

AZURE CHARITABLE ENTERPRISES

A Charitable Company Limited by Guarantee

FINANCIAL STATEMENTS

YEAR ENDED 31ST JANUARY 2021

Company Registration Number 01666027

Charity Registration Number 513149

**AZURE CHARITABLE ENTERPRISES
TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT)
YEAR ENDED 31ST JANUARY 2021**

The Board of Trustees presents its report for the year then ended.

REFERENCE AND ADMINISTRATIVE INFORMATION

PRESIDENT Neil Robinson MBE, JP

PATRON The Viscount Ridley

VICE PRESIDENTS A.E. Kilburn OBE FCIH
N Furness FCA

REGISTERED MEMBERS OF THE CHARITY	Rosemary V. Barks Graham P. Barnard Carol A. Buglass Geoff Crosby Brenda Dalton Mary Davey Peter B. Elliott Neville A. Furness Anne Galbraith John Gemmell Isobel Hindle Martin Hine Alan W. Hogg Kenneth S. John Colin Jubb Ian A. Keddie Alan E. Kilburn Chris S. Litchfield Allan Lynn	Jennifer S. McCallum Ken McGill Eric Morgan Tim D. Morgan Joseph Oliphant David W. Pallett Charles Reed Andrew Reid The Viscount Ridley Neil Robinson Geoffrey W. Robson Harry F. Thornton John C. Tulip Chris Turnbull Isabelle T. Turnbull Jennifer M. Walker R. Ian Watson AnneMarie Wood
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BOARD OF DIRECTORS

G.P. Barnard LLM (Chairman)
 G.W. Robson FCA (Treasurer & Vice Chairman)
 R. J. Adams (appointed 27th March 2019)
 S. J. Hallowell (appointed 29th January 2020)
 I. Hindle BA Hons MEd
 I.A. Keddie BSc Hons MSc (Resigned 26th June 2019)
 A.E. Kilburn OBE, FCIH
 C. S. Litchfield BSc. Hons
 E. Morgan BSc
 I.T. Turnbull
 A. Wood (Resigned 26th June 2019)

SECRETARY G. Crosby

AUDIT COMMITTEE G.W. Robson FCA (Chairman)
I. Hindle BA Hons MEd

REMUNERATION COMMITTEE G.P. Barnard LLM
G.W. Robson FCA
Dr P.J.Wilson PhD, MBA, LLB(Hons), Finst LM

**AZURE CHARITABLE ENTERPRISES
TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT)
YEAR ENDED 31ST JANUARY 2021**

KEY MANAGEMENT PERSONNEL Dr P.J.Wilson PhD, MBA, LLB(Hons), First LM - CEO
G. Crosby - Finance Manager
J. Taylor - Director Azure Garden Centre
J. Redfern - Director Support Services
A. Robson - Operations Manager
K Clewlow - Registered Manager
S Pringle - Registered Manager
R Pope - Registered Manager
P Smith - Training Manager
E Dobson - Employment Programme Manager
D. Turner - Printing Manager
D Thompson - Landscapes Manager
G. Harden - ABC Manager Newburn

REGISTERED OFFICE McCallum House
Kielder Avenue
Cramlington
Northumberland
NE23 8JT

AUDITORS MHA Tait Walker
Chartered Accountants
& Statutory Auditor
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
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BANKERS Lloyds Bank plc
SME Banking
102 Grey Street
Newcastle upon Tyne
NE1 6AG

SOLICITORS Muckle LLP
Time Central
32 Gallowgate
Newcastle Upon Tyne
NE1 4BF

CHARITY REGISTRATION NO 01666027

COMPANY REGISTRATION NO 513149

AZURE CHARITABLE ENTERPRISES

TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT)

YEAR ENDED 31ST JANUARY 2021

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Instrument and 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.

Board of Directors/Trustees

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 (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 2021 Annual General Meeting Mr G.P. Barnard, Mrs C. Litchfield and Mr R. Adams retire by rotation (under Article 29). G.P. Barnard, Mrs C. Litchfield and Mr R. Adams being eligible, offer themselves for re-election. Mrs J. Robinson, being a new member of the board appointed in January, 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.

Recruitment of Trustees

Any trustee vacancies which arise are filled by search with due regard to maintaining a proper balance of skills and experience within the Board. Representation relevant to the service user group is a key factor given the Charity's mission.

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.

Trustee induction and training

New trustees are provided with a proper induction process and all relevant papers and guidance to properly fulfil their responsibilities. Briefing papers and familiarisation training is effected for all Trustees, as deemed necessary.

Sub committees

The Board of Trustees has three special sub-committees:

- A Finance 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:
 - Acts as a sounding board and source of advice to the Chief Executive and 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.
 - 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

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- 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
- Reports periodically to the Board.

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

- The Remuneration Committee consisting of three members of the Board meets at least once each year to ensure that Azure's Pay & 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:
 - (i) annual cost of living or performance related awards
 - (ii) the remuneration of the chief executive and senior staff.
- Ensuring the policy and application of the remuneration policy is equitable, fair and transparent
- Overseeing any major changes in employee benefits structures throughout the organisation

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 and, Company Secretary attend the Board meetings (and senior post-holders by rotation) but there is proper provision for the Board to discuss any matter without management attendance when they so wish.

Key Management Personnel

The Key Management Personnel are those listed in the Reference and Administration page. In addition to their own attendance at the formal Trustee Board meetings, the Chief Executive and Company Secretary meet together with other management as needed, to address all relevant operational issues.

OBJECTIVES AND ACTIVITIES

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".

Maximising independence, personal development and achievement are 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 - many of which are complementary - with many of our clients accessing more than one type of service.

Trading Businesses

The charity has established and operates a number of businesses, including supported businesses¹ 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.

¹ A 'supported business' is defined as where more than 50% of the work-force have a disability

Support Services

Azure'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 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'² 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 outwith Azure and which now include Supported Internships, Apprenticeships, Supported Employment and Volunteering opportunities.

² Special Educational Needs and/or disabilities

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 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, in 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. A new support programme entitled 'Diversity NE' will launch in July 2021.

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.

STRATEGIC REPORT

The charity's principal objective for the year was to complete work in arresting and reversing the charity's declining financial health while developing new services and working in new ways to better support people with disabilities and those who are otherwise disadvantaged.

COVID-19

The last 12 months have been concerned with adapting the charity, its services and constituent businesses to the COVID 19 pandemic, assuring:

- (i) the health, safety and welfare of our clients, students, staff and our broader community; and
- (ii) the financial viability and long-term sustainability of the charity as a whole in what have been and remain unprecedented circumstances.

In February 2020, Azure's management team became aware of the virus and its emerging status as a potential global pandemic, contingency plans were drawn up to ensure the continuous delivery of Support Services that included providing emergency childcare for support staff and other key

personnel anticipating that schools and other childcare provision may be required to close and staff might otherwise be unable to attend work to deliver essential services.

Additional measures included suspending the Company's Sick Pay Scheme in the expectation that potential levels of absenteeism might prove to be financially unsustainable and particularly if staff were required to self-isolate or quarantine themselves (and potentially) upon multiple occasions. Service Directors and Managers re-modelled business operations to assure staff, client and public safety in advance of Government, Local Authority, PHE, CQC and ESFA guidance. This included requiring all personnel returning from overseas to self-isolate for 14 days upon their return to the UK and, similarly in the absence of Covid-19 testing regime all staff reporting that they were symptomatic were also required to self-isolate for 14 days (as opposed to the then Government recommended 7 day term).

Additional measures included acquiring and deploying additional IT infrastructure to support remote working while also requiring our services and buildings to operate as closed units so as to avoid interchanges of personnel and thereby minimise risks of cross-infection and business interruption. Risk assessments were conducted across all aspects of the business to assure safe working practices, hygiene screens were installed across all premises including the Garden Centre, Business Centre and McCallum House. PPE was also distributed to all staff.

In anticipation of an enforced lock-down, Support Services prepared and implemented a range of measures to assure the safety and mental health of clients across the region and which included:

- Centralised purchase of foods and other essential household goods so as to relieve staff and clients of the anxiety of visiting supermarkets in person given the extended time required to do so as a consequence of the measures instituted by super-markets to mitigate risks of infection and especially in the early weeks of the pandemic when local supermarket supplies were running low. This allowed Support Services to release more staff hours for one-to-one client support.
- Temperature control checks completed daily for all clients, students and staff.
- Assuring consistent staff teams in all services to minimise risk of cross infection with prohibition of staff moving between services.
- Where Community Access contracts were temporarily cancelled, staff were redeployed to provide extra capacity in services as an alternative to Agency personnel.
- Purchasing laptops to enable staff to work from client homes in Newcastle and Washington.

In addition, to support our clients' mental health and well-being the charity:

- Purchased tablets for all clients in Newcastle to enable contact with their family directly; this allowed staff to arrange meetings with family and friends via tablets using Teams and Zoom and to support clients via Zoom to access church services.
- Purchased garden building and gazebos along with garden furniture for Washington and Newcastle services to allow safe access for family, friends and other visitors.
- Sourced a range of board games, puzzles and arts and crafts materials for all services.

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- Organised weekly social events in respective bubbles e.g. 'dancing in the street', bingo.
- Purchased plants and growing kits for Washington services.
- Increased personalisation of services including one to one support for clients as requested and/or where assessed as suffering a decline in their mental health.

In preparation for the closure of schools and colleges, the Education Services Team prepared learning materials to support home learning and which supported a transition to home learning for students in March.

With the expectation that all but essential retail might be required to suspend trading and for an indefinite term, notwithstanding speculation that the Government might introduce a universal income that later emerged as the Coronavirus Job Retention (or 'Furlough') Scheme, the management team determined that the likely interruption to our commercial (fund raising) operations would likely frustrate all efforts to sustain Azure Print & Design and which was under review in December 2019 (see below).

With the enforced closure of Azure's Garden Centre Café and for an unspecified term and with the expectation that consumer confidence might not support a resumption of business on a comparable basis, café staff were first furloughed and then subsequently - as we came to better understand the likely economic impact of COVID-19 on the cafe's business model - it was determined (a) the cafe would close, (b) that this part of the garden centre be remodelled to support the sales of garden furniture, and (c) the kitchen would be refurbished to support the operation of the Cafe as a teaching kitchen.

A redundancy exercise was launched to significantly reduce employment costs in the Cafe and Garden Centre so as to be aligned with the new operating parameters and to mitigate against the significant loss of income the charity would otherwise be required to bear as a consequence of any enforced closure and potential operating and trading restrictions that were expected to be enforced thereafter (see below).

Given the level of uncertainty that prevailed at this time and the potential business disruption to the garden centre's Christmas season, the garden centre team was also restructured to better align roles with new operating conditions which were considered likely to prevail for some time.

The enforced closure of the Garden Centre prompted the rapid development of our online retail facility to support sales and which included the operation of a click and collect and delivery service. While the Garden Centre was otherwise closed to the general public and with a skeleton staff it generated sales of £223k (in 8 weeks) with the majority of staff furloughed.

Upon the relaxation of trade restrictions, and notwithstanding the closure of the Garden Centre Cafe up until the end of January 2021 the business achieved retail sales of £2,842k which represents an increase of £546k on like for like sales for the same period last year and which has mitigated the loss of Cafe sales income. This was also achieved by maintaining stock levels by working closely with key suppliers and adhering to payment terms in cooperation with the suppliers, unlike a number of our competitors who sought the opportunity to seek extended credit. The constant dialogue with suppliers was immediately rewarded insofar as we have and continue to receive preferential

consideration from suppliers relative to other Garden centres assuring the continuity of supply of key ranges of product.

The temporary closure of the Garden Centre Plant Nursery prompted a review of operations which determined that it was no longer cost-effective to maintain a facility that existed largely to support the employment of our clients. With escalating employment costs and the increasing year on year costs of client supervision, it was determined that this aspect of garden centre operations should close and that it should be reconstituted (if possible) as a day service where the charity is commissioned by the local authority to provide activities for clients and/or the NHS vis-a-vis rehabilitation services for acquired brain injury patients.

While commissioned Employment Services and contract awards, were suspended the Employment Services team was retained to provide support to our 'furloughed' personnel and our supported employees.

Occupancy levels at Newburn Business Centre have been, and remain, strong. This has been supported by the concerted efforts the charity has made to sign-post and/or support tenants to access COVID-19 business support grants and not least Small Business Rate Relief that has supported tenants ability to honour the terms of their respective leases.

COVID-19 has posed a number of significant challenges to the charity and while we are in no doubt that the road ahead will be difficult we remain confident that the measures we have taken and contingency arrangements we have made will assure our long term capability and capacity.

ACHIEVEMENTS AND PERFORMANCE

Notwithstanding the impact of COVID-19 and the challenges the pandemic have posed 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.

Given that we have endured what has been the most challenging year for our staff, both professionally and personally, and a year in which they have not only had to master the anxieties of clients, students, colleagues and, not least, their own; 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.

Activities & Achievements

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 surplus of £73k, before Gift Aid to the Charity, in the year compared with £59k in 2020. The business contributes significant value to Azure'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 £433k, before Gift Aid to the Charity, compared to a profit of £194k in 2019/20. 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, £202,326 in the current year.

Azure Landscapes & Grounds Maintenance

The Landscapes department had a better year incurring a much smaller deficit than budgeted. This has been achieved by forging a relationship with a number of larger successful organisations in the region, something we are actively looking to build on. The landscapes operation continues to employ a large number of people with disability.

Education & Training Services

The Education Services Department has developed new pathways and a new curriculum that now incorporates Hospitality and Catering and will shortly also include Retail and Customer Service.

Learners have a range of learning difficulties or disabilities that include 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

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 has increased, year on year, and for each of the last five years (from 4 students in 2016/17). In 2020/21, following the introduction of our Hospitality and Catering programme, Azure supported 23 Skill-builders and 3 Interns. The scope to accommodate Interns was reduced by the enforced closure of Café Azure and the aforementioned determination to close and restructure the plant nursery.

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) averaged 42 during the year – and is 25 at the year end. The department has also supported people to attend taster days, work placements, traineeships and volunteering roles to further their development and experience.

Support Services

Support Services continues its residential based work in the various housing departments in Cramlington, Washington, Tynedale and Newcastle – as well as providing a substantial volume of enabling support activity around the North East. The quality of all of these activities is regularly verified by third party inspections; the funding stream mix is both complex and variable.

At the year end, 77 residents were being supported in their homes at Cramlington, Washington, Tynedale and, via Supported Living, in Newcastle and Tynedale. 65 other 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.

With the advent of COVID-19, Corporate Services team was also charged with supporting the implementation of business continuity plans across all Azure's services and constituent businesses which included procuring and assuring the integrity of supply of PPE, Garden Centre supplies, the implementation of remote working (where practicable), creating on-line retail operations at the garden centre and, not least, the implementation of the furlough scheme

FINANCIAL REVIEW

The challenges facing the learning and physical disability social care remain very real and pose significant challenges to the charity, not least financial. In October 2018, with the 2018/19 deficit forecast to exceed -£300k, the charity commenced a Change and Transformation programme to address the charity's underlying financial position which had deteriorated over a number of years.

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. This also seems to be driving 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.
- A number of the charity's trading businesses, while providing a much-valued source of employment for our clients, continued to post operating deficits- most notably Azure Landscapes & Ground Maintenance and Azure Print & Design (see below).
- Azure's Plant Nursery and Café's operating performance, while again providing a much valued source of employment for our clients (including Supported Employment), continued to be eroded by increases in the National Living Wage that were not supported by commensurate increases in DWP grants thereby requiring the Charity to subsidise the employment costs of supported employees still further.
- 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.

- The Charity's service proposition had become too narrow, the Employment Services department had become greatly diminished (as government funding for this service had reduced and successor service contracts had not been secured) while the Education Services department required investment to support the development of new programmes.

Post initial restructuring, the charity aimed to achieve a significant surplus in 2020/21 circa £300k and entered 2020/21 confident that it would be in a position to repay the balance (£300k) of an Emergency Loan (£400k) taken from the NorthEast Social Investment Fund in 2019 and in the knowledge that the charity was also expected to reduce its reliance on its overdraft facility, the advent of the COVID-19 pandemic prompted the management team to accelerate the implementation of plans to restructure the charity to deliver further efficiencies.

This programme included a number of redundancies to deliver payroll savings to mitigate the anticipated adverse financial impacts of business interruption associated with COVID-19 lock-downs across the charity and although Azure held business interruption insurance (which, it became clear at the outset of the pandemic that insurers were reluctant to honour). Following the Supreme Court Judgement in *The Financial Conduct Authority v Arch and Others* on the 15th of January 2021, the Charity is now able to submit a claim for business interruption losses inflicted by the pandemic.

Moreover, with operating losses forecast to escalate with the enforced closure of the business due to the COVID -19 pandemic that were likely to be exacerbated by the expected economic slowdown, it was determined that Azure Print & Design should close (in the event that it could not be sold).

The review of the Garden Centre, Café and Plant Nursery determined:

- (i) The garden centre operation continued to perform strongly with reference to industry benchmarks as regards income generated but:
 - a. income generation relative to the size of the current retail operation (shop, outdoor plant and car park area) is now limited by a lack of capacity;
 - b. the operating costs of the cafe and plant nursery exceed industry benchmarks – this is largely a factor of the number of staff the charity employs in each of these business areas relative to other 'commercial' Garden Centre operators;
 - c. the physical condition of the Plant Nursery Greenhouses requires significant capital investment/refurbishment (in the next five years) if they are to be retained as part of the Garden Centre operating model
 - d. Garden Centres have, in the main, divested themselves of Plant Nursery operations in recent years in favour of sourcing supply from more economic and/or specialist growers and suppliers.
- (ii) More specifically and notwithstanding the additional (exceptional) restructuring costs that were due to fall in this financial year (from measures instituted in 2019/20), the enforced closure of the Garden Centre to the general public (in 2020) and Café Azure (which remains closed to the general public and which accounts for a loss of more than £700k income) prompted a number of redundancies and associated costs of redundancy (£21k) to deliver payroll savings of £254k and which was completed in July 2020. The costs were mitigated in part by the redeployment of staff to other parts of the charity e.g. Education Services.

- (iii) The management team also determined to redraw and repurpose a number of management, supervisory and administrative roles in the Garden Centre delivering a further pay-roll saving of £44k with associated costs of redundancy (£2.6k).
- (iv) Escalating pay-roll costs in the Plant Nursery and, in particular, the real (costs) of Supported Employment on its present scale (and associated supervisory costs), relative to income generated from these business operations, could not be sustained during the pandemic or, indeed, on the same scale over the longer term. As a consequence, 7 posts were determined to be redundant at a cost of £8.5k delivering a pay-roll saving of £58k.

The Business Reviews undertaken at (i) Azure Landscapes & Grounds Maintenance and (ii) Azure Print & Design were scoped and undertaken so as to stem historic loss-making activity, returning the businesses to 'break-even' (at worst) and to determine whether the businesses should be retained i.e. whether they could be operated or 'traded' without further 'subsidy' from the charity.

While it had been possible (in 2019/20) to arrest and reverse the declining financial performance in Azure Landscapes & Ground Maintenance, it was determined that the COVID-19 pandemic and associated business interruption (and the interruption of customers' businesses which would significantly disrupt and reduce trading income) would frustrate any effort sustain Azure Print & Design. The management team, with the support of the Board of Trustees, resolved to close Azure Print & Design, which the Charity has heavily subsidised for a number of years *(and where operating losses over the last 5 years amounted to more than £240k and which looked set to escalate as a consequence of the pandemic to an unsustainable level)*.

Azure Print & Design ceased trading as from 30 June 2020 incurring exceptional costs of closure amounting to £169k including redundancy costs of £55k and which were offset, in part, by the sale of equipment that generated funds of £13k.

Summary

While the pandemic required a more extensive programme of re-structuring, a number of the decisions taken these last twelve months already lay before the Board of Trustees and management team in any event to address the underlying financial performance of the charity and to assure its financial viability as illustrated below.

In addition, the management team and Board of Trustees have continued to monitor and, wherever possible, mitigate the impacts of Brexit and in particular its effects on the Garden Centre.

The pandemic posed the most significant challenge to Azure's retail capability following the suspension of all but essential services including the enforced closure of the Garden Centre, Café and Landscapes & Garden Maintenance service. However, a significant escalation of demand (during lockdown) for all things horticultural including garden furniture and a relaxation of 'lockdown' measure restricting the operation of Garden Centres enabled the management team to mitigate the loss of income from the Café and other services. However, a global shortage of shipping containers and capacity in the world's freight infrastructure following a world-wide surge in demand for carriers (shipping PPE and other associated COVID-19 related items) did prompt an increase in costs from our suppliers.

AZURE CHARITABLE ENTERPRISES

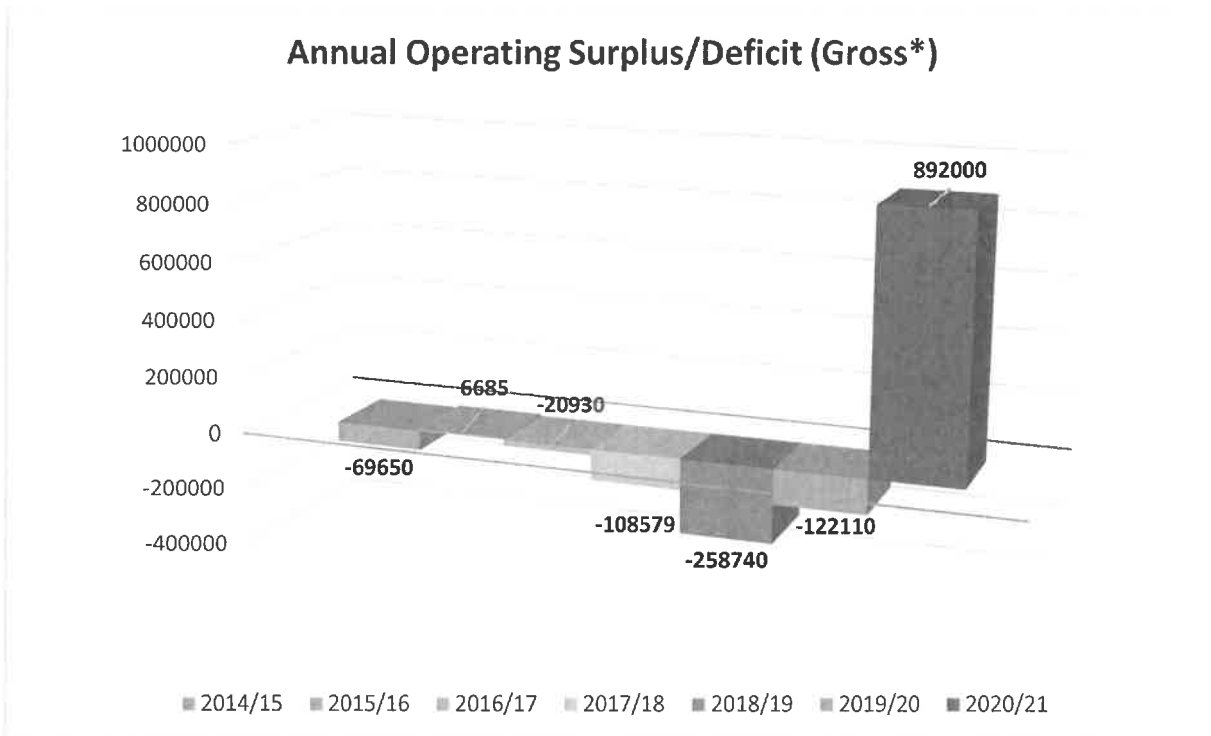
TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT)

YEAR ENDED 31ST JANUARY 2021

Supply costs were forecast to increase in any event (following Brexit) with the introduction of plant inspections regimes re imports (e.g. plant passports) delaying delivery to UK retailers; whereas UK growers' costs were also forecast to increase as a consequence of lack of migrant labour which coincided with a surge in (COVID-19 lockdown related) demand for UK products

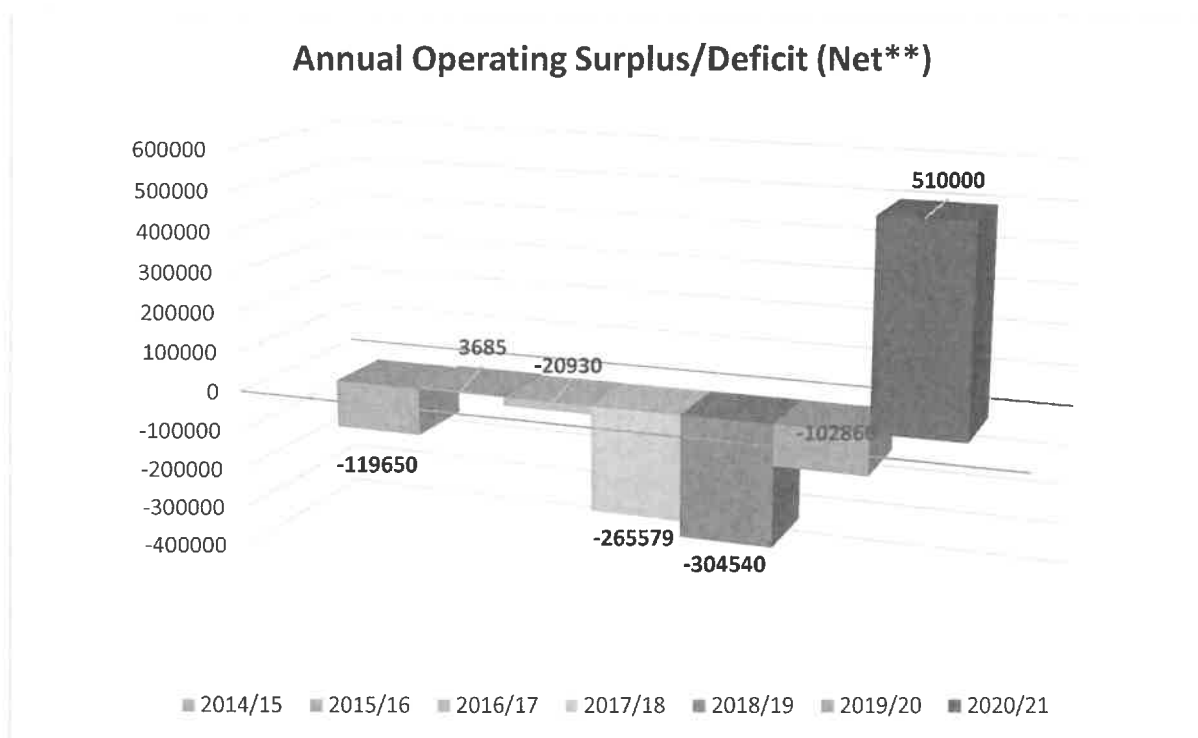
Unfortunately, UK growers in particular found themselves unable to invest in the creation of new capability and/or capacity with the enforced closure of garden centres providing no route to market for their products and which forced a number to develop their own online sales functions direct to customers.

The charity was nevertheless able to pass on most of these additional costs in the price points of garden centre products although it did require the aforementioned additional efficiencies.



**Excluding exceptional costs (see below)*

Brexit and the COVID-19 pandemic notwithstanding, during the last 12 months the charity has continued to deliver an outstanding array of services (Support Services, Education & Employment Services) in the most challenging of circumstances. Moreover, the commercial performance and financial contribution to the charity of the Garden centre and our Business Centre has exceeded all expectations.



**As illustrated above, consolidating on work commenced in 2018/19 and after a number of exceptional costs in 2020/21 that included the closure of Azure Print & Design (£156k), other redundancies (£62k), a special pay award for staff (paid in December 2020) to recognise their contribution (across the charity) from the outset of the pandemic (£85k) and professional fees (£79k), the charity posted a Net operating surplus of £510k.

In addition, the balance of the emergency loan taken from the NorthEast Social Investment Fund has been discharged in full and the overdraft facility upon which we have been heavily reliant for a number of years has also been cleared.

Reserves and Going Concern

The results for the year leave the Azure group with a net asset position of £3,285,363. However, at the year end, the charitable group had a net current asset position of £315,615, (£17,662 net liability in year 2019/2020) in that current assets exceeded current liabilities.

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.

AZURE CHARITABLE ENTERPRISES

TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT)

YEAR ENDED 31ST JANUARY 2021

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.

Pay Policy for Key Management Personnel

Azure has identified Key Management Personnel in the Reference and Administration section. The remuneration of the key personnel is determined by the Remuneration Committee 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.

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 direct 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.

PUBLIC BENEFIT STATEMENT

The trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the aims and objectives and in planning future activities. The charitable objectives also are set in order to provide a clear and demonstrable public benefit

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 Board 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.

The trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the aims and objectives and in planning future activities. The charitable objectives also are set in order to provide a clear and demonstrable public benefit.

It is envisaged that the difficult economic conditions will continue with the potential to affect all departments. The Charity is however concerned to protect itself from the 'seasonality' and

AZURE CHARITABLE ENTERPRISES

TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT)

YEAR ENDED 31ST JANUARY 2021

associated risks to Garden Centre revenues (which remain weather dependant) and this has prompted the preparation of plans to expand the garden centre to increase and diversify its income streams.

Perhaps most significantly, while much of the last 12 months has been devoted to restructuring the charity to deliver efficiencies and adapt to the COVID-19 pandemic, the Charity has, at the same time, developed and submitted proposals (a planning application to Northumberland County Council) to extend the Garden Centre in Cramlington to increase revenues and better 'weather-proof' the Garden Centre's (and Charity's) income streams.

The proposals include:

- 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
- providing 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.

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.

The charity will continue to be a strong advocate for those we support and their families, challenging inequality and to make concerted effort 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.

The charity has and continues to engage other providers of services to Northumberland County Council, local Councillors and MPs in debate and discussion as to the fee rates paid by Northumberland County Council to service providers which we and our fellow providers consider to be inadequate

PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management

The Charity has a comprehensive risk review process and this is fully updated every year. The resultant risk analysis is considered by the Audit & 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. This will result in marginally higher capital repayments over the remaining life of the loans. The impact of any future interest rate increase is taken into consideration when capital investments and cash projections are under consideration.

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.

INVESTMENT POWERS AND RESTRICTIONS

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 in investments in 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.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charitable Company and the group and the incoming resources and application of resources, including the net income or expenditure, of the group for the year. In preparing those financial statements, the trustees are required to:

AZURE CHARITABLE ENTERPRISES

TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT)

YEAR ENDED 31ST JANUARY 2021

- select suitable accounting policies, as described on pages 32 to 34, and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- make judgements and estimates that are reasonable and prudent ;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charitable Company and the group will continue in business.

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

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

AZURE CHARITABLE ENTERPRISES

TRUSTEES' REPORT (INCORPORATING THE STRATEGIC REPORT)

YEAR ENDED 31ST JANUARY 2021

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

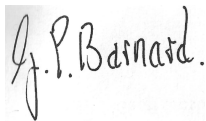
In so far as the trustees are aware:

- there is no relevant audit information which the Charitable Company's auditors are unaware; and
- the trustees of the Charitable Company have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITOR

A resolution to re-appoint MHA Tait Walker as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

Signed on behalf of the Trustees on 7/6/2021

A handwritten signature in black ink that reads "G.P. Barnard." The signature is written in a cursive style.

G.P. Barnard LLM

Chairman

AZURE CHARITABLE ENTERPRISES

INDEPENDENT AUDITORS REPORT TO THE MEMBERS AND TRUSTEES OF THE CHARITABLE COMPANY YEAR ENDED 31ST JANUARY 2021

Opinion

We have audited the financial statements of Azure Charitable Enterprises (the 'charitable parent company') and its subsidiaries (the 'group') for the year ended 31 January 2021, which comprise the Consolidated Statement of Financial Activities, Consolidated Balance Sheet, Balance Sheet, Group Statement of Cashflows and supporting notes. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, comprising Charities SORP - FRS 102 'The Financial Reporting Standard in the UK and Republic of Ireland' and applicable law (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 parent charity's affairs as at 31 January 2021 and of the group's incoming resources and application of resources, including its income and expenditure for the year there 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 UK, including the FRC'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.

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 charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements were 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.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement of the other information. 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 for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and trustees 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 group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the trustees report.

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

- adequate accounting records have not been kept by the parent charitable company, 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.

Responsibilities of trustees

As explained more fully in the statement of trustees responsibilities (set out on page 15), the trustees 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 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 ISA's (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.

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:

- Enquiries with management about any known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing board minutes;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.
- Reviewing care quality commission reports

AZURE CHARITABLE ENTERPRISES

INDEPENDENT AUDITORS REPORT TO THE MEMBERS AND TRUSTEES OF THE CHARITABLE COMPANY YEAR ENDED 31ST JANUARY 2021

Because of the field in which the client operates, we identified the following areas as those most likely to have a material impact on the financial statements: anti-bribery and corruption, and compliance with the UK Companies Act, the Charities Act and the Care Quality Commission.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). For instance, the further removed non-compliance is from the events and transactions reflected in the financial statements, the less likely the auditor is to become aware of it or recognise the non-compliance.

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. This description forms part of our Auditors' report.

Use of the report

This report is made solely to the charitable parent company's trustees, 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 group's trustees 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 parent company and its trustees as a body, for our audit work for this report, or for the opinions we have formed.



8/6/2021

Simon Brown BA ACA DChA (Senior Statutory Auditor)

For and on behalf of

MHA Tait Walker, Chartered Accountants & Statutory Auditor

Bulman House, Regent Centre

Gosforth, Newcastle upon Tyne

NE3 3LS

MHA Tait Walker is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

MHA Tait Walker is a trading name of Tait Walker LLP.

AZURE CHARITABLE ENTERPRISES
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE
For the Year Ended 31st January 2021

	Note	Unrestricted Funds	Restricted Funds	Capital Funds	2021 Total Funds	2020 Total Funds
		£	£	£	£	£
INCOME						
Donations and Legacies	4	2,722	11,050	-	13,772	44,296
Income from charitable activities:						
Provision of client services	3	404,405	-	-	404,405	362,397
Grants receivable	3	4,106,722	-	-	4,106,722	3,848,790
Income from other trading activities:						
Commercial trading activities	3	3,853,059	-	-	3,853,059	3,920,664
Other incoming resources:						
Investment income	5	10	-	-	10	87
Other income:						
Surplus on disposal of fixed assets	9	-	-	-	-	45,234
TOTAL INCOME		8,366,918	11,050	-	8,377,968	8,221,468
EXPENDITURE:						
Expenditure on charitable activities:						
Operation of client services	7	4,523,424	1,050	-	4,524,474	4,586,831
Costs of raising funds:						
Commercial trading operations	6	3,302,041	-	-	3,302,041	3,737,503
Other expenditure:						
Deficit on disposal of fixed assets	9	41,001	-	-	41,001	-
TOTAL EXPENDITURE		7,866,466	1,050	-	7,867,516	8,324,334
NET INCOME / (EXPENDITURE)	9	500,452	10,000	-	510,452	(102,866)
TRANSFERS BETWEEN FUNDS	21	25,000	(25,000)	-	-	-
NET MOVEMENT IN FUNDS		525,452	(15,000)	-	510,452	(102,866)
RECONCILIATION OF FUNDS						
Total funds brought forward	23	2,759,911	15,000	-	2,774,911	2,877,777
Total funds carried forward	23	3,285,363	-	-	3,285,363	2,774,911

The result for the year relates to both continuing activities and discontinued activities. For further disclosure on discontinued activities see page 29.

The notes on pages 32 to 46 form part of these financial statements

AZURE CHARITABLE ENTERPRISES
STATEMENT OF FINANCIAL ACTIVITIES - Discontinued and Continued Activities
INCLUDING INCOME AND EXPENDITURE
For the Year Ended 31st January 2021

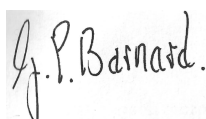
	Note	Discontinued Activities 2021 £	Continued Activities 2021 £	Total Funds 2021 £	Discontinued Activities 2020 £	Total Funds 2020 £
INCOME						
Donations and Legacies	4	-	13,772	13,772	-	44,296
Income from charitable activities:						
Provision of client services	3	-	404,405	404,405	-	362,397
Grants receivable	3	-	4,106,722	4,106,722	-	3,848,790
Income from other trading activities:						
Commercial trading activities	3	-	3,853,059	3,853,059	342,220	3,920,664
Other incoming resources:						
Investment income	5	-	10	10	-	87
Other income:						
Surplus on disposal of fixed assets	9	-	-	-	-	45,234
TOTAL INCOME		-	8,377,968	8,377,968	342,220	8,221,468
EXPENDITURE:						
Expenditure on charitable activities:						
Operation of client services	7	-	4,524,474	4,524,474	-	4,586,831
Costs of raising funds:						
Commercial trading operations	6	203,739	3,098,302	3,302,041	395,474	3,737,503
Other expenditure:						
Deficit on disposal of fixed assets	9	27,269	13,732	41,001	-	-
TOTAL EXPENDITURE		231,008	7,636,508	7,867,516	395,474	8,324,334
NET INCOME / (EXPENDITURE)	9	(231,008)	741,460	510,452	(53,254)	(102,866)
TRANSFERS BETWEEN FUNDS	21	-	-	-	-	-
NET MOVEMENT IN FUNDS		(231,008)	741,460	510,452	(53,254)	(102,866)

The above continuing and discontinuing activities (including those in 2020) relate to unrestricted activities.

AZURE CHARITABLE ENTERPRISES
Company Registration Number 01666027
BALANCE SHEET
As at 31st January 2021

		Group 2021	Group 2020	Charity 2021	Charity 2020
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	12	3,126,834	3,037,379	2,245,316	2,231,697
Investments	13	-	-	2	2
		3,126,834	3,037,379	2,245,318	2,231,699
CURRENT ASSETS					
Stocks	14	310,261	252,913	-	4,727
Debtors	15	446,503	546,008	356,828	484,052
Property held for sale		-	-	-	-
Cash at bank and in hand		602,107	224,883	144,605	51,574
		1,358,871	1,023,804	501,433	540,353
CURRENT LIABILITIES					
Creditors - amounts falling due within one year	16	1,043,256	1,041,466	973,772	1,118,204
NET CURRENT (LIABILITIES)ASSETS		315,615	(17,662)	(472,339)	(577,851)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,442,449	3,019,717	1,772,979	1,653,848
Loans and hire purchase agreements	17	157,086	244,806	157,086	244,806
NET ASSETS		3,285,363	2,774,911	1,615,893	1,409,042
FUNDS OF THE CHARITY					
Restricted funds	22	-	15,000	-	15,000
Unrestricted funds	22	3,285,363	2,759,911	1,615,893	1,394,042
TOTAL FUNDS	22	3,285,363	2,774,911	1,615,893	1,409,042

Approved by the Board of Directors on **7/6/2021**
and signed on their behalf by:



G.P. Barnard LLM
Chairman



G.W. Robson FCA
Treasurer

AZURE CHARITABLE ENTERPRISES
GROUP STATEMENT OF CASHFLOWS
For the Year Ended 31st January 2021

	Notes	2021 £	2020 £
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net cash provided by (used in) operating activities	10	913,405	20,176
CASHFLOWS FROM INVESTING ACTIVITIES:			
Purchase of tangible fixed assets		(265,365)	(20,835)
Transfer of fixed assets held for sale		-	-
Proceeds from disposal of fixed assets		13,323	76,743
Net cash provided by (used in) investing activities		(252,042)	55,908
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in borrowings		50,000	300,000
Repayment of borrowings		(300,000)	(68,494)
Finance of tangible fixed assets		-	9,497
Hire purchase repayments		(34,139)	(26,706)
Net cash provided by (used in) financing activities		(284,139)	214,297
CHANGE IN CASH AND CASH EQUIVALENTS IN THE REPORTING PERIOD		377,224	290,382
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE REPORTING PERIOD		224,883	(65,499)
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	As set out below	602,107	224,883

	2021 £	2020 £
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash in hand	602,107	224,883
Total cash and cash equivalents	602,107	224,883

Net Debt Reconciliation

	At start of year £	Cash-flows £	At end of year £
Cash	224,883	377,224	602,107
Cash equivalents	-	-	-
HP/Loans falling due within one year	(323,245)	246,419	(76,826)
HP/Loans falling due after one year	(244,806)	87,720	(157,086)
Other borrowings	(300,000)	250,000	(50,000)
TOTAL	(643,168)	961,364	318,196

The notes on pages 32 to 46 form part of these financial statements

AZURE CHARITABLE ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st January 2021

1. MEMBERS' LIABILITY

Azure Charitable Enterprises is a charitable company limited by guarantee but exempt from the requirement to use the word limited.

The Charitable Company is limited in that every member undertakes to contribute such amount, not exceeding £1, as may be required in the event of the company being wound up while he is a member, or within one year after he ceases to be a member.

2. ACCOUNTING POLICIES

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

-Basis of preparation-

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

The functional currency of the group is sterling.

The charity and the trading companies have adopted Update Bulletin 2 of the Charity SORP (FRS102)

Azure Charitable Enterprises meets the definition of a public benefit entity under FRS102. Assets and liabilities are initially recorded at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

-Preparation of the accounts on a going concern basis-

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 charity of 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 the uncertainties do not cast significant doubt on the company's ability to continue as a going concern.

-Basis of Consolidation-

The group financial statements consolidate the financial statements of the charitable company and its subsidiary undertakings drawn up to the period end date on a line by line basis. A separate Statement of Financial Activity and Income and Expenditure Account for the charity has not been presented for Azure Charitable Enterprises as permitted by section 408 of the Companies Act 2006.

-Income-

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item of income have been met, it is probable that the income will be received and the amount 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. ACCOUNTING POLICIES - (continued)

-Expenditure-

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds are those costs of commercial trading including the garden centre activities and the letting operations, together with their associated support costs.
- Expenditure on charitable activities includes the costs associated with the provision of client supporting services and include both the direct costs and support costs relating to the activities of the charity.
- Other expenditure represents those items not falling into any other heading.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

-Allocation of support costs-

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel, payroll and governance costs which support the charity's (and the group's) activities. These costs, which have not been directly apportioned, have been allocated between cost of raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in the Support Cost note.

-Operating Leases-

The charity and the group classifies the leasing of equipment, as operating leases; the title to which equipment remains with the lessor and the expected economic life of the equipment is longer than the rental period. Rental charges are charged on a straight line basis over the term of the lease.

-Funds Structure-

The Charity has restricted funds to account for the donor requiring that the donation must be spent on a particular purpose. All other funds are unrestricted income funds. The funds held in each of these categories are disclosed in the Reserves Notes.

-Fixed Assets-

All fixed assets are initially recorded at cost. Items under £500 in value are not generally capitalised.

The cost of fixed assets is depreciated over the expected useful lives of the assets as follows:

Freehold land	- no depreciation
Long leasehold land	- period of the lease
Freehold / long & short leasehold buildings	- 50/40 years straight line or over the term of the lease
Garden centre roof and improvements	- 10 years straight line
Plant and fixtures	- 5 / 10 years straight line
Motor vehicles	- 4 years straight line
Equipment	- 3 years straight line
Fixtures and fittings	- 5 years straight line

No depreciation is charged on assets under construction.

Long and short term leasehold buildings and freehold buildings held by Azure Business Centres Limited continue to be depreciated and are not considered to be investment properties in accordance with the principal trading aims and activities of the company.

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

-Investments-

Investments are included in the financial statements at cost less any provision for permanent diminution in value.

-Stocks-

Stocks are valued at the lower of cost or net realisable value, after making due allowance for any obsolete or slow moving items. Donated items of stock are recognised at fair value which is the amount the charitable company would have been willing to pay for the items on the open market.

2. ACCOUNTING POLICIES - (continued)

-Debtors-

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayment are valued at the amount prepaid net of any trade discounts due.

-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.

-Creditors and provisions-

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provision are normally recognised at their settlement amount after allowing for any trade discounts due.

-Financial instruments-

The charitable 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.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital element of the future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet. The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease and hire purchase contracts and represents a constant proportion of the balance of capital repayments outstanding.

-Pensions-

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

-Corporate Taxation-

The charity is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. The group companies relieve their tax liability by making Gift Aid payments to the parent charity within nine months of the year end.

AZURE CHARITABLE ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st January 2021

3. INCOME:

	2021	2020
	£	£
COMMERCIAL TRADING ACTIVITIES		
Commercial operations - Unrestricted Funds		
Garden Centre	3,152,964	
Less: Sales to Charity	(531)	
Net Garden Centre Sales	3,152,433	3,074,615
Nursery	106,769	19,000
Printing	87,863	349,114
Less: Internal Sales	(183)	(1,985)
Sales to Garden Centre	(236)	(4,909)
Net Printing Sales	87,444	342,220
Landscapes	332,319	325,640
Less: Internal Landscaping	(4,800)	(4,800)
Net Landscapes Sales	327,519	320,840
Azure Business Centres	189,990	177,217
Less: Sales to Charity	(12,159)	(14,000)
	177,831	163,217
Feed In Tariff Income	1,064	772
	3,853,059	3,920,664
CHARITABLE ACTIVITIES		
	2021	2020
	£	£
Provision of client services - Unrestricted Funds		
Rental Income	51,579	55,644
Department for Work and Pensions	81,836	57,086
Education Funding Agency	211,345	163,150
Miscellaneous	59,645	86,517
	404,405	362,397
Grants receivable - Unrestricted Funds		
DWP - Supported Business Grant	149,414	197,504
DWP - Coronavirus Job Retention Scheme	90,225	-
Sunderland City Council	582,017	562,538
Newcastle Social Services	1,285,898	1,203,772
Northumberland County Council	1,661,741	1,475,721
Client Direct Payments	337,427	409,255
	4,106,722	3,848,790

4. DONATIONS & LEGACIES

Gift Aid on covenants 95

5. INVESTMENT INCOME

6. EXPENDITURE

COMMERCIAL TRADING ACTIVITIES

AZURE CHARITABLE ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st January 2021

7. ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

	Provision of client services:			
	Unrestricted	Restricted		
	Funds	Funds	2021	2020
	£	£	£	£
Employment costs	3,392,389	-	3,392,389	3,342,768
Depreciation	400	-	400	133
Rent & rates	49,893	-	49,893	45,127
Advertising	364	-	364	4,035
Heat, light and water	11,002	-	11,002	11,063
Insurances	24,231	-	24,231	67,337
Trainee allowances and travel	14,780	-	14,780	26,443
Residents' training and holidays	604	1,050	1,654	5,239
Other	442,892	-	442,892	500,724
Governance costs	37,439	-	37,439	37,811
Support costs	549,430	-	549,430	546,151
	4,523,424	1,050	4,524,474	4,586,831
For the Year Ended 31st January 2020	4,567,739	19,092		

SUMMARY ANALYSIS OF EXPENDITURE AND RELATED INCOME FROM CHARITABLE ACTIVITIES

This table shows the cost of the main charitable activities and the sources of income directly to support those activities:

	Provision of client services:			
	Unrestricted	Restricted		
	Funds	Funds	2021	2020
	£	£	£	£
Costs (as above)	(4,523,424)	(1,050)	(4,524,474)	(4,586,831)
Service level agreements and direct payments	404,405	-	404,405	362,397
Grants receivable	-	-	-	-
- Indirect / Ad-hoc	-	-	-	-
- Direct grant support	4,106,722	-	4,106,722	3,848,790
Net cost funded from other income	(12,297)	(1,050)	(13,347)	(375,644)

AZURE CHARITABLE ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st January 2021

8. ANALYSIS OF GOVERNANCE & SUPPORT COSTS

The charitable company allocates costs direct to activities as far as possible, then identifies the remaining costs of its support functions. It then identifies those costs which relate to the governance function. Having identified its governance costs, the remaining support costs together with the governance costs are apportioned between the key charitable activities undertaken (see previous note) in the year. Refer to the table below for the basis for apportionment and the analysis of support and governance costs.

Analysis of support and governance costs:					Basis of apportionment
General Support	Governance function	2021 Total	2020 Total		
	£	£	£		
Employment costs	391,151	22,377	413,528	421,263	Allocated on time
Depreciation	41,174	2,355	43,529	43,489	On asset use
Interest	11,091	634	11,725	27,394	Pro-rata to staff time
Power	21,420	1,225	22,645	14,634	Pro-rata to staff time
Insurances	3,311	189	3,500	6,114	Pro-rata to staff time
Restricted Funds	-	-	-	-	Pro-rata to staff time
Other	45,614	2,609	48,223	56,630	Pro-rata to staff time
Audit fees	-	8,050	8,050	7,560	Governance
Legal & other professional costs	35,669	-	35,669	6,878	Governance
	549,430	37,439	586,869	583,962	
For the Year Ended 31st January 2020	546,151	37,811			

9. NET INCOME / (EXPENDITURE) FOR THE YEAR

		2021	2020
		£	£
The group surplus/deficit is after charging:			
Operating leases			
Depreciation	Owened assets	108,628	111,082
	Assets held under hire purchase agreements	12,960	21,685
Bank interest payable	Mortgage interest	3,642	4,610
(Surplus)/Deficit on disposal of fixed asset: Office equipment, fixtures and fittings		41,001	(45,234)
Auditor Remuneration	Audit fees of the group	15,150	14,510
	Other fees of the group	980	920

The surplus dealt with in the financial statements of the parent company was £206,857 (2020: Deficit £54,106).

The group surplus includes a reported surplus of £433,019 (2020: £194,500) arising in Azure Garden Centre Limited and a reported surplus of £72,995 (2020: £59,423) arising in Azure Business Centres Limited.

10. NOTES TO CASHFLOW

Reconciliation of net income / (expenditure) to net cash flow from operating activities:

	2021	2020
	£	£
Net income / (expenditure) for the reporting period (as per the S.O.F.A)	510,452	(102,866)
Adjustments for:		
Depreciation	121,588	132,767
Impairment	-	-
(Profit)/Loss on disposal of fixed assets	41,001	(45,234)
Decrease/(increase) in stock	(57,348)	17,172
(Increase)/Decrease in properties held for sale	-	-
(Increase)/Decrease in debtors	99,504	22,948
Increase/(decrease) in creditors	198,208	(4,610)
Net cash provided by (used in) operating activities	913,405	20,177

AZURE CHARITABLE ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st January 2021

11. ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION & EXPENSES, AND THE COST OF KEY MANAGEMENT PERSONNEL

	2021	2020
	£	£
Staff costs during the year:		
Wages and salaries	4,461,605	4,610,250
Social security costs	304,673	316,586
Other pension costs	222,835	215,065
	4,989,113	5,141,901

Salary costs incurred on behalf of Supported Placement workers in the year were £504,048 (2020: £532,375).
 An average of 35 (2020: 42) people were in post during the year, of which 24 were employed by Azure Charitable Enterprises at the year end.

Number of employees earning more than £60,000 per annum;

	2021	2020
£60,000 to £70,000	1	1
£70,000 to £80,000	-	-
£100,000 to £110,000	1	1

Defined contribution pension: - Contributions	£ 54,988	£ 26,413
- Number of employees	2	2

None of the directors/trustees of the charity received any remuneration or expenses from the group.

The key management personnel of the parent charity, comprise the trustees, the Chief Executive, Finance, Printing, Landscapes and Support Services Managers. The total employee benefits of the key management personnel of the parent charity were £459,272 (2020: £474,346)

The key management personnel of the group, comprise those of the parent charity and the key management personnel of its wholly owned subsidiaries, Azure Garden Centre Ltd and Azure Business Centre Ltd. The key management personnel of the subsidiary companies are the Garden Centre and Business Centre Managers whose employee benefits total £101,760 (2020: £79,277). The employee benefits of key management personnel for the group was therefore £561,032 (2020: £553,623).

The costs above exclude the sub contracted employee costs which make up the employment costs within Charitable Activities and Governance.

The average headcount of persons employed by the group (including casual and part-time) during the year was:

	2021	2020
	No.	No.
Garden Centre	34	44
Supported Living	66	66
Landscapes	14	15
Printing	3	7
Support Services	54	56
Employment Services	3	2
Education	6	5
Administration	12	12
Azure Business Centres Limited	1	2
	193	209

AZURE CHARITABLE ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st January 2021

12A. FIXED ASSETS - GROUP

	Freehold/ Long & short leasehold land and buildings £	Plant & equipment £	Office equipment, fixtures & fittings £	Commercial vehicles £	Total £
Cost:					
As at 1 February 2020	4,981,247	638,364	729,689	47,770	6,397,070
Additions	130,711	134,654	-	-	265,365
Disposals	(55,336)	(166,524)	-	-	(221,860)
Transfers	-	-	-	-	-
As at 31 January 2021	5,056,622	606,494	729,689	47,770	6,440,575
Depreciation:					
As at 1 February 2020	2,058,382	555,334	714,729	31,246	3,359,691
Charge for the year	90,371	14,922	6,852	9,443	121,588
On disposals	(44,730)	(122,807)	-	-	(167,537)
Transfers	-	(2,142)	2,142	-	-
As at 31 January 2021	2,104,023	445,307	723,723	40,689	3,313,742
Net book value:					
As at 31 January 2021	2,952,599	161,187	5,966	7,081	3,126,834
As at 31 January 2020	2,922,865	83,030	14,960	16,524	3,037,379

Handelsbanken hold a first legal charge over the Garden Centre land and buildings.

The Department for Work and Pensions hold a second legal charge over the Garden Centre land and buildings.

Hire purchase agreements

Included within the net book value of £3,126,834 is £11,185 (2020 - £93,566) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £12,960 (2020 - £21,685).

AZURE CHARITABLE ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st January 2021

12B. FIXED ASSETS - CHARITY

	Freehold/ Long leasehold land and buildings £	Plant & equipment £	Office equipment, fixtures & fittings £	Commercial vehicles £	Total £
Cost:					
As at 1 February 2020	3,469,544	415,536	350,301	47,770	4,283,151
Additions	130,711	-	-	-	130,711
Transfers	-	-	-	-	-
Disposals	-	(105,251)	-	-	(105,251)
As at 31 January 2021	3,600,255	310,285	350,301	47,770	4,308,611
Depreciation:					
As at 1 February 2020	1,318,172	365,195	336,840	31,247	2,051,454
Charge for the year	53,560	8,615	5,906	9,443	77,524
Transfers	-	(2,142)	2,142	-	-
On disposals	-	(65,682)	-	-	(65,682)
As at 31 January 2021	1,371,732	305,986	344,888	40,690	2,063,295
Net book value:					
As at 31 January 2021	2,228,523	4,299	5,413	7,080	2,245,316
As at 31 January 2020	2,151,372	50,341	13,461	16,523	2,231,697

Handelsbanken hold a first legal charge over the Garden Centre land and buildings.

The Department for Work and Pensions hold a second legal charge over the Garden Centre land and buildings.

AZURE CHARITABLE ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st January 2021

13. INVESTMENTS

The investment comprises a holding of 100% of the issued ordinary share capital of Azure Garden Centre Limited, a company registered in England and Wales. The cost of the investment in Azure Garden Centre Limited in the charity's own financial statements is £2 (2020: £2).

The principal activity of the subsidiary undertaking is the operation of a garden centre.

A summary of the trading results of Azure Garden Centre Limited is shown below:

	2021	2020
	£	£
Turnover	2,949,262	2,996,815
Cost of sales, administrative expenses and interest	(2,719,943)	(2,886,138)
Other operating income	203,702	83,823
	433,021	194,500

A summary of the balance sheet position of Azure Garden Centre Limited is shown below:

	2021	2020
	£	£
Fixed Assets	193,397	86,722
Current Assets	841,241	677,250
Current Liabilities	(389,704)	(349,734)
Net Assets	644,934	414,238

Azure Charitable Enterprises is the sole corporate member of Azure Business Centres Limited, a company registered in England and Wales. This company is limited by guarantee.

The principal activity of the subsidiary undertaking, which is an approved Enterprise Agency, is the provision of workshop and office space for new and small businesses and providing support services to such businesses.

A summary of the trading results of Azure Business Centres Limited is shown below:

	2021	2020
	£	£
Turnover	174,236	177,218
Cost of sales, administrative expenses and interest	(117,005)	(117,882)
Other operating income	15,764	87
Taxation	-	-
	72,995	59,423

A summary of the balance sheet position of Azure Business Centres Limited is shown below:

	2021	2020
	£	£
Fixed Assets	688,120	718,960
Current Assets	363,007	272,770
Current Liabilities	(26,590)	(40,101)
Net Assets	1,024,537	951,629

AZURE CHARITABLE ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st January 2021

14. STOCKS

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Garden Centre - see below	310,261	248,186	-	-
Azure Charitable Enterprises Print - consumables	-	4,727	-	4,727
	310,261	252,913	-	4,727

The difference between the purchase price or production cost of stocks and their replacement cost is not material.
Garden Centre stock comprises of £310,261 goods held for resale (2020: £248,030 Garden Centre and £156 Café stock)

15. DEBTORS

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Trade debtors	294,360	297,350	217,175	241,517
VAT Debtor	-	-	-	-
Other debtors	6,444	594	391	104
Prepayments and accrued income	145,699	248,064	139,262	242,431
	446,503	546,008	356,828	484,052

16. CREDITORS: amounts falling due within one year

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Trade creditors	286,069	255,023	73,119	109,738
Amounts owed to subsidiary undertaking	-	-	350,064	466,570
Other taxes and social security costs	169,938	233,914	95,714	111,491
Other creditors	78,545	25,991	64,965	6,755
Accruals	381,878	203,293	263,084	100,405
Mortgage loans	67,586	-	67,586	-
Hire purchase agreements	9,240	23,245	9,240	23,245
Northstar Ventures Loan	-	300,000	-	300,000
Lloyds Bounce Back Loan	50,000	-	50,000	-
	1,043,256	1,041,466	973,772	1,118,204

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2021	2020
	£	£
Mortgage loans	67,586	-
Hire purchase agreements	9,240	23,245
Northstar Ventures Loan	-	300,000
	76,826	323,245

For details of security in respect of the mortgage loans refer to the note: Creditors - amounts falling due after one year.

AZURE CHARITABLE ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st January 2021

17. CREDITORS: amounts falling due after one year

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Hire Purchase agreements	524	20,658	524	20,658
Handelsbanken Mortgage	156,562	224,148	156,562	224,148
Balance at 31st January	157,086	244,806	157,086	244,806

The following liabilities disclosed under creditors falling due after one year are secured by the company:

	2021	2020
	£	£
Hire Purchase agreements	524	20,658
Mortgage loans	156,562	224,148
	157,086	244,806

The mortgage loans are secured by legal charges on land occupied by the garden centre at Station Road, Cramlington, and represents 36.0% (2020: 36%) of the carrying value of the property as defined in Accounting Policies.

The balance of the mortgage loans are £224,148. Originally the mortgage was repayable over 20 years (the original start date was 5th October 2005), by way of quarterly instalments. The mortgage has been arranged in three parts; (i) The balance of this first part was repaid in full during the year, (ii) An amount of £111,323, incurs interest at a commercial rate, (iii) A final balance of £112,825 which incurs interest at a commercial rate. Repayments are due to commence in March 2021 following a repayment holiday from March 2020 to January 2021.

18. FINANCIAL INSTRUMENTS

Financial instruments measured at cost comprise the loan financing provided by Handelsbanken, Lloyds Asset Finance and Northstar Ventures to the charitable company and group.

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Loan payable falling due:				
Within 1 year	126,826	323,245	126,826	323,245
More than 1 year but less than 5 years	157,086	244,805	157,086	244,805
After 5 years	-	-	-	-
Total	283,912	568,050	283,912	568,050

The loan financing is in the form of a secured loan with a variable interest rate. The market risk facing the charitable company and the group is that interest rates will rise as the economic recovery gains momentum.

19. LEASING COMMITMENTS

	Group		Charity	
	2021	2020	2021	2020
	£	£	£	£
Total minimum lease payments due over the lease term, falling due as follows:				
Leases expiring within 1 year	19,344	56,818	15,437	50,343
Leases expiring 2 to 5 years	25,509	33,881	22,579	22,549
Leases expiring over 5 years	-	-	-	-

20. PENSION COMMITMENTS

The group operates a defined contribution scheme. The assets of the scheme are held separately to the group in independently administered funds. The pension cost charged represents contributions payable by the group to the scheme and amounted to £222,835 (2020: £215,065). At the year end included in other taxes and social security costs, is an amount payable to the scheme totalling £34,579 (2020: £31,429).

AZURE CHARITABLE ENTERPRISES
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31st January 2021

21. TRANSFERS BETWEEN FUNDS

In 2021 a sum of £25,000 has been transferred from Restricted Funds to Unrestricted Funds (2020: £1,524).

22. ANALYSIS OF CHARITABLE FUNDS

Analysis of movements in unrestricted funds

	As at 1 February	Incoming Resources	Resources Expended &	Transfers	As at 31 January
General fund	2,759,911	8,366,918	(7,866,466)	25,000	3,285,363
Total unrestricted funds	2,759,911	8,366,918	(7,866,466)	25,000	3,285,363

Analysis of movements in restricted funds

	As at 1 February	Incoming Resources	Resources Expended &	Transfers	As at 31 January
Educational programme expansion	15,000	-	-	(15,000)	-
Support of trainee development and occupation	-	10,000	-	(10,000)	-
Residents activities Keele Drive	-	1,050	(1,050)	-	-
Total restricted funds	15,000	11,050	(1,050)	(25,000)	-

Name of restricted fund:	Description, nature and purposes of the fund:
Educational programme expansion	A £15,000 donation received in the previous year was utilised in the creation of a teaching kitchen at Azure Garden Centre to increase the capacity and improve facilities in the hospitality sector of the Skillbuilder programme
Support of trainee development and occupation	A £10,000 donation was received from the Molitor Trust to be used in providing materials and activities for the 16-19 year olds on the Skillbuilder training programme.
Residents activities 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.

23. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

	Unrestricted Funds £	Capital Funds £	Restricted Funds £	Total Funds £
Fund balances				
Tangible fixed assets	3,126,834	-	-	3,126,834
Net current liabilities	315,615	-	-	315,615
Long term liabilities	(157,086)	-	-	(157,086)
Total net assets	3,285,363	-	-	3,285,363

24. CONTINGENT LIABILITY

At the year end the charity was in the process of defending a claim for unfair dismissal following notice of redundancy. Whilst the charity fully expects to be able to defend the claim, it expects to incur legal fees in the magnitude of £20-£25k. As a result a sum of £25,000 has been provided as a liability (within accruals) in the year end financial statements in respect of the legal fees connected with the ongoing litigation (which the charity expects to fully defend).

25. RELATED PARTY TRANSACTIONS

During the course of the year, the charity purchased goods from its subsidiary Azure Garden Centre Limited amounting to £531 (2020: £6,023) on normal commercial terms. The amount outstanding at the year end, included in the charitable company's creditors is £Nil (2020: £3,268).

During the course of the year, the charity sold goods to Azure Garden Centre Limited amounting to £236 (2020: £4,909) on normal commercial terms. The amount outstanding at the year end, included in the charitable company's debtors, is £Nil (2020: £424).

During the course of the year, the charity provided management services to Azure Garden Centre Limited amounting to £159,046 (2020: £162,557) 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 £159,046 (2020: £162,557).

Azure Garden Centre Limited has transferred money to the charity to invest. The amount held at the year end, included in the charitable company's creditors, is £272,016 (2020: £514,342).

During the course of the year, the charity purchased goods from its subsidiary Azure Business Centres Limited amounting to £12,159 (2020: - £14,000) on normal commercial terms. The amount outstanding at the year end, included in the charitable company's creditors is £Nil (2020: - £2,417).

During the course of the year, the charity sold goods to its subsidiary Azure Business Centres Limited amounting to £1,310 (2020 - £3,398) on normal commercial terms. The amount outstanding at the year end, included in the charitable company's debtors, is £Nil

During the course of the year, the charity provided management services to Azure Business Centres Limited amounting to £3,486 (2020 - £3,563) 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 debtors, is £3,486 (2020 - £7,865).

During the course of the year the charity sold goods to I Hindle, a trustee, totalling £260 (2020 - £1,250) on normal commercial terms. The amount outstanding at the year end, included in the charitable company's debtors, is £Nil (2020 - £300).

During the course of the year the charity sold goods to Blagdon Estate, related by virtue of the patron, totalling £5,586 (2020 - £10,051) on normal commercial terms. The amount outstanding at the year end is £205 (2020 - £337).

During the course of the year the charity received a donation from The Molitor Charitable Trust, a charity related by virtue of a trustee, totalling £10,000 (2020 - £10,000). The amount outstanding at the year end is £Nil.

25. ULTIMATE CONTROLLING PARTY

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