

Following the money at Cairngorm

**Description**

*default watermark*

# Shrinking ski market 'costs strath millions'

By GAVIN MUSGROVE

CAIRNGORM Mountain's shrinking share of the Scottish ski market has cost businesses in the strath in the region of £5.45 million in the past three years, it has been claimed.

And the Save the Ciste Group has said that the proportion of skiers and snowboarders taking to the slopes locally will continue to fall if the owners of the resort fail to invest in wintersports.

The campaigners have said that Cairngorm Mountain is being left behind because the other Scottish ski centres are investing in uplift.

They also believe that there will be no meaningful investment in tows and other infrastructure whilst owners Natural Retreats are the resort operators.

Save the Ciste, who want the two old chairlifts reinstated in the Coire na Ciste, have calculated that the direct loss to the local economy from combined on and off mountain spend is in the range of £4.96 million to £5.45 million over the past three years.

The 2015/16 season snowsports season saw Cairngorm Mountain record its lowest Scottish market share since 2004.

The resort has had its smallest market share for each of the past three winters since 2013.

The campaign group is predicting that if there is no big change in approach at Cairngorm Mountain and current trends continue then there could be no sustainable year-round tourism by 2021.

Save the Ciste outlined their concerns about the future of wintersports

at the resort at a meeting last Tuesday at the Cairngorm Hotel in Aviemore.

They also shared their vision of a redeveloped Coire na Ciste with the West Wall and Coire na Ciste chairlifts running, a hydro scheme, beginners area, the installation of an artificial ski slopes, a terrain park, green and blue runs back to the ciste car park, motor homes berths and camping huts by the lochan near the car park.

Alan Bratney, Save the Ciste member, said the current situation at Cairngorm can not be allowed to continue.

Those at the meeting also said that the changes taking place at Scottish Enterprise and governance of Cairngorm Estate owners Highlands and Islands Enterprise and by the Community Empowerment Act could be an opportunity for a community body to run the resort.

Mr Bratney said: "The biggest stumbling block to the whole (Ciste) project in our view is that the operator on the mountain there today is there to take money away not to invest money in the business.

"There was £450,000 of profit made at Cairngorm Mountain in the last financial year - is there anyone here who can see any evidence of that being invested?"

"Natural Retreats is a business which is owned by Natural Assets Investments Ltd - they have lost £10 million over the last two financial years.

"They do not have the money to invest in the business; in fact they are there to take money away as they need the cash flow to support their other loss-making businesses.



**MOUNTAIN ALERT:** Alan Mackay fears Cairngorm Mountain is getting left behind. He is pictured by the old ciste chairlift. (Inset) An artist's impression of proposed new development.

This excellent article, about Natural Retreats' failure to invest in Cairngorm and the possibility of a community run enterprise taking over the ski area, appeared in the Badenoch and Strathspey Advertiser last week. While I have been in close communication with the Save the Ciste group, some of whose members have kept me informed of the destruction that has been going on at Cairngorm, and whose public meeting in Aviemore on their alternative proposals for Cairngorm prompted the article, I had no idea they would get this coverage in the Strathie or that the finances of Natural Retreats would feature so centrally in it.

In response to the claims of the Save the Ciste Group (see end of post), Ewan Kearney, who is a Director and Chief Operating Officer of Cairngorm Mountain Ltd (CML), denied any lack of investment. Mr Kearney is also a Director of Natural Assets Investment Ltd (NA) which owns CML and Natural Retreats UK Ltd which provides "services" to the companies owned by Natural Assets, including CML. Interestingly, the spokesperson for Highlands and Islands Enterprise avoided saying anything about

what was actually being invested and simply said they are working with Natural Retreats on alternatives to the planned replacement of the Day Lodge which has now collapsed. I take this as a tacit acknowledgement from HIE that Alan Bratney and the rest of the Save the Ciste group are right. If, as Alan suggests, you take a look at the latest accounts for these three companies ([cml-accounts-to-march-2015](#)), ([natural-assets-investments-financials to March 2015](#)) and ([nr-uk-ltd-accounts-dec-2015](#)) you can get a good idea of where the money is going at Cairngorm and from this its not difficult to reach the conclusion that Natural Retreats are most unlikely to be the saviours of Cairngorm.

In summary, for people who dislike poring over financial information and wish to read no further:

- Natural Retreats cut costs at Cairngorm in the first year they owned it by over £400k
- At the same time administrative costs increased by over £300k sucking money out of Cairngorm into another company owned by the Natural Retreats group
- Natural Retreats, owners of CML, have huge debts to a hedge fund manager which are rapidly increasing – on paper its a financial basket case

I hope though its worth reading on to understand how this is happening. The general populace as well as our National Parks need to start using accounts to stop being conned. While I am not an accountant and there are all sorts of difficulties in interpreting the limited information which is available in the financial statements for the various companies, including that the different companies involved have different financial years and there is extensive internal “trading” between the companies controlled by Natural Assets, there is still a lot of interesting information about what investment is actually taking place and where the money is going. A further proviso on what I say next is that the last accounts available for CML are for the year April 2014 – March 2015 (the latest accounts are due by the end of January 2017 so more information will be available then) and since NA bought CML in March 2014 not all the financial transactions reflected in the accounts that are public can be attributed to them.

What is a constant behind the labyrinthine financial relationships of Natural Assets and Natural Retreats is the ultimate controlling interest is David Michael Gorton, ([see here](#)), a multi-millionaire hedge fund manager.

## Company

### *D Gorton*

During the year interest amounting to £2,901,700 was charged to the controlling party of the company.

—

Long term creditors include loans amounting to £2,901,700 at various interest rates with an indeterminate repayment period.

Extract from consolidated accounts of Natural Assets Ltd, who own Cairngorm Mountain, to December 2014.

David Michael Gorton has appointed the same four Directors to run the businesses in his Natural Assets/Natural Retreats group. Ewan Kearney is the lead for Cairngorm.

### *Natural Retreats UK Limited*

The company's directors, E J Kearney, M D Gorton, have an interest in Natural Retreats UK Limited. During the year ended 31 March 2015 the company was charged expenses amounting to £2,901,700. In March 2015 the company owed £139,936 (2014 - £139,936) to trade creditors. During the year ended 31 March 2015 the company was charged expenses amounting to £1,152,998 (2014 - £1,152,998) by Natural Retreats UK Limited which was charged to the company (£37,258) by Natural Retreats UK Limited which was charged to the company.

This list of shared Directors from the accounts of Natural Assets Investment Ltd omits name of Timothy Gorton.

CML. Note the large amount of internal trading, in both directions, between NA and NR. Over £2m probably have to put someone onto this full-time to find out what is really going on.

While Ewan Kearney claimed in the Strathie that in 2016 Natural Assets had £30m of assets he said nothing about their liabilities. In March 2015 were over £45m and left a deficit at that time in the consolidated accounts for the Group of £17,764,703. Take away the subsidiary companies and the liabilities for Natural Assets exceeded assets by £20,715,910. The only way that Natural Assets will be able to invest in Cairngorm is if David Gorton decides to make more money available.

I did not follow the sale of CML to Natural Assets but Highlands and Islands Enterprise sold it for £231,239, a sum that could easily have been raised by a Community Enterprise (or even by crowdfunding). There is some interesting information in the Natural Assets accounts to March 2015 about this.

default watermark

## 20 PURCHASE OF SUBSIDIARY UNDERTAKING

On 11 June 2014 the company purchased the subsidiary undertaking for a total consideration of £231,239. This has been accounted for as follows:

Net assets acquired:

Tangible fixed assets

Stocks

Debtors

Cash at bank and in hand

Creditors

Pension asset

Negative goodwill

If you look at the subtotal 7 lines down, of the total assets purchased from HIE you can see their book value was £614,954 but this was reduced by “negative goodwill”. Now this is not about the value of the asset, which is calculated by depreciation of the original purchase cost, but about what use could be made of the asset (i.e the money that might be made from it). If an asset is productive, goodwill will add to the book value but if the reverse, it will reduce it. In agreeing the price it appears HIE accepted that there was a problem with the assets owned by CML which reduced their book value significantly. We do not know why this is and it could be anything from CML had previously purchased the wrong type of equipment to the likelihood of snowy winters enabling the new owners to make use of the asset.

This however was not the only thing HIE did. The CML the accounts show they also wrote off £516,068 of dividends that were due to them from CML at the beginning of the 14/15 financial year.

### **3 Interest payable and similar charges**

**On amounts payable to group companies**

**Hire purchase interest**

**Dividends paid on preference shares class**

**Preference final proposed**

Without this write-off from HIE (which is treated as interest payable in the profit and loss section of the accounts pasted below – see entry with note 3 by it) CML would have made a significant loss in the year they were taken over by NA.

## Notes

### Turnover

Cost of sales excluding provision for maintenance

Provision for maintenance

Cost of sales

### Gross profit

Administrative expenses

Other operating income

### Operating (loss)/profit

Interest receivable and similar income

---

Page 6 Interest payable and similar charges 3

Other finance income

15



While the accounts provide no details of the operation at Cairngorm they do show turnover (income), which dropped by £115k, cost of sales, administrative expensive and Directors fees.

Cost of sales means the cost of the workforce at Cairngorm and all the costs such as fuel and power required to run the operation. This reduced to £3,352,081 or c£260k less than the previous financial year. So while Ewan Kearney is claiming there has been investment in Cairngorm actually in terms of operating expenses there have been cuts. This I believe helps explain the further drop in standards and lack of care that has been taking place at Cairngorm since Natural Retreats took over.

The position though is worse than it appears from the accounts. I have found out from HIE – and I appreciate their rapid response to my question on this – that CML now employ the ranger service previously funded by HIE to the tune of £55,658 and Natural Assets as the new owners have apparently maintained that level of service. Their strategy appears to have been to fund this extra commitment through paid guided walks ([see here](#)) but this was an additional cost which they can only have absorbed by a further £55,658 of saving/cuts. In addition, the notes to the accounts (see note below) shows that CML undertook £116, 026 of work for Natural Retreats which appears to be included in cost of sales and indicates staff employed at Cairngorm are now doing work for other companies in the Natural Assets/Natural Retreats Group. An indication that even less money is being spent on Cairngorm itself. In total it appears that there were c£430k in cuts at what CML spent on operating at Cairngorm the year NA bought it.

At the same time the administrative expenses recorded in the CML accounts increased by over £300k. There is no explanation of why this is. However, while some administrative expenses (eg designs for the new day lodge which is now off the agenda etc) may have been externally purchased, a large proportion of this administrative expenditure was for “services” purchased from Natural

Retreats UK Ltd, with the same four Directors and whose parent company is now located in the USA.

The company's directors EJ Kearney, MD Spence and A Wild together have interests in Natural Retreats Management LLC, a company that was previously Natural Retreats Management Limited. Natural Retreats UK Limited was previously Natural Retreats Management Limited until December 2014, when following a reorganisation it became a subsidiary of Natural Retreats Management LLC.

During the period the company received management services and the purchase of fixed assets amounting to £82,500 (20174 - £nil) and £63,280 (2014 - £nil) from Natural Retreats UK Limited. At 31 March 2015 the company was owned by Natural Retreats UK Limited.

During the year the company recharged expenses amounting to £63,280 (2014 - £nil) to Natural Retreats UK Limited. At 31 March 2015 £63,280 (2014 - £nil) was due to Natural Retreats UK Limited.

## Control

The total services provided by Natural Retreats UK in the first part-year Natural Assets owned CML came to £483,046 management services plus £122,996 in other services – call it £600k or over half of all the administrative expenses. Since the Directors of the two companies are the same they can quite legally set internal charges between the two companies at whatever rate they want. One explanation for the increase in administrative expenses – strange that a company that was so quick to cut costs of sales did not also look at cutting administrative costs – is the Directors have set far higher charges than CML incurred previously for standard services such as bookkeeping. If so, this has had the effect of moving money out of CML to Natural Retreats UK Ltd.

In support of this theory is that while the fees of the Directors at CML decreased by just over £65k

## **6 Directors' remuneration**

### **Directors' remuneration**

the fees paid to Kearney, Dennis, Wild and Spence at Natural Retreats UK in the year till December 2015 *increased* by over £73k.

## **4 Directors' remuneration**

### **Directors' remuneration**

The apparent saving in Directors costs at Cairngorm appears to have been more than offset by increases in fees elsewhere within the Natural Assets/Natural Retreats group of companies. And remember these same four directors may also be receiving salaries which do not appear in the accounts. The public should be very sceptical about this representing good value.

Now I have little doubt that what Mr Gorton and the Directors he appoints to carry out his wishes do is all quite legal (the Directors will be employed partly because of their skills in moving money to pay as little tax as legally possible and to extract money out of companies). It is not however good for Cairngorm Mountain, the economy of Speyside or our National Park. The scandal here is that a public agency, HIE, ever decided to sell CML to a company like Natural Assets.

I will cover in a further post about what Natural Assets has actually invested in Cairngorm – Mr Kearney claims this has been £1.3m to date – and their relationship with HIE.

## What needs to happen

- The siphoning of money out of Cairngorm, as illustrated by the CML accounts, is not in the public interest and needs to be stopped. Nothing good is going to happen at Cairngorm while a company which is interested only in making money runs it.
- The simplest way of doing this is to terminate the lease with Natural Retreats at Cairngorm. There are a number of grounds for doing so.
- HIE, which is responsible for the knock down sale of CML to Natural Assets should be replaced as landowner of the Cairngorm Mountain Estate as part of the Government review into its future

# Concern over ski numbers

Continued from page 1

"These figures are in the public domain, they are not a secret. Look for yourselves."

Earlier in the meeting, Mr Bratley said: "Last year at CairnGorm we all know it was a late start to the season and Natural Retreats made play of that - that this made the numbers poor. There were with just 67,000 skier days recorded in 17 weeks."

"Glenshee had 58,000 skier days but that was in just 10 weeks. So if you do the maths it can be seen how few skiers come here now per week by comparison to Glenshee where there has been considerable investment."

"We have been telling the powers that be for three or four years now that this decline is not going to stop."

Fellow ciste group member Alan Mackay said: "CairnGorm has been left behind the last couple of years - and they are going to be further behind in the next couple of years and who knows beyond that."

The group has held talks with local politicians and said CairnGorm Mountain was on their radar.

Mr Bratley said: "We can't say for sure but we think the changes that are coming via the Scottish Government with HIE might be the ideal time for the estate to be returned to forestry and a local community group to make a bid to take control of it on a lease basis."

"Better this than having a profit earning operator doing a poor job of running the mountain business and to take away whatever profit they can make and leave the resort as a worse business than they inherited."

The group has said ultimately it was for the community to act.

Mr Bratley said: "It's not going to get any better. It's really down to the community in Aviemore and wider strath to decide whether they would like to try to do something about this or just sit back and let it happen."

"We have sat back long enough and there has been nothing but decay. We are doing this because we are

passionate about the place and want to see the strath's economy flourish."

Mr Bratley said their view was that "Natural Retreats is quite happy to invest in anything that someone else is paying for."

A Freedom of Information request response from HIE to the Save the Ciste group in August, earlier this year, shows the agency spent £759,000 from March 2014 to August 2016 on upgrades to surface lifts, a Sun Kid rope tow, alterations to the equipment rental area, replacement lift huts, safety inspections and works to the Cas gantry and extension to West Wall tow.

A Natural Retreats spokeswoman said their chief operating officer, Ewan Kearney, had met with Save the Ciste in 2014 regarding their development plans for the Colre na Ciste.

The spokeswoman said: "Following this constructive meeting we encouraged them to re-engage with us once their plans had progressed, with supporting financial data."

"To date, this is still outstanding and although we did ask to attend the public presentation we were unfortunately told we were not welcome. We are therefore not in a position to comment on what was presented."

"To clarify, Natural Retreats is not owned by Natural Assets Investments Limited."

"CairnGorm Mountain Limited (CML) is owned by Natural Assets Investment Limited. There is common ownership between the two entities (NR NA)."

"NA has invested £1.3million in the last two years into CML."

"In addition to this, any profit generated through CML as a result of the operation is reinvested back into the business, to enhance the operation and customer experience."

"No profits have been distributed to the owners (NA) since the start of the lease."

"All of the NA businesses are standalone operations which are funded independent of CML."

"The shareholders of NA have made a long term investment into the business

and will continue to support CML for the remainder of the 25 year lease."

"In 2016 NA had an asset valuation of £30 million."

"We are disappointed by the continued negativity from a small minority, however, we remain committed to the sustainable future of CairnGorm Mountain and the wider region."

"Our annual visitors to the mountain have grown by ten percent in the last two years and we look forward to opening the resort completely for the forthcoming winter season very soon."

An HIE spokesman said the challenges of running a winter sports centre in Scotland should not be underestimated.

He said: "HIE has always focused on delivering a successful, year-round visitor attraction at Cairngorm that will draw people to the mountain itself and, vitally, underpin the local tourism industry more widely. That remains our goal today."

"When we sought a new operator for the funicular and associated facilities back in 2013/14, we promoted the opportunity internationally and undertook a long and detailed procurement process which finally saw Natural Retreats come through as the strongest bidder."

"With more than two years' experience of running the attraction, Natural Retreats is now reviewing its initial masterplan, with a view to using capital investment to expand the range of products on offer, rather than replace the day lodge. HIE is currently in discussion with the company over these proposals."

"We remain very supportive of Natural Retreats and committed to working with the operator to maintain and improve Cairngorm's position as a top attraction for Scotland."

Natural Retreats took over the running of CairnGorm Mountain in May 2014 but HIE remain the owners.

■ £300,000 could make a huge difference at CairnGorm Mountain ... click on news at [www.strathspey-herald.co.uk](http://www.strathspey-herald.co.uk)

## Category

1. Cairngorms

## Tags

1. CNPA
2. HIE
3. natural retreats

## Date Created

December 5, 2016

## Author

nickkempe