

FINANCE

Good Morning, Ladies & Gentlemen,

Today I don't want to concentrate on one subject, but to run briefly through 3 or 4 topics that I would like to bring to your attention.

First of all, the recent HMRC investigation into instructors' pay. May I start by thanking all of you for sending you Returns into us, especially those of you who met our requested date of January 31. I do want to put to bed a story that appears to be circulating in some of the Areas – that this exercise was in some way initiated by Stoneleigh. Nothing could be further from the truth. We received a Statutory Notice from Her Majesty's Revenue and Customs ordering us to report payments that had been made to instructors in the past 3 tax years. This Notice had the force of law.

Since Branches all prepare their own accounts, the only way that we could collect the required information was to ask you to supply it to us, so that we could then collate it and report back to HMRC. We appreciate that this was one more burdensome exercise that we placed on your shoulders, but we had no choice. Believe it or not, The Pony Club is not above the law!

At times, the staff of The Pony Club know that they have to ask more of your time than they would wish for exercises such as this. Please be assured that we will not ask you to undertake any additional work unless it is either mandatory or beneficial to the future of the whole organisation.

Next, I know that many of you are fascinated by Headquarters' finances, and like to know what happens to your capitation fees, so let me give you an insight into Stoneleigh's 2012 Accounts. I must just state the caveat that these are, as yet, unaudited figures, but I have no reason to suspect that they will change.

The income totalled £1712000. More than half of this, £971k, came from capitation fees, underlining their importance to the running of Stoneleigh. The next largest contributor was the £379k from Centre membership, being subscriptions and Gift Aid. We made a margin on merchandise sales of £142k, and the HQ share of Branch Gift Aid added another £99k. Income from classified adverts on the web site brought in a further £72k.

On the expenditure side, we are looking at a total of £1571000. The biggest item was employment costs, at £383k, which is just under a quarter of all expenditure. This is followed closely by £303k of insurance. £303k Centre membership costs were £243k, meaning that Centre Membership contributed a net surplus of £136k to Stoneleigh. Accounting, legal and audit took another £92k, whilst office expenses (post, phone, printing etc.) came to £90k. Property costs, primarily rent and rates, accounted for £70k. The training costs of £44k are a net figure, after deducting the fees received from the total costs of running the various courses. Finally, I just want to mention the competitions expenditure of £27k. This again is

a net figure after deducting competition income, but it represents a very considerable improvement from the net loss of £69k that we experienced in 2011.

Now, the eagle-eyed amongst you will have spotted that we are showing a considerable surplus for the year- income of £1712k less expenditure of £1571k gives a profit of £141k. This was unexpected, because, after a loss of £40k in 2011, we had budgeted for a 2012 surplus of £46k. Therefore, we were £95k better than budget.

There are a number of reasons for this. First of all, Branch membership held up better than expected in the economic climate, and this contributed an extra £35k in capitation fees and Gift Aid. As already mentioned, we were successful in cutting the net cost of running competitions, and this represented an improvement of £17k over budget. On our merchandise sales, although total revenue was slightly lower than forecast, we had an improved margin, which contributed an extra £18k. And, most unexpectedly, we received a legacy of £18k.

These surpluses took our accumulated reserves to £993k, of which free reserves (those available to pay our debts) amounted to £963k. The reserves policy for Headquarters aims at a target that free reserves should not be less than 4 months' average gross expenditure. The reason for this is that liability insurance is absolutely essential for The Pony Club – we could not function without it. However, the premiums are very volatile, depending on market conditions and claims history. In the last 10 years, the annual premium has been as low as £99k and as high as £504k. At present, we are paying just over a quarter of a million pounds. In view of this volatility, the Trustees considered it essential to maintain a high level of free reserves that could absorb any sudden increase in premiums.

Nevertheless, the 4 months' target amounts to about £800k, so we are now substantially above that figure. The coming year is going to be challenging financially, and it may well be that we that we will find these additional reserves a very welcome cushion.

I started by squashing a rumour – let me finish in similar vein. There appears to be a perception amongst several Branches that what may be loosely termed the management of The Pony Club are all well paid. If only! The sole member of the management team who is salaried is the Chief Executive, Judy Edwards. The Board of Trustees, that's Cherry Michell, Robin Thompson, Mary Tuckett, Ros Slinger, Christopher Bromfield and myself, are even prevented by law from receiving any remuneration. And although there are no similar legal sanctions with regard to the Equestrian Council, nobody is paid for serving on that body.

We are all volunteers, just like you, who believe in this weird but amazing organisation, and willingly give our time to it.

Thank you all very much.

Robin Danielli