

Golf club makes €551k loss as fees fall

by Gordon Deegan

THE finances of one of Ireland's best known and most exclusive golf clubs are "in the rough" after a massive drop in green fee income.

According to end-of-year accounts for 2008 for Lahinch Golf Club, the club recorded an operating loss of €551,323 last year after sustaining a 23% drop in green fee income.

In accounts circulated to

members of Lahinch Golf Club ahead of next Friday's AGM, men's club captain, Padraig McNerney, states: "In the 117 years of our club, rarely have we faced such stern challenges".

The loss last year follows an operating surplus of €120,107 in 2007.

The club says green fee income dropped from €1.87 million in 2007 to €1.43m in 2008, and the decrease is mainly attributed to the drop in American visitors.

The golf club confirms that green fee rounds dropped by 39% since 2002, from 19,662 to 11,989 last year, and tour operator rounds have dropped by 40% from 5,650 in 2006 to 3,450 in 2008.

In response, Lahinch golf club has reduced green fees this year to €100 per person at weekdays and €125 per person at weekends during March, April, May, June and October. The club is to charge €150 per person during

weekdays and weekends in July, August and September.

The nearby US-owned Greg Norman designed Doonbeg golf links course has also adjusted its fees, charging €70 per round to members of the Golfing Union of Ireland (GUI) to the end of March and is to charge between €150 and €200 for the summer months.

As a result of the drop in income, Lahinch has shelved the planned refurbishment of its

clubhouse and made redundant the post of club secretary, which was occupied by Alan Reardon for 20 years.

In his report, Mr McNerney states: "The world has changed, changed utterly. We are living in a world of total uncertainty, we do not know where the ultimate destination is and the one guarantee is constant change.

"We are absolutely determined to meet these fresh challenges and I am confident we will succeed."

In a bid to boost revenues at the exclusive club, Mr McNerney said the golf club is proposing the introduction of a new five-day membership category.

The accounts show that the club's income last year dropped by 14% from €3m to €2.64m, while expenditure increased by 7.6% from €2.97m to €3.1m.

The accounts also record that at the end of the 2008, the club had an accumulated fund of €4.9m.

With the economic downturn leading to a 140% rise in companies going out of business, the first female liquidator officially appointed to a struggling firm is anticipating a busy year ahead for her profession, writes **Kyran Fitzgerald**

When the going gets tough...

IT is tough out there, no doubt about it. During the first three months of 2009, the number of firms going out of business jumped by 140% compared with the same period last year. The number of insolvencies could reach 1,500 this year.

Around 10 days ago, a little bit of history was made when Sharon O'Donovan became the first woman to be appointed by the High Court as an official liquidator — to a freight transport firm, Premium Logistics.

O'Donovan is keen to deal with the perception that insolvency practitioners are chilly, detached figures with little interest in the individuals involved in firms undergoing financial collapse and possible closure.

"It is important to get across to people that liquidators are here to help people in difficult circumstances. Liquidators must be able to deal with people while also being firm and able to take control of a difficult process."

Companies can go out of business in different ways. They can simply be struck off where there are no assets or liabilities.

There are three different

types of liquidations: the members' voluntary liquidation where there are sufficient assets left over to meet all liabilities.

Next you have the creditors' voluntary liquidation. Here, the company is insolvent. The creditor with the largest debt, or group of creditors can secure the appointment of a liquidator of their choice.

An official liquidator is appointed by the High Court, typically at the request of a large creditor such as a bank, or Revenue.

The costs incurred are much higher. In the run-up to official liquidations, the firm in question may be trying to trade their way out of difficulty. Sharon O'Donovan was appointed as official liquidator as a result of a Revenue petition.

O'Donovan has spent all her career with McHugh Kinsella in Fairview, north Dublin, since joining as a 17-year-old in 1992.

A qualified chartered accountant, over time she developed an interest in forensic accounting.

"It is basically about the valuation of assets, in companies, or in matrimonial disputes, for example. There is also the investigatory side — tax



Sharon O'Donovan: 'A lot of companies have been using up their Celtic Tiger reserves and are beginning to run out of finance. In the coming months, you will see a number of companies going into liquidation.'

Picture: Billy Higgins

compliance, or evidence of wrongdoing," she explains.

O'Donovan's firm has built up an expertise in the area of corporate restructuring, or corporate recovery.

"If a problem emerges — with cash flow, or the repayment of debts, we have to sit down with the key manager or managers.

"We need to be able to deal with people in difficult circumstances and be able to ascertain whether the company will survive as a going concern based on the projections."

The recent economic downturn has complicated

the lives of auditors. "It is more difficult now for auditors to form a view that companies are viable businesses. There is more uncertainty as to when or whether they will get paid, and as to when or whether banking facilities (for the business in question) will be renewed. This problem is pretty widespread.

"A lot of companies have been using up their 'Celtic Tiger' reserves and are beginning to run out of finance. In the coming months, you will see a number of companies going into liquidation."

This process is painful — but also necessary, in her view. "We need to get to the bottom so that we begin to have stability in the market. The ailing companies need to address their issues, whether by restructuring — targeting new

markets, getting its cost base in line with competitors — or by liquidation.

"Within the next year, we should be seeing the bottom, with stability then returning along with a confidence that companies will be trading in the next year

and the years after that."

Clearly, the downturn has complicated the work of liquidators. "The process of realising assets has become much more difficult. The reason a liquidation can take two or three years to complete is that it can take

this long to sell a building."

In the past, liquidators in Ireland have had to brave crowds of angry local employees and suppliers.

They have been jostled and access to plants has been barred while groups have acted to block the removal of assets. As one liquidator was once informed by a factory shop steward: "Nothing is getting out of this plant, not even a fart!"

O'Donovan has not faced such difficulties. She is cautiously optimistic the worst of the current storm will pass in a year or so.

"There are always opportunities available in any economic climate. It is about being able to see through the mist."

So have lessons been learned? "I believe that people will be more cost conscious, not simply looking at increasing sales."

Sharon O'Donovan

Born: 1974. Dublin. Father was an engineer.
Education: Taylor's Hill, Galway; Institute of Chartered Accountants
Career: 1994 to-date: Accountant, McHugh Kinsella.
Family: Married, one daughter.
Residence: North county Dublin.
Leisure: Hiking.



WHAT WILL THE EMERGENCY BUDGET MEAN FOR YOU?



In a special supplement on Wednesday, April 8, we explain, calculate and analyse the true cost of the emergency budget on your take home pay.

Wednesday, April 8

For a different view

Irish Examiner

Bernanke says Fed must retain ability to withdraw record credit injection

by Scott Lanman and David Mildenberg
Bloomberg

US Federal Reserve chairman Ben Bernanke has said the central bank must retain the flexibility to withdraw its record injection of credit into the economy to keep inflation in check when the crisis abates.

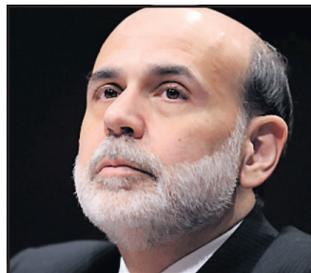
The central bank's emergency "activities must not constrain the exercise of monetary policy as needed to meet our congressional mandate to foster maximum sustainable employment and stable prices," Bernanke said in a speech in Charlotte, North Carolina.

The US central bank has effectively printed money to buy or lend against a range of assets to alleviate the credit crunch and revive the economy. Bernanke's speech detailed steps that the Fed can take to remove that liquidity.

Bernanke also rebuffed criticism from some analysts that the Fed is favouring some credit markets over others in the emergency programmes it has set up in the past six months.

The Fed chief hailed a decline in home-loan rates in the wake of its purchases of mortgage securities, and said the drop may help improve the housing market.

"Relieving disruptions in credit markets and restoring the flow of credit to households and businesses are essential if we are to see, as I expect, the gradual resumption of sustainable economic growth," he said.



Ben Bernanke: Rejected criticism Fed is favouring some credit markets.

"So far the programmes are having the intended effect."

The Fed chairman also hailed last month's joint statement with the Treasury that spelled out the principles underlying the central bank's work with the Treasury to revive credit.

While the Fed has implemented "unconventional" measures and taken some "extremely uncomfortable" steps, it's critical that the efforts "do not interfere with the independent conduct of monetary policy," Bernanke said.

The joint statement was the culmination of a behind-the-scenes, two-month long debate involving the Fed's Open Market Committee, as well as the Treasury. The discussions were driven by Bernanke's concern that work with the Bush and Obama administrations on

repairing banks and markets not lead to attempts at political pressure later that would delay the Fed's measures to combat inflation.

Fuelling the debate is the concern that policymakers will have a tough time if they try to end their emergency-lending programmes as soon as next year while the unemployment rate, now at quarter-century high 8.5%, remains elevated.

The central bank has expanded its balance sheet by \$1.2 trillion (€889m) over the past year, taking on assets, including mortgage securities, corporate debt and now long-term Treasuries under the Fed's latest policy decision last month.

The Fed's tools for raising short-term interest rates once the crisis wanes include unwinding the emergency-loan programmes, conducting reverse repurchase agreements against long-term securities holdings and increasing the rate the Fed pays on bank reserves, Bernanke said.

The emergency programmes were designed to be "unwound as markets and the economy revive."

Meanwhile, US stocks rose for a fourth day as Bernanke said programmes to unfreeze credit markets are working and better-than-estimated forecasts at Research In Motion Ltd. triggered a rally in technology shares.

The Standard & Poor's 500 Index recovered from a 0.9% drop. 842.5. The Dow Jones Industrial Average increased 39.51, or 0.5%, to 8,017.59.

WORLD ACCOUNT

RBS warns it will cut more jobs

Edinburgh: Royal Bank of Scotland will cut more jobs, chairman Philip Hampton warned yesterday, as he called for an end to the "public flogging" of the state-rescued bank over its past mistakes.

Hampton rounded on the legacy of former chief executive Fred Goodwin, saying his takeover of Dutch rival ABN Amro had been the wrong deal at the wrong price.

Addressing public anger over a pension of £703,000 (€745,000) a year awarded to Goodwin, Hampton also said the bank was taking legal advice over the payout and new chief executive Stephen Hester's contract ensured no more rewards for failure.

Euro business activity falls

Brussels: Business activity in European countries fell again in March, but the pace of decline slowed as efforts to revive economies took hold and pessimism ebbed after a plan by G20 leaders to kickstart global recovery.

In the 16-country euro area, companies also continued to slash jobs to cut costs, driving the Markit Eurozone Composite PMI employment index to a new low of 40.3, down from February's 40.8.

Divine to retain Congo oil block

London: Divine Inspiration Group said it will retain a Congolese oil block awarded to the South African company last year, after Congo's government said it would return the rights to Tullow Oil.

A group of five companies, including Divine Inspiration, "is obliged to reiterate their valid rights to block 1" of the Albertine Graben, which lies on the eastern border with Uganda.

Congolese Hydrocarbons Minister Rene Isekemanga Nkeka said last month the government would reinstate Tullow as the operator of block 1, after his predecessor last year rescinded a deal with the London-based company and handed it to Divine, citing contract irregularities.

Tullow is prepared to accommodate a further partner in its 2006 exploration deal for blocks 1 and 2 if the government requests it.

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Polaroid sold to Patriarch

New York: Polaroid, the bankrupt pioneer of instant photography, was sold in an auction to Patriarch Partners, a New York-based private-equity firm that beat out a \$42 million (€31m) offer by a European investment company.

Polaroid said Patriarch's undisclosed offer for its assets, including "substantially all" of its intellectual-property rights, must be approved by a judge at a hearing scheduled for April 6 in US Bankruptcy Court in St Paul, Minnesota.

Halifax pours cold water on market

London: Britain's biggest mortgage lender put a dampener on recent positive data on the housing market in Britain with the news that prices fell by 1.9% during March.

Halifax said the average cost of a British home had dropped by just over £3,000 during the month to stand at £157,326 (€117,007), a level last seen in May 2004.

The fall contrasted with a 0.9% rise in prices for the month reported by Nationwide earlier this week. It also showed that, while recent figures suggest activity in the housing market may be stabilising, any recovery is still likely to be a long way off.

Halifax warned that it expected conditions in the property market to remain tough for the rest of the year, with ongoing problems in the mortgage market.