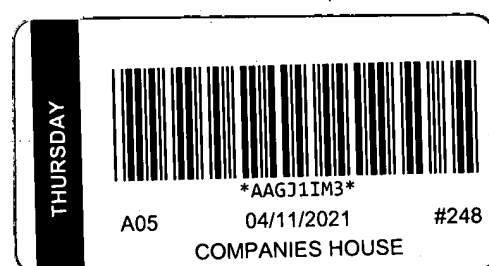


Mountain Warehouse Limited

Annual report and financial statements

Registered number 03417738

52 week period ended 28 February 2021



Contents

Strategic report	3
Directors' report	10
Statement of directors' responsibilities in respect of the annual report and the financial statements	13
Independent auditor's report to the members of Mountain Warehouse Limited	14
Consolidated Statement of Profit and Loss and Other Comprehensive Income	17
Consolidated Balance Sheet	18
Company Balance Sheet	19
Consolidated Statement of Changes in Equity	20
Company Statement of Changes in Equity	20
Consolidated Cash Flow Statement	21
Notes	22

Strategic Report

The directors present their strategic report for the 52 weeks ended 28 February 2021.

Principal activities and business model

The principal activities of Mountain Warehouse Limited and its subsidiaries ("the Group") is the retail of clothing and equipment for outdoor pursuits. The Group operates through two channels, namely retail outlets and the internet.

Business review, results and key performance indicators

The financial year ended 28th February 2021 was dominated by the COVID-19 pandemic.

In mid-March, as stores were closed around the Group, the business established six workstreams to "hibernate" the business: hibernating retail operations; hibernating or closing distribution centres; maximising online; reducing to skeleton staff; minimise stock commitment; and, cancelling and suspending contracts. The management of liquidity was successful through negotiations with stock suppliers and landlords, and alongside this a temporary RCF and subsequently a Coronavirus Large Business Interruption Loan Scheme (CLBILS) £15m term loan was agreed with our lender group. The business also utilised government support schemes globally, which largely served to protect the livelihoods of our 4,000 colleagues.

When stores were open trading was better than expected, although significantly below financial year 2020. City locations struggled, but tourist locations outperformed.

Our distribution centres were able to operate safely throughout, fulfilling accelerated online demand. This shift towards online channels provided some mitigation to lost store sales. Online demand remained high even with stores open.

The pandemic acted as a catalyst to other change, with the closure of the Polish warehouse operation and our three Netherlands stores, as well as more flexible leases through landlord negotiations.

Whilst it has been a challenging year for the Group, and we remain conscious of the ongoing challenge of COVID-19, we are confident in the future growth potential of the business.

Profit and Loss

Turnover was £239.9m, which is 18.7% lower than financial year 2020 (2020: £295.0m). Within this, retail sales fell 43.8% due to mandated store closures for a significant proportion of the financial year and customers shifting to buy online. Conversely, online sales grew 73.3% providing some offset to the reduction in store sales. The online share of the business was 48.2% (2020: 23.3%).

International sales accounted for 35.3% of total sales (2020: 31.2%). International markets have seen shorter periods of mandated store closures than in the UK and we have invested successfully in growth in New Zealand and USA.

There were 379 stores at the end of the period (2020: 386). During the year we opened 11 stores and closed 18 stores.

Gross profit was £109.9m (2020: £151.9m). Gross profit margin was 5.7% percentage points lower than last year, reflecting higher online sales mix, weaker dollar exchange rate and freight cost pressures in the 4th quarter. We were able to maintain our product margins, not resorting to additional levels of discounting.

Administration costs were £116.2m, which is a reduction of £23.4m on financial year 2020 (2020: £139.6m). We took steps to minimise our cost base, especially in areas of discretionary spend.

Business rates relief in UK and Ireland drove a year on year reduction in the rates expense of £7.7m (2020: £10.6m).

Staff costs have reduced by £4.1m year on year, reflecting fewer worked hours in stores due to lockdown restrictions and a period of reduced pay for head office employees (2020: £53.7m).

There were significant savings derived from variable underspends in stores, such as utilities, card fees and consumables and central costs and marketing spends were carefully managed (-£12.7m).

Also included within administration expenses is £2.6m of exceptional costs relating to store impairments and onerous lease provisions (2020: £4.2m).

Strategic Report (continued)

Other income was £14.2m (2020: £Nil). This is comprised of £12.2m from global Coronavirus wage subsidy schemes and £2.0m from UK Small Business Rates Relief Grants and Local Restrictions Support Grants. The other income received from wage subsidy schemes provided some offset to the payroll costs recorded within administration expenses and protected the livelihoods of 4,000 colleagues.

The consolidated profit before tax is £7.9m (2020: £12.0m).

Balance Sheet and Cash Flow

The Group cash balance at year end was £36.0m (2020: £16.9m). Throughout the pandemic the Group took appropriate measures to preserve liquidity, including:

- Utilising government backed financial support, including wage subsidy schemes, business rates waivers and in year deferral of corporation tax, VAT and duty payments
- Managing stock intake and supplier terms
- Rephasing or delaying non-essential capital expenditure
- Agreeing rent deferrals or rent-free periods with a significant number of landlords
- Controlling the discretionary cost base
- Implementing enhanced financial controls around approval of all spend

The Group is part of a larger group headed by the Company's ultimate parent, Mountain Warehouse International Limited "the MWIL Group". To maximise liquidity for the duration of the crisis and the recovery period beyond, the MWIL Group has taken the following further steps have been taken with our lenders:

- During May 2020, the Group agreed an RCF extension of £10m until 30 November 2020. This was not drawn down.
- Simultaneous to the RCF extension, the Group received a waiver for covenant tests at the end of Q1, Q2 and Q3 of FY21, and a deferral of loan amortisation payments throughout FY21 and a new minimum liquidity covenant was agreed, tested fortnightly with immediate effect. Loan amortisation payments, which are made half yearly, resume in August 2021. The covenant waivers obtained were not required.
- During November 2020, the Group completed on CLBILS loan finance of £15m on a 3-year term. The group accessed £2m of this funding in January 2021 and the remaining £13m in May 2021. The CLBILS loan is repayable quarterly from August 2021.
- Revised covenants were agreed in November 2020. Under these revised covenant terms, the Group operates with a minimum liquidity test from May 2020 through to February 2022 with a quarterly minimum EBITDA test resuming from February 2021. There is a phased return to quarterly covenant tests of leverage, fixed charge cover and cash charge cover from November 2021 to May 2022.
- During financial year 2021, all lender covenants were complied with and continue to be complied with.

The net assets of the Group at the balance sheet date were £120.5m (2020: £115.1m).

Future developments and events after the balance sheet date

At the start of the financial year 2022, 298 of the Groups stores were closed due to COVID-19 enforced local lockdowns. This was primarily the 284 stores located in the UK and Ireland, which closed after Christmas 2020 trading. UK stores reopened in April and Irish stores in May and the resumption of trading in these markets has been positive. Throughout the first quarter there have also been a series of short lockdowns across Europe and in certain Canadian provinces. Trading in New Zealand and USA has been uninterrupted by lockdown restrictions.

Online sales have continued to provide some offset to shortfall in retail sales, with sales roughly double pre-pandemic level.

In financial year 2022 the Group is planning for a recovery of the retail business combined with further growth in online sales. Sales are forecast to be £361.2m, which is an increase of 22.4% on 2020.

Strategic Report (continued)

To support further online growth, the Group is investing in technology development, progressing new business models, expanding the product range, and moving its UK warehouse provider.

As part of a range of initiatives to expand the product range, the Group entered into an agreement in October 2020 to license the Intellectual Property and Domain Names of the brand Animal. This agreement contained an option to buy which has been exercised subsequent to the balance sheet date.

In financial year 2022 the group plans to open 10 stores in the UK and New Zealand.

Principal risks and uncertainties

The Directors are responsible for identifying significant risks to the business and for ensuring that appropriate internal controls and risk management is in place to allow the Group to achieve its strategic objectives. This approach is embedded in the day to day operations of the business. All risk management policies are subject to Board approval.

The principal risk to the business is a downturn in consumer spending due to sluggish macroeconomic conditions. The Directors monitor market conditions and seek to ensure that the Group continues to provide a customer proposition that is accessible to a broad demographic and which is differentiated from its competitors. Our offer represents value for money and therefore the brand is well positioned to respond to weaker consumer confidence.

The Group is exposed to foreign exchange fluctuations through its supplier payment structure. A significant amount of the Group's stock is purchased from overseas suppliers denominated in US dollars. The Group policy is to enter into forward foreign currency contracts to cover between 50% and 75% of forecast inventory purchases for up to 12 months. The Directors consider that this safeguards the budget exchange rate for the remainder of the current financial period.

The Group is exposed to liquidity risk, being inability to meet financial obligations as they fall due. Detailed, regular cash flow forecasting is prepared to identify future liquidity requirements to ensure the Group has sufficient cash or loan facilities to meet all of its commitments when they fall due.

The Group also has exposure to interest rate risks through its financing facilities which attract variable interest rate charges linked to LIBOR.

The COVID-19 pandemic amplifies the principal risks outlined above of a downturn in consumer spending and foreign exchange fluctuations. The Board meets frequently to coordinate the business response and mitigation strategies and continues to adapt plans as required.

The ability to conduct trade whilst protecting the health and safety of stakeholders represents a new risk to the Group. COVID-19 recommended health and safety guidance for social distancing and PPE use in stores has been implemented across the store estate to mitigate this. These measures include customer capacity limits in stores, customer flow systems, closure of changing rooms and intensive cleaning practices.

On 29th March 2017, the UK government formally announced that the UK would leave the European Union effective 29th March 2019, with a period of transitional arrangements ending on 31st December 2020. On 24th December 2020, the UK and EU announced the EU-UK Trade and Cooperation Agreement, a permanent trade deal. This came into effect shortly after on 1st January 2021. A Brexit group has met frequently alongside logistics providers and professional service advisors to prepare for and subsequently implement the agreed trade deal. Brexit has added operational and administrative complexity to the business, but previously reported risks of FX volatility and supply chain disruption at UK ports have not manifested, although European store closures have meant that the retail model was relatively untested in the year under review.

Corporate Governance Statement

Mountain Warehouse Limited and its subsidiaries, collectively referred to as "Mountain Warehouse", are subject to the provisions of the Companies (Miscellaneous Reporting) Regulations 2018. During the financial period ending 28 February 2021, Mountain Warehouse has chosen to apply the Wates Corporate Governance Principles for Large Private Companies. The narrative below sets out how the Principles have been applied over the past financial year.

Strategic Report (continued)

Principle 1: Purpose and Leadership

- Mountain Warehouse was founded in 1997 to make the outdoors accessible to everyone by offering value for money product and exemplary customer service. The company's expansion since then has seen the brand grow and the product evolve, and today is an international operation.
- The Company's purpose is to deliver long term sustainable value for its shareholders by providing its customers with value for money, functional outdoor clothing and equipment. In delivering this, the Group seeks to ensure compliance with applicable laws and regulations and to maintain a culture of continuous improvement and entrepreneurship.
- The founder still owns a significant majority of the shares of the Group and plays an active day to day role in the strategy and stewardship of the Group.
- The Board are responsible for ensuring that the strategy of the Group promotes the purpose of the Group.

Principle 2: Board Composition

- The Board is comprised of an Independent Non-Executive Director, Chief Executive Officer, Chief Commercial Officer, Chief Financial and Operating Officer, Chief Technology Officer, Company Secretary and two Directors from Inflexion Partnership Capital LLP, who hold a minority stake in the Group.
- The Board believes the size and composition of the Board is appropriate for the ownership structure, size and scope of operations and contains sufficiently diverse skills and experience to ensure a balance of opinions are received on the matters it is required to consider.
- The duties of the Board are partially executed through monthly Board meetings, which are chaired by the Independent Non-Executive Director. Minutes of the meeting and key actions are documented and agreed by the Board.
- The Board sets the strategic goals for the business, which are based upon taking a long term, sustainable view. This is supported by a business operating plan which is developed concurrently with the Company's Management Board.

Principle 3: Directors Responsibilities

- The Board are responsible for managing the affairs of the Company in a manner that is most likely to promote the success of the Company for the benefit of the shareholders and in a way that is consistent with the applicable compliance requirements.
- The Board meet at least monthly and receive a detailed pack in advance of each meeting. This contains progress against the business strategic plan, periodic financial reporting and cyclical review of significant business areas.
- A wider Management Board, to whom day to day management of the Company is delegated, meets at least weekly. Decisions may be made on a daily basis by this senior management team, using their extensive knowledge and industry experience. Such members of staff have a clear understanding of the limits of their authority and lines of accountability to their more senior reports and know when decisions should be escalated for Board approval.
- Key financial information is collated from the company's various accounting systems. The finance function is appropriately qualified to ensure the integrity of the information provided. Financial information is currently audited by EY on an annual basis.
- Other data is also reviewed on a periodic basis, ranging from monthly to annually as appropriate, and includes employee data, customer data, and CSR KPI's.

Principle 4: Opportunity and Risk

- The Directors are responsible for identifying significant risks to the business and for ensuring appropriate internal controls and risk management is in place to allow the Group to achieve its strategic objectives.
- Risk management is embedded in day to day operations, with the business operation under continuous board review.

Strategic Report (continued)

- All risk management policies subject to board approval.
- Long term strategic opportunities are reviewed at Board level with all major strategic decisions, contracts and capital expenditure approved at Board level.
- Identifying and assessing short term opportunities to improve the performance of the business is part of day to day activities.

Principle 5: Remuneration

- Director remuneration structures reward based on both the overall performance of the Group and individual performance.
- All salaries greater than £100k are approved by the Board. For salaries under £100k, remuneration is agreed by a People sub-committee.

Principle 6: Stakeholder relationships and engagement

- How the Directors foster effective stakeholder relationships and consider their views when making decisions is documented in the S172 statement that follows the Corporate Governance statement.

Section 172 Statement

The Directors of Mountain Warehouse Limited have acted in accordance with their duties codified in law, which include their duty to act in the way in which they consider would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in section 172(1) of the Companies Act 2006.

Having regard to the likely consequences of any decision in the long term

The Board of Directors are responsible for leading stakeholder engagement. The directors consider that the following groups are the Company's key stakeholders: employees, customers, investors, suppliers and the communities with which we interact. The Board seeks to understand the respective interests of such stakeholder groups so that these may be properly considered in the Board's decisions. This is done through various methods which include direct engagement by Board members; through the provision of reports and updates, and through feedback mechanisms.

The board meets monthly and receives a detailed pack in advance of each meeting. This contains progress against the business strategic plan, periodic financial reporting and cyclical reviews of significant business areas.

The Board of Directors remains mindful that its strategic decisions can have long term implications for the business and its stakeholders, and these implications are carefully assessed. Principally this is done in the annual strategic review and the annual budgeting cycle, as well as when assessing strategic change decisions. All major strategic decisions, contracts and capital expenditure are approved at board level.

Having regard to the interests of the Company's employees

It is the board's policy to pursue open communication with employees and, to this end, quarterly meetings are held by management to convey information about the business. Employees are encouraged to contribute to the decision-making process through their participation in these meetings.

The Board regularly conducts store visits providing the opportunity to speak directly with retail colleagues. When COVID trading and travel restrictions allow, between 5 and 30 stores will be visited by a Board Director each week. Management Board visits are in addition to this and provide a further communication conduit.

Maintaining employee safety and well-being has been and continues to be central to the business response to COVID-19. Decisions on the implementation of appropriate measures to protect colleagues in store and head office are taken at board level.

The Group implemented a Hardship fund to provide financial support to colleagues affected by COVID-19.

Strategic Report (continued)

The company gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Systems are in place to prevent discrimination. Where existing employees become disabled, it is the company's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development opportunities where appropriate.

Having regard to the need to foster the Company's business relationships with suppliers, customers and others

Customers

The Group focuses on providing its customers with value for money, functional outdoor clothing, and equipment. The board are significantly involved in product offer and attend product presentation and range selection meetings. Our store locations, pricing, staff, and multi-channel offering enable us to be accessible to a broad demographic. The Group seeks feedback from customers through a variety of different sources which include mystery shopping, social media platforms, and customer care communications. Findings are reviewed and the information is used by relevant business areas to ascertain how products or services can be improved.

Suppliers

The Group focuses on clear and timely communication with suppliers. Formal bi-annual reviews are undertaken with significant strategic suppliers where matters including product development, health and safety and ethical and environmental issues are discussed. The board appreciates positive supplier relationships are important to the Group's long-term success and are briefed on supplier feedback and issues as part of the seasonal range review and sign off process (bi-annual).

The board formally considers its Modern Slavery obligations each year and all employees are provided training on identifying and reporting such practises.

The Group makes every effort to settle liabilities in line with agreed payment terms.

Lender Group

The Group seeks to maintain an open and transparent relationship with its lenders. We engage with Lenders regularly and frequently through the provision of bi-weekly reporting, monthly management information and a monthly update meeting. The latter provides lenders with the opportunity to ask questions and provide feedback on any issues.

Having regard to the impact of the Company's operations on the community and the environment

The Board of Directors is supportive of initiatives to reduce the adverse impacts on the environment and in supporting the communities in which we work.

Initiatives to reduce environmental impact include increasing the proportion of sustainable materials we use in our products and packaging, recycling damaged stock to charity and rolling out Smart Meters and LED lighting across the store estate. The Group has also signed up to the British Retail Consortium Climate Action Roadmap, which aims to deliver net-zero carbon emissions across the retail industry by 2040.

In the year under review we sold a range of cotton bags with the profits going to local charities selected by the stores.

Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct

The Board of Directors is committed to ensuring that the company maintains high standards of business conduct. This includes complying with relevant regulatory frameworks, trading ethically and responsible sourcing.

Having regard to the need to act fairly as between members of the Company

All shareholders are on the Board of Directors and as such are involved in decision making through Board Meetings.

The Board of Directors meets monthly and discusses a broad range of topics, including financial performance, outlook, strategy and governance.

Decision making in practice

The boards of the Company and its subsidiaries Mountain Warehouse Limited and Mountain Warehouse Group Holdings work together closely in relation to strategic decisions affecting the Group's operations and financing.

Strategic Report (continued)

The table below outlines some of the principle decisions made by the Board during the period, in conjunction with the boards of its subsidiaries.

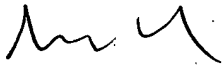
We define principle decisions as those decisions that are of a strategic nature and that are significant to our key stakeholder groups.

In making these decisions, the Board considered the interests of and the impact on all stakeholders. To provide insight into the approach taken by the Board, a summary of the stakeholder considerations and conclusions is below.

Key Stakeholders	Principle Decision	Stakeholder Considerations	Conclusions
Shareholders Lenders	Accessing CLBILS loan finance	The decision was seen as favourable for all key stakeholders: <ul style="list-style-type: none"> - sufficient facilities are available to meet current needs, and to provide sufficient headroom for future investment and unexpected needs - increased interest payable to lenders 	In November 2020, the Group completed on CLBILS loan finance of £15m on a 3-year term
Shareholders Employees Suppliers	Closure of Netherlands operation	The decision was seen as favourable for shareholders, but unfavourable for employees and suppliers. <ul style="list-style-type: none"> - opportunity to exit a loss-making market - retail colleagues were made redundant and paid severance packages to compensate for this - landlords were compensated for early termination of lease agreements 	Closure of the 3 stores in the Netherlands in January 2021, representing exit from this market.
Employees Shareholders	Furlough planning proposals	The decision was seen as favourable for all key stakeholders: <ul style="list-style-type: none"> - protects the livelihoods of colleagues, avoiding redundancies cost saving to preserve liquidity	Coronavirus Job Retention Scheme and international equivalents were utilised for head office and retail colleagues

During COVID-19, the board met more frequently to review and approve decisions arising as a result of the pandemic. Other examples of significant decisions made during the year under review are: closure of the Polish warehouse; halting the store roll out programme; close out of open FX contracts to inject cash; cancellation of stock orders; implementation of appropriate health and safety measures in stores and head office; entering into a licensing agreement for the Animal Brand; and entering into an agreement for warehousing services in the UK.

By order of the board,


Marcus Ward
Director

2 July 2021
5 Eccleston Street
London
SW1W 9LX

Directors' Report

The directors present their annual report and the audited financial statements for the 52 week period ended 28th February 2021. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report, and notes 1, 17 and 24 to the financial statements.

Proposed dividend

The directors do not recommend the payment of a dividend (2020: *£nil*).

Directors

The directors who held office during the period and remain in office were as follows:

Mark Neale
Marcus Ward
Jim Pinder
Shantelle Augier

Company Secretary

Amanda Dickinson

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they each are aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 485 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst and Young LLP will therefore continue in office.

Directors Indemnity

Qualifying third party indemnity provisions as defined by the Companies Act 2006 were in force for the benefit of Directors throughout the period and up to the date of approval of the financial statements.

Environmental Impact

The table below sets out a summary of the Groups UK energy usage, associated emissions and energy performance. As this is the first year of required reporting under Streamlined Energy and Carbon Reporting (SECR), no prior year comparatives are stated. The reported figures are heavily distorted by the COVID-19 pandemic and enforced closures of the store estate for a significant part of the financial year.

Utility and Scope	20/21 Consumption (kWh)	20/21 Consumption (tCO ₂ e)
Grid-supplied electricity (scope 2)	5,175,516	1,323
Gaseous and other fuels (scope 1)	92,907	17
Transportation (scope 1)	-	31
TOTAL	5,268,423	1,371

Utility and Scope	tCO ₂ e/m ²
Intensity metric- gross internal area	0.0246

These emissions were calculated using the methodology set out in the updated greenhouse gas reporting guidance, Environmental Reporting Guidelines (ref. PB 13944), issued by the Department for Environment, Food and Rural Affairs in June 2013.

Directors' Report (continued)

The reported data reflects consumption at sites where Mountain Warehouse is able to influence energy management only. It does not include where Mountain Warehouse has limited or no ability to influence energy management, for example concessions within a garden centre.

The Group are committed to ongoing improvements in energy efficiency. Examples of measures undertaken are installation of Smart Meters, installation of LED lighting in all new stores and commencing a programme to install LED lighting in older stores and increasing usage of hybrid cars within our fleet.

The Group has also signed up to the British Retail Consortium Climate Action Roadmap, a framework which aims to deliver net-zero carbon emissions across the retail industry by 2040.

Contribution to the Tax System

The Group believes that paying taxes as a result its activities is an important way in which it contributes to the societies in which it operates.

The taxes paid by the Group are as follows:

£'000	2021	2020
Import Taxes	14,708	23,191
Sales Taxes	12,285	10,738
Business Rates	2,470	11,426
Payroll Taxes	9,858	9,070
Corporation Tax	1,489	2,139
Stamp Duty Land Tax	22	204
TOTAL	40,832	56,768

The reduction year on year is primarily due to UK business rates waiver and lower stock intake in response to lower sales.

Going Concern

As part of the directors' assessment of the Company's ability to continue as a going concern, a support letter has been received from Mountain Warehouse International Limited confirming that Mountain Warehouse International Limited can and will support the Company in meeting its liabilities for at least the period to 26 February 2023. The directors have also considered the impact of COVID-19 on the group, the conclusion of which is that even under severe but plausible downside scenarios there is headroom in relation to available funding and not breaching covenants.

Details of the Group's assessment are below:

- Prior to the COVID-19 pandemic, the Group had demonstrated strong sales growth and consistent EBITDA performance. The Group is operationally and financially strong and has a track record of over 10 years of growth and cash generation.
- FY21 was dominated by the COVID-19 pandemic. Only 3 weeks into the financial year our shops were shut across the globe, and the business turned to crisis management, rapidly establishing six workstreams to "hibernate" the business: hibernating retail operations; hibernating or closing distribution centres; maximising online; reducing to skeleton staff; minimise stock commitment; and, cancelling and suspending contracts. The management of liquidity was successful through negotiations with stock suppliers and landlords, and alongside this a temporary RCF and subsequently a CLBILS £15m term loan was agreed with our lender group. The business also utilised government support schemes globally, which largely served to protect the livelihoods of our 4,000 colleagues.
- The global pandemic is unprecedented, and whilst we do not have a similar experience in which to inform us of the level of impact that the pandemic will have on long term consumer demand, we are gathering informative data as the pandemic progresses. Our recovery plan is based on our sales patterns to date along with

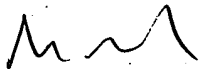
Directors' Report (continued)

sales predictions shared by other retailers. Based on this intelligence the Directors have agreed a plan to return the business to growth as follows:

- The plan is centred around a gradual recovery of LFL store trading alongside an acceleration in eCommerce growth. Online sales since the start of the pandemic have been strong and we believe this is a permanent shift in consumer behaviour.
- As part of this there will be a less aggressive store opening plan which will also help to conserve liquidity.
- The forecasts for FY22 and FY23 have been built using detailed daily cash modelling, buying plans, sales projections, landlord agreements, manpower plans and scrutiny of all costs.
- Based on these forecasts, which cover the period to 26 February 2023, there is sufficient headroom in the funding available to the Group to meet the possible cash requirements of the Group and to comply with the covenant testing requirements associated with the Group's funding, taking into account the unprecedented circumstances caused by COVID-19.
- The Board has applied extensive scrutiny to the projections and sensitivities made in assessing the financial modelling for the Group and is satisfied that reasonable assumptions have been made for the going concern opinion.
 - Modelling has been based on the most significant uncertainties: the speed of recovery of store sales, rate of online sales growth, working capital assumptions for stock purchases and dollar exchange rate for stock purchases.
 - Additional, severe, but plausible scenarios centred around further store trading restrictions have also been modelled. This downside case does not give rise to a breach of banking covenants and there is adequate headroom in the funding available to the Group to meet its cash requirements.
 - Further mitigating actions available to the Group include managing stock intake and terms, pausing non-essential capital expenditure, supplier negotiations in the event of further mandated closures, and further reducing discretionary costs.

The Board has concluded that there is a reasonable expectation that the Group has adequate resources to remain in operational existence for the foreseeable future and specifically the going concern period under review to 26 February 2023. On this basis, the Directors continue to adopt the going concern basis for the preparation of the financial statements.

By order of the board,



Marcus Ward
Director

2 July 2021
5 Eccleston Street
London
SW1W 9LX

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOUNTAIN WAREHOUSE LIMITED

Opinion

We have audited the financial statements of Mountain Warehouse Limited ('the parent company') and its subsidiaries (the 'group') for the period ended 28 February 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement, and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 28 February 2021 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting was underpinned by an unconditional letter of support from the parent company, Mountain Warehouse International Limited. In evaluating the legitimacy of the letter of support we:

- Obtained an understanding of management's basis for the use of the going concern basis of accounting;
- Obtained management's going concern assessment and forecast cashflows for the wider Mountain Warehouse group, covering the period of the assessment from the date of approval of the financial statements to 26 February 2023;
- Reviewed the borrowing facilities available to the Mountain Warehouse group to assess their continued availability through the going concern period and to confirm financial covenant requirements were met through this period;
- Critically evaluated management's forecasts for the Mountain Warehouse group. We benchmarked base assumptions to historical actuals as well as industry outlook and sought contradictory evidence to sensitise the projections;
- Evaluated management's reverse stress test and performing our own independent stress testing on the forecasts to understand how severe the downside scenarios would have to be to result in the elimination of headroom. We evaluated management's plans for future actions with the control of the Mountain Warehouse group to reduce operating and capital expenditure in the going concern period in order to determine whether such actions are feasible; and
- Considered whether management's disclosures in financial statements on the going concern assessment are appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of 20 months to 26 February 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance

with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant tax compliance regulations in the United Kingdom.
- We understood how Mountain Warehouse Limited is complying with those frameworks by
- making enquiries of management, legal counsel and those charged with governance. We corroborated our enquiries through our review of Board minutes.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We considered the controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where this risk was higher, which we determined to be within revenue recognition, we performed incremental audit procedures to address the identified fraud risk. These procedures included using data analytics to identify manual journals which were tested where significant.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved a review of board minutes to identify any noncompliance with laws and regulations, enquiries of legal counsel, assessment of financial statement disclosures to ensure compliance with relevant standards, the involvement of tax specialists to assess compliance with tax regulations and enquiries of management and those charged with governance.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Kate Allen (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading
7 July 2021

Consolidated Statement of Comprehensive Income
For 52 week period ended 28 February 2021

	Note	2021 £'000	2020 £'000
Turnover	2	239,928	294,956
Cost of sales		(130,046)	(143,043)
Gross profit		109,882	151,913
Administrative expenses	3	(116,176)	(139,552)
Other Income	4	14,230	-
Operating profit		7,936	12,361
Interest received and similar income		2	1
Interest payable and similar charges	6	(26)	(331)
Profit on ordinary activities before taxation		7,912	12,031
Tax on profit on ordinary activities	8	(1,513)	(2,085)
Profit for the financial period		6,399	9,946
Other comprehensive expenditure			
Exchange differences on translation of foreign operations	17	526	369
Cash flow hedges- recycled to Income Statement	17	(1,032)	-
Cash flow hedges- reclassified and reported in Deferred Tax	17	106	-
Cash flow hedges- changes in fair value	17	(786)	528
Income tax on other comprehensive income	17	239	(100)
Other comprehensive (loss)/ income for the period, net of income tax		(947)	797
Total comprehensive income for the period		5,452	10,743

The results derive entirely from continuing operations.

Consolidated Balance Sheet

At 28 February 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible fixed assets	9	1,706	2,008
Tangible fixed assets	10	32,910	39,626
		34,616	41,634
Current assets			
Stocks	12	61,749	58,793
Debtors	13	59,880	48,695
Other financial assets	19	783	1,714
Cash at bank and in hand	19	35,980	16,883
		158,392	126,085
Current liabilities			
Trade and other payables	14	(52,978)	(36,870)
Provision for other liabilities	16	(3,685)	(2,124)
Other financial liabilities	19	(1,374)	(672)
		100,355	86,419
Total assets less current liabilities		134,971	128,053
Non-current liabilities			
Trade and other payables	15	(7,264)	(6,769)
Provisions for other liabilities	16	(6,936)	(5,772)
Deferred tax liability	20	(237)	(430)
		120,534	115,082
Net assets		120,534	115,082
Capital and reserves			
Called up share capital	17	1,360	1,360
Profit and loss account	17	119,186	112,787
Hedging reserve	17	(547)	926
Foreign currency translation reserve	17	535	9
		120,534	115,082
Shareholder's funds		120,534	115,082

These financial statements were approved by the board of directors on 2 July 2021 and were signed on its behalf by:



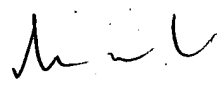
Marcus Ward
Director

Company number: 03417738

Company Balance Sheet
At 28 February 2021

	Note	2021 £'000	Restated 2020 £'000
Fixed assets			
Intangible fixed assets	9	1,421	1,556
Tangible fixed assets	10	24,537	28,498
Investment in subsidiary	11	2,362	2,362
		<u>28,320</u>	<u>32,416</u>
Current assets			
Stocks	12	50,763	43,621
Debtors	13	77,950	70,426
Other financial assets	19	783	1,714
Cash at bank and in hand	19	31,525	13,810
		<u>161,021</u>	<u>129,571</u>
Current liabilities			
Trade and other payables	14	(61,427)	(41,033)
Provision for other liabilities	16	(2,558)	(1,525)
Other financial liabilities	19	(1,374)	(672)
		<u></u>	<u></u>
Net current assets		<u>95,662</u>	<u>86,341</u>
Total assets less current liabilities		<u>123,982</u>	<u>118,757</u>
Non-current liabilities			
Trade and other payables	15	(5,659)	(5,030)
Provisions for other liabilities	16	(4,618)	(4,236)
Deferred tax liability	20	(3)	(196)
		<u></u>	<u></u>
Net assets		<u>113,702</u>	<u>109,295</u>
Capital and reserves			
Called up share capital	17	1,360	1,360
Profit and loss account	17	112,889	107,009
Hedging reserve	17	(547)	926
		<u></u>	<u></u>
Shareholder's funds		<u>113,702</u>	<u>109,295</u>

These financial statements were approved by the board of directors on 2 July 2021 and were signed on its behalf by:


Marcus Ward
Director
Company registered number: 03417738

Consolidated Statement of Changes in Equity

At 28 February 2021

	Share capital £000	Cash flow hedging reserve £000	Retained earnings £000	Foreign currency translation reserve £000	Total equity £000
Balance at 24 February 2019	1,360	498	102,841	(360)	104,339
Total comprehensive income for the period					
Profit	-	-	9,946	-	9,946
Other comprehensive income (note 17)	-	428	-	369	797
Total comprehensive income for the year		428	9,946	369	10,743
Balance at 1 March 2020	1,360	926	112,787	9	115,082
Total comprehensive income for the period					
Profit	-	-	6,399	-	6,399
Other comprehensive income (note 17)	-	(1,473)	-	526	(947)
Total comprehensive (loss)/income for the period	-	(1,473)	6,399	526	5,452
Balance at 28 February 2021	1,360	(547)	119,186	535	120,534

Company Statement of Changes in Equity

At 28 February 2021

	Share capital £000	Cash flow hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 24 February 2019	1,360	498	101,210	103,068
Total comprehensive income for the period				
Profit	-	-	5,799	5,799
Other comprehensive income (note 17)	-	428	-	428
Total comprehensive income for the period	-	428	5,799	6,227
Balance at 1 March 2020	1,360	926	107,009	109,295
Total comprehensive income for the period				
Profit	-	-	5,880	5,880
Other comprehensive (loss)/income (note 17)	-	(1,473)	-	(1,473)
Total comprehensive (loss)/income for the period	-	(1,473)	5,880	4,407
Balance at 28 February 2021	1,360	(547)	112,889	113,702

Consolidated Cash Flow Statement
for the 52 week period ended 28 February 2021

	<i>Note</i>	2021 £000	2020 £000
Operating activities			
Profit for the period		6,399	9,946
<i>Adjustments for:</i>			
Depreciation and amortisation	9, 10	8,576	7,107
Impairment loss	10	612	2,033
Loss on disposal of assets	3	620	545
Recycling of hedging reserve to Income Statement		10	-
Foreign currency losses on derivatives		(195)	132
Interest received and similar income		(2)	(1)
Interest payable and similar charges	6	26	331
Taxation	8	1,513	2,085
Currency translation losses		1,009	378
		18,568	22,556
(Decrease)/Increase in trade and other receivables	13	(11,168)	2,533
Increase in inventories	12	(3,416)	(5,919)
Decrease in Other Financial Assets	19, 20	-	4,500
Increase in trade and other payables	14	16,870	648
Increase in provisions	16	2,939	2,518
		23,793	26,836
Tax paid		(1,400)	(2,090)
Net cash from operating activities		22,393	24,746
Investing activities			
Interest received		2	1
Acquisition of property, plant and equipment	10	(2,409)	(15,994)
Acquisition of intangible assets	9	(654)	(795)
Net cash used in investing activities		(3,061)	(16,788)
Financing activities			
Interest paid	6	(26)	(331)
Net cash used in financing activities		(26)	(331)
Net increase in cash and cash equivalents		19,306	7,627
Effects of currency translation on cash and cash equivalents		(209)	-
Cash and cash equivalents at beginning of period		16,883	9,256
Cash and cash equivalents at period end		35,980	16,883

Notes

(forming part of the financial statements)

1 Accounting policies

Mountain Warehouse Limited (the "Company") is a private company limited by shares, incorporated and domiciled in the UK. The Company has its registered office at 5 Eccleston Street, London, England SW1W 9LX.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

The Company has taken the exemption afforded to it under FRS102 and will not prepare a cash flow statement.

Under s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. The company profit for the period is £5,880,000 (2020: £5,720,000).

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in March 2018. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

These financial statements are prepared for the 52 weeks ending 28th February 2021. The comparatives are prepared for the 53 weeks ending 1st March 2020.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

1.1 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

The dilapidation provision relates to the expected future costs to be incurred by the Group in order to satisfy its obligations to restore specific leasehold premises to the condition required under the lease agreements at the end of the lease. The provision is based on management's best estimate of restoration costs at a future date and therefore a degree of uncertainty exists over the future outflows. Management review historic dilapidation settlements with landlords to provide further evidence of accounting estimates and update if necessary. In determining the estimate, advice and methodology is also sought from internal property specialists. The timing in relation to the utilisation of these provisions is dependent upon the lease terms.

The onerous lease provision relates to where the Group's unavoidable costs of meeting its contractual obligations are higher than the expected benefits to be derived from the lease property. Management perform an exercise of assessing stores to determine the shortfall in the rent remaining compared to the present value of the anticipated income until the lease break date. Significant management judgements and estimates are involved in this process with the predominant one being the expected store performance. Market conditions also have a significant impact and hence the assumptions on future cash flows are reviewed regularly and revisions to the provision made where necessary. Stores are assessed for onerous lease provisioning once they become part of the like for like store cohort, i.e. into second full year of trading.

The Group seeks to hedge a significant amount of its planned foreign currency stock purchases, whereby the value and timing of those forecast stock purchases represents the accounting estimate. A number of forward hedges are in place and, where appropriate, hedge accounting is adopted by the Group. Hedge accounting is by nature complex and is subject to documentary requirements and periodic effectiveness involving a degree of judgement. Planned stock purchases and the level of hedges in place are monitored on an ongoing basis.

The returns provision reflects that the Group sells retail products with the right of return. Returns policy, actual sales, actual returns rates and previous utilisation of the provision are the key assumptions used to estimate and provide for the value of such returns. These assumptions are also sensitised to review the appropriateness of the provision.

Notes (continued)

1 Accounting policies (continued)

1.2 Measurement convention

The financial statements are prepared under the historical cost convention, as modified for the subsequent measurement of derivative financial instruments at fair value. The company and Group accounts are made up to the nearest Sunday to the Company's accounting reference date.

1.3 Going concern

As part of the directors' assessment of the Company's ability to continue as a going concern, a support letter has been received from Mountain Warehouse International Limited confirming that Mountain Warehouse International Limited can and will support the Company in meeting its liabilities for at least the period to 26 February 2023. The directors have also considered the impact of COVID-19 on the group, the conclusion of which is that even under severe but plausible downside scenarios there is headroom in relation to available funding and not breaching covenants.

Details of the Group's assessment are below:

- Prior to the COVID-19 pandemic, the Group had demonstrated strong sales growth and consistent EBITDA performance. The Group is operationally and financially strong and has a track record of over 10 years of growth and cash generation.
- FY21 was dominated by the COVID-19 pandemic. Only 3 weeks into the financial year our shops were shut across the globe, and the business turned to crisis management, rapidly establishing six workstreams to "hibernate" the business: hibernating retail operations; hibernating or closing distribution centres; maximising online; reducing to skeleton staff; minimise stock commitment; and, cancelling and suspending contracts. The management of liquidity was successful through negotiations with stock suppliers and landlords, and alongside this a temporary RCF and subsequently a CLBILS £15m term loan was agreed with our lender group. The business also utilised government support schemes globally, which largely served to protect the livelihoods of our 4,000 colleagues.
- The global pandemic is unprecedented, and whilst we do not have a similar experience in which to inform us of the level of impact that the pandemic will have on long term consumer demand, we are gathering informative data as the pandemic progresses. Our recovery plan is based on our sales patterns to date along with sales predictions shared by other retailers. Based on this intelligence the Directors have agreed a plan to return the business to growth as follows:
 - The plan is centred around a gradual recovery of LFL store trading alongside an acceleration in eCommerce growth. Online sales since the start of the pandemic have been strong and we believe this is a permanent shift in consumer behaviour.
 - As part of this there will be a less aggressive store opening plan which will also help to conserve liquidity.
 - The forecasts for FY22 and FY23 have been built using detailed daily cash modelling, buying plans, sales projections, landlord agreements, manpower plans and scrutiny of all costs.
 - Based on these forecasts, covering the period ending 26 February 2023, there is sufficient headroom in the funding available to the Group to meet the possible cash requirements of the Group and to comply with the covenant testing requirements associated with the Group's funding, taking into account the unprecedented circumstances caused by COVID-19.

Notes (continued)

1 Accounting policies (continued)

1.3 Going concern (continued)

- The Board has applied extensive scrutiny to the projections and sensitivities made in assessing the financial modelling for the Group and is satisfied that reasonable assumptions have been made for the going concern opinion.
 - Modelling has been based on the most significant uncertainties: the speed of recovery of store sales, rate of online sales growth, working capital assumptions for stock purchases and dollar exchange rate for stock purchases.
 - Additional, severe, but plausible scenarios centred around further store trading restrictions have also been modelled. This downside case does not give rise to a breach of banking covenants and there is adequate headroom in the funding available to the Group to meet its cash requirements.
 - Further mitigating actions available to the Group include managing stock intake and terms, pausing non-essential capital expenditure, supplier negotiations in the event of further mandated closures, and further reducing discretionary costs.

The Board has concluded that there is a reasonable expectation that the Group has adequate resources to remain in operational existence for the foreseeable future and specifically the going concern period under review to 26 February 2023. On this basis, the Directors continue to adopt the going concern basis for the preparation of the financial statements.

1.4 Basis of consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany transactions and balances between Group companies are eliminated upon consolidation.

1.5 Revenue

Revenue represents the amounts (excluding value added tax) derived from the provision of goods to customers during the period. Revenue is recognised when all of the significant risks and rewards of ownership have been transferred to the customer and is adjusted for estimated sales returns post period end.

1.6 Foreign currency

The consolidated financial statements are presented in pound Sterling, which is the functional currency of the Group. Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange differences arising on translation are recognised in profit and loss except for differences arising on the retranslation of qualifying cash flow hedges with changes taken to other comprehensive income, which are recognised in other comprehensive income.

The assets and liabilities of the company's overseas subsidiary undertakings are translated at the closing exchange rates. The profit and loss account of the undertaking is consolidated at the average rate of exchange during the period. Gains and losses arising on these translations are recognised in other comprehensive income.

Notes (continued)

1 Accounting policies (continued)

1.7 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs and subsequently net of any impairment loss. An impairment loss is recognised in the profit and loss account whenever the carrying amount exceeds the recoverable amount. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

Investments

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.7 Other Financial instruments

Financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except for hedging instruments in a designated hedging relationship shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value depends on whether derivatives qualify for hedge accounting and the nature of the item being hedged (see below). Where derivatives do not qualify for hedge accounting, any changes in the fair value of the derivative financial instrument are recognised in Statement of Comprehensive Income as they arise.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to completion. Provision is made for obsolete, defective or slow-moving stock where appropriate.

1.10 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is provided to write-off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	-	5 years
Computer equipment	-	3 years
Leasehold improvements	-	the shorter of 10 years or the remaining lease term
Freehold properties	-	50 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

1.11 Goodwill and other intangible assets

Goodwill

Goodwill is stated at cost less accumulated amortisation and any accumulated impairment losses. Goodwill is allocated to cash-generating units (CGU). Goodwill arising on acquisition of A.I. & I.D. Fox Limited is allocated wholly to one CGU being A.I. & I.D. Fox Limited.

Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses.

Development costs

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Group intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit and loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software	-	3 years
Goodwill	-	5 years
Other intangibles	-	10 years

The company reviews the amortisation period when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill arising on acquisition of A.I. & I.D. Fox Limited is being amortised evenly over the directors' estimate of its useful life of 5 years. This is based on the time frame over which the Group can demonstrate the intention to run the premises as a Mountain Warehouse store. Goodwill has arisen on acquisition due to the customer base and good customer relations of the outdoor retailer that occupied the site previously.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of Assets where there is indication that goodwill or an intangible asset may be impaired.

1.12 Post retirement benefits

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amount charged to profit and loss represents the contributions payable to the scheme in respect of the accounting period.

1.13 Operating leases

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease. Qualifying COVID rent concessions have been recognised in the period that the change in lease payments is intended to compensate. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Notes (continued)

1 Accounting policies (continued)

1.14 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Onerous lease provision

An onerous lease provision is made when it is considered that the unavoidable costs of meeting the lease contracts for these stores will exceed the expected future benefits. The provision is based on the present value of future cash flows until the respective lease break date.

Dilapidations provision

A dilapidation provision is recognised based on the present value of the expected obligation to return properties to the condition required at the end of the lease. A corresponding asset is also recognised and depreciated over the asset's useful life. The classification as current or non-current for the provision for each store is based on the expected lease expiry date at the balance sheet date with lease extensions taken into account only when they are agreed and finalised.

Sales returns provision

A returns provision is recognised to reflect that the Group sells retail products with the right of return. The provision is based on the expected value of returns to be received post year end from sales in the financial year, taking into account the returns policy and actual sales and return rates.

1.15 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in profit and loss except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured on an undiscounted basis at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.16 Government Grants

Government grants are recognised once the conditions attached are met and there is reasonable assurance that the grant will be received. Grants are recognised in the Consolidated Profit and Loss Account in the same period as the related expenditure.

Notes (continued)

2 Turnover

Turnover, analysed geographically between markets, was as follows:

	2021 £000	2020 £000
United Kingdom	155,277	203,052
Europe	24,388	31,088
Rest of the World	60,263	60,816
	<u>239,928</u>	<u>294,956</u>

Turnover is derived from the retail of outdoor clothing and equipment through retail outlets and online channels.

Group turnover is derived from high volume, low value retail sales and is therefore not dependent on any major customer.

3 Expenses and auditor's remuneration

Operating Profit is stated after charging:

	2021 £000	2020 £000
Depreciation: owned assets	7,620	6,215
Impairment	612	2,033
Amortisation of goodwill and intangibles	956	892
Operating lease expense	29,666	30,264
Loss on disposal of fixed assets	620	545
Foreign exchange differences	(1,199)	416
	<u></u>	<u></u>

Auditor's remuneration:

	2021 £000	2020 £000
Audit of these financial statements	135	118
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	135	118
Non-audit related assurance services	-	-
	<u></u>	<u></u>

4 Other Income

	2021 £000	2020 £000
Grant Income	14,230	-
	<u></u>	<u></u>

Grant Income includes £12,219,000 (2020: £Nil) from global Coronavirus job retention schemes and £2,011,000 (2020: £Nil) from Small Business Rates Relief Grants.

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	2021 No.	2020 No.
Sales and administration	3,427	3,668

The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	45,420	48,836
Social security costs	3,606	4,284
Contributions to defined contribution plans	561	564
	49,587	53,684

The Group operates a defined contribution pension plan. The assets of the scheme are administered by an independent pensions provider. The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £561,000 (2020: £564,000). Contributions amounting to £118,000 (2020: £138,000) were payable to the scheme at the balance sheet date and are included in creditors.

Company:

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

Sales and administration	1,082	1,603
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The aggregate payroll costs of these persons were as follows:

	2021 £000	2020 £000
Wages and salaries	39,304	40,119
Social security costs	2,917	3,232
Contributions to defined contribution plans	535	536
	42,756	43,887

The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £535,000 (2020: £536,000). Contributions amounting to £111,000 (2020: £132,000) were payable to the scheme at the balance sheet date and are included in creditors.

Notes (continued)

6 Interest payable and similar charges

	2021 £000	2020 £000
Interest on bank loans and overdrafts	26	331

7 Directors' remuneration

	2021 £000	2020 £000
Directors' emoluments	578	598

The aggregate remuneration of the highest paid director was £185,000 (2020: £188,000) and company pension contributions of £1,000 (2020: £1,000) were made to a money purchase scheme on his behalf. Retirement benefits are accruing to the following number of directors under:

	2021	2020
Money purchase schemes	4	4

8 Taxation

Recognised in the profit and loss

	2021 £000	2020 £000
<i>UK Corporation tax</i>		
Current period	862	971
Adjustments for prior periods	(95)	562
	767	1,533
<i>Foreign tax</i>		
Current period	665	951
	1,432	2,484
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(56)	(162)
Adjustment in respect of prior periods	137	(256)
Effects of changes in tax rates	-	19
	81	(399)
Total tax expense	1,513	2,085

Income tax recognised in other comprehensive income

	2021 £000	2020 £000
Effective portion of changes in fair value of cash flow hedges	238	(100)

Notes (continued)

8 Taxation (continued)

Reconciliation of effective tax rate

The current tax charge for the period is lower (2020: *lower*) than the standard rate of corporation tax in the UK.

	2021 £000	2020 £000
Profit before taxation	7,912	12,031
Tax using the UK corporation tax rate of 19% (2020: 19%)	1,503	2,286
Permanent items	503	75
Adjustments in respect of previous periods	159	306
Effect of changes in tax rates	41	178
Effects of group relief	(693)	(760)
Total tax expense	1,513	2,085

The March 2020 budget announced that the standard rate of corporation tax would remain at 19% from 1 April 2020 and not reduce to 17%. This was enacted during the financial year and the deferred tax asset has been calculated at this rate. The March 2021 budget announced an increase in the UK standard rate of corporation tax to 25% from 1 April 2023. This will increase the company's future tax charge accordingly.

Deferred tax liabilities of £237,000 are expected to unwind within 12 months of the balance sheet date.

9 Intangible assets

Group	Goodwill £000	Software £000	Total £000
Cost			
Balance at 1 March 2020	821	5,034	5,855
Additions	-	654	654
Disposals	-	-	-
Balance at 28 February 2021	821	5,688	6,509
Amortisation and impairment			
Balance at 1 March 2020	383	3,464	3,847
Amortisation for the period	164	792	956
Disposals	-	-	-
Balance at 28 February 2021	547	4,256	4,803
Net book value			
At 1 March 2020	438	1,570	2,008
At 28 February 2021	274	1,432	1,706

Notes (continued)

9 Intangible assets (continued)

Company

	Software £000
Cost	
Balance at 1 March 2020	4,983
Additions	655
	<hr/>
Balance at 28 February 2021	5,638
	<hr/>
Amortisation and impairment	
Balance at 1 March 2020	3,427
Amortisation for the period	790
	<hr/>
Balance at 28 February 2021	4,217
	<hr/>
Net book value	
At 1 March 2020	1,556
	<hr/>
At 28 February 2021	1,421
	<hr/>

Amortisation of Group and company intangible fixed assets is included in administrative expenses.

No Impairment loss was recognised in the period (2020: £Nil).

Notes (continued)

10 Tangible fixed assets

Group	Freehold property £000	Fixtures & fittings £000	Total £000
Cost			
Balance at 1 March 2020	4,292	72,898	77,190
Additions	-	2,409	2,409
Disposals	-	(2,725)	(2,725)
Foreign exchange differences	-	(602)	(602)
Balance at 28 February 2021	4,292	71,980	76,272
Depreciation			
Balance at 1 March 2020	241	37,323	37,564
Depreciation charge for the year	75	7,545	7,620
Impairment loss	-	612	612
Disposals	-	(2,105)	(2,105)
Foreign exchange differences	-	(329)	(329)
Balance at 28 February 2021	316	43,046	43,362
Net book value			
At 1 March 2020	4,051	35,575	39,626
At 28 February 2021	3,976	28,934	32,910

The net book value of tangible fixed assets is dependent on the estimates of future profits and cash flows. For impairment testing purposes, the value in use of stores is calculated based on the Group's latest forecast cash flows coupled with the Group's views on future achievable growth. The latest view reflects the Board's best estimate of the short to medium term impact of Covid-19 on store recovery. When calculating any impairment losses, the key assumptions are long-term growth rates and expected trading performance. Stores are assessed for impairment once they become part of the like for like store cohort, i.e., into second full year of trading.

For the year ended 28 February 2021, an impairment loss of £612,000 (2020: £2,033,000) was recognised.

Notes (continued)

10 Tangible fixed assets (continued)

Company	Freehold property £000	Fixtures & fittings £000	Total £000
Cost			
Balance at 1 March 2020	2,942	54,265	57,207
Additions	-	2,246	2,246
Disposals	-	(1,489)	(1,489)
Foreign Exchange Differences	-	7	7
Balance at 28 February 2021	2,942	55,029	57,971
Depreciation			
Balance at 1 March 2020	187	28,522	28,709
Depreciation charge for the year	65	5,614	5,679
Impairment loss	-	422	422
Disposals	-	(1,374)	(1,374)
Foreign Exchange Differences	-	(2)	(2)
Balance at 28 February 2021	252	33,182	33,434
Net book value			
At 1 March 2020	2,755	25,743	28,498
At 28 February 2021	2,690	21,847	24,537

An impairment loss of £422,000 (2020: £458,000) has been recognised in the period.

Notes (continued)

11 Investments in subsidiaries

At 28 February 2021, the Group controlled the following subsidiaries and all of which are included in the consolidated financial statements.

Subsidiary undertakings	Country of registration	Principal activity	Class and percentage of shares held
Zakti Limited	England and Wales	Dormant company	Ordinary 100%
Mountain Warehouse Handelgesellschaft GmbH	Austria	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse Polska S.p. z o.o.	Poland	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse Outdoor (Canada) Limited	Canada	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse Outdoor Inc	USA	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse sro	Czech Republic	Dormant company	Ordinary 100%
A.L. & I.D. Fox Limited	England and Wales	Dormant company	Ordinary 100%
Mountain Warehouse B.V.	Netherlands	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse Pty	Australia	Dormant company	Ordinary 100%
Company			£000
Cost			
Balance at 1 March 2020			2,362
Additions			
Balance at 28 February 2021			<u>2,362</u>
Impairment			
Balance at 28 February 2021			
Net book value at 1 March 2020			<u>2,362</u>
Net book value at 28 February 2021			<u>2,362</u>

Notes (continued)

12 Stocks

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Finished goods	61,749	58,793	50,763	43,621

The cost of stocks recognised as an expense and charged to cost of sales in the period for the Group was £87.4m (2020: £112.6m) and for the company was £66.1m (2020: £87.3m). Of this, £2.8m relates to stock write off (2020: £2.5m) and for the company £2.3m (2020: £1.9m).

13 Debtors

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Amounts owed by intermediary parent company	55,288	42,808	55,275	42,800
Amounts owed by subsidiary undertakings	-	-	19,894	23,127
Other debtors	2,552	2,476	1,121	985
Prepayments	1,641	3,076	1,400	3,355
Deferred tax	399	335	260	159
	59,880	48,695	77,950	70,426

Amounts owed by group undertakings are included in amounts due within one year where there are no specified repayment terms and there is no fixed repayment schedule in place and hence the amounts are technically repayable on demand. No interest is receivable on the balances owed from other group companies included above.

14 Creditors: amounts falling due within one year

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Amounts owed to intermediary parent company	10,887	10,887	10,887	10,887
Amounts owed to subsidiary undertakings	-	-	14,464	9,359
Trade creditors	21,145	12,260	19,378	9,282
Accruals and deferred income	17,350	10,121	13,438	7,961
Other taxes and social security	3,031	3,078	2,882	3,388
Corporation tax	565	524	378	156
	52,978	36,870	61,427	41,033

Amounts owed to group undertakings are included in amounts due within one year where there are no specified repayment terms and there is no fixed repayment schedule in place. While amounts owed to group undertakings are technically repayable on demand, and hence are included in amounts due within one year, the directors are of the opinion (as a result of their group role in relation to the group undertakings amounts are owed to) that in the ordinary course of business, repayment within such a timescale would not be required.

Notes (continued)

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Accruals and deferred income	7,264	6,769	5,659	5,030

Non-current accruals and deferred income relates to operating lease incentives released to the profit or loss over the lease term.

16 Provisions

Group

	Onerous lease £000	Dilapidations provision £000	Total £000
Balance at 24 February 2019	406	4,964	5,370
Foreign Exchange Differences	48	(1)	47
Provisions made during the period	1,987	209	2,196
Remeasurement	-	548	548
Utilised during the period	(169)	(17)	(186)
Unused amounts reversed	(61)	(18)	(79)
Balance at 1 March 2020	2,211	5,685	7,896
Foreign Exchange Differences	(169)	(5)	(174)
Provisions made during the period	3,742	312	4,054
Remeasurement	-	107	107
Utilised during the period	(1,024)	(56)	(1,080)
Unused amounts reversed	(27)	(176)	(203)
Unwinding of discount	-	21	21
Balance at 28 February 2021	4,733	5,888	10,621
Current	952	1,172	2,124
Non-current	1,259	4,513	5,772
Balance at 1 March 2020	2,211	5,685	7,896
Current	2,089	1,596	3,685
Non-current	2,644	4,292	6,936
Balance at 28 February 2021	4,733	5,888	10,621

Notes (continued)

16 Provisions (continued)

Company

	Onerous lease £000	Dilapidation provision £000	Total £000
Balance at 24 February 2019	245	4,426	4,671
Provisions made during the period	586	202	788
Remeasurement	-	482	482
Utilised during the period	(118)	(15)	(133)
Unused amounts reversed	(56)	(2)	(58)
Foreign exchange differences	17	(6)	11
Balance at 1 March 2020	674	5,087	5,761
Provisions made during the period	1,344	269	1,613
Remeasurement	-	293	293
Utilised during the period	(378)	(40)	(418)
Unused amounts reversed	-	(121)	(121)
Foreign exchange differences	15	14	29
Unwinding of discount	-	19	19
Balance at 28 February 2021	1,655	5,521	7,176
Current	390	1,135	1,525
Non-current	284	3,952	4,236
Balance at 1 March 2020	674	5,087	5,761
Current	987	1,571	2,558
Non-current	668	3,950	4,618
Balance at 28 February 2021	1,655	5,521	7,176

The dilapidation provision relates to the expected future costs to be incurred by the Group in order to satisfy its obligations to restore specific leasehold premises to the condition required under the lease agreements at the end of the lease.

During FY21, management have revised accounting estimates for the dilapidation provision after reviewing historic dilapidation settlements with landlords. This is management's best current estimate of the future costs to be incurred. For Group, the impact of the revision to the accounting estimate is £107,000 (2020: £548,000). For Company, the impact of the revision is £293,000 (2020: £482,000).

The onerous lease provision relates to where the Group's unavoidable costs of meeting its contractual obligations are higher than the expected benefits to be derived from the lease property.

Notes (continued)

17 Capital and reserves

Share capital

Represents the nominal value of shares that have been issued.

	2021 £'000	2020 £'000
<i>Allotted, called up and fully paid; shares of £1 each</i>		
1,360,000 Ordinary shares	1,360	1,360

The above shares are subject to the following rights:

Ordinary shares

Rights to dividends

As determined by the Board with the consent of the holders of 75% of the shares

Voting rights

One vote per share

Rights on sale of company

Equal first right upon allocation of proceeds on a sale of the company

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

During the year, the group recycled £1,032k to profit and loss which was the cumulative gain existing in the reserve at the time (2020: £Nil).

Group	2021 £'000	2020 £'000
<i>Other comprehensive income</i>		
Cash flow hedges- recycled to Income Statement	(1,032)	-
Cash flow hedges- reclassified and reported in Deferred tax	106	-
Cash flow hedges – changes in fair value	(786)	528
Income tax on other comprehensive income	239	(100)
Total other comprehensive (loss)/ income	(1,473)	428

Foreign currency translation reserve

The foreign currency translation reserve comprises the gains and losses arising on the translation of the company's overseas subsidiary undertakings. The assets and liabilities of the undertakings are translated at the closing exchange rates. The profit and loss account of the undertakings is translated at the average rate of exchange during the period.

Profit and loss account

The profit and loss account comprises all current and prior period retained profits and losses.

Notes (continued)

18 Financial risk management

The Group has exposure to three main areas of risk- foreign exchange risk, liquidity risk and credit exposure. The Directors have overall responsibility for the Group's risk management framework and the principal financial risks and uncertainties and the actions taken to mitigate key risks are reviewed on an ongoing basis.

Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates will impact the Group's costs or the value of its financial instruments.

A significant amount of the Group's stock is purchased from overseas suppliers denominated in US dollars and therefore the Group's principal foreign currency exposure is to US dollars.

It is Group policy to enter into forward foreign currency contracts to cover between 50% and 75% of forecast inventory purchases for up to 12 months.

Where appropriate, hedge accounting is adopted by the Group. Fair value movements in foreign currency derivatives are recognised in other comprehensive income to the extent that the contract is part of an effective hedging relationship (note 16). Fair value gains of £195,000 (2020: £132,000 loss) that do not form part of an effective relationship have been charged to the Statement of Comprehensive Income.

The table below analyses the contractual cash flows of the Group's derivative financial instruments as at the balance sheet date.

		2021 1 to <2years £000	Total £000		2020 1 to <2years £000	Total £000
	1 year or less £000			1 year or less £000		
Forward exchange contracts	78,123	3,951	82,074	82,066	10,170	92,236

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Cash flow forecasts are prepared to assist management in identifying future liquidity requirements to ensure that the Group has sufficient cash or loan facilities to meet all of its commitments when they fall due.

The Group also has a £22.5m revolving credit facility to support short- and medium-term liquidity. As at balance sheet date, none of this balance had been drawn down (2020: £11.0m).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group is exposed to credit risk on its holdings of cash and cash equivalents and derivative financial assets. To mitigate this risk, counterparties are limited to high credit financial institutions and the Board monitors its exposure to counterparty risk on an ongoing basis.

The Group is also exposed to credit risk in relation to payments in advance of goods to overseas suppliers. At 1 March 2020 this exposure amounted to £nil (2020: £9.4m). The Group uses letters of credit for certain overseas suppliers, which reduces the total exposure to advance payments.

As a retail business the Group has minimal exposure to credit risk on trade receivables.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk and any associated impairments are immaterial.

Notes (continued)

19 Financial assets and liabilities

The carrying amounts of the financial assets and liabilities include:

Financial assets

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Current				
Derivatives used for hedging	783	1,714	783	1,714
Trade and other receivables	59,481	48,360	77,689	70,267
Cash and cash equivalents	35,980	16,883	31,525	13,810
	<u>96,244</u>	<u>66,957</u>	<u>109,997</u>	<u>85,791</u>

Financial liabilities

	Group		Company	
	2021 £000	2020 £000	2021 £000	2020 £000
Non-current				
Trade and other payables	7,264	6,770	5,659	5,029
	<u>7,264</u>	<u>6,770</u>	<u>5,659</u>	<u>5,029</u>
Current				
Derivatives used for hedging	1,374	672	1,374	672
Trade and other payables	52,978	36,870	61,427	41,033
	<u>54,352</u>	<u>37,542</u>	<u>62,801</u>	<u>41,705</u>

Foreign currency forward exchange contracts have been fair valued using observable forward exchange rates corresponding to the maturity of the contract. The fair values of other financial assets and liabilities have been assessed as approximating to their carrying values at amortised cost.

Notes (continued)

20 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Accelerated capital allowances	(229)	(310)	3	-	(226)	(310)
Derivatives	(149)	-	-	196	(149)	196
Pension	(21)	(25)	-	-	(21)	(25)
Goodwill	-	-	234	234	234	234
Tax (assets) / liabilities	(399)	(335)	237	430	(162)	95

Company	Assets		Liabilities		Net	
	2021 £000	2020 £000	2021 £000	2020 £000	2021 £000	2020 £000
Accelerated capital allowances	(90)	(134)	3	-	(87)	(134)
Pension	(21)	(25)	-	-	(21)	(25)
Derivatives	(149)	-	-	196	(149)	196
Tax (assets) / liabilities	(260)	(159)	3	196	(257)	37

21 Operating leases

Non-cancellable operating lease rentals in respect of land and buildings and vehicles are payable as follows:

Group and company	Land and buildings		Vehicles	
	2021 £000	2020 £000	2021 £000	2020 £000
Less than one year	26,570	26,713	232	293
Between one and five years	62,472	72,428	153	371
More than five years	16,204	29,041	-	-
	105,246	128,182	385	664

22 Contingencies

Certain subsidiaries within the Group are party to cross guarantees given for bank loans and overdrafts held within Mountain Warehouse Group Holdings Limited, a parent company. The principal value of these bank loans is £76.0m (2020: £74.0m).

There were no other material contingent assets or liabilities at 28 February 2021 (2020: £Nil).

Notes (continued)

23 Related parties

The Company's immediate parent undertaking is Mountain Warehouse Holdings Limited, a company incorporated in England and Wales. The ultimate parent company is Mountain Warehouse International Limited, a company incorporated in England and Wales.

The consolidated financial statements of this group are available to the public and may be obtained from 5 Eccleston Street, London, SW1W 9LX.

The ultimate controlling party is M Neale.

The largest group in which the results of the Company are consolidated is that headed by Mountain Warehouse International Limited. The smallest group in which the results of the Company are consolidated is that headed by Mountain Warehouse Limited.

Under Section 33 of FRS 102 the Company has taken advantage of the exemption from reporting intra-group transactions.

24 Subsequent Events

During financial year 2021, the Group headed by Mountain Warehouse International Limited, the Company's parent company (the "Group") had to react and respond to COVID-19, a global public health pandemic entirely outside the Group's influence or control. The COVID-19 crisis has continued into financial year 2022.

At the start of the financial year 2022, 298 of the Groups stores were closed due to COVID-19 enforced local lockdowns. This was primarily the 284 stores located in the UK and Ireland, which closed after Christmas 2020 trading. UK stores reopened in April and Irish stores in May and the resumption of trading in these markets has been positive. Throughout the first quarter there have also been a series of short lockdowns across Europe and in certain Canadian provinces. Trading in New Zealand and USA has been uninterrupted by lockdown restrictions.

Online sales have continued to provide some offset to shortfall in retail sales, with sales roughly doubling year on year.

In financial year 2022 the Group is planning for a recovery of the retail business combined with further growth in online sales. Sales are forecast to be £361.2m, which is an increase of 22.4% on 2020.

As part of a range of initiatives to expand the product range, the Group entered into an agreement in October 2020 to license the Intellectual Property and Domain Names of the brand Animal. This agreement contained an option to buy which has been exercised subsequent to the balance sheet date.

During November 2020, the Group completed on CLBILS loan finance of £15m on a 3-year term. The group accessed £2m of the funding in January 2021 and the remaining £13m in May 2021 as a contingency to mitigate expiry of the availability period. Cashflow forecasting shows this additional financing is not required, however the incremental cost of financing the drawing of the loan is a small relative to the security it provides during recovery from the pandemic.