Mountain Warehouse International Limited

Annual report and financial statements

Registered number 08729050

52 week period ended 24 February 2019

Contents

Strategic report

Principal activities and business model

The company is the ultimate parent company of the Mountain Warehouse Group ("the Group"), and has acted as a holding company since incorporation.

The primary trading company within the group is Mountain Warehouse Limited. The principal activity of Mountain Warehouse Limited and the group is the retail of clothing and equipment for outdoor pursuits. The group operates through two channels, namely retail outlets and the internet.

Business review, results and key performance indicators

During the 52 week period ending 24 February 2019, consolidated turnover has grown from £225.9m to £255.0m. The consolidated profit before tax is £12.2m (2018: £10.5m). There were 341 stores at the end of the period (2018:292).

On 3 July 2018 the group received investment from Inflexion Partnership Capital fund in exchange for a minority stake. On 4 September 2018 the group refinanced. The existing facilities were repaid in full and replaced by £80.0m term loans and a £20.0m revolving credit facility, in order to achieve lower interest rates.

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. All risk management policies are subject to Board approval.

The principal risks to the business are a downturn in consumer spending and inflation on cost of goods sold. Risks of exchange rate fluctuations are managed through hedging strategies and further details can be found in note 17.

Long-term external borrowings incur variable interest rate charges linked to LIBOR.

On 29 March 2017, the UK government formally announced that the UK will leave the European Union and the UK government has since begun the process of negotiating the terms of the UK's future relationship with the EU. The Board remains mindful of the continuing risk to the business from the range of uncertain Brexit developments and outcomes, including volatility in the strength of Sterling versus the US dollar, the threat of supply chain disruption due to delays at UK ports and economic uncertainty leading to reduced consumer spending. The short-to-medium term risk of FX volatility is addressed by our existing currency hedging policy. Supply chain risk has been alleviated by opening a distribution centre in Poland in March 2019 and HMRC Advanced Economic Operator accreditation is being progressed to minimise delays at UK ports. Management will closely monitor consumer confidence, as they do at any time in the economic cycle, and adapt trading plans accordingly.

Future developments

The Board is confident in the future growth of the group and continues to roll out new stores during 2019 in the UK and internationally. The Board has prepared a working capital forecast based upon assumptions as to the Group's future trading. Based upon these projections, its available facilities, cash balances and exposures, and management of financial risks, the Board has concluded that there is a reasonable expectation that the Group has adequate resources to remain in operational existence for the foreseeable future. On this basis, the Directors continue to adopt the going concern basis for the preparation of the financial statements.

By order of the board,

Marcus Ward
Director

21 June 2019

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 24 February 2019. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report, and the notes to the financial statements.

Proposed dividend

The directors do not recommend the payment of a dividend (2018: *£nil*).

Directors and directors' interests

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

Mark Neale
Marcus Ward
Keith Pacey
Shantelle Augier (Appointed 3 July 2018)
Edward Lynch (Appointed 3 July 2018)
Simon Neale (Appointed 3 July 2018)
Carl Wormald (Appointed 3 July 2018)

Company Secretary

Richard Allen

Employees

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

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 group'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 group's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst and Young LLP will therefore continue in office.

Directors Indemnity

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

By order of the board,

Marcus Ward
Director

21 June 2019
5 Eccleston Street
London

SW1W 9LX

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

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

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

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

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

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

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

Opinion

We have audited the financial statements of Mountain Warehouse International Limited ('the parent company') and its subsidiaries (the 'group') for the period ended 24th February 2019 which comprise the Consolidated Statement of Profit and Loss and Other Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated and Company Statement of Changes in Equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 24 February 2019 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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

In connection with our audit of the financial statements, 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

Ernst & Young LLP

Judith Smith (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 21/6/19

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For 52 week period ended 24 February 2019

	Note	**2019 £'000**	2018 £'000
Turnover	*2*	**255,044**	225,910
Cost of sales		**(117,821)**	(108,769)
Gross profit		**137,223**	117,141
Administrative expenses	*3*	**(118,005)**	(99,561)
Operating profit		**19,218**	17,580
Interest received and similar income		**3**	1
Interest payable and similar charges	*5*	**(7,070)**	(7,091)
Profit on ordinary activities before taxation		**12,151**	10,490
Tax on profit on ordinary activities	*7*	**(4,273)**	(2,965)
Profit for the financial period		**7,878**	7,525
Other comprehensive income			
Exchange differences on translation of foreign operations	*16*	**(362)**	285
Effective portion of changes in fair value of cash flow hedges	*16*	**3,343**	(4,725)
Income tax on other comprehensive income	*7,16*	**(568)**	898
Other comprehensive income/(loss) for the period, net of income tax		**2,413**	(3,542)
Total comprehensive income for the period		**10,291**	3,983

The results derive entirely from continuing operations.

Consolidated Balance Sheet
at 24 February 2019

	Note		**2019**		2018
		£'000	**£'000**	£'000	£'000
Fixed assets					
Intangible fixed assets	*8*		**52,281**		55,497
Tangible fixed assets	*9*		**32,404**		24,626
			84,685		80,123
Current assets					
Stocks	*11*	**52,898**		45,644	
Debtors	*12*	**4,925**		5,110	
Other financial assets	*18,19*	**5,913**		416	
Cash at bank and in hand		**9,256**		17,623	
		72,992		68,793	
Current liabilities					
Trade and other payables	*13*	**(26,797)**		(26,993)	
Provision for other liabilities	*15*	**(1,032)**		-	
Other financial liabilities	*18*	**(767)**		(2,839)	
Net current assets			**44,396**		38,961
Total assets less current liabilities			**129,081**		119,084
Non-current liabilities					
Trade and other payables	*14*		**(81,442)**		(94,994)
Provisions for other liabilities	*15*		**(4,338)**		(4,295)
Deferred tax liability	*20*		**(405)**		(234)
Net assets			**42,896**		19,561
Capital and reserves					
Called up share capital	*16*		**1,226**		1,168
Share Premium	*16*		**13,023**		-
Capital redemption reserve	*16*		**8**		7
Profit and loss account	*16*		**28,501**		20,661
Cash flow hedging reserve	*16*		**498**		(2,277)
Foreign currency translation reserve	*16*		**(360)**		2
Shareholders' funds			**42,896**		19,561

These financial statements were approved by the board of directors on 21 June 2019 and were signed on its behalf by:

Marcus Ward
Director
Company registered number: 08729050

Company Balance Sheet
At 24 February 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Investments	*10*	-	-		-
Current assets					
Debtors	*12*	**15,110**		14,810	
Creditors: amounts falling due within one year	*13*	**(2,225)**		(705)	
Net current assets			**12,885**		14,105
Total assets less current liabilities			**12,885**		14,105
Creditors: amounts falling due after one year	*14*		-		(12,925)
Net assets			**12,885**		1,180
Capital and reserves					
Called up share capital	*16*		**1,226**		1,168
Share Premium	*16*		**13,023**		-
Capital redemption reserve	*16*		**8**		7
Profit and loss account	*16*		**(1,372)**		5
Shareholders' funds			**12,885**		1,180

These financial statements were approved by the board of directors on 21 June 2019 and were signed on its behalf by:

Marcus Ward
Director
Company registered number: 08729050

Consolidated Statement of Changes in Equity

At 24 February 2019

	Share capital £000	Share Premium £000	Cash flow hedging reserve £000	Retained earnings £000	Foreign currency translation reserve £000	Capital redemption reserve £000	Total equity £000
Balance at 26 February 2017	1,174	-	1,550	13,536	(283)	-	15,977
Total comprehensive income for the period							
Profit	-	-	-	7,525	-	-	7,525
Other comprehensive income/(loss) (note 16)	-	-	(3,827)	-	285	-	(3,542)
Total comprehensive income/(loss) for the period	-	-	(3,827)	7,525	285	-	3,983
Transactions with owners, recorded directly in equity							
Repurchase of shares	(6)	-	-	(400)	-	7	(399)
Total transactions with owners	(6)	-	-	(400)	-	7	(399)
Balance at 25 February 2018	**1,168**	**-**	**(2,277)**	**20,661**	**2**	**7**	**19,561**
Total comprehensive income for the period							
Profit	-	-	-	7,878	-	-	7,878
Other comprehensive income/(loss) (note 16)	-	-	2,775	-	(362)	-	2,413
Total comprehensive income/(loss) for the period	-	-	2,775	7,878	(362)	-	10,291
Transactions with owners, recorded directly in equity							
Repurchase of shares	(1)	-	-	(38)	-	1	(38)
Issuance of new shares	59	13,023	-	-	-	-	13,082
Total transactions with owners	58	13,023	-	(38)	-	1	13,044
Balance at 24 February 2019	**1,226**	**13,023**	**498**	**28,501**	**(360)**	**8**	**42,898**

Company Statement of Changes in Equity
At 24 February 2019

	Share capital £000	Share premium £000	Retained earnings £000	Capital redemptio n reserve £000	Total equity £000
Balance at 26 February 2017	1,174	-	190	-	1,364
Total comprehensive income for the period	-	-	215	-	215
Total comprehensive loss for the period	-	-	405	-	405
Transactions with owners, recorded directly in equity					
Repurchase of shares	(6)	-	(400)	7	(399)
Total transactions with owners	(6)	-	(400)	7	(399)
Balance at 25 February 2018	**1,168**	**-**	**5**	**7**	**1,180**
Total comprehensive income for the period					
Loss	-	-	(1,341)	-	(1,341)
Total comprehensive income for the period	-	-	(1,341)	-	(1,341)
Transactions with owners, recorded directly in equity					
Repurchase of shares	(1)	-	(37)	1	(37)
Issuance of new shares	60	13,023	-	-	13,083
Total transactions with owners	59	13,023	(37)	1	13,046
Balance at 24 February 2019	**1,226**	**13,023**	**(1,373)**	**8**	**12,885**

Consolidated Cash Flow Statement

For 52 week period ended 24 February 2019

	Note	2019 £000	2018 £000
Operating activities			
Profit for the period		**7,877**	7,525
Adjustments for:			
Depreciation and amortisation	8,9	**9.297**	8,703
Impairment loss	9	**159**	883
Loss on disposal of assets	3	**94**	66
Foreign currency losses/(gains) on derivatives		**274**	(330)
Financial income		**(3)**	(1)
Financial expense	5	**7,070**	7,091
Taxation	7	**4,273**	2,965
Foreign exchange (gains)/losses		**(727)**	1,403
		28,314	28,305
(Decrease)/increase in trade and other receivables	12	**(370)**	612
Increase in inventories	11	**(7,031)**	(3,011)
Increase in Other Financial Assets	18.19	**(4,500)**	-
(Decrease)/increase in trade and other payables	13	**(1,404)**	4,968
Increase in provisions	15	**1,074**	577
		16,083	31,451
Tax paid		**(4,037)**	(3,389)
Net cash from operating activities		**12,046**	28,062
Investing activities			
Interest received		**3**	1
Acquisition of property, plant and equipment	9	**(12,879)**	(6,324)
Acquisition of other intangible assets	8	**(1,019)**	(711)
Acquisition of subsidiary undertaking, net of cash acquired		**-**	(2,207)
Net cash used in investing activities		**(13,895)**	(9,241)
Financing activities			
Interest paid	5	**(6,830)**	(4,645)
Repurchase of own shares		**(36)**	(399)
Changes in net borrowings		**(818)**	-
Issuance of new shares		**13,082**	-
Repayment of loan notes		**(11,970)**	(314)
Net cash used in financing activities		**(6,572)**	(5,358)
Net (decrease)/increase in cash and cash equivalents		**(8,421)**	13,463
Effect of currency translation on cash and cash equivalents		**54**	(392)
Cash and cash equivalents at beginning of period		**17,623**	4,552
Cash and cash equivalents at period end		**9,256**	17,623

Notes
(forming part of the financial statements)

1 Accounting policies

Mountain Warehouse International Limited (the "Company") is a private company limited by shares, incorporated and domiciled in the UK.

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 £1,341,000.

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 August 2014. 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 24th February 2019. The comparatives are prepared for the 52 weeks ending 25th February 2018.

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 have had the most significant effect on amounts recognised in the financial statements.

The dilapidation provision relates to the expected future costs to be incurred by the Group in order to satisfy its obligations to restore specific leasehold premises to the condition required under the lease agreements at the end of the lease. The 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. The timing in relation to the utilisation of these provisions is dependent upon the lease terms. Market conditions have a significant impact and hence the assumptions on future cash flows are reviewed regularly and revisions to the provision made where necessary.

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 its accounting reference date.

1.3 Going concern

The Board has prepared a working capital forecast based upon assumptions as to the Group's future trading. Based upon these projections, its available facilities and cash balances and exposures and management of financial risks, the Board has concluded that there is a reasonable expectation that the Group has adequate resources to remain in operational existence for the foreseeable future. On this basis, the Directors continue to adopt the going concern basis for the preparation of the financial statements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.4 Basis of consolidation

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

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

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

1.5 Revenue

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

1.6 Foreign currency

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 the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued 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.

1.7 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs.

Investments

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.8 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 as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment; and
- hedging instruments in a designated hedging relationship shall be recognised as set out below.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Other Financial instruments (continued)

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

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

1.9 Stocks

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

1.10 Tangible fixed assets

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

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

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

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

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

1.11 Goodwill and other intangible assets

Goodwill

Goodwill is stated at cost less accumulated amortisation and any accumulated impairment losses. Goodwill is allocated to cash-generating units.

Other intangible assets

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

Development costs

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Goodwill and other intangible assets (continued)

Amortisation

Amortisation is charged to the profit and 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	-	5-20 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 Mountain Warehouse Group Limited is being amortised evenly over the directors' estimate of its useful life of 20 years: There is no foreseeable conclusion to the life of the business and therefore an expected useful life of goodwill of 20 years is appropriate. Goodwill has arisen on acquisition largely due to the growth potential of the business, with smaller elements relating to the income generating potential of the real estate acquired and the workforce.

Goodwill arising on acquisition of A.I. & I.D Fox Limited is being amortised evenly over the directors' estimate of its useful life of 5 years. This is based on the time frame over which the group can demonstrate the intention to run the premises as a Mountain Warehouse store. Goodwill has arisen on acquisition due to the customer base and good customer relations of the outdoor retailer that occupied the site previously. Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of Assets where there is indication that goodwill or an intangible asset may be impaired.

1.12 Post retirement benefits

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

1.13 Operating leases

Payments made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

1.14 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date. Provisions are not discounted as the effect of the time value of money is not material.

1.15 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.15 Taxation (continued)

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 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 is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.16 Restricted Cash

Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements are recorded in *Other financial* assets on our balance sheet.

Notes *(continued)*

2 Turnover

Turnover, analysed geographically between markets, was as follows:

	2019 £000	2018 £000
United Kingdom	**176,656**	159,460
Europe	**26,637**	24,287
Rest of the World	**51,751**	42,163
	255,044	225,910

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

Profit is stated after charging:

	2019 £000	2018 £000
Depreciation: owned assets	**5,115**	4,468
Amortisation of goodwill and intangibles	**4,182**	4,235
Operating lease expense	**26,301**	22,184
Loss on disposal of fixed assets	**41**	66
Foreign exchange differences	**(766)**	531

Auditor's remuneration:

	2019 £000	2018 £000
Audit of these financial statements	**5**	5
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**65**	60
Audit related assurance services	**5**	3
Tax advisory	**-**	4
Non-audit related assurance services	**140**	-

Notes *(continued)*

4 Staff numbers and costs

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

	2019 **No.**	2018 No.
Sales and administration	**2,082**	1,571

The aggregate payroll costs of these persons were as follows:

	2019 **£000**	2018 £000
Wages and salaries	**39,488**	32,472
Social security costs	**3,163**	2,547
Contributions to defined contribution plans	**301**	136
	42,952	35,155

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 £301,000 (2018: *£136,000*). Contributions amounting to £63,000 (2018: *£21,000*) were payable to the scheme at the balance sheet date and are included in creditors.

5 Interest payable and similar income

	2019 **£000**	2018 £000
Interest on bank loans and overdrafts	**5,179**	6,296
Interest on loan notes	**82**	239
Amortisation of debt issue costs	**1,809**	556
	7,070	7,091

6 Directors' remuneration

	2019 **£'000**	2018 £'000
Directors' emoluments	**261**	401

The aggregate remuneration of the highest paid director was £221,000 (2018: *£210,000*) and company pension contributions of £Nil (2018: *£Nil*) were made to a money purchase scheme on his behalf.

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

	2019	2018
Money purchase schemes	**1**	2

Notes *(continued)*

7 Taxation

Recognised in the profit and loss

	2019	2018
	£000	£000
UK Corporation tax		
Current year	**2,169**	3,007
Adjustments for prior periods	**313**	37
	2,482	3,044
Foreign tax		
Current period	**1,624**	(275)
Total current tax	**4,106**	2,769
Deferred tax		
Origination and reversal of temporary differences	**(7)**	(84)
Adjustment in respect of prior periods	**113**	280
Effects of the change in tax rate	**61**	-
Deferred tax expense	**167**	196
Total tax expense	**4,273**	2,965

Deferred tax recognised in other comprehensive income

	2019	2018
	£000	£000
Effective portion of changes in fair value of cash flow hedges	**(568)**	898

Reconciliation of effective tax rate

The current tax charge for the period is higher (2018: *higher)* than the standard rate of corporation tax in the UK.

	2019	2018
	£000	£000
Profit before taxation	**12,151**	10,490
Tax using the UK corporation tax rate of 19% (2018: *19%*)	**2,309**	1,993
Change in tax rate	**572**	(135)
Adjustments in respect of previous periods	**425**	317
Expenses not deductible for tax purposes	**967**	790
Total tax expense	**4,273**	2,965

The Finance Act (No.2) 2015 introduced reductions in the main rate of UK corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020. The Finance Act 2016, enacted on 15 September 2016, replaced the 18% rate with a 17% rate to be applied from 1 April 2020. As these reductions were enacted at the balance sheet date the closing deferred tax balance has been calculated at the appropriate rate. Deferred tax liabilities of £156,000 are expected to unwind within 12 months of the balance sheet date.

Notes *(continued)*

8 Intangible assets

Group

	Goodwill £000	Software £000	Total £000
Cost			
Balance at 25 February 2018	69,177	3,319	71,036
Stock Fair Value Assessment †	72	-	72
Additions	-	943	943
Disposals	-	(56)	(56)
Balance at 24 February 2019	69,249	4,206	73,455
Amortisation and impairment			
Balance at 25 February 2018	14,874	2,125	16,999
Amortisation for the year	3,590	592	4,182
Disposals	-	(9)	(9)
Balance at 24 February 2019	18,464	2,710	21,174
Net book value			
At 25 February 2018	54,303	1,194	55,497
At 24 February 2019	**50,785**	**1,497**	**52,281**

The Company does not own any intangible fixed assets. Amortisation of intangible fixed assets is included in administrative expenses.

† Goodwill was adjusted in the year by £72,000 to reflect a reassessment of the fair value of the stock acquired during the acquisition of A.L. & I.D Fox Limited during the 12 month measurement period.

Notes *(continued)*

9 Tangible fixed assets

Group

	Freehold property £000	Fixtures & fittings £000	Total £000
Cost			
Balance at 25 February 2018	2,791	46,781	49,572
Additions	-	12,907	12,907
Disposals	-	(448)	(448)
Foreign exchange differences	-	264	264
Balance at 24 February 2019	2,791	59,504	62,295
Depreciation			
Balance at 25 February 2018	110	24,836	24,946
Depreciation charge for the year	56	5,059	5,115
Disposals	-	(408)	(408)
Impairment loss	-	159	159
Foreign exchange differences	-	79	79
Balance at 24 February 2019	166	29,725	29,891
Net book value			
At 25 February 2018	2,681	21,945	24,626
At 24 February 2019	**2,625**	**29,779**	**32,404**

The Company does not own any tangible fixed assets.

Notes *(continued)*

10 Investments in subsidiaries

At 24 February 2019, the Company 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
Direct holdings			
Mountain Warehouse Intermediate Holdings Limited	England and Wales	Holding Company	Ordinary 100%
Indirect holdings			
Mountain Warehouse Group Holdings Limited	England and Wales	Holding Company	Ordinary 100%
Mountain Warehouse Group Limited	England and Wales	Holding Company	Ordinary 100%
MW 2010 Limited	England and Wales	Dormant company	Ordinary 100%
The Mountain Group Limited	England and Wales	Holding Company	Ordinary 97% directly, 100% indirectly
Mountain Warehouse Holdings Limited	England and Wales	Holding Company	Ordinary 100%
Mountain Warehouse Limited	England and Wales	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Zakti Limited	England and Wales	Retailing of clothing and equipment for fitness	Ordinary 100%
Mountain Warehouse Handelgesellschaft GmbH	Austria	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse Polska S.p z o.o.	Poland	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse Outdoor (Canada) Limited	Canada	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse Outdoor Inc	USA	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse B.V.	Netherlands	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
A.L. & I.D Fox Limited	England and Wales	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse sro	Czech Republic	Dormant company	Ordinary 100%
Mountain Warehouse Australia Pty	Australia	Dormant company	Ordinary 100%

Company

	£000
Cost, provisions and net book value	
Balance at 25 February 2018 and 24 February 2019	-

Notes *(continued)*

11 Stocks

	Group	
	2019	2018
	£000	£000
Finished goods	**52,898**	45,644

The cost of inventories recognised as an expense and charged to cost of sales in the period was £95.7m (2018: *£85.5m*).

12 Debtors

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Amounts owed by group undertakings	**-**	-	**15,110**	14,805
Other debtors	**1,772**	1,485	**-**	5
Prepayments	**3,142**	3,049	**-**	-
Deferred tax (note 20)	**11**	576	**-**	-
	4,925	5,110	**15,110**	14,810

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

13 Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Amounts owed to group undertakings	**-**	-	**2,225**	**705**
Trade creditors	**5,015**	11,894	**-**	-
Accruals and deferred income	**13,654**	11,325	**-**	-
Other taxes and social security	**3,137**	1,935	**-**	-
Interest payable	**262**	1,718	**-**	-
Revolving credit facility	**1,000**	-	**-**	-
Bank loans (net of debt issue costs)	**3,617**	-	**-**	-
Corporation tax	**112**	121	**-**	-
	26,797	26,993	**2,225**	705

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)*

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Loan notes	**-**	11,888	**-**	11,888
Bank loans	**76,000**	79,062	**-**	-
Unamortised debt issue costs	**(1,340)**	(1,618)	**-**	-
Accruals and deferred income	**6,782**	4,625	**-**	-
Interest payable	**-**	1,037	**-**	1,037
	81,442	94,994	**-**	12,925

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

The following table summarises the maturity of the Group's bank loans at the dates presented. The below were issued in September 2018, replacing the existing bank loans, with the existing facilities repaid in full as part of this transaction.

The below term loans, and the revolving credit facility (see Note 13) are subject to interest at Libor +3.00%.

Debt maturities	Note	2019	2018
		£000	**£000**
< 1 year	13	**4,000**	-
1-2 years	14	**4,000**	12,000
2-5 years	14	**72,000**	67,062
More than five years		**-**	-
		80,000	79,062

Notes *(continued)*

15 Provisions

Group	Onerous lease £000	Dilapidations provision £000	Total £000
Balance at 26 February 2017	-	3,717	3,717
Provisions made during the year	405	173	578
Balance at 25 February 2018	405	3,890	4,295
Foreign Exchange Differences	-	12	12
Provisions made during the year	287	1,087	1,374
Utilised during the period	(54)	(25)	(79)
Unused amounts reversed	(232)	-	(232)
Balance at 24 February 2019	**406**	**4,964**	**5,370**
Current	196	695	891
Non-current	209	3,195	3,404
Balance at 25 February 2018	405	3,890	4,295
Current	185	847	1,032
Non-current	221	4,117	4,338
Balance at 24 February 2019	**406**	**4,964**	**5,370**

The dilapidation provision relates to the expected future costs to be incurred by the Group in order to satisfy its obligations to restore specific leasehold premises to the condition required under the lease agreements at the end of the lease. The 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. The timing in relation to the utilisation of these provisions is dependent upon the lease terms. Market conditions have a significant impact and hence the assumptions on future cash flows are reviewed regularly and revisions to the provision made where necessary.

The Company does not hold any provisions.

Notes *(continued)*

16 Capital and reserves

Share capital

Represents the nominal value of shares that have been issued.

	2019 £'000	2018 £'000
Allotted, called up and fully paid; shares of £1 each		
738,329 (*2018*: 840,000) 'A' Ordinary shares	**738**	840
108,375 (*2018: 148,437*)'B' Ordinary shares	**108**	148
180,000 'B2' Ordinary shares	**180**	180
200,098 "C" Ordinary shares	**200**	-
	1,226	1,168

On the 3rd July 2018, 58,365 "C" Ordinary shares with a nominal value of £1 were issued in direct exchange for the balance of the combined principal and accrued interest on Management Loan Notes. Share premium of £13,023,000 was subsequently recognised in relation to this transaction.

On the 4th January 2019, 101,671 "A" Ordinary Shares and 40,062 "B" Ordinary Shares were changed into 141,733 "C" Ordinary Shares.

During the year, the company purchased and then cancelled 375 "B" Ordinary Shares.

Shares classified as shareholders' funds are now subject to the following rights:

	'A' Ordinary shares	'B' Ordinary shares	'B2' Ordinary shares	"C" Ordinary Shares
Rights to dividends	As determined by the Board	As determined by the Board	As determined by the Board	As determined by the Board
Redemption	None	None	None	None
Priority on winding up	Joint priority	Joint priority	Joint priority	Joint Priority
Voting rights	One vote per share	One vote per share	One vote per share	One vote per share
Rights on sale of company	Normal Secondary Rights	Normal Secondary Rights	Nominal Tertiary Rights	Primary Rights

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	2019 £'000	2018 £'000
Other comprehensive income		
Effective portion of changes in fair value of cash flow hedges	**3,343**	(4,725)
Income tax on other comprehensive income	**(568)**	898
Total other comprehensive income	**2,775**	(3,827)

Notes *(continued)*

16 Capital and reserves *(continued)*

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.

17 Financial risk management

The group has exposure to three main areas of risk- foreign exchange risk, liquidity risk and customer credit exposure. To a lesser extent the group is exposed to interest rate risk.

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 50-75% of forecast inventory purchases for up to 12 months.

Where appropriate, hedge accounting is adopted by the Group. Fair value movements in foreign currency derivatives are recognised in other comprehensive income to the extent that the contract is part of an effective hedging relationship (note 16). Fair value movements of £274,000 (2018: *£330,000*) that do not form part of an effective relationship have been charged to the profit or loss account.

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

	2019			2018		
	1 year or less	**1 to <2years**	**Total**	1 year or less	1 to <2years	Total
	£000	**£000**	**£000**	£000	£000	£000
Forward exchange contracts	**80,806**	**3,392**	**84,198**	50,044	3,565	53,609

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's borrowings are subject to agreed quarterly banking covenants against which the company has had adequate headroom to date. The risk of a breach of these covenants is mitigated by regular financial forecasting and covenant modelling.

The Group also has a £20.0m revolving credit facility to support short and medium term liquidity.

Notes *(continued)*

17 Financial risk management *(continued)*

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 24 February 2019 this exposure amounted to £9.9m (2018: *£6.1m)*. 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.

18 Financial assets and liabilities

The carrying amounts of the financial assets and liabilities include:

Financial assets

	Group		**Company**	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Current				
Derivatives used for hedging	**1,413**	416	-	-
Trade and other receivables	**1,772**	1,484	-	5
Other Financial Assets	**4,500**	-	-	-
Cash and cash equivalents	**9,256**	17,623	-	-
	16,941	19,523	-	5

Notes *(continued)*

18 Financial assets and liabilities *(continued)*

Financial liabilities

	Group		Company	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Non-current				
Trade and other payables	**6,782**	5,663	-	1,037
Bank loans	**76,000**	79,062	-	-
Loan notes	-	11,888	-	11,888
	82,782	96,613	-	12,925
Current				
Derivatives used for hedging	**767**	2,839	-	-
Bank loans and revolving credit facility	**5,000**	-	-	-
Trade and other payables	**22,180**	26,993	-	-
	27,947	29,832	-	-

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.

19 Restricted Cash

Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements are recorded in *Other financial* assets on our balance sheet.

The restricted cash disclosed below represents the balance of the cash cover agreement with external bankers, held with respects to letters of credit. Restricted cash balances are as follows:

	2019	2018
	£'000	£'000
Restricted Cash	**4,500**	-

20 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	-	(53)	**15**	-	**15**	(53)
Derivatives	-	(523)	**156**	-	**156**	(523)
Pension	**(11)**	-	-	-	**(11)**	-
Goodwill	-	-	**234**	234	**234**	234
Tax (assets) / liabilities	**(11)**	(576)	**405**	234	**394**	(342)

Notes *(continued)*

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	
	2019	2018	**2019**	2018
	£000	£000	**£000**	£000
Less than one year	**25,513**	21,171	**73**	76
Between one and five years	**65,353**	56,873	**53**	36
More than five years	**21,106**	27,452	**-**	-
	111,972	105,486	**126**	112

The Company does not have any operating lease agreements.

22 Contingencies

Certain subsidiaries within the Group are party to cross guarantees given for bank loans and overdrafts held within Mountain Warehouse Group Holdings Limited, a subsidiary company. The principal value of these bank loans is £80m (2018: *£79.1m*).

There were no other material contingent assets or liabilities at 24 February 2019 (2018: *£Nil*).

23 Related parties

Transactions with key management personnel

Directors of the Group (including their immediate relatives), and Inflexion Partnership Capital fund, control 100% of the voting shares of the Group.

The directors include two newly elected directors representing Inflexion Partnership Capital fund, which made an investment in the Group during the period and now holds a minority stake.

The compensation of key management personnel (considered to be the directors) is set out in note 6.

In the year, management loan notes were redeemed in full in exchange for Ordinary "C" shares (Note 16). At the balance sheet date, the Directors held loan notes of £Nil in the company (2018: *£11,888,000*). At the balance sheet date interest of £Nil had been accrued and was outstanding (2018: *£1,037,000*). £82,000 interest was charged to the profit and loss account during the period (2018: *£239,000)* before the redemption.

Other related party transactions

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

Ultimate controlling party

The ultimate controlling party is M Neale.

Notes *(continued)*

24 Audit exemptions

The Company has guaranteed the outstanding liabilities of all subsidiaries within the group and has fulfilled all requirements under s479A of the Companies Act 2006 ('The Act'), thus enabling those subsidiaries to apply for audit exemption; provided their financial statements are not subject to audit under any other provisions of the act.

The following subsidiary companies have applied for audit exemption:

Company	**Registration number**	**Principal activity**	**Class and percentage of shares held**
Mountain Warehouse Group Limited	07218508	Holding Company	Ordinary 100%
MW 2010 Limited	07289395	Dormant company	Ordinary 100%
The Mountain Group Limited	06240297	Holding Company	Ordinary 97%*
Mountain Warehouse Holdings Limited	04425373	Holding Company	Ordinary 100%
Zakti Limited	09473093	Retailing of clothing and equipment for fitness	Ordinary 100%
A.L. & I.D. Fox Limited	06618166	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%

Each of the above companies are incorporated in England and Wales.

* 97% held directly, 100% held indirectly