

ANGUS COUNCIL

RESOURCES & CENTRAL SERVICES COMMITTEE - 20 OCTOBER 2005

ANNUAL ACCOUNTS – MONTROSE GOLF LINKS LIMITED
YEAR ENDED 31 MARCH 2005

REPORT BY THE ACTING DIRECTOR OF FINANCE

ABSTRACT

The purpose of this report is to highlight the salient points contained in the Annual Accounts of Montrose Golf Links Limited for the year ended 31 March 2005.

1. RECOMMENDATIONS

It is recommended that the Committee note the 2004/05 Annual Accounts of Montrose Golf Links Limited, a copy of which is appended to this report.

2. BACKGROUND

The control, management and maintenance of the Montrose Golf Courses were, until 31 March 1997, regulated by a Minute of Agreement between Angus Council and the Montrose Links Trust. The Golf Courses Member/Officer Working Group considered various options with regard to the long-term future administration of the Courses, whilst the Montrose Links Trust continued to manage the Council's assets on its behalf. On 1 April 2004 the assets of the Montrose Links Trust were transferred to the new entity of Montrose Golf Links Limited (a company limited by guarantee). No payment was made to the trust from the new company for these assets. Angus Council own half of the company and is represented by four Directors, with each of the three Clubs which amalgamated to make the new company being represented by three Directors each, making a total of 13. The Council's Directors for the period of these accounts were David Valentine, Assistant Chief Executive, John Zimny, Director of Leisure Services, Councillor George Norrie and Councillor Terry Wood.

This report provides a commentary on the Montrose Golf Links Limited Annual Accounts for the year ended 31 March 2005 which is the new company's first financial year. The Accounts were duly received and approved at the meeting of Directors of Montrose Golf Links Limited on 19 July 2005.

3. COMMENTARY ON ANNUAL ACCOUNTS

The following particular points are highlighted:

- Transfer of Reserves – Negative Goodwill

On 1 April 2004 the assets of Montrose Links Trust were transferred to the new Montrose Golf Links Limited, a completely separate entity in legal and accounting terms.

The Montrose Links Trust had reserves of £260,362 as at 1 April 2004, representing the surplus in value of assets over liabilities. However, when these transferred to the new company, as no consideration was actually paid, this reserve transfer is known in accounting terms as "negative goodwill". Negative goodwill represents the value of the effective discount Montrose Golf Links Limited enjoyed when it acquired the Trusts assets. The value of the negative goodwill will be reduced through an equal annual contribution over 5 years to the Profit and Loss Account, effectively being treated as income. Over a five-year period the Negative Goodwill, an Intangible Asset, will be reduced on the Balance Sheet and the profit will be increased by the contribution in the Profit & Loss Account.

- The 2004/05 Annual Accounts show a profit of £49,004 (amortisation/contribution of Goodwill of £52,072 is included in this figure as income) before a provision for Tax liability of £27,855 resulting in an overall profit for the financial period of £21,149. This compares to the 2003/04 Annual Accounts which showed a deficit of £19,349. As Montrose Golf Links Limited is a company limited by guarantee it produces a Profit & Loss Account whereas in previous years the Trust produced Income & Expenditure Accounts which showed net surplus or deficit.
- Income
The Pro-Am tournament made a loss of £69 in 2005 compared to a profit of £3787 in 2004.
- Expenditure
 - Seeds, Plants and Other costs have increased by £1,277 from £299 in 2004 to £1,576 in 2005.
 - Workshop Expenses have increased by £2,510 from £331 in 2004 to £2,841 in 2005.
 - Taxation: This is deferred tax; this is the tax which would be payable if the Company was sold. Even although it is extremely unlikely to happen, Montrose Golf Links Limited have included provision in the Accounts as required per Accounting Standards. This provision is arrived at by taking the difference between the Tax written down value and the Net Book Value of the assets. As assets are depreciated annually the deferred tax provision will decrease through time.
- Current Ratio (Current Assets:Current Liabilities)
The Ratio of Current Assets to Current Liabilities is 0.45:1, being Current Assets of £73,655 and Current Liabilities of £163,099. Although it is normally desirable to have Current Assets covered by Current Liabilities, this ratio is acceptable as the majority of the Current Liabilities are Receipts in Advance for Season Tickets which would not have to be repaid.
- Current Liabilities (Creditors: Amounts falling due within one year)
The total of this heading is £163,099, of which £128,167 is Receipts in Advance which is Members' Subscriptions paid in advance. This is due to timing differences between the Subscription year and the Accounting year. Subscriptions paid in autumn for the forthcoming year will have the amount from April to next autumn as 'Receipt in Advance' within the Annual Accounts.

These accounts have been signed off as giving a true and fair view of the state of affairs of the company.

4. FINANCIAL IMPLICATIONS

There are no additional financial implications arising from this report.

5. HUMAN RIGHTS IMPLICATIONS

There are no human rights implications as a result of this report.

6. CONSULTATION

The Chief Executive, Director of Law & Administration and Director of Leisure Services have been consulted on the contents of this report.

7. CONCLUSION

The Profit and Loss Account and Balance Sheet of Montrose Golf Links Limited provide a reasonable financial base from which to continue operations.

COLIN MCMAHON
Acting Director of Finance

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above report.