

HIE's papering over the cracks at Cairngorm

Description



Crack in horizontal beam (below rail) just above funicular mid-station. You can see further signs of corrosion between bolts below

I had previously arranged to go for a walk to look at the state of Cairngorm yesterday. Coincidentally, this was a day after HIE announced ([see here for News Release](#)) that the funicular would be closed for another month to allow *â??further investigationâ??* of cracks that have appeared and in the same week that the latest accounts from Cairngorm Mountain Ltd appeared.

The state of the funicular

HIE's news release raises more questions than it answers:

- If its going to take several weeks just to *investigate* these cracks, how long will it take to *fix* them?
- Why is HIE taking the engineering reporting into the state of the funicular structure this year so seriously when in the past cracks appear to have been papered over (see below)?



These cracks were on either side of a support column where the railway splits to allow carriages to p



- And why too are HIE acting so quickly on this latest report, which only recommended *“a reduced service”* as a precautionary measures when it took them and Cairngorm Mountain Ltd almost two years to fix the dangerous lift platform at the Coire na Ciste t-bar ([see here](#)) which the engineering report said *“needs to be replaced before the coming season”*. It sounds like something else has been discovered since the funicular go slow started at the beginning of September and the public is not being told the whole truth.
- How much will the work required to fix the funicular cost the public purse on top of the £23m plus already spent? While the News Release claims that *“HIE and CML have commissioned specialist engineers”* to investigate will Cairngorm Mountain contribute a penny to this?
- And will HIE and CML ensure that as much care is taken by the specialist engineers in excavating the bases of the funicular which was taken when they were built? And will SNH and CNPA supervise this properly, as happened at the time the funicular was constructed?

Other issues have been picked up in an excellent article by planet ski ([see here](#)).

The folly of HIE's strategy at Cairngorm which has been to close down all the other lifts and put all their eggs in the funicular basket, so well described by Alan Bratney last week ([see here](#)), should now be evident to all. While HIE appear impervious to public criticism, their sale of Cairngorm Mountain Ltd to 'Natural Retreats' is I believe about to boomerang on them and will force the Scottish Government to act. Here's why.

The gaping financial hole at and under Cairngorm mountain and its likely consequences

The accounts of Cairngorm Mountain Ltd ([see here](#)) and of Natural Assets Investment Ltd ([see here](#)), their parent company, have both appeared on the Companies House website in the last few days (just before the statutory deadline of 30th September).

I will leave aside here the detailed questions of how the £3,547,475 generated by CML in 2017 (top line is going) is being spent, but it was £1.2m less than in 2016 and resulted in a significantly increased loss of £826,969 (bottom line) despite cuts in expenditure:

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Notes

Turnover

Cost of sales

Gross profit

Administrative expenses

Other operating income

Operating loss

Interest receivable and similar income

Interest payable and similar expenses

4

Loss before taxation

Tax on loss

Loss for the financial year

This loss was expected by outside commentators because 2017 was a very poor season for snow but its where this sits within the overall finances of â??Natural Retreatsâ?• that matters. The accounts show that while the loss may have been just over Â£600k, CMLâ??s net liabilities increased by over Â£1m to Â£2,099,875

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

| | Notes |
|--|--------------|
| Fixed assets | |
| Tangible assets | 5 |
| Current assets | |
| Stocks | |
| Debtors | 6 |
| Cash at bank and in hand | |
| Creditors: amounts falling due within one year | 7 |
| Net current liabilities | |
| Total assets less current liabilities | |
| Creditors: amounts falling due after more than one year | 8 |
| Provisions for liabilities | 9 |

Incidentally, it's worth noting the huge increase in pension fund liabilities since NAIL bought the company. The pension fund was in credit; there is now a deficit of £454k. Staff at CairnGorm Mountain need a strong Track Record.

The notes to the accounts also show that most of this is due to an increase owed to group undertakings (i.e. to the NAIL group of companies) but that CML has *taken advantage* of an exemption in company law to avoid *disclosing transactions with group companies*. (HIE should be demanding this information is made public).

Nothing for HIE in their little bubble to worry as long as they continue to rely on the guarantees offered in the accounts by the parent company, NAIL, and its owner, David Michael Gorton, who used anyway to be described as a hedge fund manager, which are to continue to fund this loss for a further year:

The company has net current liabilities of £2,509,563 (2016 - £1,092,906) and is reliant on group support to cover its working capital requirements.

The company has support from related parties, including its parent company, NAIL, which is considered to have adequate capabilities to provide support to the company. NAIL will support the company and its parent undertaking for at least the next 12 months.

HIE, its Board and the Scottish Government should however lift their eyes from CML and take a proper look at the NAIL accounts where two things are, I believe, very pertinent to the future financial viability of CML. First, NAIL's NET liabilities, which have gone up by around £5m a year ([see here](#)) have increased yet again, this time from £29,380,827 to £34,228,906:

Fixed assets

Goodwill

Negative goodwill

Total intangible assets

Investment properties

Tangible assets

Investments

Share of losses in joint venture

Current assets

Stock

Debtors due within one year

Debtors due after more than one year

Cash at bank and in hand

NAIL has presented "consolidated accounts" as a group (which includes all the subsidiary companies)

This means the NAIL group of companies has net debts of over £34m and is, like CML, totally dependent on guarantees issued by its owner David Michael Gorton. He is also the main creditor to the NAIL group of companies and is owed for example all of the £54,557,073 which falls due after more than a year (fourth line from bottom).

I will come back in a future post to what the accounts tell us about where the money is going, but within this context it is striking how little income NAIL is generating across the group as a whole compared to the £3,547,475 generated by CML:

Natural Assets Investments Limited

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

| | <i>Notes</i> |
|---------------------------------------|--------------|
| Turnover | |
| Continuing operations | 2 |
| Less: share of joint venture turnover | |
| . | |
| Group turnover | |

And note 2 confirms that the majority of this income is being generated by CML:

2. Turnover

Rental income
Provision of tourism attraction

All turnover is derived from continuing operations with

The £3,547,475 is the same figure which appears in first line of CML's accounts.

While the long-term issue is how can NAIL possibly clear its debts when it has such little income and is so dependent on CairnGorm Mountain, the short term issue is what will it do as a result of the funicular breakdown?

This is where HIE's appointment of Natural Retreats is I believe likely to boomerang on them. While Natural Retreats has already, I understand, dismissed staff on short-term contracts, it needs to pay for the rest and will have almost no income for at least the next month, and possibly for the rest of the ski season, due to the funicular closure. The rumours are Natural Retreats have already asked HIE to pay.

While I think its right HIE should pay for staff at CairnGorm the company should have never been sold and outsourced in the way it was they need to get a grip and fast on whether they really think its publicly acceptable for CairnGorm Mountain to continue to be the main income generator for David Michael Gorton.

If their Board wants an added reason for this, beyond all the breaches in contact to date, they might also look at the section in the NAIL accounts on performance. No signs of hope there or the company increasing income and within this context the large average cost of debt interest as a mouthwatering 10% much of which is owed to David Michael Gorton should be of great concern:

Key Performance Indicators

The Group operates and monitors a range of KPIs covering all the following:

- Activity level – measured by turnover growth, occupancy
 - Turnover decline year on year is 10%
 - Occupancy decreased from 45% to 40% year on year
 - Visitor numbers declined year on year by 14%.
 - Gross Revenue ADR (Average Daily Rate) remained stable
- Profitability – measured by profit/loss before interest, tax and one off gains or losses on disposal of assets.
 - Loss has increased 145% year on year
- Cash flow.
 - The Group maintained a positive cash balance and generated cash
- Average cost of long term debt was 10% during the year.

The solutions to the funicular fiasco and problems with creating a more financially sustainable Cairngorm (I think any operation is likely to need public subsidy) do not lie with Natural Retreats.

To plug the current financial hole HIE should immediately call a halt on its stupid plan to lend Natural Retreats Â£1.5m to put in an artificial ski slope at Cairngorm, a plan which it is rumoured to be going to the Cairngorms National Park Planning Committee a week on Friday. Yesterday at the Cairngorm carpark the wind was blowing and it was bitterly cold â?? no-one in their right minds, and certainly not the average tourist, would have gone to an artificial slope here in such conditions.

It then needs to develop an alternative plan for Cairngorm in partnership, not pseudo-consultation, with stakeholders, including skiers, the local community, conservation organisations and other public authorities.

Category

1. Cairngorms

Tags

1. CNPA
2. HIE
3. natural retreats

4. planning

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