

Report to: LED Monitoring Forum, April 2023
Subject: LED Enterprises Ltd
From: Peter Gilpin, CEO, LED Community Leisure
Date: April 2023

The intention of this report is to provide an explanation of the trading and financial relationship between LED Community Leisure Ltd and its trading subsidiary, LED Enterprises Ltd.

LED Community Leisure (LED) is a not-for-profit Community Benefit Society with charitable status, often described as a Leisure Trust. As such it is governed by the Financial Conduct Authority (FCA) with registration number 30029R and charity registration number EW03089. As such, LED is exempt from charging VAT on its 'charitable' activities, which include all recognised sporting, health and fitness and cultural activities, including memberships, ten-pin bowling at Ocean and theatre shows at Exmouth Pavilion.

Being VAT exempt allows LED to retain all the income and not have to give 20% to HMRC (or the prevailing VAT charge) and the Trust is also exempt from mandatory National Non-Domestic Rates (NDR), both of which are beneficial in significantly reducing the operating costs of the Leisure Management Contract.

These charitable activities are all reported through the parent trust, LED, in its Annual Report, which is audited by Francis Clark LLP and filed with the FCA.

LED's 'non-charitable' activities, which include food and beverage (F&B) income at all sites and the soft play zone at Ocean, cannot be reported directly through LED and must be accounted for through a trading subsidiary, as they exceed the turnover threshold determined by the Charity Commission and the FCA. These activities are subject to a VAT charge.

LED Enterprises Ltd has therefore been set up as a trading subsidiary to adhere to these regulations and must meet its own costs (staffing, goods, VAT etc) from the income received. Although it is a limited company, and not charitable, it cannot distribute profits or dividends to any person or organisation other than the parent Trust, LED. These profits are externally audited by Francis Clark, 'gifted' to LED at the end of each trading year and reported in the Trust's Annual Report.

Outside of the EDDC / LED Leisure Management Contract, LED Enterprises oversees the trading activities of Ocean and its ancillary activities on Queen's Drive, Exmouth, and the catering services at Exeter Airport. As both facilities are recharged a proportion of LED's central overhead costs they also help reduce these charges to the EDDC leisure facilities, as well as contributing their trading surpluses to the parent Trust to help ensure its sustainability.

Peter Gilpin, CEO

28th March 2023