

The impending financial disaster at Cairngorm â?? when will HIE admit they should never have appointed Natural Retreats?

Description

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LOCAL NEWS

Job fears as resort slides into the red

By GAVIN MUSGROVE

CAIRNGORM Mountain is looking at its current staffing levels after the operator's latest accounts revealed the resort had fallen £1.25 million into the red.

Turnover dropped to £2.05 million for the nine months to December 31, 2015, compared to £4.3 million for the year ending March 31, 2015.

The company had made a pre-tax profit of £466,216 for the previous 12 months.

Cairngorm Mountain Ltd said that the loss was partly explained by the figures not including trading during the main 2015/2016 winter season.

However, with the resort suffering from a lack of snow this winter, they have said operating conditions remain difficult and they are reviewing staffing.

Redundancies have not been ruled out and employees could also be offered the chance to re-deploy elsewhere within owners Natural Retreats' businesses.

Janette Jansson, Cairngorm Mountain general manager, said: "This current winter season has been challenging especially two of the key trading months of January and February, which includes the half-term holidays.

"Since the start of the year we have opened for snow sports on 20 days with limited terrain and uplift available.

"As expected this has had a huge impact on our winter revenue which is crucial to sustain the operation during the summer months.

"Operating an attraction like Cairngorm Mountain is expensive and when there is a difficult season it is essential to look at every aspect of the operation



BLUE BIRD DAY: Unfortunately such occasions have been few and far between at Cairngorm Mountain during the current snow-sports season.

to see if cost savings can be identified.

"Part of this process has involved looking at our staffing levels and affected employees are in the process of being consulted with about how these changes could impact them.

"No decisions have yet been taken and this review process will continue for several weeks.

"We are very proud of the team at Cairngorm Mountain who work hard to deliver a great experience for our visitors.

"We are hopeful that we can identify new or different ways of operating that will create efficiencies and therefore minimise the impact on our staff.

"In addition, we are also exploring any opportunities for redeployment elsewhere within the Natural Retreats portfolio.

"Any decision to reduce

staffing levels or make significant changes to employee contracts is not one that we would take lightly.

The company said the latest financial figures reflect a historically poor trading period across the summer due to the seasonal nature of the business.

This was compounded by limited snow sports during the months of November and December 2015. They said it highlighted the need to establish a sustainable year-round resort.

Ms Jansson said: "Natural Retreats is invested in Cairngorm Mountain and the surrounding community for the long term.

"We are currently undertaking a comprehensive ski and uplift review and have been working with Highlands and

Islands Enterprise on our master plan for over 12 months.

"This includes the introduction of a dry slope and improvements to the Ptarmigan building."

Alan Bratney, spokesman for Save the Ciste, said that the figures highlight the importance of the ski operation.

He said: "These latest figures make it very clear just how vitally important the snow-sports season is to the viability of the hill business.

"They do not include the months of January, February and March when the bulk of the winter business would be expected and it's no coincidence that the reduced revenue is at a level that has led to such a significant loss.

"The opportunistic nature of the snow-sports business means

that the operator has to be in a position to maximise revenues - and hence profits - every time there is snow on the ground.

"Interestingly, during this meagre season, lift served snow sports have only been on offer around 16 days over the months of January and February.

"However, studies have shown that a redeveloped lower Coire na Ciste, served by an automated multi-cannon snow-making system, powered by electricity produced on site from a 100kW hydro turbine would have been able to offer lift-served snow sports on around 33 days during the last two months.

"I'd encourage the operator to engage in an open-minded review of just what could be done here.

"The opportunity to transform the business to the benefit of staff, customers and the wider strath economy cannot be overstated."

A spokesperson for the Cairngorms Campaign said the figures showed "a disastrously bad financial position".

He added: "The balance sheet is once again considerably in deficit - by more than £776,000.

"The company is now heavily dependent upon the support of its parent company - which is itself heavily in debt - and the support of its ultimate shareholder, David Gorton, who has confirmed his intention to continue to support the company until at least February 2018."

Cairngorm Mountain and the estate is owned by HIE but Wilmslow-based Natural Retreats took over the day-to-day running of the resort in June 2014 on a 25-year lease.

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The Strathy puts Natural Retreats under the spotlight again â?? and rightly so

If you want to understand what is going wrong at Cairngorm (or indeed in National Parks or the wider economy), I believe you need some understanding of what is going on financially. If there is going to be any recovery of democratic control in Scotland, whether in our National Parks or outside, we need to start taking an interest in how money is created and used. I won't apologise therefore for devoting this post to Natural Retreats' accounts (as someone who is not an accountant) but if you can't bear the thought, the headlines are that in the 9 months to 31st December 2015 Cairngorm Mountain made a significant operating loss, its liabilities are greater than its assets and its only kept afloat by guarantee from the owner of its parent company which is itself over £22,831,678 in the red. The implications of this for snowsports and the Speyside economy are briefly considered at the end of this post.

The accounts for Cairngorm Mountain Ltd [CML Accounts to Dec 2015 application-pdf \(1\)](#) and its parent company, Natural Assets Investment Ltd [NAIL accounts to 31 December 2015AA-1487635200-1 \(1\)](#) which market themselves under the name Natural Retreats were both due in January and both were published late, long after red warning signs had appeared on the Companies House website. HIE appointed Natural Retreats promising they were going to invest at Cairngorm nirvana from the city but what the accounts show is that there has been very little investment since Natural Retreats took over. Indeed, the accounts show appears no chance of this happening unless David Michael Gorton, the city financier who owns Natural Retreats, suddenly decides to splash out at Cairngorm. I personally don't believe the future of an area should depend on the decisions of one person its not a good way to do things, even if its the way our economy is run at the moment the 1% have enormous power and people need to appreciate this extends to our National Parks.

		Period ended	Year ended
	Notes	31 Dec 2015 £	31 Mar 2015 £
Turnover		2,050,393	4,331,824
Cost of sales		(2,359,000)	(3,352,081)
Gross (loss)/profit		(308,607)	979,743
Administrative expenses		(919,643)	(1,045,849)
Other operating income	2	8,644	12,427
Operating loss		(1,219,606)	(53,679)

Extract CML accounts to 31st December 2015

The accounting period for both Cairngorm Mountain Ltd and Natural Assets Investment Ltd was changed from April to March to January to December in the calendar year 2015 so both sets of accounts are only for 9 months. This needs to be kept in mind when comparing these accounts against those of the previous financial year to 31st March 2015 which was for 12 months. It's not unexpected that turnover is down because Cairngorm normally brings in more money in the winter months, January to March, and would employ more staff at this time (the cost of sales line) and that period is not covered in these accounts. What's more, January to March 2016 was a good year for snowsports on Cairngorm unlike this year so the fact there is a much larger loss than the previous 12 month financial year is not surprising. What you cannot tell from the accounts is how well Natural Retreats were managing to increase business outside the winter season, which was one of reasons for their appointment how to increase the summer use and make the funicular financially viable.

What may be significant though is that administrative expenses appear proportionately much higher for this nine month period compared to the previous financial year. If like for like and they had gone up the previous year significantly one might have expected them to be c£760k but they are almost £920k. This could be an indication that money is being siphoned out of Cairngorm: on the basis of these accounts HIE should be asking Natural Retreats why administrative expenses have increased so much, compared to expenditure on front-line staff, since they took over.

7 Tangible fixed assets

	Land and buildings	Tenant's improvements and assets under construction	Plant and machinery	Ski and snowboard equipment	Total
	£	£	£	£	£
Cost					
At 1 April 2015	51,474	442,208	3,888,758	145,502	4,527,942
Additions	1,095	209,117	119,284	22,353	351,849
Disposals	-	-	(11,500)	-	(11,500)
At 31 December 2015	52,569	651,325	3,996,542	167,855	4,868,291

The additions line shows investment on the ground, in real things such as snow fencing.

Natural Retreats certainly didn't incur these additional admin costs overseeing a significant investment programme. Janette Janssen claimed in the Strathy (see above) that *Natural Retreats is invested in Cairngorm Mountain and the surrounding community for the long term*. What the accounts show is *that* investment in assets at Cairngorm was only £351,849 compared to £616,514 the year before. So investment actually dropped.



The replacement snow fencing around the Shieling ski tow, only completed after public pressure had forced Natural Retreats to submit a retrospective planning application for the unlawful track they had created.

I would expect levels of investment to increase in the next accounts for 2016 because Natural Retreats started, after public criticism, to replace the old chestnut fencing which it is paying for. This however followed the good ski season of 2016 and it is reasonable to ask, given issues raised in the Strathgairn, whether Natural Retreats will be in a position to fund such work in future? Not, I would suggest, unless they reduce their administrative expenses and keep staff who did this work instead of talking about redeploying staff (to far off places like Lewis and John O'Groats where Natural Retreats is also working with HIE).

9 Creditors: amounts falling due within one year	31 Dec 2015	31 Mar 2015
	£	£
Net obligations under hire purchase contracts	64,305	67,890
Trade creditors	851,097	416,625
Amounts owed to group undertakings	628,369	323,921
Taxes and social security costs	23,581	29,064
Other creditors	509,590	310,272
	<u>2,076,942</u>	<u>1,147,772</u>

Notes to accounts are often very informative

The notes on creditors shows the amounts owed to group undertakings, third line down, more than doubled – an indication that money is being taken out of Cairngorm – while the doubling of what was owed to trade creditors suggest other businesses on Speyside may be suffering through not being paid on time. Whatever the precise interpretation, the amount of money owed by Cairngorm Mountain almost doubled and at the end of the financial year Cairngorm Mountain Ltd was basically bust, having greater liabilities than assets.

The company has net current liabilities of £1,316,645 (year to March 2015 - £93,528) and net liabilities of £776,328 (31 March 2015 - £504,916 net assets), and is reliant on group support to cover its working capital requirements.

The company has support from related parties, including its ultimate parent undertaking, and in turn, from the loan holder (and main shareholder) in the ultimate parent undertaking. The loan holder (and major shareholder) is considered to have adequate capabilities to provide support as required and has formally confirmed that he will support the company and its parent undertaking for at least the next 12 months.

The position as expressed in the parent company, Natural Assets Investment Ltd's, accounts is far worse. The accounts cover both the group as a whole (ie including Cairngorm Mountain Ltd) and the holding company itself. The bottom line of the extract below shows net liabilities have increased for the group by over £5m (left hand two columns) and for the company by over £3.25m).

		Group Period ended 31 December 2015 £	Year ended 31 March 2015 £	Company Period ended 31 December 2015 £	Year ended 31 March 2015 £
	<i>Notes</i>				
Fixed assets					
Goodwill	8	6,020,578	7,224,354	-	-
Negative goodwill	8	(440,236)	(470,565)	-	-
		<u>5,580,342</u>	<u>6,753,789</u>	<u>-</u>	<u>-</u>
Development costs	9	-	72,593	-	-
		<u>5,580,342</u>	<u>6,826,382</u>	<u>-</u>	<u>-</u>
Intangible assets					
Tangible assets	10	24,395,027	23,837,284	70,332	91,022
Investments	11	73,165	73,165	504,466	504,466
Share of losses in joint venture		(18,154)	(18,564)	-	-
		<u>30,030,380</u>	<u>30,718,267</u>	<u>574,798</u>	<u>595,488</u>
Current assets					
Stock		182,485	198,991	-	-
Debtors	12	2,504,848	2,007,676	21,658,269	22,693,338
Cash at bank and in hand		974,098	2,028,347	317,785	666,017
		<u>3,661,431</u>	<u>4,235,014</u>	<u>21,976,054</u>	<u>23,359,355</u>
Creditors					
Amounts falling due within one year	13	(9,218,346)	(5,060,100)	(4,495,156)	(5,033,223)
Net current (liabilities)/assets		<u>(5,556,915)</u>	<u>(825,086)</u>	<u>17,480,898</u>	<u>18,326,132</u>
Total assets less current liabilities		<u>24,473,465</u>	<u>29,893,181</u>	<u>18,055,696</u>	<u>18,921,620</u>
Creditors					
Amounts falling due after more than one year	14	(45,219,624)	(45,703,085)	(42,139,121)	(39,637,530)
Government grants	16	(1,807,499)	(1,807,499)	-	-
Provisions	17	(99,020)	-	-	-
Pension liability	25	(179,000)	(147,000)	-	-
		<u>(47,305,143)</u>	<u>(47,657,584)</u>	<u>(42,139,121)</u>	<u>(39,637,530)</u>
Net liabilities		<u>(22,831,678)</u>	<u>(17,764,403)</u>	<u>(24,083,425)</u>	<u>(20,715,910)</u>

Now look at turnover for the year (below). Its tiny compared to the group liabilities, less in fact than the increase in liabilities in the period, so the financial position of NAIL is getting worse. The group appears unable to generate sufficient income to pay off its liabilities.

Natural Assets Investments Limited

Consolidated Income Statement

For the period ended 31 December 2015

	<i>Notes</i>	Period ended 31 December 2015		Year ended 31 March 2015	
	1	£	£	£	£
Turnover					
Continuing operations			3,483,675		5,546,333
Less: share of joint venture turnover			(16,875)		(22,500)
			3,466,800		5,523,833
Group turnover					
Cost of sales			(3,285,417)		(3,708,783)
			181,383		1,815,050
Gross profit					

The only reason the group has not gone bust is because almost all of the money owed is to David Michael Gorton £42,139,121 yes over £42 million and he has said he will support the group for another year (this guarantee is from the date of the accounts were signed, i.e February 2017, not from December 2015). The same note to the accounts show he is also receiving lots of interest £2,351,590.

26. Related Party Transactions

Group

In addition to the related party transactions with the company disclosed below, there were the following transactions with other group entities.

D Gorton

D Gorton is a shareholder and ultimate controlling party of the parent company Natural Assets Investments Limited. At 31 December 2015 other creditors includes £3,100,000 (March 2015 - £3,100,000) due to D Gorton. No interest is provided on this amount.

D Gorton is also the controller of Nexus Partners LP. At 31 December 2015 other creditors includes £2,999,052 (March 2015 - £2,899,082) due to Nexus Partners LP with interest of 4.5% above 3 month LIBOR and is repayable in full on 11 June 2022.

Long term creditors include loans amounting to £42,139,121 (31 March 2015 - £39,637,530) owing to D Gorton at various interest rates with an indeterminate repayment date.

During the year interest amounting to £2,351,590 (31 March 2015 - £2,901,728) was payable to D Gorton.

You might also note from this that the turnover of the Natural Assets Investment Ltd group is barely sufficient to pay the owner interest. It would need record snow years at Cairngorms for probably the next ten years to change this situation the way our climate is changing at present makes that appear highly unlikely.

So, how did HIE ever agree to sell Cairngorm Mountain Ltd to such a group? In the tender process for Cairngorm HIE ruled out a local bid because it did not meet the pre-qualification criteria of Â£500,000 turnover for the previous three years. I will come back to this again but, instead of considering a local company which had relatively small turnover but which was sound financially, HIE sold CML to an untested holding company which, just three years later, appears to be a financial basket case.

What does this mean at Cairngorm?

A month or so ago, after I had discovered that HIE had paid for the unlawful works at Cairngorm and then asked Natural Retreats to pay Â£2000 back, I asked HIE who was going to pay for the new montane planting and the remedial work to the Shieling ski tow that was approved by the Cairngorms National Park Authority Planning Committee ([see here](#)). I was pleased to be told by HIE that Natural Retreats will pay for this. It will be interesting to see if this happens and how long it takes to complete the snow fencing and all the other remedial works and tidy up needed at Cairngorm.

The way Natural Retreats are running Cairngorm, they are totally dependent on public funds for all significant investments. I don't think there will be any significant investment from David Michael Gorton unless there is a guaranteed income and its hard to see how the original plans for new buildings can deliver this. The introduction of parking charges look like the only alternative source of income and that will be met by public outcry. So, what that means is HIE will spend more public money, money which then ends up benefitting a few individuals rather than the people of Speyside.

There must be a better way of managing and spending public money at Cairngorm. In my view HIE should be planning to terminate its lease with Natural Retreats, before it completely implodes financially, and at the same time supporting the development of a community run organisation to operate Cairngorm alongside or with conservation and recreation interests.

Category

1. Cairngorms

Tags

1. HIE
2. natural retreats

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