

A Q AND A SESSION FOR MEMBERS ABOUT THE SETTING UP OF GREGSON TRADING, THURSDAY 11TH MAY 2023, 6.30PM – 7.30PM, AT THE GREGSON

At last year's AGM, members approved the proposal for the Gregson to set up a trading arm which would operate the cafe/bar trading activities and, at some future date, potentially other trading activities in keeping with our overall ethos but which would not be directly related to our charitable activities.

If the GCA makes profits on trading we have to pay tax on them when they are not linked directly to our charitable objectives. A TA, however, will ensure that profit from the Cafe Bar etc can be transferred from the TA to GCA after the final accounts are produced and within 9 months of year end.

Since last October a Board sub-group (reporting regularly to the Board) has developed proposals to create *Gregson Trading Limited* (GT). The sub-group has also taken legal and financial advice. This has involved us working with our new accountants, Moore and Smalley, who have experience of working with charities with similar structures. We intend GT will be set up from 1 July 2023. This seems the right time, therefore, to run a Q&A session with members not only to ensure this process is transparent, but also to benefit from members' thoughts and insights about this development.

Here's an outline of how we think the new arrangements will work:

1. On the surface, there will be no apparent difference in operations after 1 July.
0. Below the surface, there will be two organisations:
 - a. The Gregson Community Association Limited (GCA): a charity and a limited company (structure remains the same) which from 1 July 2023 will have a subsidiary called:
 - a. Gregson Trading Limited (GT): a limited company wholly owned by the GCA which donates all profits made to the GCA.
0. Income from Gregson Trading Limited will be generated by the café bar, with scope to develop other income streams within the ethos of The Gregson as appropriate at a later date. GCA will continue as a community focused charity providing and further developing a broad spectrum of arts, health, and community initiatives and activities. Making GT a wholly owned subsidiary of the GCA means that GT will always function within the ethos and strong community principles of the Gregson.
0. The GCA board is responsible to GCA members for running the charity according to its memorandum and articles of association. The GCA must always act in the best interests of the charity, and, as the sole owner of GT, it can and will do this.

0. The GCA Board will therefore closely monitor the performance of Gregson Trading, ensuring it is an on-going concern and that it is functioning in the best interests of the charity. Our schedule of Board meetings for both organisations will achieve this with bi-monthly Board meetings for GT and approximately 6-weekly GCA Board meetings. The GCA Board will receive GT Board minutes and agenda papers and will receive a report on GT at every Board meeting.

0. The GT Board will comprise GCA Chair, GCA Treasurer, the GCA CEO, at least one other GCA Board member, and two external directors with experience relevant to the business of Gregson Trading.

0. GCA will charge GT for provision of staff services and associated costs so that all staff will remain employed by the GCA. A minor adaptation to staff contracts will be necessary to reflect this.

0. **FINANCIAL ASPECTS:**

a. The GCA will make a start-up loan to GT which must be charged at a commercial rate.

a. GT will buy the existing stock for the Cafe Bar from the GCA and will then make its own purchases.

b. The GCA must charge a commercial rent to GT for the areas it uses. There will be a formal contract.

c. The GCA and GT will have separate bank accounts and separate accounting records.

d. Within 9 months of its year end, GT will pay a donation to the GCA annually.

e. Both companies' trading years will run from 1 April.

f. We will shortly have a meeting with our accountants (Moore and Smalley) to decide on the best VAT arrangements for the two companies.

We hope the above is helpful for members and look forward to your questions and comments at the session on 11 May.