

**Registered number: 01666027**  
**Charity number: 513149**

**Azure Charitable Enterprises**  
**(A company limited by guarantee)**

**Annual report**

**31 January 2023**

# **Azure Charitable Enterprises**

(A company limited by guarantee)

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# Azure Charitable Enterprises

(A company limited by guarantee)

## Reference and administrative details Year ended 31 January 2023

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<b>Trustees</b>	G P Barnard, Chair G W Robson, Treasurer & Vice Chairman R J Adams S J Hallowell (resigned 24 May 2023) I Hindle A E Kilburn (resigned 1 May 2022) J Wake J Moiser J A Robinson A Charlton (appointed 24 November 2022)
<b>Company registered number</b>	01666027
<b>Charity registered number</b>	513149
<b>Registered office</b>	McCallum House Kielder Avenue Cramlington Northumberland NE23 8JT
<b>Company secretary</b>	C Riley
<b>Chief executive officer</b>	P J Wilson
<b>Independent auditor</b>	UNW LLP Citygate St James' Boulevard Newcastle upon Tyne NE1 4JE
<b>Bankers</b>	Lloyds Bank plc Newcastle upon Tyne NE1 6AG
<b>Solicitors</b>	Muckle LLP 32 Gallowgate Newcastle upon Tyne NE1 4BF

# Azure Charitable Enterprises

(A company limited by guarantee)

## Trustees' report

Year ended 31 January 2023

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The trustees present their annual report together with the audited financial statements of the charity for the year 1 February 2022 to 31 January 2023. The annual report serves the purposes of both a trustees' report and a directors' report under company law. The trustees confirm that the annual report and financial statements of the charitable company comply with the current statutory requirements, the requirements of the charitable company's governing document and the provisions of the Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2019).

### Objectives and activities

#### • Policies and objectives

The geographic scope of the charity's operations has traditionally been confined to the North East of England, although this is not a policy limitation.

The overarching mission of the charity is to **"improve the lives of people who are disabled or disadvantaged"** with maximising independence, personal development and achievement being fundamental aims.

Azure's focus, given the nature of our clients' disabilities, is "distance travelled" rather than absolute outcomes, such as formal qualifications and which understands that our clients achieve progress on their own terms, and which is not readily measured against rigid educational frameworks or, indeed, across 'academic' terms or years.

These aims are achieved in a variety of ways that include the operation of trading businesses (Azure Garden Centre, Azure Business Centre, Azure Landscapes & Grounds Maintenance) and the delivery of Support (Care), Education and Employment services.

In setting objectives and planning for activities, the trustees have given due consideration to general guidance published by the Charity Commission relating to public benefit, including the guidance 'Public benefit: running a charity (PB2)'.

#### • Strategies and activities undertaking to achieve objectives

##### Trading businesses

The charity has established and operates a number of businesses, including supported businesses, which is defined as where more than 50% of the work-force have a disability, to generate income and to provide sustainable paid employment and real 'on the job' learning and training opportunities for people with a disability and which include Azure Garden Centre (incorporating our horticultural nurseries) and Azure Landscapes and Grounds Maintenance businesses.

##### Support services

The group's aim is to support clients to achieve autonomy, exercise their personal freedoms and make choices about the lives they lead. Our services are tailored to individual needs and are delivered in a flexible, personalised way to support all our clients including 24/7 if required.

Our staff are expert and experienced in mentoring and supporting the development of life-skills and assisting our clients to engage with the broader community. We work with each of our clients to understand and support their personal aspirations, their interests and their active participation in not only leisure and recreational activities but also employment opportunities.

As an organisation we are committed to delivering high quality care and support that affords our clients with a sense of continuity and accountability for all working practices and we are registered with the Care Quality Commission to provide personal care. Above all we are determined to protect and secure our clients' rights to high quality care and to ensure that our clients live happy and fulfilling lives.



# Azure Charitable Enterprises

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## Trustees' report (continued) Year ended 31 January 2023

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### Objectives and activities (continued)

Azure employs highly trained professional staff to support people with a disability to live in homes appropriate to their needs and to support them to live as independently as they are able.

The charity works closely with local authorities and partner organisations that provide homes for people with a disability whilst also providing an enabling service for clients to better access the community/community facilities and public amenities.

#### Education services

Working with local authorities and other partner organisations, the charity continues to develop a range of education pathways for students. Services are presently focused on providing programmes for those aged 16 and above in recognition of the fact that this client group is perhaps the least well served by mainstream education and, indeed 'special' or 'SEND' (Special Educational Needs and/or disabilities) schools and notwithstanding their best endeavours.

At Azure, our programmes are devised not only to support our students' personal development but also their social and employability skills. Employability is a key facet of each of our educational programmes (horticulture, catering and hospitality, retail and customer service) where each student has the opportunity to develop key skills and meaningful work experience by working in any of our businesses.

We endeavour to provide each of our students with progression opportunities within and outside of Azure and which now include Supported Internships, Apprenticeships, Supported Employment and Volunteering opportunities.

#### Employment services

Azure administers and operates, in accordance with demand, pre-employment, basic and key skills, information technology and vocational training courses so that clients may develop transferable work skills enabling disabled or disadvantaged people to find and secure sustainable employment.

Our work also includes supporting clients to overcome personal barriers to employment and support their personal development regardless of whether this is linked to specific (formal) qualifications or job outcomes. In co-operation with the Department for Work & Pensions (DWP) and local employers, clients are assisted to secure valuable work placements (including in our supported businesses) and sustainable employment.

Azure continues to be commissioned directly by DWP to provide these services and has, since 2020, sought to increase the scope and scale of our work with support from the North East Local Economic Partnership and European Social & Investment Fund and by working in partnership with the North East Autism Society.

#### Corporate (central) services

A variety of corporate functions are centralised and performed by a small, dedicated team that supports the charity to deliver services and operate the charity's constituent businesses. It also assures compliance with all legal and other requirements. Key functions include finance, administration, work force development, IT infrastructure, maintenance, janitorial and security.

The charity has established and operates a number of businesses, including supported businesses, which is defined as where more than 50% of the work-force have a disability, to generate income and to provide sustainable paid employment and real 'on the job' learning and training opportunities for people with a disability and which include Azure Garden Centre (incorporating our horticultural nurseries) and Azure Landscapes and Grounds Maintenance businesses.

# Azure Charitable Enterprises

(A company limited by guarantee)

## Trustees' report (continued)

Year ended 31 January 2023

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### Strategic report

#### Achievements and performance

##### • Main achievements of the charity

Notwithstanding the continued impact of Covid-19 and the challenges posed by the pandemic and other economic uncertainty, the management team is stable, flexible and has demonstrated a capability for innovation that will enable the Board of Trustees to embark, with confidence, on the next phase of the charity's development.

The scope and scale of their achievements this last year is a testament to their dedication and commitment to the charity and the communities we serve.

##### **Azure Business Centres Limited**

The business provides office space and business units for small and start up enterprises in Newburn in the North East. Occupancy at the centre is at a very satisfactory level generating a profit of £37k, before Gift Aid to the charity, in the year which is the same level as in 2022. The business contributes significant value to the group's balance sheet with both land/buildings, strong cash generation and by it gift- aiding any profit to the charity.

##### **Azure Garden Centre**

The charity's wholly owned retail subsidiary, Azure Garden Centre Limited, returned a profit this year of £412k, before Gift Aid to the charity, compared to a profit of £688k in 2022. The Garden Centre continues to fulfil its purposes of gainfully employing and training people with disability and by the gift aiding of any profit to the charity to support our broader charitable endeavours.

##### **Azure Landscapes and Grounds Maintenance**

The Landscapes department had a better year posting an operating surplus of £57k compared to a £56k surplus in 2021/22.

The team continues to secure additional work, creating and sustaining the employment of supported employees.

The landscapes operation continues to employ a large number of people with disability.

##### **Education and Training Services**

The Education Services department continues to develop new pathways and a new curriculum that incorporates Hospitality and Catering, Horticulture and will shortly also include Retail and Customer Service.

Learners have a range of learning difficulties or disabilities that may include:

- Attention deficit hyperactivity disorder (ADHD);
- Autism spectrum disorder (ASD);
- Obsessive-compulsive disorder (OCD);
- Epilepsy;
- Post-traumatic stress disorder (PTSD);
- Sight/Hearing impairment;
- Speech and language difficulties;
- Anxiety;
- Dyspraxia;
- Hypermobility; and
- Fine/gross motor skill difficulties.

# Azure Charitable Enterprises

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## Trustees' report (continued) Year ended 31 January 2023

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### Strategic report (continued)

#### Achievements and performance (continued)

As previously reported, the Hospitality and Catering programme launched in September 2020 and was supported by £250k capital investment in the creation of a new teaching kitchen (and which also attracted financial support from the Reece Foundation and the Molitor Charitable Trust).

Working with Northumberland County Council, recruitment to our education and training programmes 'Skill-builders' has increased, year on year, and for each of the last six years as below;

2016/17	6
2017/18	6
2018/19	9
2019/20	15
2020/21	23
2021/22	33
2022/23	41
2023/24	Pending*

The department is also working with 3 supported interns who are presently working in Azure's Garden Centre café.

\*At the time of writing we expect our Skill Builder enrolment in August to be circa 50-70 students depending on the number of students referred to new pathways in development in consultation with Northumberland County Council and North Tyneside Council.

Azure have also met with the latter to discuss the possibility of launching a new education and training centre (Skills-builder programme) at the Rising Sun Country Farm.

An employment advisor is also seconded (part time) to the department to work more extensively with students to plan and secure their progression destinations; this will include securing voluntary and work-placement opportunities for students, identifying suitable job opportunities and assisting students to apply for roles and prepare for interview. We will also undertake to support any employer that provides a progression destination for our students.

#### Employment Services

The number of people involved in the supported employment activities in its businesses (Corporate Services, Garden Centre, Nurseries, Landscaping business and Education Services) was 28 at the year end compared to 20 in 2022.

With regard to the department's Diversity NE programme, at the year end, there had been 172 referrals by the year end; 15 clients had been assisted to secure paid employment with a further 14 engaging in training to support their journey towards employment upon exiting the programme, these are in addition to many other clients who have been supported to access training during their time on provision.

The team are also supporting a number of economically inactive clients to actively job search.

# Azure Charitable Enterprises

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## Trustees' report (continued) Year ended 31 January 2023

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### Strategic report (continued)

#### Achievements and performance (continued)

The year also saw the department selected to work with Bridge Northumberland supporting clients with neuro-diverse conditions, assisting clients to progress their search for employment or training. To date, Azure has worked with 33 clients over a 6-month period and assisted 3 clients to gain paid employment; in addition, clients have been supported to secure job interviews, attend work placements and taster days, secure voluntary positions and participate in training.

More generally, clients have secured roles across the region with a range of employers that included:

- Active Northumberland – Gym Instructor
- Atom Technologies – Service Desk Engineer
- Azure – Café Assistant
- Azure - Garden Centre Assistant
- Azure - Landscapes Assistant
- Azure - Nurseries Assistant
- Countrystyle Foods – Hygiene Operative
- Edge North East CIC – Youth Support Worker
- Healthwatch North Tyneside – Business Support Officer
- Iceland – Store Assistant
- JD Plc – Warehouse Operative
- Mitie – Cleaner
- Northumbria NHS Foundation Trust – Medical Laboratory Assistant
- Northumbria NHS Foundation Trust - Service Desk Analyst
- Northumbria Police – Administrator
- Pareda - Administrator
- Percy Hedley – Lunchtime Assistant
- Pyrocel – Apprentice Business Administrator
- Tesco – Colleague

#### Support Services

Support Services provides a range of care services to individuals with disabilities in the North East region. The company's residential based work in the housing departments of Cramlington, Washington, Tynedale, and Newcastle, as well as its enabling support activity around the North East, are of the highest quality and are regularly verified by third party inspections. The funding stream mix is complex and variable, but it allows the company to continue providing high-quality support services to those who need it most.

#### Residential Care:

Support Services provides residential care support to individuals with disabilities in two homes in Washington; at the end of the year, 11 residents were being supported in the homes through this service. The quality of the support provided is regularly verified by third party inspections to ensure that it meets the highest standards of care.

The plan moving into year 2023 to 2024 is that the two homes will be deregistered and re-registered as independent supported living homes.

#### Supported Living:

In addition to residential support, Support Services also provides Supported Living services in Newcastle and Tynedale. This service enables individuals with disabilities to live independently in their own homes with the necessary support provided by trained professionals. This service allows individuals to have more control over their lives and live with greater independence.

At the end of the year, 62 residents were being supported through the service.

# Azure Charitable Enterprises

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## Trustees' report (continued)

Year ended 31 January 2023

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### Strategic report (continued)

#### Achievements and performance (continued)

##### Enabling Support:

Support Services also provides enabling support services to people with disabilities throughout the North East region. This service supports individuals with disabilities to access the community, participate in social activities, and live more independently.

At the end of the year, 70 service users were receiving support through the Community Access enabling service.

##### **Corporate (Central) Services**

Central Services provides a wide variety of necessary functions to facilitate the work of the organisation as a whole and to ensure all legalities are complied with.

Central Services have had a year of consolidation, with particular focus on strengthening timely and in depth management reporting, and developing skills within the team in order to support the charity during future periods of growth.

#### Financial review

As reported last year, Local Authority fees (for Support and Day Services) still do not reflect the real terms increase in pay costs (including the National Living Wage) and overheads which has prompted increasing numbers of service providers across the UK to hand back services or otherwise decline to provide these services.

We are aware that a number of care providers have been and continue to be (financially) compromised by the fact that they have been and are delivering services at operational deficit and/or have been supporting the delivery of services from their reserves.

This continues to drive an increased number of privately owned care businesses being offered (to Azure) for sale; to date, we have yet to receive an invitation to purchase what we would consider a 'financially viable' business. Fee rates for 'day services' continue to prompt some of the most notable service providers (in the region) to withdraw services on the basis that they are no longer economic to provide.

The charity has struggled for a number of years to recruit Support Staff and continued to be overly reliant on Agency staff to support the delivery of Support Services which have required the charity to incur additional levels of expenditure.

Whereas a number of the charity's trading businesses, while providing a much-valued source of employment for our clients, have historically posted operating deficits, this is no longer the case.

The improved financial performance of the group has allowed the charity to create a 'Charitable Reserve' as a safeguard against financial and operational uncertainties and (in 2022/23) to improve pay and remuneration across the group as we endeavour to become a Real Living Wage Employer.

In 23/24, we have now committed to Support Services becoming a Real Living Wage Employer – whereas fees from Northumberland County Council and latterly Sunderland City Council (only recently agreed) support this initiative, fee rates from other Authorities would otherwise frustrate this ambition.

Through the re-development of the Cramlington site, we are determined to ensure that all employees benefit from not less than the Real Living Wage.

# Azure Charitable Enterprises

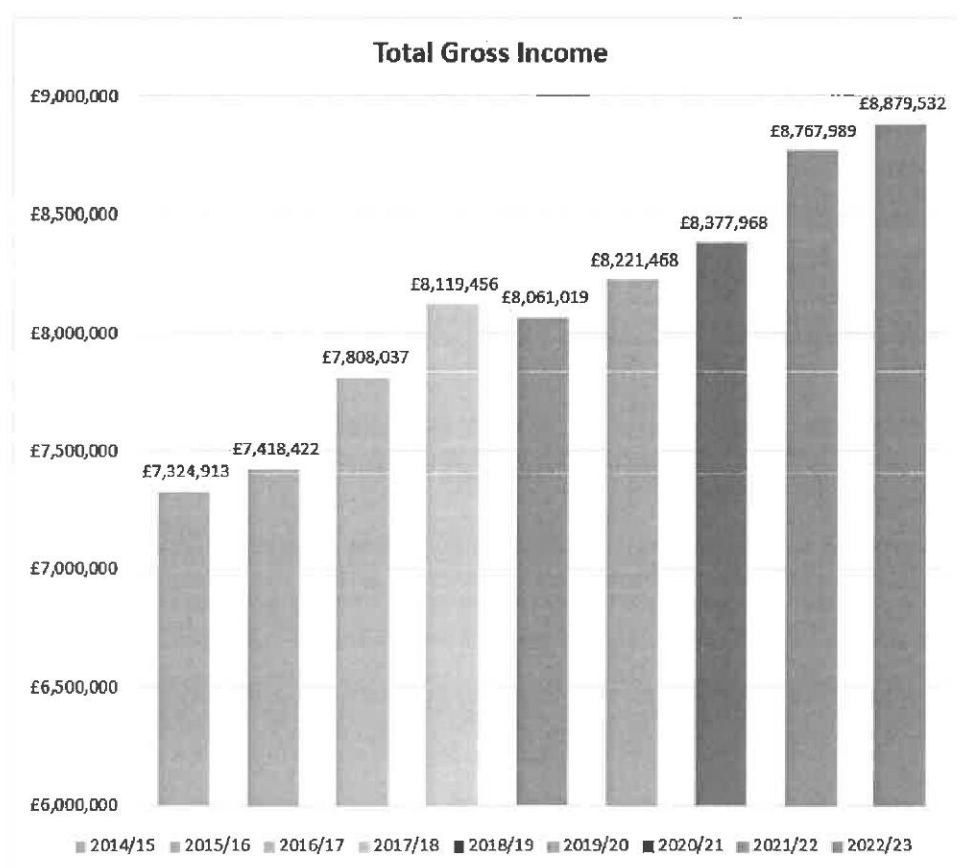
(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 January 2023

Brexit and the Covid-19 pandemic notwithstanding, during the last 12 months the charity has continued to deliver commercial business and an outstanding array of services (Support Services, Education & Employment Services) in the most challenging of circumstances.

The Garden Centre, Business Centre and our Landscapes department continue to perform well supporting the delivery of a very healthy operating surplus; the delivery of Commissioned Services (Adult Care services to Local Authorities) remains challenging as Local Authority fee rates have failed to keep pace with inflation in (real terms) and for many years and where the delivery of services has and/or is becoming increasingly 'marginal' with services returning operating deficits i.e. where real costs of delivery exceed the fee income from Local Authorities and which are generally calculated to support the employment of Support Staff at no more than the National Living Wage rate in any event.

This, in our considered opinion, continues to debase and devalue the work of our staff (and which continues to frustrate staff recruitment and retention).



In 21/22 and again in 22/23, the Board of Directors approved proposals to subsidise Support staff salaries from Azure's earned income (given the forecast cost-of-living crisis which national and local government policy has done little to address). As reported last year, this position is clearly not sustainable in the medium to long term and could compromise Azure's financial health and viability if sustained.

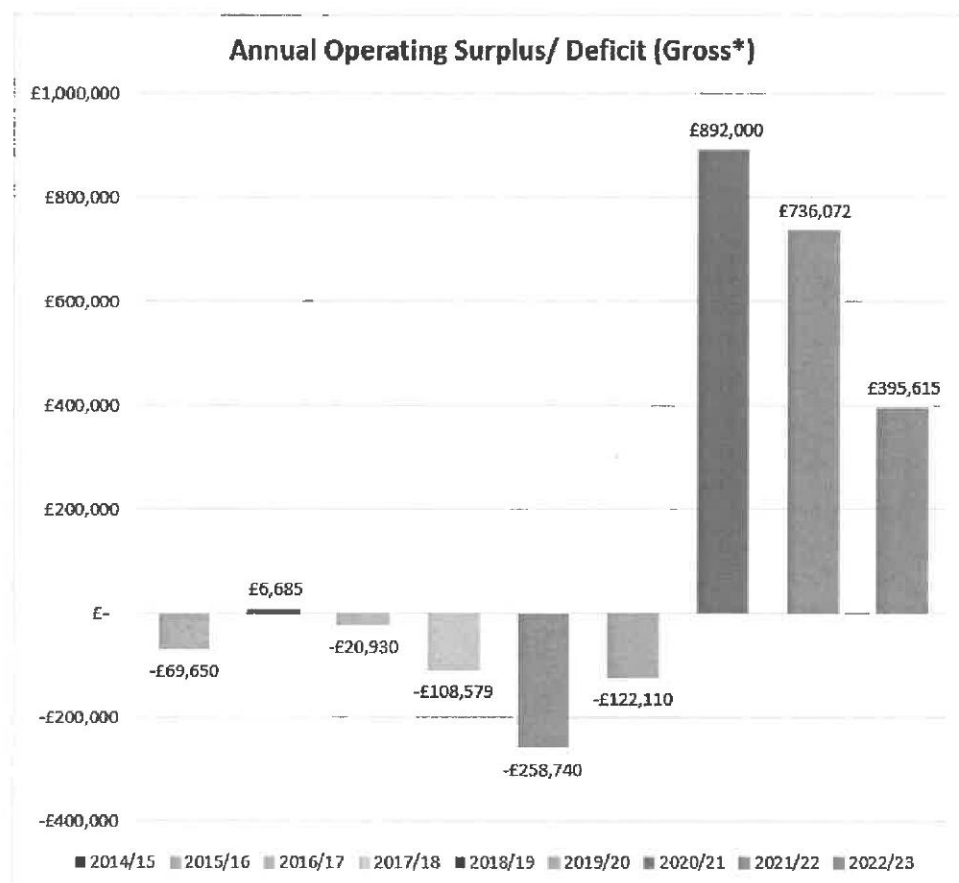
In 23/24 the Board approval proposals to pay all Support Staff not less than the Real Living Wage and notwithstanding the fact that fee rates from Local Authorities have not been improved to support this. This is only possible by virtue of the fact that the group continues to deliver an operating surplus.

## Azure Charitable Enterprises

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### Trustees' report (continued)

Year ended 31 January 2023



\*Excluding exceptional costs (see below)

The Board of Directors are mindful that Azure was founded to provide added-value in our communities and to enhance to the delivery of services; it is not Azure's role to subsidise the delivery of local authority obligations and we are determined to ensure that Azure's improved financial performance and resources are devoted to the former. With our Operating Surplus returning to what we could consider a 'healthy' and, most importantly, sustainable pre-pandemic baseline our focus remains on the development and sustainability of services.

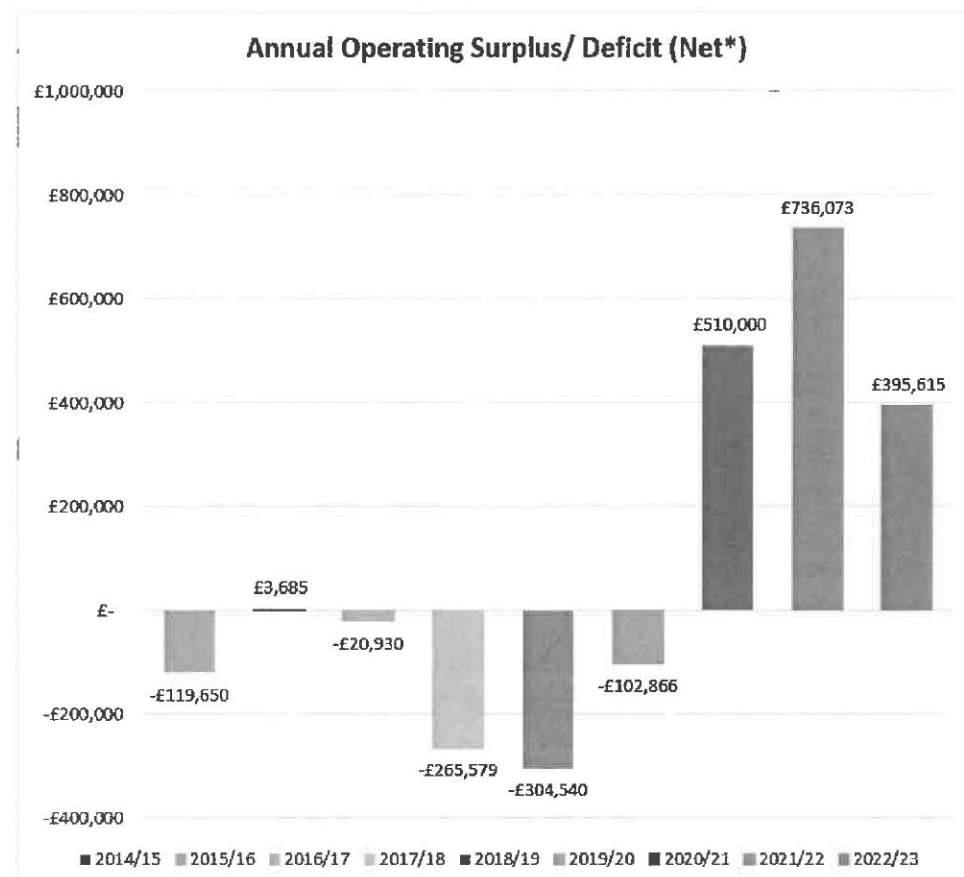


## Azure Charitable Enterprises

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### Trustees' report (continued)

Year ended 31 January 2023



\*As illustrated above, consolidating on work commenced in 18/19 designed to stem operating deficits and restore the charity's financial health and long term viability that included a number of exceptional costs including a £400k emergency loan to support restructuring costs (and, subsequently, a £300k investment in the Garden Centre Café and the creation of a new teaching facility) the charity posted a net operating surplus of £510k in 20/21, £736k in 21/22 and £395K in 22/23. This sustained performance has also allowed the charity to establish a charitable reserve.

The delivery of much-needed Employment Services is contingent on securing funds or service contracts for the delivery of the same. Supported Employment and our Supported Business status remains dependent on the trading performance of our 'ventures' i.e., Garden Centre, Business Centre and Landscaping businesses – and the patronage of local/regional organisations.

While we are most grateful to our ambassador organisations (Karbon Homes, Anchor Housing, Miller and Coca Cola) we remain disappointed that so many organisations in the region remain ambivalent to our objectives and especially those which have provided assurances of their support but struggle to translate their 'warm words' into action and notwithstanding the sums of money they expend to express their commitment to the region/society.

Demand and interest in our Education Services continues to exceed expectations with McCallum House being adapted still further to accommodate additional students and with staff, in all likelihood, to be operating from temporary buildings (portakabins) situated in the McCallum House car park. We expect demand to exceed capacity in September 2023 which will underpin the design and redevelopment of the Cramlington site (see below).



# Azure Charitable Enterprises

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## Trustees' report (continued) Year ended 31 January 2023

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The charity will continue to be a strong advocate for those we support and their families, challenging inequality and to make concerted efforts to shape policy (national and local) by working more collaboratively with other services providers - particularly as regards 'strategic commissioning' and budget setting (for the provision of support services) in/by Local Authorities with the aim of supporting improved pay and conditions for our Support Services staff.

To this end, the Board of Directors and the Executive are committed to working locally, regionally and nationally to ensure that the work of Adult Care staff is more widely understood, acknowledged and properly valued.

### ● Reserves policy

In order to safeguard the charity's financial stability, the board have analysed the risks which could impact the cash flow of the business, and have agreed a reserves amount of £200k. The charitable reserves policy is designed to cover the short term (12 month) cash requirements arising from a reduction in income or additional expenses. It is expected that cash requirements after 12 months from such events would be covered by operational changes or funding arrangements. The risk of a reduction in retail sales poses the greatest threat to short term cash flow. Other significant risks identified by the board would be addressed through operational changes.

### ● Material investments policy

The charity funds are controlled by the directors, who also act as trustees, who invest with a view to safely optimising annual investment income while maintaining capital growth in line with market trends.

The trustees can invest any sums or investments received by them which they are by law authorised to invest money (including trading subsidiaries), with power from time to time to change for others of a like nature.

### ● Principal risks and uncertainties

The charity has a comprehensive risk review process and this is fully updated every year. The resultant risk analysis is considered by the Audit and Risk Committee in the first instance then is taken to the Board for approval.

With respect to Health and Safety, a senior manager is the charity's safety advisor and safety representatives are appointed in the various areas of the organisation. The Board has a member nominated to have a special responsibility for Health and Safety and that member meets with management as appropriate. The Board receive regular reports on health and safety matters (including accident and "near miss" statistics).

With the onset of the Covid pandemic Handelsbanken facilitated a postponement to the outstanding loan capital repayments for the year; the charity's existing borrowings were consolidated and will be discharged in full by the end of October 2023.

The trustees are satisfied that the systems and procedures in place are sufficient to adequately mitigate identified risks to an acceptable level in the charity's day-to-day operations.

The financial statements which have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP FRS102) conform to current statutory requirements and comply with the charitable company's governing documents.

# Azure Charitable Enterprises

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## Trustees' report (continued)

Year ended 31 January 2023

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### • Going concern

The results for the year leave the charitable group with a net asset position of £4,417,050 (2022: £4,021,435). At the year end, the group had a net current asset position of £1,439,443 (2022: £1,056,202).

This is a much-improved position on the previous year end and gives confidence that the group is in a much more positive position with sufficient cash to meet its current and future obligations.

The charity's forecasts and projections for the next twelve months show that the charity should be able to continue in operational existence for that period, taking into account reasonable possible changes in trading performance and the potential impact on the possible future scenarios arising from the impact of Covid-19. This also considers the effectiveness of available measures to assist in mitigating the impact.

The charity and its trading subsidiaries have strong positive cash balances and is forecasting for this to continue to be the case. The trustees have stress-tested their forecasts, taking into account various scenarios, and remain confident that while the economic uncertainties remain (principally those associated with Brexit and Covid-19), they do not cast significant doubt on the company's ability to continue as a going concern.

### • Fundraising policy

The charity is required to report how it deals with fundraising from the public. The charity does not use a professional fundraiser or commercial participator to raise funds. Any monies raised directly from the public follows all guidelines set out by the Charity Commission and UK law in every respect. We respect the privacy and contact preferences of all public donors.

## Structure, governance and management

### • Constitution

The organisation is a charitable company limited by guarantee, incorporated on 21st September 1982 and registered as a charity on 13th October 1982.

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

In the event of the charitable company being wound up members are required to contribute an amount not exceeding £1 each.

The governing instruments were most recently revised on 30th June 2010 at the charity's Annual General Meeting.

### • Methods of appointment or election of trustees

The management of the group and the charity is the responsibility of the trustees who are elected and co-opted under the terms of the Memorandum of Association.

Any trustee vacancies which arise are filled by search with due regard to maintaining a proper balance of skills and experience within the Board.

All appointments are subject to the approval by members at a General Meeting. With the notice of such meeting, members are provided with a profile of prospective new trustees and equivalent information for any trustee offering themselves for re-election. Additionally, a full attendance record is made available to Members.

# Azure Charitable Enterprises

(A company limited by guarantee)

## Trustees' report (continued) Year ended 31 January 2023

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### Structure, governance and management (continued)

#### ● Organisational structure and decision-making policies

The charity is governed by its Board of Trustees who are the appointed directors of the company. The number of trustees at present is 9 with the requirement being that the number is not less than 6 nor more than 20. Trustees are elected to serve 3-year terms, retire by rotation and are able to stand for re-election.

At the 2023 Annual General Meeting, Graham Barnard and Robin Adams retire by rotation (under Article 29) and being eligible, offer themselves for re-election.

Angela Charlton, being a new member of the board appointed December 2022, offers herself for re-election (under Article 34).

The trustees meet as a norm not less than six times a year. They receive regular, detailed management accounts, including cash flow projections as well as reports on operational activities every month. They regularly receive presentations and reports on any major developments or proposals. They participate in the strategic planning process and have ultimate responsibility.

#### ● Policies adopted for the induction and training of trustees

New trustees are provided with a proper induction process and all relevant papers and guidance to properly fulfil their responsibilities. While this was challenging during the pandemic, we are pleased to welcome new members to the Board. Briefing papers and familiarisation training is provided for all trustees, as deemed necessary.

#### ● Pay policy for key management personnel

The key management personnel are those listed in note 11 of these financial statements. In addition to their own attendance at the formal Board meetings, the Chief Executive, Operations Director and Director of Corporate Services meet together with other management as needed, to address all relevant operational issues.

The remuneration of the key personnel is determined by the Remuneration Committee, with due reference to the Finance Committee and the budget agreed by the Board and from which the Chief Executive is excluded in relation to discussion of his remuneration. The Committee is guided by a formal report which sets out all available relevant information which includes legislative obligations, best available benchmark data in relation to salaries and settlement levels, internal differentials, recruitment difficulties, the recent settlement history at Azure, the proposed costs and ability to pay.

# Azure Charitable Enterprises

(A company limited by guarantee)

## Trustees' report (continued)

Year ended 31 January 2023

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### Structure, governance and management (continued)

#### • Board Sub Committees

The Board of trustees has four special sub-committees which assist the Board:

A **Corporate Services Committee**, consisting of three members of the Board and chaired by the Treasurer, meets 6 times a year to support the Board to establish and implement policies, procedures and controls to facilitate financial governance, which includes financial planning, budget approvals, expenditure approvals and financial reporting. The Committee:

- Functions in conjunction with the Board and the Executive on major areas of change, innovation and development;
- Undertakes tasks delegated by the Board that are within the Committee's terms of reference;
- Reviews and comments upon management accounts and financial forecasts;
- Considers the financial implications of proposals for areas of major new strategic development on behalf of the Board and makes recommendations to the Board in respect of their suitability;
- Maintains an overview of financial performance; and
- Reviews the Trust's financial policies, including its financial reserves policy, and comments upon proposed changes before making recommendations to the Board.

Decisions are ultimately the responsibility of the Trustee members of the Committee, and in reaching their decisions and recommendations they will, so far as possible, take account of the views of the executive directors and any co-opted advisors.

The **Audit and Risk Committee** consisting of three members of the Board meets twice a year to support the Board and Accounting Officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report. The Committee:

- Keeps a watching brief and provides advice, where appropriate, on potential and actual financial opportunities and threats;
- Assists the Board identify the Trust's major risks and developing appropriate approaches to risk management. This includes periodic reviews of the charity's insurance cover;
- Oversees the process for appointing the external auditor, approving the audit fee, considering any questions of resignation or dismissal of the external auditor, and making recommendations to the Board;
- Discusses with the external auditor, before the audit commences, the nature and scope of the audit;
- Meets once a year, or part thereof, with the external auditor without management present;
- Reviews the annual audited financial statements before submission to the Board focusing particularly on any changes in accounting policies, major areas of judgement, significant adjustments resulting from the audit, compliance with charity legal requirements and financial reporting standards, and presentation of the accounts from a non-financial perspective;
- Discusses with the auditor matters arising from the audit;
- Reviews policy and procedures in respect of internal financial controls ; and
- Reports periodically to the Board.

The trustee members of the Audit and Risk Committee, as a norm, do discuss matters in private with the external auditors with no management present at the end of every Audit and Risk Committee meeting.

# Azure Charitable Enterprises

(A company limited by guarantee)

## Trustees' report (continued)

Year ended 31 January 2023

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### Structure, governance and management (continued)

The **Services Committee** consisting of three members of the Board, the Chief Executive and Heads of Service shall meet at least twice each year to review the nature and scope of services, quality of services and opportunities for development to support the development of strategy and plans. The broad role of the Committee is to provide help and advice to the Board of Trustees relating to the development and delivery of services (including regulated services) provided by Azure under contract to Government Departments, Executive Agencies (e.g. ESFA), Local Authorities, etc, and which presently include: (i) Adult Social Care (i.e. 'Support Services'), (ii) Education & Training Services and (iii) Employment Services (including 'Supported Business').

More specifically, the Committee will:

- Review the achievement and maintenance of high standards of teaching, learning and assessment (Education Services);
- Assess the nature, level of support and client impact (for Support Services and Employment Services clients);
- Provide a forum for the Board of Trustees and Senior Managers to test new ideas relating to the development and delivery of services including assessments of their effectiveness;
- Monitor the outcomes of Azure's quality assurance system regarding learner and/or client experiences, including destinations, satisfaction surveys and complaints;
- Receive, consider and monitor Azure's Self-Assessment Reports and the associated Action Plans, to include the effectiveness of quality control of all services and report appropriately to the Board;
- Monitor Azure's development and compliance with all policies and procedures regarding equality of opportunity and diversity;
- Receive reports of formal internal inspections of areas of Support Services, Education & Training and Employment services and the associated action plans and consider them in the context of each service's strategy;
- Receive and consider reports detailing student/client recruitment, retention and progress including changes to the profile of recruitment and report to the Board on their potential significance for the charity's Curriculum and/or Financial Strategy; and
- Receive and consider reports on any other quality requirements identified by the CQC, OFSTED or other inspectorate or funding body.

The **Remuneration Committee** consisting of three members of the Board meets at least once each year to ensure that Azure's Pay and Reward strategy and policies attract and motivate staff to achieve the long-term interests of the charity and deliver services to communities we serve. More specifically, the Committee is responsible for and the scope of:

- Annual cost of living or performance related awards;
- The remuneration of the chief executive and senior staff;
- Ensuring the policy and application of the remuneration policy is equitable, fair and transparent; and
- Overseeing any major changes in employee benefits structures throughout the organisation.

### ● Financial risk management

The trustees have assessed the major risks to which the group and the charity are exposed, in particular those related to the operations and finances of the group and the charity, and are satisfied that systems and procedures are in place to mitigate exposure to the major risks.

# Azure Charitable Enterprises

(A company limited by guarantee)

## Trustees' report (continued)

Year ended 31 January 2023

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### Structure, governance and management (continued)

#### • Day to day management

Day to day management of the charity and its constituent businesses and services is vested in a professional team led by the charity's Chief Executive.

The Chief Executive meets regularly with the Chair of the Board of Trustees, in addition to the formal meetings, and appraises the Chair of any significant issues as they may arise between meetings.

The Chief Executive, Operations Director, Director of Corporate Services and Company Secretary attend the Board meetings, along with senior post-holders by rotation, but there is proper provision for the Board to discuss any matter without management attendance when they so wish.

#### Plans for future periods

The charity has no plans at the present to radically alter the mix of ongoing activity, nor to change the focus of the charity. The charity has, however, had cause to review how the charitable Objects are expressed and consider they would benefit from further definition to expressly recognise that 'disability', and our work performed, has come to include those with special educational needs or education and health care plans (EHCPs) and those who are otherwise disadvantaged (e.g. may be suffering from debilitating mental health conditions) and who are at risk of social and/or economic exclusion in order to confirm that this is within the charity's compass. The Board will revert/report to the members later this year.

The trustees and management are committed to a process of continuous improvement to optimise both the financial performance and the activities of the charity and its subsidiaries.

It is envisaged that the difficult economic conditions will continue with the potential to affect all departments. The charity is however concerned about the need to protect itself from the 'seasonality' and associated risks to Garden Centre revenues, which remain weather dependant. This has therefore prompted the preparation of plans to expand the garden centre to increase and diversify its income streams.

Planning permission has now been granted to redevelop the Garden Centre site in Cramlington with the proposals including;

- increasing the retail area to accommodate additional concessions and to support more direct sales;
- creating additional warehousing immediately adjacent to the retail area;
- creating a new Business Centre which will again support the generation of additional income;
- creating a new education centre that includes new classrooms and teaching spaces to support the expansion of our education and training offer; and
- enabling the redevelopment of McCallum House (\*) and the remainder of our site in Cramlington.

\* The charity has received interest from other businesses/organisations that would be interesting in leasing McCallum House, however, at the time of writing the Board and management are exploring how the building may be developed to support the delivery of additional services (including education and day services for clients).

An organisation wide costs control strategy exists with close scrutiny of all discretionary spending.

The trustees have approved a budget for the forthcoming year consistent with these comments and the charity's overall strategic plan.



# Azure Charitable Enterprises

(A company limited by guarantee)

## Trustees' report (continued)

Year ended 31 January 2023

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### Disclosure of information to auditor

Each of the persons who are trustees at the time when this trustees' report is approved has confirmed that:

- so far as that trustee is aware, there is no relevant audit information of which the charitable group's auditor is unaware, and
- that trustee has taken all the steps that ought to have been taken as a trustee in order to be aware of any relevant audit information and to establish that the charitable group's auditor is aware of that information.

### Auditor

The auditor, UNW LLP, has indicated his willingness to continue in office. The designated trustees will propose a motion reappointing the auditor at a meeting of the trustees.

Approved by order of the members of the board of trustees on 26 May 2023 and signed on their behalf by:



**G P Barnard**  
Chair

## Azure Charitable Enterprises

(A company limited by guarantee)

### Statement of trustees' responsibilities

For the year ended 31 January 2023

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The trustees (who are also the directors of the charity for the purposes of company law) are responsible for preparing the trustees' report including the strategic report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year. Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the charity and of their incoming resources and application of resources, including their income and expenditure, for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP (FRS 102);
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) 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 group will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the group and the charity's transactions and disclose with reasonable accuracy at any time the financial position of the group and the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by order of the members of the board of trustees on 26 May 2023 and signed on its behalf by:



**G P Barnard**  
Chair





## **Independent Auditor's Report to the members of Azure Charitable Enterprises**

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### **Opinion**

We have audited the financial statements of Azure Charitable Enterprises (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 January 2023 which comprise the consolidated statement of financial activities, the consolidated balance sheet, the charitable company balance sheet, the consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('United Kingdom Generally Accepted Accounting Practice').

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 January 2023 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.



## **Independent Auditor's Report to the members of Azure Charitable Enterprises (continued)**

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### **Other information**

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

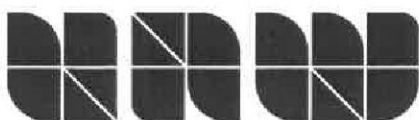
- the information given in the trustees' report including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the trustees' report and the strategic report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report including the strategic report.

We have nothing to report in respect of the following matters in relation to which Companies Act 2006 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



## **Independent Auditor's Report to the members of Azure Charitable Enterprises (continued)**

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### **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

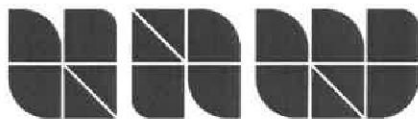
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified areas of law and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience and through discussions with the trustees and other management (as required by Auditing Standards) and from inspection of the group's legal correspondence and we discussed with the trustees and other management the policies and procedures in place regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our audit team and remained alert to any indications of non-compliance throughout the audit.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect; health and safety, safeguarding, employment law, data protection and certain aspects of company legislation, recognising the nature of the group's activities. Auditing Standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the trustees and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we did not become aware of any actual or suspected non-compliance material to the financial statements.



## **Independent Auditor's Report to the members of Azure Charitable Enterprises (continued)**

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Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company'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 charitable company and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Michael Morris FCA FCCA (Senior Statutory Auditor)  
for and on behalf of UNW LLP, Statutory Auditor**

Chartered Accountants  
Newcastle upon Tyne

26 May 2023

## Azure Charitable Enterprises

(A company limited by guarantee)

### Consolidated Statement of financial activities (incorporating income and expenditure account)

For the year ended 31 January 2023

	Note	Unrestricted funds 2023 £	Restricted funds 2023 £	Total funds 2023 £	Total funds 2022 £
<b>Income from:</b>					
Donations and legacies	4	8,277	3,600	11,877	6,491
Charitable activities	5	4,979,943	-	4,979,943	4,553,951
Other trading activities	6	3,887,712	-	3,887,712	4,207,443
Other income		-	-	-	105
<b>Total income</b>		<b>8,875,932</b>	<b>3,600</b>	<b>8,879,532</b>	<b>8,767,990</b>
<b>Expenditure on:</b>					
Raising funds	7	3,414,311	-	3,414,311	3,422,717
Charitable activities	8	5,066,006	3,600	5,069,606	4,609,200
<b>Total expenditure</b>		<b>8,480,317</b>	<b>3,600</b>	<b>8,483,917</b>	<b>8,031,917</b>
<b>Net movement in funds</b>		<b>395,615</b>	<b>-</b>	<b>395,615</b>	<b>736,073</b>
<b>Reconciliation of funds:</b>					
Total funds brought forward		4,021,435	-	4,021,435	3,285,362
Net movement in funds		395,615	-	395,615	736,073
<b>Total funds carried forward</b>	19	<b>4,417,050</b>	<b>-</b>	<b>4,417,050</b>	<b>4,021,435</b>

The consolidated statement of financial activities includes all gains and losses recognised in the year.

The notes on pages 27 to 46 form part of these financial statements.

# Azure Charitable Enterprises


(A company limited by guarantee)

## Consolidated balance sheet At 31 January 2023

	Note	2023 £	2022 £
<b>Fixed assets</b>			
Tangible assets	13	2,977,607	3,030,280
		<u>2,977,607</u>	<u>3,030,280</u>
<b>Current assets</b>			
Stocks	15	494,783	495,207
Debtors	16	702,400	575,285
Cash at bank and in hand		993,024	1,077,274
		<u>2,190,207</u>	<u>2,147,766</u>
Creditors: amounts falling due within one year	17	(750,764)	(1,091,564)
<b>Net current assets</b>		<u>1,439,443</u>	<u>1,056,202</u>
<b>Total assets less current liabilities</b>		<u>4,417,050</u>	<u>4,086,482</u>
Creditors: amounts falling due after more than one year	18	-	(65,047)
<b>Total net assets</b>		<u><u>4,417,050</u></u>	<u><u>4,021,435</u></u>
<b>Charity funds</b>			
Restricted funds	19	-	-
Unrestricted funds	19	4,417,050	4,021,435
<b>Total funds</b>		<u><u>4,417,050</u></u>	<u><u>4,021,435</u></u>

The trustees acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of financial statements.

The financial statements were approved and authorised for issue by the trustees on 26 May 2023 and signed on their behalf by:



**G W Robson**  
Treasurer & Vice Chairman

The notes on pages 27 to 46 form part of these financial statements.

# Azure Charitable Enterprises

(A company limited by guarantee)

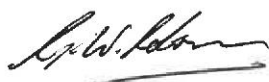
## Balance sheet At 31 January 2023

	Note	2023 £	2022 £
<b>Fixed assets</b>			
Tangible assets	13	2,202,125	2,200,570
Investments	14	2	2
		<u>2,202,127</u>	<u>2,200,572</u>
<b>Current assets</b>			
Debtors	16	1,002,604	473,874
Cash at bank and in hand		395,016	111,438
		<u>1,397,620</u>	<u>585,312</u>
Creditors: amounts falling due within one year	17	(814,807)	(657,270)
<b>Net current assets/(liabilities)</b>		<u>582,813</u>	<u>(71,958)</u>
<b>Total assets less current liabilities</b>		<u>2,784,940</u>	<u>2,128,614</u>
Creditors: amounts falling due after more than one year	18	-	(65,047)
<b>Total net assets</b>		<u><u>2,784,940</u></u>	<u><u>2,063,567</u></u>
<b>Charity funds</b>			
Restricted funds	19	-	-
Unrestricted funds	19	2,784,940	2,063,567
<b>Total funds</b>		<u><u>2,784,940</u></u>	<u><u>2,063,567</u></u>

The charity's net movement in funds for the year was £721,373 (2022 - £480,684).

The trustees acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of financial statements.

The financial statements were approved and authorised for issue by the trustees on 26 May 2023 and signed on their behalf by:



**G W Robson**  
Treasurer & Vice Chairman

Company registered number: 01666027

The notes on pages 27 to 46 form part of these financial statements.

## Azure Charitable Enterprises

(A company limited by guarantee)

### Consolidated statement of cash flows For the year ended 31 January 2023

	Note	2023 £	2022 £
<b>Cash flows from operating activities</b>			
Net cash used in operating activities	21	97,473	640,718
<b>Cash flows from investing activities</b>			
Proceeds from the sale of tangible fixed assets		-	105
Purchase of tangible fixed assets		(94,471)	(34,045)
<b>Net cash used in investing activities</b>		(94,471)	(33,940)
<b>Cash flows from financing activities</b>			
Repayments of borrowing		(86,729)	(122,371)
Repayments of finance leases		(523)	(9,240)
<b>Net cash used in financing activities</b>		(87,252)	(131,611)
<b>Change in cash and cash equivalents in the year</b>		(84,250)	475,167
Cash and cash equivalents at the beginning of the year		1,077,274	602,107
<b>Cash and cash equivalents at the end of the year</b>	22	993,024	1,077,274

The notes on pages 27 to 46 form part of these financial statements



# Azure Charitable Enterprises

(A company limited by guarantee)

## Notes to the financial statements For the year ended 31 January 2023

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### 1. General information

The charitable company is a company limited by guarantee. The members of the charitable company are the trustees named on page 1. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the company.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the Charities SORP (FRS 102) - Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Azure Charitable Enterprises meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy.

The consolidated statement of financial activities (SOFA) and consolidated balance sheet consolidate the financial statements of the charity and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

The charity has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of financial activities in these financial statements.

#### 2.2 Going concern

The charity's forecasts and projections for the next twelve months show that the charity should be able to continue in operational existence for that period, taking into account reasonable possible changes in trading performance. This also considers the effectiveness of available measures to assist in mitigating the impact. The charity and its trading subsidiaries have strong positive cash balances and is forecasting for this to continue to be the case. The trustees have stress tested their forecasts, taking into account various scenarios, and remain confident that the uncertainties do not cast significant doubt on the company's ability to continue as a going concern.

# Azure Charitable Enterprises

(A company limited by guarantee)

## Notes to the financial statements For the year ended 31 January 2023

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### 2. Accounting policies (continued)

#### 2.3 Income

All income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Income from commercial trading activities is recognised as earned (as the related goods and services are provided) and as the rental and service charges fall due.

Interest receivable is recognised on a receivable basis, when the amount can be measured reliably - this is normally upon notification of the interest paid or payable by the bank.

Income from charitable activities includes income received under contract or where entitlement to grant funding is subject to specific performance conditions is recognised as earned (as the related goods or services are provided). Grant income included in this category provides funding to support client service activities and is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Income is deferred when related grants are received and the performance conditions relating to its entitlement are not met.

#### 2.4 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Expenditure on raising funds includes all expenditure incurred by the group to raise funds for its charitable purposes and includes costs of all fundraising activities events and non-charitable trading.

Expenditure on charitable activities is incurred on directly undertaking the activities which further the group's objectives, as well as any associated support costs.

All expenditure is inclusive of irrecoverable VAT.

# Azure Charitable Enterprises

(A company limited by guarantee)

## Notes to the financial statements For the year ended 31 January 2023

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### 2. Accounting policies (continued)

#### 2.5 Tangible fixed assets and depreciation

Tangible fixed assets costing £500 or more are capitalised and recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Tangible fixed assets are initially recognised at cost. After recognition, under the cost model, tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. All costs incurred to bring a tangible fixed asset into its intended working condition should be included in the measurement of cost.

Depreciation is charged so as to allocate the cost of tangible fixed assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following bases:

Freehold property	- 50 years straight-line or over the lease term
Short-term leasehold property	- 40 years straight-line or over the lease term
Plant and equipment	- 5 - 10 years straight-line
Motor vehicles	- 4 years straight-line
Office equipment	- 3 years straight-line

#### 2.6 Investments

Fixed asset investments are a form of financial instrument and are initially recognised at their transaction cost and subsequently measured at fair value at the balance sheet date, unless the value cannot be measured reliably in which case it is measured at cost less impairment. Investment gains and losses, whether realised or unrealised, are combined and presented as 'Gains/(Losses) on investments' in the consolidated statement of financial activities.

Investments in subsidiaries are valued at cost less provision for impairment.

#### 2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

#### 2.8 Cash at bank and in hand

Cash at bank and in hand includes cash and short-term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

#### 2.9 Financial instruments

The group only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

# **Azure Charitable Enterprises**

(A company limited by guarantee)

## **Notes to the financial statements For the year ended 31 January 2023**

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### **2. Accounting policies (continued)**

#### **2.10 Operating leases**

Rentals paid under operating leases are charged to the consolidated statement of financial activities on a straight line basis over the lease term.

#### **2.11 Pensions**

The group contributes to personal pension plans taken out by employees. Contributions are charged to the income and expenditure account as they become payable.

#### **2.12 Fund accounting**

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the group and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the group for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

### **3. Critical accounting estimates and areas of judgment**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates included within these financial statements include depreciation charges, bad debt provisions and the stock provision. None of these estimates are considered to carry significant estimation uncertainty, nor to bear significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next financial year.

In preparing these financial statements the trustees do not consider there were any significant areas of judgment that were required in applying the charitable company's accounting policies as set out above.

# Azure Charitable Enterprises

(A company limited by guarantee)

## Notes to the financial statements For the year ended 31 January 2023

### 4. Income from donations and legacies

	Unrestricted funds 2023 £	Restricted funds 2023 £	Total funds 2023 £
Donations	8,277	3,600	11,877

	Unrestricted funds 2022 £	Restricted funds 2022 £	Total funds 2022 £
Donations	4,241	2,250	6,491

### 5. Income from charitable activities

	Unrestricted funds 2023 £	Total funds 2023 £	Total funds 2022 £
Provision of client services	4,979,943	4,979,943	4,553,951

All income from charitable activities in the current and prior year was unrestricted.

## Azure Charitable Enterprises

(A company limited by guarantee)

### Notes to the financial statements For the year ended 31 January 2023

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#### 6. Income from trading activities

##### Income from non charitable trading activities

	Unrestricted funds 2023 £	Total funds 2023 £	Total funds 2022 £
Subsidiary trading income	3,452,786	<b>3,452,786</b>	3,840,611
Nursery income	28,083	<b>28,083</b>	28,190
Landscapes income	405,869	<b>405,869</b>	337,305
Feed in tariff income	974	<b>974</b>	1,337
	<u>3,887,712</u>	<u><b>3,887,712</b></u>	<u>4,207,443</u>

All income from trading activities in the current and prior year was unrestricted.

# Azure Charitable Enterprises

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## Notes to the financial statements For the year ended 31 January 2023

### 7. Expenditure on raising funds

#### Fundraising trading expenses

	Unrestricted funds 2023 £	Total funds 2023 £	Total funds 2022 £
Cost of goods sold	1,853,088	1,853,088	2,056,754
Rent and rates	4,048	4,048	6,099
Advertising	34,393	34,393	39,797
Heat, light and water	87,417	87,417	84,114
Insurances	51,194	51,194	40,709
Training	3,894	3,894	2,634
Other	416,638	416,638	174,366
Governance costs	-	-	11,538
Support costs	-	-	147,944
Wages and salaries	853,765	853,765	780,713
Depreciation	109,874	109,874	78,049
	<u>3,414,311</u>	<u>3,414,311</u>	<u>3,422,717</u>

All expenditure from raising funds in the current and prior year was unrestricted.

### 8. Analysis of expenditure on charitable activities

#### Summary by fund type

	Unrestricted funds 2023 £	Restricted funds 2023 £	Total funds 2023 £
Provision of charitable activities	<u>5,066,006</u>	<u>3,600</u>	<u>5,069,606</u>

# Azure Charitable Enterprises

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## Notes to the financial statements For the year ended 31 January 2023

### 8. Analysis of expenditure on charitable activities (continued)

#### Summary by fund type (continued)

	Unrestricted funds 2022 £	Restricted funds 2022 £	Total funds 2022 £
Provision of charitable activities	4,606,950	2,250	4,609,200

### 9. Analysis of expenditure by activities

	Direct costs 2023 £	Support costs 2023 £	Total funds 2023 £
Provision of charitable activities	4,324,314	745,292	5,069,606

	Activities undertaken directly 2022 £	Support costs 2022 £	Total funds 2022 £
Provision of charitable activities	3,945,235	663,965	4,609,200



# Azure Charitable Enterprises

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## Notes to the financial statements For the year ended 31 January 2023

### Analysis of support costs

	2023 £	2022 £
Employment costs	484,145	433,882
Depreciation costs	26,456	44,447
Interest	2,538	2,398
Power	27,125	18,205
Insurances	2,136	(2,044)
Other	69,350	59,184
Legal and other professional costs	67,947	59,860
Governance costs	65,595	48,033
	<u>745,292</u>	<u>663,965</u>

### 10. Auditor's remuneration

	2023 £	2022 £
Fees payable to the charity's auditor for the audit of the charity's annual accounts	18,500	17,500
Fees payable to the charity's auditor in respect of: Other services	<u>1,500</u>	<u>1,400</u>

# Azure Charitable Enterprises

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## Notes to the financial statements For the year ended 31 January 2023

### 11. Staff costs

	Group 2023 £	Group 2022 £	Charity 2023 £	Charity 2022 £
Wages and salaries	4,462,858	4,023,012	3,856,641	3,584,993
Social security costs	373,245	305,764	336,070	278,754
Contribution to defined contribution pension schemes	221,563	251,072	192,315	229,811
	<b>5,057,666</b>	<b>4,579,848</b>	<b>4,385,026</b>	<b>4,093,558</b>

The average number of persons employed by the charity during the year was as follows:

	Group 2023 No.	Group 2022 No.
Garden Centre	36	37
Supported Living	75	89
Landscapes	14	13
Support Services	57	58
Employment Services	5	4
Education	9	8
Administration	13	14
Azure Business Centres Limited	2	2
	<b>211</b>	<b>225</b>

The number of employees whose employee benefits (excluding employer pension costs) exceeded £60,000 was:

	Group 2023 No.	Group 2022 No.
In the band £90,001 - £100,000	-	1
In the band £120,001 - £130,000	1	-

The key management personnel of the charity comprise the Chief Executive, Finance Manager, Operation Director and Support Services Managers. The total employee benefits of the key management personnel of the group were £485,527 (2022: £592,175).

### 12. Trustees' remuneration and expenses

During the year, no trustees received any remuneration or other benefits (2022: none).

During the year ended 31 January 2023, no trustee expenses have been incurred (2022: none).

# Azure Charitable Enterprises

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## Notes to the financial statements For the year ended 31 January 2023

### 13. Tangible fixed assets

#### Group

	Freehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
<b>Cost</b>					
At 1 February 2022	5,085,151	606,494	37,770	735,205	6,464,620
Additions	2,556	32,035	20,998	38,882	94,471
At 31 January 2023	<u>5,087,707</u>	<u>638,529</u>	<u>58,768</u>	<u>774,087</u>	<u>6,559,091</u>
<b>Depreciation</b>					
At 1 February 2022	2,199,580	470,206	37,770	726,784	3,434,340
Charge for the year	100,583	34,557	3,062	8,942	147,144
At 31 January 2023	<u>2,300,163</u>	<u>504,763</u>	<u>40,832</u>	<u>735,726</u>	<u>3,581,484</u>
<b>Net book value</b>					
At 31 January 2023	<u>2,787,544</u>	<u>133,766</u>	<u>17,936</u>	<u>38,361</u>	<u>2,977,607</u>
At 31 January 2022	<u>2,885,571</u>	<u>136,288</u>	<u>-</u>	<u>8,421</u>	<u>3,030,280</u>

Included within the net book value of £2,977,607 is £nil (2022: £586) relating to assets held under hire purchase agreements. The depreciation charged to the financial statement in the year in respect of such assets amounted to £586 (2022: £10,599).

The net book value of freehold land not depreciated is £750,000.

## Azure Charitable Enterprises

(A company limited by guarantee)

### Notes to the financial statements For the year ended 31 January 2023

#### 13. Tangible fixed assets (continued)

##### Charity

	Freehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
<b>Cost</b>					
At 1 February 2022	3,628,783	310,285	37,770	355,818	4,332,656
Additions	2,556	25,739	20,998	38,882	88,175
At 31 January 2023	3,631,339	336,024	58,768	394,700	4,420,831
<b>Depreciation</b>					
At 1 February 2022	1,435,550	311,370	37,770	347,396	2,132,086
Charge for the year	68,844	5,772	3,062	8,942	86,620
At 31 January 2023	1,504,394	317,142	40,832	356,338	2,218,706
<b>Net book value</b>					
At 31 January 2023	2,126,945	18,882	17,936	38,362	2,202,125
At 31 January 2022	2,193,233	(1,085)	-	8,422	2,200,570

# Azure Charitable Enterprises

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## Notes to the financial statements For the year ended 31 January 2023

### 14. Fixed asset investments

Company	Investments in subsidiary companies £
<b>Cost</b>	
At 1 February 2022	2
At 31 January 2023	2
<b>Net book value</b>	
At 31 January 2023	2
At 31 January 2022	2

#### Principal subsidiaries

The following were subsidiary undertakings of the charity:

Names	Company number	Country of incorporation	Class of shares	Holding
Azure Garden Centre Limited	02746143	England	Ordinary	100%
Azure Business Centres Limited	04642254	England	Ordinary	100%

The financial results of the subsidiaries for the year were:

Names	Income £	Expenditure £	Profit/(Loss) for the year £
Azure Garden Centre Limited	3,327,911	2,915,934	411,977
Azure Business Centres Limited	186,970	149,550	37,420

#### Net assets £

646,133  
986,010

# Azure Charitable Enterprises

(A company limited by guarantee)

## Notes to the financial statements For the year ended 31 January 2023

### 15. Stocks

	Group 2023 £	Group 2022 £
Finished goods and goods for resale	<b>494,783</b>	495,207

### 16. Debtors

	Group 2023 £	Group 2022 £	Charity 2023 £	Charity 2022 £
Trade debtors	<b>249,520</b>	380,965	<b>215,041</b>	300,901
Amounts owed by group undertakings	-	-	<b>349,592</b>	-
Other debtors	<b>418</b>	10,059	<b>418</b>	9,654
Prepayments and accrued income	<b>452,462</b>	184,261	<b>437,553</b>	163,319
	<b>702,400</b>	575,285	<b>1,002,604</b>	473,874

The amounts owed by group undertakings are unsecured and repayable on demand.

### 17. Creditors: amounts falling due within one year

	Group 2023 £	Group 2022 £	Charity 2023 £	Charity 2022 £
Bank loans (note 18)	<b>65,047</b>	86,729	<b>65,047</b>	86,729
Trade creditors	<b>248,028</b>	342,577	<b>181,242</b>	87,646
Amounts owed to group undertakings	-	-	<b>318,036</b>	69,479
Other taxation and social security	<b>277,019</b>	263,132	<b>140,722</b>	139,838
Obligations under finance lease and hire purchase contracts	-	523	-	523
Other creditors	<b>10,922</b>	25,141	<b>80</b>	12,206
Accruals and deferred income	<b>149,748</b>	373,462	<b>109,680</b>	260,849
	<b>750,764</b>	1,091,564	<b>814,807</b>	657,270

The amounts owed to group undertakings are unsecured and repayable on demand.

Included in creditors due within one year are hire purchase liabilities of £nil (2022: £523), secured over the assets to which they relate.

# Azure Charitable Enterprises

(A company limited by guarantee)

## Notes to the financial statements

For the year ended 31 January 2023

### 18. Creditors: amounts falling due after more than one year

	<b>Group 2023 £</b>	<b>Group 2022 £</b>	<b>Charity 2023 £</b>	<b>Charity 2022 £</b>
Bank loans	-	65,047	-	65,047

The bank loans are secured by legal charges on land occupied by the garden centre at Station Road, Cramlington, and represents 4.0% (2022: 19.0%) of the carrying value of the property as defined in the accounting policies.

The balance of the bank loans is £65,047. Originally the mortgage was repayable over 20 years (the original start date was 5th October 2005), by way of quarterly installments. The mortgage was arranged in three parts, the first part at a fixed interest rate was fully repaid during the year ended January 2019. The remaining two parts of the loan were consolidated into one in October 2021 and this outstanding loan incurs interest at a commercial rate.

	<b>Group 2023 £</b>	<b>Group 2022 £</b>	<b>Charity 2023 £</b>	<b>Charity 2022 £</b>
Deferred income at 1 February 2022	92,404	104,518	92,404	104,518
Resources deferred during the year	-	92,404	-	92,404
Amounts released from previous periods	(92,404)	(104,518)	(92,404)	(104,518)
<b>Deferred income at 31 January 2023</b>	<b>-</b>	<b>92,404</b>	<b>-</b>	<b>92,404</b>

# Azure Charitable Enterprises

(A company limited by guarantee)

## Notes to the financial statements For the year ended 31 January 2023

### 19. Statement of funds

#### Statement of funds - current year

	Balance at 1 February 2022 £	Income £	Expenditure £	Balance at 31 January 2023 £
<b>Unrestricted funds</b>				
General funds	4,021,435	8,875,932	(8,480,317)	4,417,050
<b>Restricted funds</b>				
Residents activities for Keele Drive	-	3,600	(3,600)	-
<b>Total of funds</b>	<b>4,021,435</b>	<b>8,879,532</b>	<b>(8,483,917)</b>	<b>4,417,050</b>

#### Statement of funds - prior year

	Balance at 1 February 2021 £	Income £	Expenditure £	Balance at 31 January 2022 £
<b>Unrestricted funds</b>				
General funds	3,285,363	8,765,739	(8,029,667)	4,021,435
<b>Restricted funds</b>				
Residents activities for Keele Drive	-	2,250	(2,250)	-
<b>Total of funds</b>	<b>3,285,363</b>	<b>8,767,989</b>	<b>(8,031,917)</b>	<b>4,021,435</b>

Residents activities for Keele Drive: Various donations were received from Damant ML during the year towards the cost of providing social activities for the residents of Keele Drive.



# Azure Charitable Enterprises

(A company limited by guarantee)

## Notes to the financial statements For the year ended 31 January 2023

### 20. Analysis of net assets between funds

#### Analysis of net assets between funds - current year

	Unrestricted funds 2023 £	Total funds 2023 £
Tangible fixed assets	2,977,607	2,977,607
Current assets	2,190,207	2,190,207
Creditors due within one year	(750,764)	(750,764)
<b>Total</b>	<b>4,417,050</b>	<b>4,417,050</b>

#### Analysis of net assets between funds - prior year

	Unrestricted funds 2022 £	Total funds 2022 £
Tangible fixed assets	3,030,280	3,030,280
Current assets	2,147,766	2,147,766
Creditors due within one year	(1,091,564)	(1,091,564)
Creditors due in more than one year	(65,047)	(65,047)
<b>Total</b>	<b>4,021,435</b>	<b>4,021,435</b>

# Azure Charitable Enterprises

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## Notes to the financial statements For the year ended 31 January 2023

### 21. Reconciliation of net movement in funds to net cash flow from operating activities

	Group 2023 £	Group 2022 £
Net income for the year (as per statement of financial activities)	395,615	736,073
<b>Adjustments for:</b>		
Depreciation charges	147,144	130,596
Profit on the sale of fixed assets	-	(105)
Decrease/(increase) in stocks	424	(184,946)
Increase in debtors	(127,115)	(128,781)
(Decrease)/increase in creditors	(318,595)	87,883
<b>Net cash provided by operating activities</b>	<b>97,473</b>	<b>640,720</b>

### 22. Analysis of cash and cash equivalents

	Group 2023 £	Group 2022 £
Cash in hand	993,024	1,077,274
<b>Total cash and cash equivalents</b>	<b>993,024</b>	<b>1,077,274</b>

### 23. Analysis of changes in net debt

	At 1 February 2022 £	Cash flows £	At 31 January 2023 £
Cash at bank and in hand	1,077,274	(84,250)	993,024
Debt due within 1 year	(86,729)	21,682	(65,047)
Debt due after 1 year	(65,047)	65,047	-
Finance leases	(523)	523	-
	<b>924,975</b>	<b>3,002</b>	<b>927,977</b>

# Azure Charitable Enterprises

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## Notes to the financial statements For the year ended 31 January 2023

### 24. Capital commitments

	<b>Group 2023 £</b>	<b>Group 2022 £</b>	<b>Charity 2023 £</b>	<b>Charity 2022 £</b>
<b>Contracted for but not provided in these financial statements</b>				
Acquisition of tangible fixed assets	<b>205,700</b>	-	<b>205,700</b>	-

### 25. Pension commitments

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £221,563 (2022: £251,072). Contributions totalling £32,772 (2022: £26,553) were payable to the fund at the balance sheet date and are included in creditors.

### 26. Operating lease commitments

At 31 January 2023 the group and the charity had commitments to make future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group 2023 £</b>	<b>Group 2022 £</b>	<b>Charity 2023 £</b>	<b>Charity 2022 £</b>
Not later than 1 year	<b>12,910</b>	26,413	<b>12,910</b>	21,556
Later than 1 year and not later than 5 years	<b>17,488</b>	30,425	<b>17,488</b>	30,425
	<b>30,398</b>	56,838	<b>30,398</b>	51,981

# Azure Charitable Enterprises

(A company limited by guarantee)

## Notes to the financial statements For the year ended 31 January 2023

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### 27. Related party transactions

During the course of the year, the charity purchased goods from its subsidiary Azure Garden Centre Limited amounting to £5,642 (2022: £1,285) on normal commercial terms. The amount outstanding at the year end, included in the charitable company's creditors, is £1,604 (2022: £nil).

During the course of the year, the charity sold goods to Azure Garden Centre Limited amounting to £nil (2022: £nil) on normal commercial terms. The amount outstanding at the year end, included in the charitable company's debtors, is £1,397 (2022: £nil). This relates to cash which has been transferred between group companies as required.

During the course of the year, the charity provided management services to Azure Garden Centre Limited amounting to £150,915 (2022: £156,751) on normal commercial terms. During the year there were also recharges of costs between the charity and Azure Garden Centre Limited. The amount outstanding at the year end, included in the charitable company's debtors, is £348,054 (2022: £156,789). This relates to cash which has been transferred between group companies as required.

During the course of the year, the charity purchased goods from its subsidiary Azure Business Centres Limited amounting to £16,447 (2022: £9,043) on normal commercial terms. The amount outstanding at the year end, included in the charitable company's creditors, is £29 (2022: £nil).

During the course of the year, the charity sold goods to its subsidiary Azure Business Centres Limited amounting to £744 (2021: £nil) on normal commercial terms. The amount outstanding at the year end, included in the charitable company's debtors, is £141 (2022: £nil).

During the course of the year the charity provided management services to Azure Business Centres Limited amounting to £8,557 (2022: £8,231) on normal commercial terms, during the year there were also recharges of costs between the charity and Azure Business Centres Limited. The amount outstanding at the year end, included in the charitable company's creditors, is £316,403 (2022: £8,231 debtor). This relates to cash which has been transferred between group companies as required.

During the course of the year the charity sold goods to I Hindle, a trustee, totalling £8,256 (2022: £4,250) on normal commercial terms. The amount outstanding at the year end, included in the charitable company's debtors, is £1,152 (2022: £nil).

During the course of the year the charity purchased services from Muckle LLP, a company where R J Adams is a partner, totalling £3,150 (2022: £15,222), on normal commercial terms. The amount outstanding at the year end, included in the charitable company's creditors, is £nil (2022: £nil).

### 28. Controlling party

In the opinion of the trustees there is no ultimate controlling party, other than the trustees themselves.