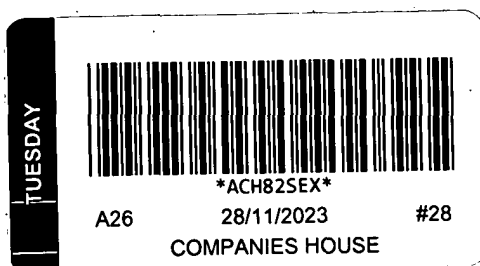


**Mountain Warehouse Limited**

**Annual report and financial statements**

**Registered number 03417738**

**52 week period ended 26 February 2023**



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## Strategic Report

The directors present their strategic report for the 52 weeks ended 26th February 2023.

### Principal activities and business model

The principal activities of Mountain Warehouse Limited and the Group are the design, sourcing and retail of clothing and equipment for outdoor pursuits. The Group operates through two channels, retail stores and the internet.

The Group was founded with one store in the UK in 1997 and has grown to trade from over 350 stores in 8 countries, through 10 owned websites, and via various third-party marketplaces such as Amazon.

The Group's mission is "To help everyone enjoy the great outdoors" and it seeks to achieve this by offering a wide range of outdoor clothing and equipment, at affordable prices, to a family focused customer base.

The Group mainly sells its own branded product, which it designs in-house and is manufactured in third party factories primarily in the Far East. This allows the Group to offer a better value proposition than competitors selling similar products from branded suppliers.

### Business review and results

The financial year ended 26<sup>th</sup> February 2023 was a record trading year for the Group. Revenue was 22.6% higher than 2022 and outperformed the wider market.

This strong trading did not translate into growth in profitability due to significant supply chain cost headwinds. Management EBITDA, which is the Group's main measure of profit and performance and has been defined in the KPI section of the Strategic Report, reduced by £1.2m to £11.2m (2022: £12.4m).

The most notable of these was inbound freight costs. Market prices for sea freight rose significantly towards the end of 2021 and remained at 4 to 5 times more expensive than pre-pandemic levels throughout much of 2022. This added £13.0m to the cost of goods sold in 2023. At the start of the financial year 2024 invoiced freight rates are approximately one third of those incurred during 2023 with the resulting charge to the P&L halving.

The relocation of our UK distribution centre also added incremental cost due to space limitations requiring use of satellite sites and lower than expected first year productivities. This is now fully operational with all satellite sites closed during financial year 2023 and key productivity measures showing continuous improvement.

During 2023 we have continued to make progress against our strategic objectives.

Within retail we opened or relocated 35 stores as part of a strategic move to larger store concepts and opened our first 3 Animal fascia sites.

The Animal brand, which was acquired in 2022, has delivered revenue of £16.7m during 2023 (2022: £5.0m).

We have also reduced rental costs and added flexibility to leases through 41 lease renewals during the year.

We have continued to develop our online offer through product range expansion, including via the launch of the Mountain Warehouse Marketplace, and by a continuation of investment in technology and marketing.

In August 2022 the Group headed by Mountain Warehouse International, the ultimate parent company, successfully agreed an extension to existing debt facilities to September 2025.

The Directors remain confident that the Group is well placed to recover profitability in the year ahead as freight costs normalise, optimisation opportunities at the UK distribution centre are delivered and off the back of ongoing strong trading, which at the end of quarter 1 is +3.4% ahead of last year and +1.2% ahead of budget.

### Profit and Loss

Revenue was £371.0m, which is 22.6% higher than financial year 2022 (2022: £302.6m).

Store revenue grew by 27.4% against a prior year comparative distorted by COVID closures and by 10.5% on pre-pandemic revenue levels.

Despite the return of customers to stores online revenue grew by 7.8% and was 76.0% above pre-COVID levels.

## Strategic Report *(continued)*

### Business review and results *(continued)*

International revenue accounted for 30.5% of total revenue (2022: 29.6%).

There were 363 stores at the end of the period (2022: 368). During the year the Group opened 18 stores, relocated 17 to better sites, converted 3 into Animal fascias and closed 23 stores.

Gross profit was £197.9m (2022: £173.1m). Gross profit margin was 3.9% percentage points lower than last year. Soaring freight costs, which were 4 to 5 times more expensive than pre-pandemic levels, accounted for a 3.5% pts reduction in gross profit and added £13.0m to cost of goods sold. Where possible this was minimised by optimising inbound shipments. Weakening of GBP versus the USD accounted for a further 0.8% pts of the year-on-year reduction in gross margin, although the rate achieved was significantly above the spot GBP/USD exchange rate due to our established hedging policy.

Distribution costs were £57.6m (2022: £52.3m), which is an increase of 10.1% on 2022 and linked to revenue growth offset by higher mix of retail sales at lower cost per unit.

Administration costs were £141.6m, which is an increase of £18.2m on financial year 2022 (2022: £123.4m).

Staff costs have increased by £8.1m year on year from £60.5m to £68.6m, reflecting more worked hours in stores to support higher sales, fewer trading days lost to COVID lockdown restrictions and Minimum Wage increases.

Cessation of COVID business rates relief from April 2022 drove a year on year increase in the rates expense of £5.2m from £5.9m to £11.1m.

Utilities have been subject to significant inflationary pressure linked to the war in Ukraine with spend increasing by £1.3m to £4.0m (2022: £2.7m).

Variable costs have grown by £0.6m to £4.2m (2022: £3.6m) in line with revenue.

Also included within administration expenses is a £0.4m credit relating to the utilisation and remeasurement of onerous leases provisions brought forward, offset by new provisions made during the period (2022: £1.9m charge).

Other income has decreased by £2.6m to £nil (2022: £2.6m). The prior year included income from Coronavirus wage subsidy schemes, which provided some offset to the payroll costs recorded within administration expenses and protected the livelihoods of 4,000 colleagues when stores were forced to close in March and April 2021.

The consolidated loss before tax is £1.5m (2022: £0.2m).

### *Balance Sheet and Cash Flow*

The Group cash balance at year-end was £11.2m (2022: £31.1m). After accounting for the RCF, which was £14.5m lower than at the 2022 balance sheet date, cash was £8.0m lower year on year. £5.5m of early payments were made to suppliers to support transition to the new finance system and there was also a £5.9m unfavourable timing variance for month end landlord payments which fell into the last week of the year compared to the first week of the new financial year in the comparatives.

The Group stock balance at year end was £83.7m (2022: £102.3m). The prior year stock balance was inflated by later than planned arrival of Autumn Winter stock and soaring freight rates which were capitalised into the closing stock position.

Debtors have increased by £34.3m to £69.7m (2022: £35.4m). This is due to an increase in receivables from Mountain Warehouse Group Holdings Limited, an intermediary parent company, as Mountain Warehouse Limited funds the loan and RCF repayments. There were £9.0m of loan repayments made during the year and the RCF at the balance sheet date was £14.5m lower than last year.

Current trade and other payables have reduced by £0.8m to £67.4m (2022: £68.2m). Early payment of suppliers reduced trade creditors by £2.7m. Accruals are £5.6m lower due to the prior year comparative including a non-recurring supply chain provision. Both are partially offset by a £6.9m increase in Other Taxes and Social Security Payable due to timing of the settlement of the UK VAT liability.

The net assets of the Group at the balance sheet date were £116.9m (2022: £119.0m).

## Strategic Report *(continued)*

### Key Performance Indicators

The Group uses a range of financial and non-financial performance metrics to monitor and manage the business effectively to drive optimal performance and to measure progress against its strategic objectives. These include a suite of KPIs aligned to all key stakeholder groups that are reported and discussed on a weekly basis, including turnover, gross profit, stock, colleague, and customer measures.

KPIs are assessed versus budget and prior years.

Selected KPIs which have been referred to elsewhere in the Strategic Report are presented below:

KPIs	2023	2022
Revenue	£371.0m	£302.6m
Gross profit margin	53.3%	57.2%
Management EBITDA *	£11.2m	£12.4m
Number of active customers	4.1m	3.5m
Store count	363	368

\* Management EBITDA is defined as operating profit before depreciation, impairment and loss on disposal ((2023: £8.2m; 2022: £9.7m), amortisation (2023: £1.6m; 2022: £1.3m), group management charges (2023: £0.1m; 2022: £0.1m) and unrealised foreign exchange (2023: £2.4m; 2022: £1.4m).

### Future developments

The Group has put in place a 7-point strategy for financial year 2023 and beyond.

The Group is confident that this strategy will lead to continued growth in revenue and a recovery in profitability as the effects of the COVID-19 pandemic and the global supply chain challenges recede.

#### 1. *Grow the online business through range expansion*

The Group is expanding the range of products it offers to its online customers and focused on ensuring the right stock is available at critical dates to ensure revenue delivery.

#### 2. *Launch and grow the Mountain Warehouse Marketplace*

In May 2023 the Group launched the Mountain Warehouse Marketplace that allows third parties to sell products on the Mountain Warehouse website, thereby further enhancing the offer to its online customers. The Group takes a commission on these sales. At the end of 2023 the Group had 68 active sellers with 20k skus listed and plans to double this in the year ahead:

#### 3. *Gradually relocate stores to larger out of town location*

The Group believes modern, larger out of town locations are more appealing to customers; allow a wider product range to be displayed and are therefore more financially attractive. The Group relocated 17 stores to better sites in 2023 and has budgeted for a further 7 relocations in 2024.

#### 4. *Build a world class supply chain*

The Group concluded the move of its primary UK distribution centre during the financial year with the site now fully operational. The intention of this relocation is to provide increased capacity as the business continues to grow and improve efficiency and increase automation over time. During 2023 the Group has appointed Mark Holland as Non-Executive Director to increase the Supply Chain and Transformation skills and experience on the Board.

## Strategic Report (*continued*)

### 5. *Transition to a customer first approach*

The Group had 13.6m transactions (online and in store) during 2023 (2022: 12.0m) and 4.1m active customers on its database at the year-end (2022: 3.5m). The Group is continually improving measures to both recruit and retain new customers.

### 6. *Become an employer of choice*

The Group is aware of generally increasing competition for talent, especially in some disciplines and regions. The Group is continually working to improve its attractiveness to the best current and potential employees. Led by a new People Director, the programme of work includes expanding our development offer, updating our careers website and social media plan and creating a global colleague induction programme.

### 7. *Accelerate our journey to sustainability*

The Group has adopted the British Retail Consortium's target to become net-zero by 2040. The Group is increasing its use of sustainable fabrics including recycled materials and fabrics manufactured using reclaimed ocean plastic, as well as organic cotton. The Group is reducing the use of plastic, minimising unnecessary packaging and ensuring unusable product is recycled. Other measures to reduce energy use are also being adopted, including using LED lighting in stores.

There are no disclosable events after the reporting period.

## 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 macroeconomic challenges, which include high inflation and the potential of a recession. 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 is exposed to global cost inflation. Cost inflation is reflected in our planning and decision making and proactively managed through improved store efficiencies, targeted price increases and active cost control.

The Group is exposed to the risk of disruption caused by Cyber breaches, which could result in loss of revenue, data and reputational damage. The Group employs colleagues with Cyber expertise supported by 3<sup>rd</sup> parties to ensure appropriate processes controls are in place to address this risk. This includes external systems vulnerability and penetration testing, regular review of back up facilities and business continuity plans and business wide information security training.

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

## Strategic Report *(continued)*

### Corporate Governance Statement

Mountain Warehouse International 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 26 February 2023, 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.

#### 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, Chief Digital 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 Executive 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 Grant Thornton 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 KPIs.

## Strategic Report *(continued)*

### Corporate Governance Statement *(continued)*

#### 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.
- 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 International 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, shareholders, 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.

All significant shareholders sit on the Board of Directors.



## **Strategic Report (continued)**

### **Section 172 Statement (continued)**

#### ***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. 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.

The Group implemented a Hardship fund to provide financial support to colleagues affected by COVID-19. This scheme has remained in place post-pandemic to support colleagues facing any type of hardship.

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.

The Group has implemented Wage Stream to enable UK retail colleagues to draw down on earned pay at any time of the payroll cycle.

#### ***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, phasing out usage of virgin plastic bags 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.

## Strategic Report (continued)

### Section 172 Statement (continued)

#### *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.

The table below outlines some of the principal decisions made by the Board during the period, in conjunction with the boards of its subsidiaries. We define principal 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	Principal Decision	Stakeholder Considerations	Conclusions
Shareholders Customers Employees	Launch of Mountain Warehouse Marketplace allowing carefully selected 3 <sup>rd</sup> party sellers to list their products on the Mountain Warehouse UK website alongside our own brand items.	The decision was seen as favourable for all key stakeholders: <ul style="list-style-type: none"> <li>- part of the range of initiatives to expand product range, key to online growth</li> <li>- improved customer offer</li> <li>- increased revenue through sales commissions</li> <li>- new employment opportunities in head office</li> </ul>	In May 2022 the Group launched the Mountain Warehouse Marketplace.
Shareholders Customers	Appointment of new Non-Executive Director	The decision was seen as favourable for all key stakeholders: <ul style="list-style-type: none"> <li>- prior experience delivering efficiencies which minimise cost</li> <li>- prior experience delivering transformation to improve customer experience</li> </ul>	In September 2022 Mark Holland was appointed as Non-Executive Director.

By order of the board,

*Marcus Ward*

Marcus Ward  
Director

26 June 2023  
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 26<sup>th</sup> February 2023. 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, 18 and 24 to the financial statements. This includes principal risks and uncertainties of the Company, corporate governance disclosures, financial instrument and risk management disclosures, post balance sheet events and how the Company has fostered business relationships with suppliers, customers, and others during the year, including principal decisions taken by the company.

### Proposed dividend

The directors do not recommend the payment of a dividend (2022: *£nil*).

### Directors

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

Mark Neale  
Marcus Ward  
Shantelle Augier  
James Pinder

### 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

Ernst and Young LLP resigned as auditors during the year and Grant Thornton LLP were appointed in their place. Pursuant to Section 485 of the Companies Act 2006, the auditor will be deemed to be reappointed and Grant Thornton 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 Group's UK energy use, associated emissions and energy performance under Streamlined Energy and Carbon Reporting (SECR) requirements.

Utility and Scope	22/23 Consumption (kWh)	22/23 Consumption (tCO <sub>2</sub> e)	21/22 Consumption (kWh)	21/22 Consumption (tCO <sub>2</sub> e)
Grid-supplied electricity	6,750,550	1,305	6,358,764	1,355
Gaseous and other fuels	182,480	33	93,907	17
Transportation (based on fuel)	880,172	213	408,606	100
Grey fleet (based on mileage)	75,702	19	71,862	18
<b>TOTAL</b>	<b>7,888,904</b>	<b>1,570</b>	<b>6,955,139</b>	<b>1,490</b>

Utility and Scope	22/23 tCO <sub>2</sub> e/m <sup>2</sup>	21/22 tCO <sub>2</sub> e/m <sup>2</sup>
Intensity metric- gross internal area	0.0260	0.0260

## Directors' Report (continued)

### Environmental Impact (continued)

These emissions were calculated using the methodology set out in the 2022 "UK Government Greenhouse Gas Conversion Factors for Company Reporting" published by the Department for Business, Energy & Industrial Strategy (BEIS) and the Department for Environment, Food & Rural Affairs (DEFRA).

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 Smart Meter roll out, increasing usage of hybrid and electric cars within the fleet and installation of LED lighting in older stores.

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:

	2023	2022
	£'000	£'000
Import Taxes	9,049	7,563
Net Sales Taxes	23,198	21,608
Business Rates	9,504	4,324
Payroll Taxes	14,288	11,648
Corporation Tax	(1,052)	2,868
Stamp Duty Land Tax	202	202
<b>TOTAL</b>	<b>55,189</b>	<b>48,213</b>

The increase during the year is primarily due to business rates, which is due to the removal of COVID relief from April 2022. Higher net sales taxes are due to year on year revenue growth, with linked increases in payroll taxes and import taxes from more hours worked in stores to support these higher sales and higher stock intake to support both current and future revenue. The corporation tax repayment relates to 2022 and is a recovery of overpaid instalments.

### Going Concern

The financial statements have been prepared on a going concern basis, which the Directors consider to be appropriate for the following reasons:

- The Group has seen another year of record growth. The year ended 26 February 2023 saw revenue of £371.0m, which were 22.6% higher than 2022 and outperformed the wider market. This strong trading did not translate into growth in profitability due to significant supply chain cost headwinds. Management EBITDA, which is the Group's main measure of profit and performance and has been defined in the KPI section of the Strategic Report, reduced by £1.3m to £11.1m (2022: £12.4m). The most significant cost pressures came from global freight costs which were 4 to 5 times more expensive than pre-pandemic levels throughout much of 2022. This added £13.0m to the cost of goods sold in 2023. The Group has already seen improvements in these costs: at the start of the financial year 2024 invoiced freight rates are approximately one third of those incurred during 2023 with the resulting charge to the P&L halving. Similarly, the costs incurred in the financial year 2023 associated with the UK warehouse transition have fallen away at the start of financial year 2024.
- In August 2022 the Group signed an extension to its existing debt agreement out to September 2025.

## Directors' Report (*continued*)

### Going Concern (*continued*)

- The Directors have prepared detailed forecasts and cashflow projections to 23 February 2025. The cashflow projections have been built using detailed cash modelling, buying plans, revenue projections, landlord agreements, manpower plans and scrutiny of all costs. Based on these forecasts 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.
- The Board has applied extensive scrutiny to the projections and severe but plausible sensitivities made in assessing the financial modelling for the Group and is satisfied that reasonable assumptions have been made for the going concern assessment:
  - Modelling takes into account the challenges facing the global economy, including inflationary pressures and weaker consumer confidence.
  - Additional, downside scenarios centred around weaker consumer demand and further cost inflation have also been modelled. This downside scenario, which modelled like-for-like retail sales at -3% and online sales at -2% compared to financial year 2023, does not give rise to a breach of banking covenants (minimum headroom of £5.1m) 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 and further reducing discretionary costs.
  - Additional stress testing was applied to the downside scenarios, with particular scrutiny applied to the covenant with the lowest headroom, the Fixed Charge Cover test. This scrutiny demonstrated that a further under performance to the downside scenario at the Recurring EBITDA (and to a lesser extent revenue) level could cause a breach in this covenant. The Board has responded to this risk and identified a number of mitigations which are in the control of management in order to manage liquidity and covenant compliance should this case arise. These mitigating factors include, but are not limited to, reducing capital expenditure, cutting discretionary spend such as marketing and maintenance, reducing payroll costs through a recruitment freeze and lower store hours, and lowering stock purchases.
- At the end of period 3 of the new financial year ending February 2024, Recurring EBITDA is £2.5m higher than 2023 and £3.0m ahead of the forecasts used in the going concern assessment.
- The Group has seen consistent sales growth year on year with the only exception being the 2021 financial period when store closures were mandated because of the COVID pandemic. The Group consistently achieves a REBITDA higher than the level that would cause a breach in Covenants.
- In all the scenarios assessed, taking into account current liquidity and available resources and before the inclusion of any mitigating actions within management control, the Group was able to maintain sufficient liquidity to continue trading. While modest reductions to performance may result in a covenant breach, the Board have identified mitigating actions within their control to avoid such a situation. 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*

Marcus Ward  
 Director

26 June 2023  
 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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- 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 52 week period ended 26 February 2023, which comprise the consolidated statement of profit and loss and other comprehensive income, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement and notes to the financial statements, 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 Financial Reporting Standard 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 state of the group's and of the parent company's affairs as at 26 February 2023 and of the group's loss for the 52 week 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 and the parent company 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

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as the cost of living crisis and the war in Ukraine, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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.

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's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## **Independent auditor's report to the members of Mountain Warehouse Limited (continued)**

### **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 our 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 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 this 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 the directors' report have been prepared in accordance with applicable legal requirements.

### **Matter on which we are required to report under the Companies Act 2006**

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

### **Matters on which we are required to report by exception**

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 by the parent company, 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 12, 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.



## Independent auditor's report to the members of Mountain Warehouse Limited (continued)

### 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks including United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006, and the relevant tax legislation of jurisdictions in which the Group operates.

- We understood how the company is complying with those legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes, and where relevant, regulatory correspondence.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. We determined that the principal risks were in relation to:
  - Potential management bias in determining significant accounting estimates, especially in relation to the assessment of indicators of impairment;
  - Potential unusual account combinations within revenue; and
  - Potential management override of controls.
- Audit procedures performed by the audit team included:
  - Challenging key assumptions used and judgements made by management in relation to significant accounting estimates, including their assessment of possible indicators of impairment;
  - Testing the occurrence of unusual account combinations within revenue to identify potentially fraudulent revenue transactions; and
  - Using data interrogation software to identify and test large or unusual journal entries which may carry a higher risk of fraud.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - Knowledge of the industry in which the entity operates; and

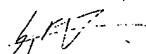
### Independent auditor's report to the members of Mountain Warehouse Limited (continued)

- Understanding of the legal and regulatory requirements specific to the entity including United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice), the Companies Act 2006, and the relevant tax jurisdictions in which the Group operates.
- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential unusual account combinations within revenue; potential management bias in determining significant accounting estimates, and through management override of controls.
- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - The entity's operations, including the nature of its revenue sources and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - The applicable statutory provisions.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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.



**Sergio Cardoso**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
London  
**26 June 2023**

**Consolidated Statement of Comprehensive Income**  
*For 52 week period ended 26 February 2023*

	<i>Note</i>	<b>52 week period ended 26 February 2023 £'000</b>	<b>Restated<sup>1</sup> 52 week period ended 27 February 2022 £'000</b>
<b>Turnover</b>	2	371,035	302,564
Cost of sales		(173,164)	(129,481)
<b>Gross profit</b>		197,871	173,083
Distribution costs		(57,576)	(52,336)
Administrative expenses	3	(141,552)	(123,411)
Other Income	4	38	2,562
<b>Operating loss</b>		(1,219)	(102)
Interest received and similar income		13	-
Interest payable and similar charges	6	(279)	(62)
<b>Loss on ordinary activities before taxation</b>		(1,485)	(164)
Tax on loss on ordinary activities	8	970	(444)
<b>Loss for the financial period</b>		(515)	(608)
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations	17	(1,332)	1,035
Cash flow hedges- changes in fair value	17	(173)	1,782
Income tax on other comprehensive income	17	33	(445)
<b>Other comprehensive (loss)/ income for the period, net of income tax</b>		(1,472)	2,372
<b>Total comprehensive (loss)/income for the period</b>		(1,987)	1,764

<sup>1</sup> Results for the 52 week period ended 27<sup>th</sup> February 2022 have been re-presented to ensure compliance with the Companies Act and to correct period period accounting errors. Please see Note 1.

The results derive entirely from continuing operations.

The notes on pages 23 to 50 form part of these financial statements.

## Consolidated Balance Sheet

At 26 February 2023

	Note	As at 26 <sup>th</sup> February 2023		As at 27 <sup>th</sup> February 2022	Restated <sup>1</sup>
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	9		4,521		4,056
Tangible assets	10		34,112		32,032
			<u>38,633</u>		<u>36,088</u>
<b>Current assets</b>					
Stocks	12	83,684		102,265	
Debtors	13	71,951		37,488	
Cash at bank and in hand	19	11,182		31,060	
		<u>166,817</u>		<u>170,813</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(66,243)</u>		<u>(67,010)</u>	
<b>Net current assets</b>			<u>100,574</u>		<u>103,803</u>
<b>Total assets less current liabilities</b>			<u>139,207</u>		<u>139,891</u>
<b>Creditors: amounts falling due after one year</b>	15		<u>(9,813)</u>		<u>(8,066)</u>
<b>Provision for liabilities</b>	16		<u>(9,083)</u>		<u>(9,527)</u>
<b>Net assets</b>			<u><u>120,311</u></u>		<u><u>122,298</u></u>
<b>Capital and reserves</b>					
Called up share capital	17		1,360		1,360
Profit and loss account			114,744		115,259
Capital contribution reserve			3,319		3,319
Hedging reserve			650		790
Foreign currency translation reserve			238		1,570
<b>Shareholder's funds</b>			<u><u>120,311</u></u>		<u><u>122,298</u></u>

<sup>1</sup> The balance sheet as at 27<sup>th</sup> February 2022 has been re-presented to ensure compliance with the Companies Act. Please see Note 1.

The notes on pages 23 to 50 form part of these financial statements. These financial statements were approved by the board of directors on 26 June 2023 and were signed on its behalf by:

*Marcus Ward*

**Marcus Ward**  
Director

Company number: 03417738

Mountain Warehouse Limited  
Annual report and financial statements  
52 week period ended 26 February 2023

## Company Balance Sheet

At 26 February 2023

	Note	As at 26 <sup>th</sup> February 2023 £'000	As at 27 <sup>th</sup> February 2022 £'000	Restated <sup>1</sup> £'000
<b>Fixed assets</b>				
Intangible assets	9	4,521		3,942
Tangible assets	10	28,322		25,640
Investment in subsidiaries	11	2,328		2,328
		<u>35,171</u>		<u>31,910</u>
<b>Current assets</b>				
Stocks	12	62,642	81,276	
Debtors	13	94,820	68,240	
Cash at bank and in hand	19	8,825	26,050	
		<u>166,287</u>	<u>175,566</u>	
<b>Creditors: amounts falling due within one year</b>	14	<u>(76,320)</u>	<u>(80,814)</u>	
<b>Net current assets</b>		<u>89,967</u>		<u>94,752</u>
<b>Total assets less current liabilities</b>		<u>125,138</u>		<u>126,662</u>
<b>Creditors: amounts falling due after one year</b>	15	<u>(8,906)</u>		<u>(6,458)</u>
<b>Provision for liabilities</b>	16	<u>(5,789)</u>		<u>(6,429)</u>
<b>Net assets</b>		<u>110,443</u>		<u>113,775</u>
<b>Capital and reserves</b>				
Called up share capital	17	1,360		1,360
Profit and loss account		105,080		108,306
Capital contribution reserve		3,319		3,319
Hedging reserve		650		790
Foreign currency translation reserve		34		-
<b>Shareholder's funds</b>		<u>110,443</u>		<u>113,775</u>

<sup>1</sup> The balance sheet as at 27<sup>th</sup> February 2022 has been re-presented to ensure compliance with the Companies Act and to correct prior period accounting errors. Please see Note 1.

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The loss of the company for the year was £3,226,000 (2022: Loss £1,264,000).

The notes on pages 23 to 50 form part of these financial statements. These financial statements were approved by the board of directors on 26 June 2023 and were signed on its behalf by:

*Marcus Ward*

**Marcus Ward**

Director

Company registered number: 03417738

Mountain Warehouse Limited  
Annual report and financial statements  
52 week period ended 26 February 2023

## Consolidated Statement of Changes in Equity

At 26 February 2023

	Share capital £000	Cash flow hedging reserve £000	Profit and loss accounts £000	Capital contribution reserve £000	Foreign currency translation reserve £000	Total equity £000
Restated balance at 28 February 2021 <sup>1</sup>	1,360	(547)	115,867	3,319	535	120,534
<b>Total comprehensive income for the period</b>						
Loss for the period	-	-	(608)	-	-	(608)
Other comprehensive income (note 17)	-	1,337	-	-	1,035	2,372
<b>Total comprehensive (loss)/income for the period</b>	-	1,337	(608)	-	1,035	1,764
Restated balance at 27 February 2022 <sup>1</sup>	1,360	790	115,259	3,319	1,570	122,298
<b>Total comprehensive income for the period</b>						
Loss for the period	-	-	(515)	-	-	(515)
Other comprehensive loss (note 17)	-	(140)	-	-	(1,332)	(1,472)
<b>Total comprehensive loss for the period</b>	-	(140)	(515)	-	(1,332)	(1,987)
<b>Balance at 26 February 2023</b>	<b>1,360</b>	<b>650</b>	<b>114,744</b>	<b>3,319</b>	<b>238</b>	<b>120,311</b>

<sup>1</sup> The consolidated statement of changes in equity for the 52 week period ended 27<sup>th</sup> February 2022 has been restated to correct prior period accounting errors. Please see Note 1.

The notes on pages 23 to 50 form part of these financial statements.

## Company Statement of Changes in Equity

At 26 February 2023

	Share capital £000	Cash flow hedging reserve £000	Profit and loss account £000	Capital contribution reserve £000	Foreign currency translation reserve £000	Total equity £000
Restated balance at 28 February 2021 <sup>1</sup>	1,360	(547)	109,570	3,319	-	113,702
<b>Total comprehensive income for the period</b>						
Loss	-	-	(1,264)	-	-	(1,264)
Other comprehensive income (note 17)	-	1,337	-	-	-	1,337
<b>Total comprehensive income/(loss) for the period</b>	-	1,337	(1,264)	-	-	73
Restated balance at 27 February 2022 <sup>1</sup>	1,360	790	108,306	3,319	-	113,775
<b>Total comprehensive income for the period</b>						
Loss	-	-	(3,226)	-	-	(3,226)
Other comprehensive (loss)/income (note 17)	-	(140)	-	-	34	(106)
<b>Total comprehensive (loss)/income for the period</b>	-	(140)	(3,226)	-	34	(3,332)
<b>Balance at 26 February 2023</b>	<b>1,360</b>	<b>650</b>	<b>105,080</b>	<b>3,319</b>	<b>34</b>	<b>110,443</b>

<sup>1</sup> The company statement of changes in equity for the 52 week period ended 27<sup>th</sup> February 2022 has been restated to correct prior period accounting errors. Please see Note 1.

The notes on pages 23 to 50 form part of these financial statements.

Mountain Warehouse Limited  
Annual report and financial statements  
52 week period ended 26 February 2023

**Consolidated Cash Flow Statement**  
*for the 52 week period ended 26 February 2023*

	Note	52 week period ended 26 February 2023 £000	52 week period ended 27 February 2022 £000
<b>Operating activities</b>			
Loss for the period		(515)	(608)
Adjustments for:			
Depreciation and amortisation	9,10	8,771	8,691
Impairment loss	10	213	1,415
Loss on disposal of assets	3	3,287	914
Foreign currency (gains)/losses on derivatives		(1,126)	268
Interest received and similar income		(13)	-
Interest payable and similar charges	6	279	62
Taxation	8	(970)	444
Currency translation (gains)/losses		(2,990)	590
		<u>6,936</u>	<u>11,776</u>
(Increase)/decrease in trade and other receivables	13	(30,645)	25,502
Decrease/(increase) in inventories	12	19,876	(40,075)
(Decrease)/increase in trade and other payables	14	(1,310)	14,186
Decrease in provisions	16	(532)	(1,147)
		<u>(5,675)</u>	<u>10,242</u>
Tax refunded/(paid)		330	(2,821)
<b>Net cash from operating activities</b>		<u>(5,345)</u>	<u>7,421</u>
<b>Investing activities</b>			
Interest received		13	-
Acquisition of property, plant and equipment	10	(12,061)	(8,609)
Acquisition of intangible assets	9	(2,362)	(3,695)
<b>Net cash used in investing activities</b>		<u>(14,410)</u>	<u>(12,304)</u>
<b>Financing activities</b>			
Interest paid	6	(279)	(62)
<b>Net cash used in financing activities</b>		<u>(279)</u>	<u>(62)</u>
Net decrease in cash and cash equivalents		(20,034)	(4,945)
Effects of currency translation on cash and cash equivalents		156	25
Cash and cash equivalents at beginning of period		31,060	35,980
<b>Cash and cash equivalents at period end</b>		<u>11,182</u>	<u>31,060</u>

The notes on pages 23 to 50 form part of these financial statements.



## 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 loss for the period is £3,226,000 (2022: Loss £1,264,000).

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 January 2021. 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 26<sup>th</sup> February 2023. The comparatives are prepared for the 52 weeks ending 27<sup>th</sup> February 2022.

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 (2023: £6.0m; 2022: £6.3m). 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 (2023: £3.1m; 2022: £3.2m).

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.1 Judgements and key sources of estimation uncertainty (continued)

The returns provision reflects that the Group sells retail products with the right of return (2023: £2.0m; 2022: £2.1m). Returns policy, actual revenue, actual returns rates, actual gross margins 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.

#### 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

The financial statements have been prepared on a going concern basis, which the Directors consider to be appropriate for the following reasons:

- The Group has seen another year of record growth. The year ended 26 February 2023 saw revenue of £371.0m, which were 22.6% higher than 2022 and outperformed the wider market. This strong trading did not translate into growth in profitability due to significant supply chain cost headwinds. Management EBITDA, which is the Group's main measure of profit and performance and has been defined in the KPI section of the Strategic Report, reduced by £1.3m to £11.1m (2022: £12.4m). The most significant cost pressures came from global freight costs which were 4 to 5 times more expensive than pre-pandemic levels throughout much of 2022. This added £13.0m to the cost of goods sold in 2023. The Group has already seen improvements in these costs: at the start of the financial year 2024 invoiced freight rates are approximately one third of those incurred during 2023 with the resulting charge to the P&L halving. Similarly, the costs incurred in the financial year 2023 associated with the UK warehouse transition have fallen away at the start of financial year 2024.
- In August 2022 the Group signed an extension to its existing debt agreement out to September 2025.
- The Directors have prepared detailed forecasts and cashflow projections to 23 February 2025. The cashflow projections have been built using detailed cash modelling, buying plans, revenue projections, landlord agreements, manpower plans and scrutiny of all costs. Based on these forecasts 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.
- The Board has applied extensive scrutiny to the projections and severe but plausible sensitivities made in assessing the financial modelling for the Group and is satisfied that reasonable assumptions have been made for the going concern assessment:
  - Modelling takes into account the challenges facing the global economy, including inflationary pressures and weaker consumer confidence.
  - Additional, downside scenarios centred around weaker consumer demand and further cost inflation have also been modelled. This downside scenario, which modelled like-for-like retail sales at -3% and online sales at -2% compared to financial year 2023, does not give rise to a breach of banking covenants (minimum headroom of £5.1m) 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 and further reducing discretionary costs.
  - Additional stress testing was applied to the downside scenarios, with particular scrutiny applied to the covenant with the lowest headroom, the Fixed Charge Cover test. This scrutiny demonstrated that a further under performance to the downside scenarios at the Recurring EBITDA (and to a lesser extent revenue) level could cause a breach in this covenant.

## Directors' Report *(continued)*

### Going Concern *(continued)*

The Board has responded to this risk and identified a number of mitigations which are in the control of management in order to manage liquidity and covenant compliance should this case arise. These mitigating factors include, but are not limited to, reducing capital expenditure, cutting discretionary spend such as marketing and maintenance, reducing payroll costs through a recruitment freeze and lower store hours, and lowering stock purchases.

- At the end of period 3 of the new financial year ending February 2024, Recurring EBITDA is £2.5m higher than 2023 and £3.0m ahead of the forecasts used in the going concern assessment.
- The Group has seen consistent sales growth year on year with the only exception being the 2021 financial period when store closures were mandated because of the COVID pandemic. The Group consistently achieves a REBITDA higher than the level that would cause a breach in Covenants.
- In all the scenarios assessed, taking into account current liquidity and available resources and before the inclusion of any mitigating actions within management control, the Group was able to maintain sufficient liquidity to continue trading. While modest reductions to performance may result in a covenant breach, the Board have identified mitigating actions within their control to avoid such a situation. On this basis, the Directors continue to adopt the going concern basis for the preparation of the financial statements.

### 1.4 Prior period restatement

#### *a) Consolidated statement of Profit and Loss format – reclassification to ensure compliance with Companies Act Format 1*

In the prior year financial statements, the format of the profit and loss statement was not in line with Companies Act Format 1 as distribution costs were not shown separately. The format has now been amended to include distribution costs as a separate line item with linked material restatements to cost of sales and administration expenses where distribution costs were previously recorded. The impact of the restatement is shown below:

	As previously reported £'000	Reclassification £'000	As restated £'000
<b>Turnover</b>	302,564	-	302,564
<b>Cost of sales</b>	(174,969)	45,488	(129,481)
<b>Gross profit</b>	127,595	45,488	173,083
Distribution costs	-	(52,336)	(52,336)
Administrative expenses	(130,259)	6,848	(123,411)
Other Income	2,562	-	2,562
<b>Operating loss</b>	(102)	-	(102)

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Prior period restatement (continued)

##### b) Alternative performance measure removal

In the prior year financial statements an alternative performance measure of operating profit before depreciation, amortisation and impairment was presented in the profit and loss statement. This was not compliant with Companies Act Format 1 and as such has been removed. Depreciation, amortisation and impairment have been reclassified from their prior year presentation as separate line items to administrative expenses. The prior year presentation is replicated below for reference:

	As previously reported £'000
Gross profit	127,595
Administrative expenses	(119,239)
Other Income	2,562
Operating profit before depreciation, amortisation, and impairment	10,918
Depreciation, amortisation, and impairment	(11,020)
Operating loss	(102)

##### c) Consolidated Balance Sheet format – reclassification to ensure compliance with Companies Act Format 1

In the prior year financial statements the format of the balance sheet was not in line with Companies Act Format 1. Provisions for liabilities were split into their current and non-current elements and other financial assets, other financial liabilities and deferred tax balances were all shown on the face of the balance sheet.

The formatting has been amended as follows: provisions are now shown as a single line item; other financial assets and deferred tax assets are now disclosed as part of Debtors in Note 13; other financial liabilities are now disclosed as part of Creditors: amounts falling due within one year in Note 14; deferred tax liabilities are now disclosed as part of Creditors: amounts falling after one year in Note 15.

A restatement was required to ensure the 2022 figures were comparable.

##### d) Share based payment accounting

In October 2013 B shares of Mountain Warehouse International Limited, the ultimate parent company, were issued to certain Directors of Mountain Warehouse Limited. Benefits accruing to these employees since 2018 under an equity-based share scheme have not previously been recognised within staff costs with the corresponding capital contribution from Mountain Warehouse International Limited also omitted from equity.

A restatement of the opening 2022 profit and loss account was required and opening 2022 capital contribution reserve was required.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Prior period restatement (continued)

The impact of restatement d) on the statement of changes in equity at Group and company level is shown below:

Extracts from statements of changes in equity	Consolidated Profit and loss account £000	Consolidated capital contribution reserve £000	Company Profit and loss account £000	Company capital contribution reserve £000
Reported balance at 28 February 2021	119,186	-	112,889	-
Restatement d) Share based payment accounting	(3,319)	3,319	(3,319)	3,319
Restated balance at 28 February 2021	115,867	3,319	109,570	3,319
Reported balance at 27 February 2022	118,608	-	111,625	-
Restatement d) Share based payment accounting	(3,319)	3,319	(3,319)	3,319
Restated balance at 27 February 2022	115,289	3,319	108,306	3,319

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Prior period restatement (continued)

The impact of restatements c) and d) on the Consolidated Balance Sheet is shown below:

Extract from Consolidated Balance Sheet	As previously reported	Reclassification c)	Restatement d)	As restated
	£'000	£'000	£'000	£'000
<b>Current assets</b>				
Stocks	102,265	-	-	102,265
Debtors	36,385	1,103	-	37,488
Other financial assets	1,103	(1,103)	-	-
Cash at bank and in hand	31,060	-	-	31,060
	<u>170,813</u>	<u>-</u>	<u>-</u>	<u>170,813</u>
<b>Creditors: amounts falling due within one year</b>				
Trade and other payables	(66,830)	(180)	-	(67,010)
Provision for other liabilities	(2,961)	2,961	-	-
Other financial liabilities	(180)	180	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Current Assets</b>	<u>100,842</u>	<u>2,961</u>	<u>-</u>	<u>103,803</u>
<b>Creditors: amounts falling due after one year</b>				
Trade and other payables	(7,204)	(862)	-	(8,066)
Provisions for other liabilities	(6,566)	6,566	-	-
Deferred tax liability	(862)	862	-	-
	<u>(14,632)</u>	<u>6,566</u>	<u>-</u>	<u>(8,066)</u>
<b>Provision for liabilities</b>	<u>-</u>	<u>(9,527)</u>	<u>-</u>	<u>(9,527)</u>
<b>Net Assets</b>	<u>122,298</u>	<u>-</u>	<u>-</u>	<u>122,298</u>
<b>Profit and Loss Account</b>	<u>118,578</u>	<u>-</u>	<u>(3,319)</u>	<u>115,259</u>
<b>Capital contribution reserve</b>	<u>-</u>	<u>-</u>	<u>3,319</u>	<u>3,319</u>
<b>Net Assets</b>	<u>122,298</u>	<u>-</u>	<u>-</u>	<u>122,298</u>

## Notes (continued)

### 1. Accounting policies (continued)

#### 1.4 Prior period restatement (continued)

The impact of restatements c) and d) on the Company Balance Sheet is shown below:

Extract from Company Balance Sheet	As previously reported	Reclassification c)	Restatement d)	As restated
	£'000	£'000	£'000	£'000
<b>Current assets</b>				
Stocks	81,276	-	-	81,276
Debtors	67,137	1,103	(2,111)	66,129
Other financial assets	1,103	(1,103)	-	-
Cash at bank and in hand	26,050	-	-	26,050
	<u>175,566</u>	<u>-</u>	<u>(2,111)</u>	<u>173,455</u>
<b>Creditors: amounts falling due within one year</b>				
Trade and other payables	(80,634)	(180)	(1,208)	(82,022)
Provision for other liabilities	(1,967)	1,967	-	-
Other financial liabilities	(180)	180	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Current Assets</b>	<u>92,785</u>	<u>1,967</u>	<u>(3,319)</u>	<u>91,433</u>
<b>Creditors: amounts falling due after one year</b>				
Trade and other payables	(5,830)	(628)	-	(6,458)
Provisions for other liabilities	(4,462)	4,462	-	-
Deferred tax liability	(628)	628	-	-
	<u>(10,920)</u>	<u>4,462</u>	<u>-</u>	<u>(6,458)</u>
Provision for liabilities	-	(6,429)	-	(6,429)
	<u>-</u>	<u>(6,429)</u>	<u>-</u>	<u>(6,429)</u>
<b>Net Assets</b>	<u>113,775</u>	<u>-</u>	<u>(3,319)</u>	<u>110,456</u>
<b>Profit and Loss Account</b>				
Capital contribution reserve	111,625	-	(3,319)	108,306
	<u>-</u>	<u>-</u>	<u>3,319</u>	<u>3,319</u>
<b>Net Assets</b>	<u>113,775</u>	<u>-</u>	<u>-</u>	<u>113,775</u>

#### 1.5 Basis of consolidation

Subsidiaries are entities controlled by the Group.

The Group controls an entity when it has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.6 Revenue

The Group's contracts with customers for the sale of products generally include one separately identifiable component being the delivery of goods to the customer.

Whether in store, online or via concessions, the Group has determined that revenue should be recognised at the point in time when the risks and rewards are transferred to the customer which is on receipt of the product. For retail this is at the point of sale and for online or concession sales this is when the delivery is received.

Net commission received from digital marketplace sales is recognised when the payment service has been provided. The group considers itself an agent in these transactions.

Revenue is measured at the fair value of the consideration received or receivable and recorded excluding sales taxes and net of discounts and returns.

Revenue is also reduced for estimated customer returns as the Group sells products with the right of return. This estimation is based on experience and considers the returns policy in the sale the country took place, sales in the relevant period and historical returns rates. Cost of goods sold is also adjusted for the value of goods expected to be returns using historical gross profit margins.

Concession revenues are settled in cash net of commissions payable but are recognised gross based on the Group being the principal in these transactions.

#### 1.7 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.

#### 1.8 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 pending credit card receipts



## Notes (continued)

### 1 Accounting policies (continued)

#### 1.12 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.

#### 1.13 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average price method 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.

#### 1.14 Tangible assets

Tangible 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 assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	-	5 years
Computer equipment	-	5 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.

#### 1.15 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) for the purpose of impairment testing. Goodwill arising on acquisition of A.I. & I.D. Fox Limited is allocated wholly to one CGU being the store acquired through this transaction.

##### *Other intangible assets*

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and accumulated impairment losses. This includes the intellectual property acquired during the year relating to the Animal brand.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.12 Goodwill and other intangible assets continued

##### 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 and is recorded in the software category within Intangible Note 9.

##### 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.

Amortisation arising on the acquisition of the Intellectual Property and Domain Names of the brand Animal is being amortised evenly over the directors' estimate of its useful life of 10 years, based on planned foreseeable future usage.

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.

#### 1.13 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.

#### 1.14 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.

#### 1.15 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.

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.15 Provisions (continued)

##### *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.

#### 1.16 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.

#### 1.17 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.

#### 1.18 Share based payments

The Group operates an equity-settled share-based compensation plan, under which the Group receives services from employees as consideration for B shares of Mountain Warehouse International Limited issued to employees of Mountain Warehouse Limited. Where material, the fair value of employee services received in exchange for the grant of the B shares is recognised as an expense. A corresponding capital contribution reserve is also recognised to reflect contributions made by Mountain Warehouse International Limited to Mountain Warehouse Limited in relation to Mountain Warehouse International Limited shares issued to Mountain Warehouse Limited employees. The total amount to be expensed is determined by reference to the fair value of awards granted at the expected vesting date. The total expense is recognised from the 2018 valuation date to the expected vesting date.

At the balance sheet date an assessment of the fair value of the B shares has been considered and deemed not to have changed from the original 2018 valuation. No charge or credit to the Statement of Comprehensive Income for the period has therefore been recorded in respect of share-based payments relating to B shares for the period ended 26<sup>th</sup> February 2023 (2022: £Nil). Management shall continue to assess the fair value at every future balance sheet date.

## Notes (continued)

### 2 Turnover

Turnover, analysed geographically between markets, was as follows:

	2023 £000	2022 £000
United Kingdom	257,960	212,942
Europe	20,720	14,314
Rest of the World	92,355	75,308
	<u>371,035</u>	<u>302,564</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 Loss is stated after charging:*

	2023 £000	2022 £000
Depreciation: owned assets	7,150	7,346
Impairment to tangible assets	201	1,415
Amortisation of goodwill and intangibles	1,621	1,345
Operating lease expense	30,059	26,046
Loss on disposal of tangible assets	877	914
Fair value movements on derivative financial instruments	1,126	(268)
Foreign exchange differences (net)	798	(101)
	<u></u>	<u></u>

*Auditor's remuneration:*

	2023 £000	2022 £000
Audit of these financial statements	168	167
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	168	167
Non-audit related assurance services		10
	<u></u>	<u></u>

All 2023 audit and non-audit fees were in respect of services provided by Grant Thornton UK LLP. All audit and non-audit fees incurred in the prior year were in respect of services provided by the incumbent, Ernst & Young LLP.

## Notes (continued)

### 4 Other Income

	2023 £000	2022 £000
Grant Income	38	2,562

Grant Income includes £38,000 2022: (£2,562,000) from global Coronavirus Job Retention Schemes.

### 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:

	2023 No.	2022 No.
Head office	530	468
Retail	3,019	2,822
	<u>3,549</u>	<u>3,290</u>

In the current period management have undertaken a review of headcount and provided disaggregation to the disclosure in the current and prior period.

The aggregate payroll costs of these persons were as follows:

	2023 £000	2022 £000
Wages and salaries	62,584	55,172
Social security costs	5,164	4,425
Contributions to defined contribution plans	775	652
	<u>68,523</u>	<u>60,249</u>

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 £775,000 (2022: £652,000). Contributions amounting to £177,000 (2022: £154,000) 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:

	2023 No.	2022 No.
Head office	530	468
Retail	2,349	2,233
	<u>2,879</u>	<u>2,701</u>

In the current period management have undertaken a review of headcount and provided disaggregation to the disclosure in the current and prior period.

## Notes (continued)

### 5 Staff numbers and costs continued

The aggregate payroll costs of these persons were as follows:

	2023 £000	2022 £000
Wages and salaries	52,743	47,143
Social security costs	4,198	3,481
Contributions to defined contribution plans	773	648
	<u>57,714</u>	<u>51,272</u>

The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £773,000 (2022: £648,000). Contributions amounting to £177,000 (2022: £154,000) were payable to the scheme at the balance sheet date and are included in creditors.

### 6 Interest payable and similar charges

	2023 £000	2022 £000
Other interest payable	<u>279</u>	<u>62</u>

### 7 Directors' remuneration

	2023 £000	2022 £000
Directors' emoluments	<u>627</u>	<u>630</u>

The aggregate remuneration of the highest paid director was £210,000 (2022: £220,000) and company pension contributions of £1,000 (2022: £1,000) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to the following number of directors under:

	2023	2022
Money purchase schemes	<u>4</u>	<u>4</u>

The total contributions made on behalf of directors into money purchase schemes was £5,000 (2022: £5,000).

## Notes (continued)

### 8 Taxation

#### Recognised in the profit and loss

	2023 £000	2022 £000
<i>UK Corporation tax</i>		
Current period	-	(608)
Adjustments for prior periods	(72)	151
	(72)	(457)
<i>Foreign tax</i>		
Current period	325	476
	253	19
<i>Deferred tax</i>		
Origination and reversal of temporary differences	(1,650)	564
Adjustment in respect of prior periods	427	(139)
	(1,223)	425
<b>Deferred tax (credit)/expense</b>	<b>(1,223)</b>	<b>425</b>
<b>Total tax (credit)/expense</b>	<b>(970)</b>	<b>444</b>

#### Income tax recognised in other comprehensive income

	2023 £000	2022 £000
Effective portion of changes in fair value of cash flow hedges	33	(445)

#### Reconciliation of effective tax rate

The current tax charge for the period is lower (2022: *higher*) than the standard rate of corporation tax in the UK.

	2022 £000	2022 £000
Loss before taxation	(1,485)	(164)
Tax using the UK corporation tax rate of 19% (2022: 19%)	(282)	(31)
Permanent items	(656)	248
Adjustments in respect of previous periods	355	3
Effect of changes in tax rates	(1)	89
Effect of changes in deferred tax rate on qualifying assets	(386)	135
<b>Total tax (credit)/expense</b>	<b>(970)</b>	<b>444</b>

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.

Mountain Warehouse Limited  
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## Notes (continued)

### 9 Intangible assets

Group	Goodwill £000	Software £000	Intellectual property £000	Total £000
<b>Cost</b>				
Balance at 27 February 2022	821	7,067	2,300	10,188
Additions	-	2,350	13	2,363
FX movement	-	(268)	-	(268)
Reclassification	-	(351)	351	-
Balance at 26 February 2023	821	8,763	2,664	12,283
<b>Amortisation and impairment</b>				
Balance at 27 February 2022	711	5,210	211	6,132
Amortisation for the period	110	1,247	264	1,621
Disposals	-	(8)	-	(8)
Impairment	-	12	-	12
Reclassification	-	(147)	147	-
Balance at 26 February 2023	821	6,314	622	7,757
<b>Net book value</b>				
At 27 February 2022	110	1,857	2,089	4,056
At 26 February 2023	-	2,479	2,042	4,521



## Notes (continued)

### 9 Intangible assets (continued)

#### Company

	Software £000	Intellectual Property £000	Total £000
<b>Cost</b>			
Balance at 27 February 2022	7,033	2,300	9,333
Additions	2,350	13	2,363
FX movement	(269)	-	(269)
Reclassification	(351)	351	-
	<u>8,763</u>	<u>2,664</u>	<u>11,427</u>
<b>Balance at 26 February 2023</b>	<b>8,763</b>	<b>2,664</b>	<b>11,427</b>
<b>Amortisation and impairment</b>			
Balance at 27 February 2022	5,180	211	5,391
Amortisation for the period	1,247	264	1,511
Disposals	(8)	-	(8)
Impairment	12	-	12
Reclassification	(147)	147	-
	<u>6,284</u>	<u>622</u>	<u>6,906</u>
<b>Balance at 26 February 2023</b>	<b>6,284</b>	<b>622</b>	<b>6,906</b>
<b>Net book value</b>			
At 27 February 2022	1,853	2,089	3,942
	<u>1,853</u>	<u>2,089</u>	<u>3,942</u>
<b>At 26 February 2023</b>	<b>2,479</b>	<b>2,042</b>	<b>4,521</b>
	<u>2,479</u>	<u>2,042</u>	<u>4,521</u>

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

Impairment loss of £12,000 was recognised in the period (2022: £Nil).

## Notes (continued)

### 10 Tangible assets

Group	Freehold property £000	Fixtures & fittings £000	Computer equipment £000	Total £000
<b>Cost</b>				
Balance at 27 February 2022	4,292	71,772	4,799	80,863
Additions	-	10,721	1,340	12,061
Disposals	-	(5,736)	(98)	(5,834)
Foreign exchange differences	-	1,447	-	1,447
	<u>4,292</u>	<u>78,204</u>	<u>6,041</u>	<u>88,537</u>
<b>Balance at 26 February 2023</b>	<u>4,292</u>	<u>78,204</u>	<u>6,041</u>	<u>88,537</u>
<b>Depreciation and Impairment</b>				
Balance at 27 February 2022	391	47,621	819	48,831
Depreciation charge for the year	91	6,290	769	7,150
Disposals	-	(2,735)	(73)	(2,808)
Impairment loss	-	201	-	201
Foreign exchange differences	-	1,051	-	1,051
	<u>482</u>	<u>52,428</u>	<u>1,515</u>	<u>54,425</u>
<b>Balance at 26 February 2023</b>	<u>482</u>	<u>52,428</u>	<u>1,515</u>	<u>54,425</u>
<b>Net book value</b>				
At 27 February 2022	3,901	24,151	3,980	32,032
	<u>3,901</u>	<u>24,151</u>	<u>3,980</u>	<u>32,032</u>
<b>At 26 February 2023</b>	<u>3,810</u>	<u>25,776</u>	<u>4,526</u>	<u>34,112</u>

The net book value of tangible 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. As a result of this assessment, an impairment loss of £201,000 (2022: £1,415,000) was recognised where the lease had been assessed to be onerous.

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.

## Notes (continued)

### 10 Tangible assets (continued)

Company	Freehold property £000	Fixtures & fittings £000	Computer equipment £000	Total £000
<b>Cost</b>				
Balance at 27 February 2022	2,942	55,450	4,129	62,521
Additions	-	9,767	1,262	11,029
Disposals	-	(4,742)	(35)	(4,777)
Foreign Exchange Differences	-	442	-	442
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 26 February 2023	2,942	60,917	5,356	69,215
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation and Impairment</b>				
Balance at 27 February 2022	330	35,616	935	36,881
Depreciation charge for the year	53	4,926	662	5,641
Impairment loss	-	6	-	6
Disposals	-	(1,934)	(26)	(1,960)
Foreign Exchange Differences	-	325	-	325
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 26 February 2023	383	38,939	1,571	40,893
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 27 February 2022	2,612	19,834	3,194	25,640
	<hr/>	<hr/>	<hr/>	<hr/>
At 26 February 2023	2,559	21,978	3,785	28,322
	<hr/>	<hr/>	<hr/>	<hr/>

An impairment loss of £6,000 (2022: £569,000) has been recognised in the period.

## Notes (continued)

### 11 Investments in subsidiaries

At 26 February 2023, 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
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 Pty	Australia	Dormant company	Ordinary 100%

#### Company

##### Cost

Balance at 27 February 2022  
Additions  
Disposals

£000

2,361

Balance at 26 February 2023

2,361

##### Impairment

Balance at 27 February 2022  
Impairment charge in the year

33

Balance at 26 February 2023

33

Net book value at 27 February 2022

2,328

Net book value at 26 February 2023

2,328

## Notes (continued)

### 12 Stocks

	Group		Company	
	2023 £000	2022 £000	2023 £000	2022 £000
Finished goods	<u>83,684</u>	<u>102,265</u>	<u>62,642</u>	<u>81,276</u>

The cost of stocks recognised as an expense and charged to cost of sales in the period for the Group was £154.3m (2022: £109.5m) and for the company was £118.6m (2022: £85.1m). Of this, £0.8m relates to stock write off (2022: £2.5m) and for the company £0.3m (2022: £2.3m).

### 13 Debtors

	Group		Company	
	2023 £000	Restated 2022 £000	2023 £000	Restated 2022 £000
Amounts owed by intermediary parent company	57,194	30,761	57,194	30,761
Amounts owed by subsidiary undertakings	-	-	26,534	31,894
Other debtors	2,987	726	1,784	428
Prepayments	4,597	2,508	3,820	1,775
Deferred tax (Note 20)	2,733	164	44	38
Corporation tax	1,730	2,226	2,734	2,241
Other financial assets	2,710	1,103	2,710	1,103
	<u>71,951</u>	<u>37,488</u>	<u>94,820</u>	<u>68,240</u>

All debtor balances are due within one year. Amounts owed by group undertakings are included as there are no specified repayment terms and 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	
	2023 £000	Restated 2022 £000	2023 £000	Restated 2022 £000
Amounts owed to intermediary parent company	10,887	10,887	10,887	10,887
Amounts owed to subsidiary undertakings	-	-	14,666	19,272
Trade creditors	27,722	30,419	27,951	29,000
Accruals and deferred income	16,298	21,887	11,659	17,952
Other taxes and social security	10,503	3,637	10,324	3,523
Other financial liabilities	833	180	833	180
	<u>66,243</u>	<u>67,010</u>	<u>76,320</u>	<u>80,814</u>

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	
	2023 £000	2022 £000	2023 £000	2022 £000
Accruals and deferred income	7,638	7,204	6,965	5,830
Deferred tax liability	2,175	862	1,941	3
	<u>9,813</u>	<u>8,066</u>	<u>8,906</u>	<u>5,833</u>

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 28 February 2021	4,733	5,888	10,621
Foreign Exchange Differences	(57)	4	(53)
Provisions made during the period	960	610	1,570
Remeasurement	-	(59)	(59)
Utilised during the period	(2,030)	(177)	(2,207)
Unused amounts reversed	(387)	-	(387)
Unwinding of discount	-	42	42
<b>Balance at 27 February 2022</b>	<b>3,219</b>	<b>6,308</b>	<b>9,527</b>
Foreign Exchange Differences	363	58	421
Provisions made during the period	173	82	255
Remeasurement	800	(206)	594
Utilised during the period	(1,050)	(368)	(1,418)
Unused amounts reversed	(437)	(89)	(526)
Unwinding of discount	-	230	230
<b>Balance at 26 February 2023</b>	<b>3,068</b>	<b>6,015</b>	<b>9,083</b>
Current	1,306	1,655	2,961
Non-current	1,913	4,653	6,566
<b>Balance at 27 February 2022</b>	<b>3,219</b>	<b>6,308</b>	<b>9,527</b>
Current	1,063	2,474	3,537
Non-current	2,005	3,541	5,546
<b>Balance at 26 February 2023</b>	<b>3,068</b>	<b>6,015</b>	<b>9,083</b>

## Notes (continued)

### 16 Provisions (continued)

#### Company

	Onerous lease £000	Dilapidation provision £000	Total £000
<b>Balance at 28 February 2021</b>	<b>1,655</b>	<b>5,521</b>	<b>7,176</b>
Provisions made during the period	38	610	648
Remeasurement	-	(61)	(61)
Utilised during the period	(990)	(170)	(1,160)
Unused amounts reversed	(184)	8	(176)
Foreign exchange differences	(37)	39	2
Unwinding of discount	-	-	-
<b>Balance at 27 February 2022</b>	<b>482</b>	<b>5,947</b>	<b>6,429</b>
Provisions made during the period	-	74	74
Remeasurement	-	(109)	(109)
Utilised during the period	(238)	(354)	(592)
Unused amounts reversed	(241)	(73)	(314)
Foreign exchange differences	28	56	84
Unwinding of discount	-	217	217
<b>Balance at 26 February 2023</b>	<b>31</b>	<b>5,758</b>	<b>5,789</b>
Current	328	1,639	1,967
Non-current	154	4,308	4,462
<b>Balance at 27 February 2022</b>	<b>482</b>	<b>5,947</b>	<b>6,429</b>
Current	31	2,384	2,415
Non-current	-	3,374	3,374
<b>Balance at 26 February 2023</b>	<b>31</b>	<b>5,758</b>	<b>5,789</b>

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 leases. These costs would be expected to occur at the end of the lease in question, therefore if the end of the lease is >1yr from the balance sheet date this provision has been classed as non-current. These costs are uncertain as they will vary depending on the condition of the property at the end of the lease.

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. These costs are expected to be incurred on an ongoing basis for the remaining duration of the onerous lease therefore the costs relating to these leases which will be incurred in <1yr have been classed as non-current. Future store performance is uncertain but the provision has been made based on future budgeted benefits vs costs for the applicable stores.

## Notes (continued)

### 17 Capital and reserves

#### Share capital

Represents the nominal value of shares that have been issued.

	2023 £'000	2022 £'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:

#### Rights to dividends

**Ordinary shares**  
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.

Group	2023 £'000	2022 £'000
<i>Other comprehensive income</i>		
Cash flow hedges – changes in fair value	(173)	1,782
Income tax on other comprehensive income	33	(445)
Total other comprehensive income	(140)	1,337
<b>Company</b>	<b>2023 £'000</b>	<b>2022 £'000</b>
<i>Other comprehensive income</i>		
Cash flow hedges – changes in fair value	(173)	1,782
Income tax on other comprehensive income	33	(445)
Total other comprehensive (loss)/income	(140)	1,337

#### 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.

#### Capital contribution reserve

The capital contribution reserve reflects contributions made by Mountain Warehouse International Limited, the ultimate parent company, in relation to shares of Mountain Warehouse International Limited that have been issued to employees of Mountain Warehouse Limited. As these transactions are separate from transfers that arise from trading activities in the normal course of business they have been disaggregated into their own class of reserve.



## 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 17). Fair value gains of £1,126,000 (2022: £268,000 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.

Due within one year	Average contract exchange rate		Notional Principal Value	
	Period ended 27 February 2023 rate	Period ended 26 February 2023 rate	Period ended 27 February 2023/ £000	Period ended 28 February 2022/ £000
Forward foreign currency contracts USD	1.2174	1.3922	1,877	923

#### 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 headed by Mountain Warehouse International Limited, a parent company, also has a £29.3m revolving credit facility to support short and medium-term liquidity. As at the balance sheet date, £7.0m of this balance had been drawn down (2022: £21.5m).

#### 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 26 February 2023 this exposure amounted to £1.9m (2022: £nil). 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	
	2023 £000	Restated 2022 £000	2023 £000	Restated 2022 £000
<b>Current</b>				
Derivatives used for hedging	2,710	1,103	2,710	1,103
Trade and other receivables	57,979	31,487	83,310	63,083
Cash and cash equivalents	11,182	31,060	8,825	26,050
	<u>71,871</u>	<u>63,650</u>	<u>94,845</u>	<u>90,236</u>

#### Financial liabilities

	Group		Company	
	2023 £000	Restated 2022 £000	2023 £000	Restated 2022 £000
<b>Non-current</b>				
Trade and other payables	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Current</b>				
Derivatives used for hedging	833	180	833	180
Trade and other payables	55,923	64,401	66,280	78,319
	<u>56,756</u>	<u>64,581</u>	<u>67,113</u>	<u>78,499</u>

All financial assets and liabilities are disclosed at fair value. 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.

Trade and other receivables include amounts owed by the intermediary parent company or subsidiaries and other debtors. Trade and other payables include amounts owed to the intermediary parent company or subsidiaries and trade creditors, accruals, interest payable and deferred income.

## Notes (continued)

### 20 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets		Liabilities		Net	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Accelerated capital allowances	(134)	(126)	1,735	379	1,601	253
Derivatives	-	-	206	249	206	249
Pension	(44)	(38)	-	-	(44)	(38)
Goodwill	-	-	234	234	234	234
Carried forward loss	(2,555)	-	-	-	(2,555)	-
	<u>(2,733)</u>	<u>(164)</u>	<u>2,175</u>	<u>862</u>	<u>(558)</u>	<u>698</u>
Tax (assets) / liabilities	(2,733)	(164)	2,175	862	(558)	698

The deferred tax component of the current year tax credit is £1,223,000 credit (2022: £425,000 debit). The value of deferred tax charged to other comprehensive income in the year was £33,000 credit (2022: £445,000 debit).

Company	Assets		Liabilities		Net	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Accelerated capital allowances	-	-	1,735	379	1,735	379
Pension	(44)	(38)	-	-	(44)	(38)
Derivatives	-	-	206	249	206	249
	<u>(44)</u>	<u>(38)</u>	<u>1,941</u>	<u>628</u>	<u>1,897</u>	<u>590</u>
Tax (assets) / liabilities	(44)	(38)	1,941	628	1,897	590

The deferred tax component of the current year tax credit for the company is £649,000 credit (2022: £404,000 debit). The value of deferred tax charged to other comprehensive income in the year for the company was £33,000 credit (2022: £445,000 debit).

### 21 Operating leases

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

Group	Land and buildings		Vehicles	
	2023 £000	2022 £000	2023 £000	2022 £000
Less than one year	28,646	26,050	211	89
Between one and five years	65,168	60,309	281	53
More than five years	12,088	9,874	-	-
	<u>105,902</u>	<u>96,233</u>	<u>492</u>	<u>142</u>

## Notes (continued)

### 21 Operating leases (continued)

Company	Land and buildings		Vehicles	
	2023 £000	2022 £000	2023 £000	2022 £000
Less than one year	21,952	19,769	174	73
Between one and five years	49,788	41,989	212	46
More than five years	8,709	6,034	-	-
	<u>80,499</u>	<u>67,792</u>	<u>386</u>	<u>119</u>

### 22 Contingencies

Certain subsidiaries within the Group are party to cross guarantees given for bank loans and revolving credit facilities held within Mountain Warehouse Group Holdings Limited, a parent company. The principal value of these bank loans and revolving credit facilities is £82.5m (2022: £106.0m).

There were no other material contingent assets or liabilities at 26 February 2023 (2022: £Nil).

### 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.

Annual rent of £30,000 (2022: £30,000) was payable to a family member of a Director for the lease of a store. The amount outstanding at the balance sheet date was £nil (2022: £5,000). Rent is charged at the market rate.

### 24 Subsequent Events

There are no disclosable events after the reporting period.