

## Cairngorm Mountain Scotland Ltd's accounts and HIE's corrupt set up at Cairn Gorm

### Description

There are two good things to say about the publication two weeks ago of Cairngorm Mountain (Scotland) Ltd (CMSL's) accounts ([see here](#)) for the year ending 31st March. The first is that they were made public just four months after the end of the financial year, well before the nine month deadline for private companies. The second is that the £2m Highlands and Islands Enterprise has sunk into CMSL over the last year to keep it afloat attracted attention from a national newspaper ([see here](#)). The accounts themselves are a sham and provide evidence for the degree of government complicity into what's going on at Cairn Gorm.

The headline position is that despite earning only £215,736, almost £1m less than the previous year, and despite retaining the services of 53 staff, just 8 fewer than the previous year, CMSL made an operating profit of £15,871. This compares to a loss of £1,006, 819 the previous year. How did they manage that you might wonder?

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· Cairngorm Mountain (Scotland) Limited

Profit and loss account  
For the year ended 31 March 2021

	Notes	Year ended 31 March 2021 £	31 March 2020 £
Turnover		215,736	1,160,000
Cost of sales		(1,170,560)	(1,840,000)
<b>Gross loss</b>		<b>(954,824)</b>	<b>(680,000)</b>
Administrative expenses		(970,387)	(970,000)
Other operating income	3	1,941,082	650,000
<b>Operating profit/(loss)</b>		<b>15,871</b>	<b>(990,000)</b>
Interest payable and similar expenses	6	(15,871)	(15,000)
<b>Profit/(loss) before taxation</b>		<b>-</b>	<b>(1,005,000)</b>
Tax on loss		-	-
<b>Profit/(loss) for the financial year</b>		<b>-</b>	<b>(1,005,000)</b>

The explanation for this apparent turnaround in CMSL's financial fortunes is that the Scottish Government now appears to have decided to fund the company directly through HIE:

I am once again grateful to the Scot  
the sector as a whole and to the UK  
the year.

Turning to the accounts themselves  
provided by Highlands & Islands En  
of loans and share capital. This year  
the accounts this year show a bre  
operated within budget.

Extract from Peter Mearns statement in the accounts on behalf of the Board

This change in the way HIE/the Scottish Government are supporting CMSL financially is significant. It is an acknowledgement that the money HIE has pumped into CMSL since November 2018 is effectively worthless. The amount HIE has “invested” in CMSL as “share capital”, £1,060,952 is way more than the company’s net assets of £54,133,. Meanwhile the only reason this year’s accounts show CMSL paying back HIE £15,871 in loan interest is because they made an operating profit of that amount from all the revenue funding provided by HIE! An accounting sleight of hand The change to revenue funding, therefore, is a tacit acknowledgement by both HIE and the Scottish Government that HIE’s shares are valueless and the loans will never be repaid.

Rather than lending CMSL yet more money, which would have increased its liabilities and raised serious questions about CMSL being a “going concern” under UK Company law, HIE and the Scottish Government decided to subsidise the company directly. £1,507,763 of this subsidy is recorded as Revenue Grant under “Other operating income”:

### 3 Other operating income

	2021	2020
	£	
Coronavirus job retention support grant	289,187	
Revenue grant	1,507,763	86,2
Repayable grant income	94,375	505,6
Release of deferred grant income	49,757	34,6
	<hr/>	
Total government grants	1,941,082	626,5
Other income	-	27,6
Rent receivable	-	1,6
	<hr/>	
Total other operating income	<u>1,941,082</u>	<u>655,8</u>

This was not all. There is a further £49,757 recorded as “Release of deferred grant income” while, under Note 12 to the accounts, which is headed “Deferred Income”, it turns out that actually CMSL received £1,775,330 in the year but £267,567 of this was not recorded under operating income:

**Revenue grant income of £1,775,330 was received from Highlands & Islands Enterprise in the year, of which £1,507,763 is recognised in the profit and loss account and £267,567 has been deferred and will be recognised in future periods.**

The £267,567 of deferred income looks suspiciously close to the £289,187 received from the UK Government to pay for furlough. It appears therefore that HIE may have committed £1,775,330 to CMSL last financial year to keep staff in a job before realising they could claim some of this back from the UK Government. Whatever the case, CMSL and its workforce appear privileged unlike almost any other in Scotland.

Before Britain left the European Union government subsidy on this scale might have risked a legal challenge to Brussels under the state aid rules. These were designed to stop government favouring one business over others; in this case Cairngorm before the other ski centres in Scotland.

Rather than being honest about the costs of operating Cairngorm Mountain and accounting for the costs within its own accounts, it's in the interests of both HIE and the Scottish Government to manage Cairngorm through a separate company. This means that anyone who wants to understand what is really going on has to scrutinise two sets of accounts, CMSL's and HIE's. HIE can then pay accountants and lawyers to obscure what is really going on, while keeping everything squeaky clean in terms of company law:

During the planning meeting with the audit team, the engagement partner drew attention to the risk of fraud which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in relation to accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

One of several paragraphs in the Independent Auditor's reports in the accounts about governance

The cost of this charade is secret but CMSL's business plan for 2020-23 ([see here](#)) did reveal that:

External Directors' are expected to commit two days per month to CMSL. Their remuneration is in line with the Scottish Government pay policy guidance for senior appointments at a rate of £[REDACTED] per day to reflect the higher risk nature of the requirements. The 'Chair' rate is £[REDACTED] per day, again in line with Scottish Government guidance.

One might have thought that being on the Board of CMSL must be one of the lowest risk company directorships in the UK given HIE's blank cheque book. With no financial risks to account for, all there is for the Directors to do is spin over the current problems at Cairn Gorm and the events of the last year:

This has once again been a very challenging and traumatic period. As noted last year the country went into lockdown shortly before the end of our last accounts in March 2020. In line with Scottish Government rules we were able to partially re-open in the summer but the restrictions were re-imposed as the year went on and the country went into second lockdown on 26 December 2020. As a result the business was closed for nearly 6 months and we missed the critical winter season in January to March 2021. During the year the board has of course continued its policy of putting the safety of our visitors and staff as our number one priority. In this respect we believe that all businesses need to ensure that they are not only complying with the Covid regulations but with the spirit of the regulations - this is particularly important for operators in the tourism sector who attract visitors into the area and into the communities where they operate. We have therefore taken great care to ensure that we close or restrict our activities at the appropriate times and that when we are able to re-open we do so in a safe and compliant manner.

Traumatic not because HIE has fouled up so comprehensively but because of Covid

Note the implication, that if it hadn't been for Covid, CMSL would have earned a lot more income. That is simply not true. With the funicular broken and ski uplift either removed or abandoned, there never would have been a winter season in 2020-21.

Perhaps HIE's munificence has made the Directors rather casual because they included this statement

Although we were closed for much of the year we have continued to roll out our improvement plans. Work, led and funded by HIE, has started on the re-instatement of the funicular railway and we look forward to having that operate again when it re-opens in 2022. We are currently working on plans to re-open and improve the Ptarmigan Restaurant and tenders for the work have been issued. Our play slide was opened during the financial year and has proved popular. We have therefore expanded our facilities with two additional slides and a zip-line thus adding to the attraction for families. We were delighted to see the publication of the Cairngorm Masterplan and with the interest shown in it by local business and the community as a whole. This provides a blueprint for the development of Cairngorm and the company as we continue our mission to support the local economy by creating a year round, sustainable facility which enables everyone to enjoy this fabulous mountain environment.

These works only got underway well after the end of the financial year. Work on installing the new tube slides appears to have started in June ([see here](#)) while the long-awaited masterplan for Cairngorm ([see here](#)), on which Parkswatch is still to comment, was published on 2nd June. All next years news! But during a year in which CMSL did little except slope smoothing ([see here](#)) – no mention of that disaster or the powerlines that were cut through in the process in the accounts – CMSL had to say something.

(As an aside, as parkswatch predicted, having established the principle of development through a temporary planning application, at the end of July CMSL applied ([see here](#)) to extend the temporary planning consent for the tube slides, which was due to expire on 1st November, until 15th June 2026. Having earmarked the former lower Coire Cas car park as an “Adventure/Play Zone” in the new masterplan, CMSL will be confident they have now ticked all the planning boxes for the development to stay. Whether it will last five years, in the harsh environment of the Coire Cas car park, is another issue entirely).

It would be wrong to see CMSL's accounts this year as an aberration, a consequence of the funicular breakdown. They are a foretaste of what it to come. HIE's business case for repairing the funicular ([see here](#)), having taken account of the costs of repair and projected running costs, predicted a deficit of income over expenditure of £73.09m over the next 30 years. The cost of repair will be met by HIE so that won't appear in CMSL's accounts. But that still means, on the current business model, that CMSL could lose over £1m a year, year in, year out and may well need that amount in ongoing revenue support from HIE. That money could be spent far better elsewhere in the Highlands but there is no chance of that happening while HIE own the Cairngorm Mountain Estate.

## Category

1. Cairngorms

## Tags

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