fund position than last year.

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

Auditors

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

Approved by the board of trustees on 15 October 2001 and signed on its behalf by:



A D Jones
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;
- 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 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 members 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 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. 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 2001 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
Chartered Accountants
Registered Auditors

30 October 2001

Income and expenditure account
for the year ended 30 June 2001

	2001 £	2000 £
Income of continuing operations		
Sponsorship	61,667	50,050
Grant receivable from government and other public bodies	30,000	32,000
Other income	339,710	297,623
	<hr/>	<hr/>
Total income of continuing operations	431,377	379,673
	<hr/>	<hr/>
Expenditure		
Direct charitable expenditure	328,203	291,262
Management and administration	54,957	39,281
	<hr/>	<hr/>
Total expenditure	383,160	330,543
	<hr/>	<hr/>
Net income for the year	48,217	49,130
	<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 2001

	<i>Note</i>	Unrestricted funds 2001 £	2000 £
Income and expenditure			
Incoming resources			
Sponsorship		61,667	50,050
Grants receivable from government and other public bodies		30,000	32,000
Other income	2	572,983	403,047
		<hr/>	<hr/>
Total incoming resources		664,650	485,097
Resources expended			
Direct charitable expenditure	3	422,469	380,149
Other expenditure			
Management and administration	4	193,964	55,818
		<hr/>	<hr/>
Total resources expended		616,433	435,967
		<hr/>	<hr/>
Net movement in funds		48,217	49,130
		<hr/>	<hr/>
Fund balances brought forward at 1 July 2000		160,483	111,353
Net movement in funds		48,217	49,130
		<hr/>	<hr/>
Fund balances carried forward at 30 June 2001		208,700	160,483
		<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 2001

	Note	2001	2000
		£	£
Fixed assets			
Tangible assets	6	9,747	6,764
Current assets			
Debtors	7	53,762	79,036
Cash at bank and in hand		355,255	248,897
		<u>409,017</u>	<u>327,933</u>
Creditors: Amounts falling due within one year	8	<u>(210,064)</u>	<u>(174,214)</u>
Net current assets		<u>198,953</u>	<u>153,719</u>
Total assets less current liabilities		<u>208,700</u>	<u>160,483</u>
Reserves			
Unrestricted funds		<u>208,700</u>	<u>160,483</u>

These financial statements were approved by the board of trustees on 15 October 2001 and were signed on its behalf by:



AD Jones
Trustee



I 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 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 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 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 objectives.

2 Other income

	2001 £	2000 £
Donations in kind	233,273	105,424
Assessor training	72,612	87,487
Courses	42,970	11,848
Newsletters	-	5,100
Bank interest	8,381	4,036
Award entry fees	10,745	6,250
Winners conference	39,383	37,284
Awards evening	160,892	139,986
Literature	4,696	5,352
Assessor Dinner	31	280
	<hr/> 572,983 <hr/>	<hr/> 403,047 <hr/>

Donations in kind

	2001 £	2000 £
Emoluments for services as trustee	67,878	65,507
Professional services	6,650	2,600
Website development	96,500	-
IT support	19,898	-
Audit fee	3,000	2,600
Course costs	26,388	23,380
Office rent	3,959	3,886
Postage	9,000	7,451
	<hr/> 233,273 <hr/>	<hr/> 105,424 <hr/>

Notes (continued)

3 Direct charitable expenditure

	2001 £	2000 £
Staff costs	107,383	76,378
Motor and travel expenses	2,359	3,112
Newsletter costs	2,848	9,142
Course costs/training material	123,979	99,351
Printing, stationery and advertising	14,201	34,598
Assessor dinner	9,093	10,081
Awards evening	134,913	119,765
Winners conference	27,693	27,722
	<hr/> 422,469 <hr/>	<hr/> 380,149 <hr/>

4 Management and administration

	2001 £	2000 £
Staff costs	40,897	25,365
Motor expenses	2,359	3,112
Insurance	1,951	1,799
Telephone	2,795	3,007
Sundry	378	3,429
Depreciation	3,055	1,848
Bank charges	690	547
Professional fees	7,150	2,600
Website development	96,500	-
IT support	19,898	-
Audit fee	3,000	2,600
Postage	9,006	7,625
Bad debts	2,326	-
Office rent	3,959	3,886
	<hr/> 193,964 <hr/>	<hr/> 55,818 <hr/>

Insurance costs include £1,650 (2000: £1,500) 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 LloydsTSB Bank plc for those people working for Midlands Excellence but not employed by the charitable company.

	2001 £	2000 £
Emoluments for services as trustee (donated in kind by LloydsTSB Bank plc)	67,878	65,507
Staff fee	20,472	19,939
Wages and salaries	55,985	15,937
Social security costs	3,945	360
	<hr/> 148,280 <hr/>	<hr/> 101,743 <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.

None of the trustees received any emoluments (2000: £Nil).

6 Tangible assets

	Fixtures, fittings and equipment £
Cost	
At beginning of year	9,240
Additions	6,038
	<hr/>
At end of year	15,278 <hr/>
Depreciation	
At beginning of year	2,476
Charge for year	3,055
	<hr/>
At end of year	5,531 <hr/>
Net book value	
At 30 June 2001	9,747 <hr/>
At 30 June 2000	6,764 <hr/>

All assets are for the use of Midlands Excellence.

Notes (continued)

7 Debtors

	2001 £	2000 £
Other debtors	47,122	76,049
Prepayments	6,640	2,987
	<u>53,762</u>	<u>79,036</u>

8 Creditors: Amounts falling due within one year

	2001 £	2000 £
Taxation and social security costs	7,897	20,456
Other creditors	50,886	11,658
Accruals and deferred income	151,281	142,100
	<u>210,064</u>	<u>174,214</u>

Deferred income comprises receipts in advance for the 2001 Midlands Quality awards and £55,833 relating to sponsorship received in advance.