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T MARK HALL FOUNDATION:
Its Future

by Toby Manning.

This statement is made in a personal capacity, and does not necessarily represent the opinion of either the T Mark Hall Foundation, nor of the British Go Association.

There is a proposal to wind up the T Mark Hall Foundation, and to distribute its assets to other Go organisations:-

- The London Go Centre
- The Castledine-Barnes Trust
- The British Go Association.

The Foundation's Assets comprise three tranches:-

- £150,000 of Loan Notes, issued by MindSports Property Limited (MPL), paying 5% per annum
- 150,000 shares in MPL, with a current value of approximately £150,000
- Approximately £70,000 cash and easily liquidated investments.

It is my view that the Loan Notes should be gifted to the London Go Centre, conditional on the LGC amending its constitution as described in the statement (also on this web-site) "Amended Draft Constitution". I consider the case for gifting the shares in MPL to the LGC to be weak, and the case for gifting the cash non-existent.

Financial State of the London Go Centre

The London Go Centre currently has assets of around £10,000. Upon the opening of the London MindSports Centre, it will have a guaranteed income of £10,000 per year assuming that the TMHF's Loan Notes are gifted to it[1]. Its major expense will be an annual rent of £8,000 (already agreed with the Young Chelsea Bridge Club), leaving it with an annual surplus of £2,000 and effectively

[1] The LGC already owns £50,000 Loan Notes

rent-free premises. In my view this leaves the LGC in a financially sound position. It has not given any indication of a requirement for additional funds.

Financial State of MindSports Property Limited (MPL)

MPL currently has free cash of around £200,000, earmarked for building refurbishment. After the refurbishment is complete, its income will be rental payments, from Young Chelsea Bridge Club (who will run the MindSports centre), and from a commercial letting of part of the building. It is envisaged that the rental income will cover the main item of expenditure, namely the interest payment on the Loan Notes, but MPL does not currently expect to have significant reserves.

We will know within 6 months if additional funds are required to complete the refurbishment. In this case there are a number of options, including:-

- Scaling back the extent of the refurbishment
- Seeking additional equity investment (selling more shares)
- Commercial (secured) bank loan

Even if more shares are sold, it is not a requirement that Go subscribes for them – we have already provided about 20% of the equity in MPL, but we will only use about 12.5% of the building), but so it may be appropriate for others to "step up to the plate".

If MPL runs into financial difficulties, this is likely to be due to a shortfall of revenue over expenditure. In this case the answer is to increase rents or, alternatively, to decide that the London MindSports Centre is simply financially unviable, to sell the building and to liquidate MPL. In this case the Loan Notes will be repaid and the surplus shared out pro-rata between the shareholders. I have shown above that the LGC could afford to increase its rental payments by 25% (from £8,000 to £10,000).

In the event that MPL decides to seek additional funds by issuing more shares, and the Go community decided that this was a worthwhile investment, then the funds could come from any part of the Go community. In my view such a decision should be made nationally by the Go Community, not by the LGC Trustees.

I therefore conclude that the LGC does not need additional funds, other than the Loan Notes.

Charity Benefits

Much has been made of the benefits of being a Charity, and these have been used to justify the case for gifting assets to the LGC. Members will make their own decision.

The chief benefit of being a charitable are associated with tax, because charities are generally exempt from a number of taxes. For example, business rates are discounted by 80%. There can therefore a benefit from transferring assets from an organisation subject to significant tax to a charity.

Non-charitable Go organisations will pay tax at 19%, the Corporation Tax rate[2], on their profits. Such organisations can minimise tax by minimising their profits.

Once funds are gifted to a charity, they have to remain within the charitable sector – charities are not permitted to give money to non-charitable activities.

I therefore conclude that the benefits of becoming a charity are generally overstated unless it pays significant taxes.

T Mark Hall's Wishes

We need to be cognisant of T Mark Hall's wishes, as expressed in his Will and duplicated in the Company's Articles, although legally the THMF Members can override them by amending the Articles (needing a 75% majority).

His Will has been discussed in the TMHF Consultation Document, and I will not repeat the discussion here.

In view the crucial issue is "**To what extent should his legacy be used to support the London Go Centre, and to what extent to support Go nationally**?"

Since the TMHF was established until Autumn 2020 it has spent about £40,000 on the London Go Centre (£16,000 on research, and £23,000 in direct grants). During the last 6 months it has utilised 85% of its remaining capital on investing in the London Mind Sports Centre (£300,000 as direct investment and £100,000 as a donation to the LGC), leaving 15% (£70,000) unallocated.

In my view it is reasonable to allocate this 15% to "National Go" rather than to "London Go", and – in the event that it is decided to liquidate the TMHF - it should be allocated to the BGA or to the Castledine-Barnes Trust.

If money is allocated to the BGA, this does not preclude some monies later being invested in MPL (or the LGC itself) if this is perceived to be in the National interest. However, if money is granted to the LGC this then makes it less likely that it is used in the National Interest.

Toby Manning.

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[2] Even after the budget, small companies will still be taxed at 19%, The increase to 25% only applies to large companies.