Mountain Warehouse International Limited

Annual report and financial statements

Registered number 08729050

53 week period ended 1 March 2020

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 53 week period ending 1st March 2020, consolidated turnover has grown from £255.0m to £295.0m, a growth of 15.7%. Based upon a LFL trading view (53 weeks vs 53 weeks) LFL sales grew by +4.3% year on year. The international share of the business was 31.2% (2019: *30.7%*). E-commerce accounted for 23.3% of sales (2019: *23.9%*).

The consolidated profit before tax is £4.6m (2019: £12.2m).

There were 386 stores at the end of the period (2019: *341*). During the year we opened 54 stores and closed 9 stores.

The COVID-19 pandemic has had no impact on the reported financial results for the 53 weeks ending 1st March 2020.

Future developments and response to COVID-19

Subsequent to the year-end date, the Group has had to react and respond to COVID-19, a global public health pandemic entirely outside the Group's influence or control.

In accordance with local government guidelines, all stores around the Group were closed for a period during March 2020 to July 2020. There was a phased reopening of stores from April through to July, with 352 stores open by the end of June and the whole estate trading by the end of July. Since then the Group has reacted to local lockdowns as mandated by local governments, notably in Wales, Ireland, England and parts of Poland, New Zealand and Canada. All stores in England closed on 5 November 2020 as required by the government's second lockdown and reopened on 2 December 2020.

The closure of stores for a significant proportion of the financial year 2021 has had a material impact on Group sales for the period. Our e-commerce business continued to trade throughout and has exceeded expectations, providing some offset to the reduction in store sales. Overall, we are currently expecting a -14.4% year on year reduction in sales. Due to the uncertainties relating to the future impact of the pandemic it is not possible to estimate the overall impact of the pandemic on the Group.

During this period, the Group has taken appropriate measures to preserve liquidity including:

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

To maximise liquidity for the duration of the crisis and the recovery period beyond, the following further steps have been taken with our lenders:

- During May 2020, the Group agreed an RCF extension of £10m until 30 November 2020. This was not drawn down.

Strategic Report *(Continued)*

Future developments and response to COVID-19 *(continued)*

- Simultaneous to the RCF extension, the Group received a waiver for covenant tests at the end of Q1, Q2 and Q3 of FY21, and a deferral of loan amortisation payments throughout FY21 and a new minimum liquidity covenant was agreed, tested fortnightly with immediate effect.
- During November 2020, the Group completed on CLBILS loan finance of £15m on a 3-year term.
- Revised covenants were agreed in November 2020. Under these revised covenant terms, the Group operates with a minimum liquidity test from May 2020 through to February 2022 with a quarterly minimum EBITDA test resuming from February 2021. There is a phased return to quarterly covenant tests of leverage, fixed charge cover and cash charge cover from November 2021 to May 2022.

The short to medium term focus of the Group is successful emergence from lockdown, but the Directors remain confident about the longer-term future of the Group and the plans to achieve a return to growth.

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

The Group is exposed to foreign exchange fluctuations through its supplier payment structure, along with exposure to interest rate risks through its financing facilities which attract variable interest rate charges linked to LIBOR. Risks of exchange rate fluctuations are managed through hedging strategies and further detail can be found in note 17.

On 29th March 2017, the UK government formally announced that the UK would leave the European Union effective 29th March 2019, with a period of transitional arrangements due to end on 31st December 2020. The UK government continues to negotiate 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 managed through our existing currency hedging policy. Supply chain risk has been reduced through HMRC Advanced Economic Operator accreditation which is expected 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.

The COVID-19 pandemic will have an unpredictable impact on all businesses. It amplifies the principal risks outlined above of a downturn in consumer spending, foreign exchange fluctuations and the ability of the Group to effectively respond to Brexit.

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

The Board meets frequently to coordinate the business response and mitigation strategies and will continue to adapt plans as more information becomes available.

Strategic Report *(Continued)*

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, investors, suppliers and the communities with which we interact. The Board seeks to understand the respective interests of such stakeholder groups so that these may be properly considered in the Board's decisions. This is done through various methods which include direct engagement by Board members; through the provision of reports and updates, and through feedback mechanisms.

The Board 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.

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.

An annual Group wide engagement survey is conducted, and this helps the Board to understand the culture of the Group and feeds into future People Team strategy.

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

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

Customers

The Group focuses on providing its customers with value for money, functional outdoor clothing, and equipment. 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 Group makes every effort to settle liabilities in line with agreed payment terms.

Strategic Report *(Continued)*

Section 172 Statement *(continued)*

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

Lender Group

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, upholding our ethical standards within our supply chain which is monitored through our social audits, and recycling damaged stock to charity.

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 the principle decisions made by the Board during the period, in conjunction with the boards of its subsidiaries.

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

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

Key Stakeholders	Principle Decision	Stakeholder Considerations	Conclusions
Shareholders Lenders	Revolving credit facility extension by £10m	The decision was seen as favourable for all key stakeholders: - sufficient facilities are available to meet current needs, and to provide sufficient headroom for future investment and unexpected needs. - increased interest payable to lenders.	Revolving credit facility was extended in June 2019 by £10m.

Strategic Report *(Continued)*

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

Decision making in practice (continued)

Key Stakeholders	Principle Decision	Stakeholder Considerations	Conclusions
Customers Suppliers Communities	Opening warehouse in New Zealand	The decision was seen as favourable for all key stakeholders: - improves e-commerce customer proposition with faster delivery times. - improves retail customer proposition through faster replenishment of store stock packages. - increases revenue for the supplier. - provides local employment opportunities. reduces environmental impact of shipments.	In March 2019 Mountain Warehouse entered a 3 year contract for the provision of warehouse services in New Zealand.
Shareholders Customers Communities	Acquisition of freehold property.	The decision was seen as favourable for all key stakeholders: - results in the acquisition of two extremely strong store locations - expands store geographical presence improving customer offer. - provides local employment opportunities	Mountain Warehouse acquired freehold properties in May 2019 and October 2019.

By order of the board,

Marcus Ward
Director

16 December 2020
5 Eccleston Street
London
SW1W 9LX

Directors' Report

The directors present their annual report and the audited financial statements for the 53 week period ended 1st March 2020. As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report, and notes 1, 17 and 25 to the financial statements.

Proposed dividend

The directors do not recommend the payment of a dividend (2019: *£nil*).

Directors

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

Mark Neale
Marcus Ward
Keith Pacey
Shantelle Augier
Edward Lynch
Simon Neale
Carl Wormald

Company Secretary

Amanda Dickinson

Disclosure of information to auditor

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

Auditor

Pursuant to Section 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.

Going Concern

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

- Prior to the COVID-19 pandemic, the Group had demonstrated strong sales growth and consistent EBITDA performance. The Group is operationally and financially strong and has a track record of over 10 years of growth and cash generation.
- In common with many other retailers we were heavily impacted by the COVID-19 crisis, principally due to closing the entire global store estate. At the outset of COVID-19 significant cost-control actions were launched and sales forecasts revised. Cashflow modelling identified a near-term funding gap and an RCF extension of £10m was granted in May 2020, for a period until November 2020. This was not drawn down. Alongside, lenders waived all Covenant tests until February 2021, replacing them with a bi-weekly minimum liquidity test. The minimum EBITDA test resumes from February 2021 and there is a phased return to quarterly covenant tests of leverage, fixed charge cover and cash charge cover from November 2021 to May 2022. After nine weeks of lockdown the business gradually reopened stores in line with Government guidance across its nine countries of operation, with sales improving gradually since. eCommerce outperformed expectations during this period. Since then the Group has reacted to local lockdowns as mandated by local governments, notably in Wales, Ireland, England and parts of Poland, New Zealand and Canada.

Directors' Report *(continued)*

Going Concern *(continued)*

- The global pandemic is unprecedented, and we do not have a similar experience in which to inform us of the level of impact that the pandemic will have on consumer demand. Our recovery plan is therefore based on our sales patterns to date along with sales predictions shared by other retailers. Based on this intelligence the Directors have agreed a plan to return the business to growth as follows:
    - The plan is centred around a gradual recovery of LFL store trading alongside an acceleration in eCommerce growth. Online sales since the start of the pandemic have been strong and we believe this is a permanent shift in consumer behaviour.
    - As part of this there will be a less aggressive store opening plan which will also help to conserve liquidity.
    - The forecasts for FY21 and FY22 have been built using detailed daily cash modelling, buying plans, sales projections, landlord agreements, manpower plans and scrutiny of all costs.
    - Based on this plan, there is sufficient headroom in the funding available to the Group to meet the possible cash requirements of the Group and to comply with the covenant testing requirements associated with the Group's funding, taking into account the unprecedented circumstances caused by COVID-19.
- The Board has applied extensive scrutiny to the projections and sensitivities made in assessing the financial modelling for the Group and is satisfied that reasonable assumptions have been made for the going concern opinion.
    - Modelling has been based on the most significant uncertainties: the speed of recovery of store sales, rate of online sales growth, working capital assumptions for stock purchases and dollar exchange rate for stock purchases.
    - Additional, severe, but plausible scenarios centred around further store trading restrictions, have also been modelled. This downside case does not give rise to a breach of banking covenants and there is adequate headroom in the funding available to the Group to meet its cash requirements.
    - Further mitigating actions available to the Group include managing stock intake and terms, pausing non-essential capital expenditure and further reducing discretionary costs.
- The brand is well positioned in the resilient and high-growth outdoor lifestyle sector. Our expectations of future business performance have consistently improved since March lockdown to the date of the approval of the financial statements as insight into and confidence in trade has developed.
- These financial plans have been shared with the Group's lenders in application for a £15m CLBILS loan and covenant reset, both of which have been agreed. Covenant testing over the next 12 months are limited to a minimum liquidity test and minimum EBITDA test.

The Board has concluded that there is a reasonable expectation that the Group has adequate resources to remain in operational existence for at least 12 months from the date of approval of this report. 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

16 December 2020
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 01 March 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated Cash Flow Statement, and the related notes 1 to 25, 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 1 March 2020 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.

Emphasis of matter - effects of Covid-19

We draw attention to note 25 in the financial statements, which describes the economic disruption the Group is facing as a result of Covid-19. Our opinion is not modified in respect of this matter.

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 10, 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: 16 December 2020

Consolidated Statement of Comprehensive Income

For 53 week period ended 1 March 2020

	Note	2020 £'000	2019 £'000
Turnover	*2*	**294,956**	255,044
Cost of sales		**(143,043)**	(117,821)
Gross profit		**151,913**	137,223
Administrative expenses	*3*	**(143,011)**	(118,005)
Operating profit		**8,902**	19,218
Interest received and similar income		**1**	3
Interest payable and similar charges	*5*	**(4,307)**	(7,070)
Profit on ordinary activities before taxation		**4,596**	12,151
Tax on profit on ordinary activities	*7*	**(2,085)**	(4,273)
Profit for the financial period		**2,511**	7,878
Other comprehensive income			
Exchange differences on translation of foreign operations	*16*	**369**	(362)
Effective portion of changes in fair value of cash flow hedges	*16*	**528**	3,343
Income tax on other comprehensive income	*7,16*	**(100)**	(568)
Other comprehensive income for the period, net of income tax		**797**	2,413
Total comprehensive income for the period		**3,308**	10,291

The results derive entirely from continuing operations.

Consolidated Balance Sheet
at 1 March 2020

	Note	2020 £'000	2020 £'000	Restated 2019 £'000	Restated 2019 £'000
Fixed assets					
Intangible fixed assets	8		**48,763**		52,281
Tangible fixed assets	9		**39,626**		32,404
			88,389		84,685
Current assets					
Stocks	11	**58,793**		52,898	
Debtors	12	**5,887**		7,994	
Other financial assets	18,19	**1,714**		5,913	
Cash at bank and in hand		**16,890**		9,256	
		83,284		76,061	
Current liabilities					
Trade and other payables	13	**(40,726)**		(29,866)	
Provision for other liabilities	15	**(2,124)**		(1,032)	
Other financial liabilities	18	**(672)**		(767)	
Net current assets			**39,762**		44,396
Total assets less current liabilities			**128,151**		129,081
Non-current liabilities					
Trade and other payables	14		**(75,745)**		(81,442)
Provisions for other liabilities	15		**(5,772)**		(4,338)
Deferred tax liability	20		**(430)**		(405)
Net assets			**46,204**		42,896
Capital and reserves					
Called up share capital	16		**1,226**		1,226
Share Premium	16		**13,023**		13,023
Capital redemption reserve	16		**8**		8
Profit and loss account	16		**31,012**		28,501
Cash flow hedging reserve	16		**926**		498
Foreign currency translation reserve	16		**9**		(360)
Shareholders' funds			**46,204**		42,896

These financial statements were approved by the board of directors on 16 December 2020 and were signed on its behalf by:

Marcus Ward
Director
Company registered number: 08729050

Company Balance Sheet
At 1 March 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Investments	*10*	**-**	**-**	-	-
Current assets					
Debtors	*12*	**15,421**		15,110	
Creditors: amounts falling due within one year	*13*	**(2,226)**		(2,225)	
Net current assets			**13,195**		12,885
Total assets less current liabilities			**13,195**		12,885
Creditors: amounts falling due after one year	*14*		**-**		-
Net assets			**13,195**		12,885
Capital and reserves					
Called up share capital	*16*		**1,226**		1,226
Share Premium	*16*		**13,023**		13,023
Capital redemption reserve	*16*		**8**		8
Profit and loss account	*16*		**(1,062)**		(1,372)
Shareholders' funds			**13,195**		12,885

These financial statements were approved by the board of directors on 16 December 2020 and were signed on its behalf by:

Marcus Ward
Director
Company registered number: 08729050

Consolidated Statement of Changes in Equity
At 1 March 2020

	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 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	-	-	-	-	13,083
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**	**42,896**
Total comprehensive income for the period							
Profit	-	-	-	2,511	-	-	2,511
Other comprehensive income (note 16)	-	-	428	-	369	-	797
Total comprehensive income for the period	-	-	428	2,511	369	-	3,308
Balance at 1 March 2020	**1,226**	**13,023**	**926**	**31,012**	**9**	**8**	**46,204**

Company Statement of Changes in Equity
At 1 March 2020

	Share capital £000	Share premium £000	Retained earnings £000	Capital redemption reserve £000	Total equity £000
Balance at 25 February 2018	1,168	-	5	7	1,180
Total comprehensive loss for the period	-	-	(1,341)	-	(1,341)
Total comprehensive loss 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**
Total comprehensive income for the period					
Profit	-	-	311	-	311
Total comprehensive income for the period	-	-	311	-	311
Balance at 1 March 2020	**1,226**	**13,023**	**(1,062)**	**8**	**13,195**

Consolidated Cash Flow Statement

For 53 week period ended 1 March 2020

	Note	2020 £000	Restated 2019 £000
Operating activities			
Profit for the period		**2,511**	7,877
Adjustments for:			
Depreciation and amortisation	*8,9*	**10,528**	9,297
Impairment loss	*9*	**2,033**	159
Loss on disposal of assets	*3*	**545**	94
Foreign currency losses on derivatives		**132**	274
Interest received and similar income		**(1)**	(3)
Interest payable and similar charges	*5*	**4,307**	7,070
Taxation	*7*	**2,085**	4,273
Foreign exchange losses/(gains)		**377**	(727)
		22,517	28,314
Decrease/(increase) in trade and other receivables	*12*	**2,420**	(3,439)
Increase in inventories	*11*	**(5,919)**	(7,031)
Increase/(decrease) in Other Financial Assets	*18.19*	**4,500**	(4,500)
Increase in trade and other payables	*13*	**609**	1,665
Increase in provisions	*15*	**2,518**	1,074
		26,645	16,083
Tax paid		**(2,090)**	(4,037)
Net cash from operating activities		**24,555**	12,046
Investing activities			
Interest received		**1**	3
Acquisition of property, plant and equipment	*9*	**(15,994)**	(12,879)
Acquisition of intangible assets	*8*	**(795)**	(1,019)
Net cash used in investing activities		**(16,788)**	(13,895)
Financing activities			
Interest paid	*5*	**(4,133)**	(6,830)
Repurchase of own shares		**-**	(36)
Issuance of new shares		**-**	13,082
Repayment of loan notes		**-**	(11,970)
Changes in net borrowings		**-**	(818)
Receipts from revolving credit facility		**10,000**	-
Repayment of bank loans		**(6,000)**	-
Net cash used in financing activities		**(133)**	(6,572)
Net (decrease)/increase in cash and cash equivalents		**7,634**	(8,421)
Effect of currency translation on cash and cash equivalents		**-**	54
Cash and cash equivalents at beginning of period		**9,256**	17,623
Cash and cash equivalents at period end		**16,890**	9,256

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 Company has its registered office at 5 Eccleston Street, London, England, SW1W 9LX.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The parent company financial statements present information about the Company as a separate entity and not about its group.

The Company has taken the exemption afforded to it under FRS102 and will not prepare a cash flow statement. Under s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. The company profit for the period is £311,000.

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 53 weeks ending 1st March 2020. The comparatives are prepared for the 52 weeks ending 24th February 2019.

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

1.1 Judgements and key sources of estimation uncertainty

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

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Measurement convention

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

1.3 Going concern

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

- Prior to the COVID-19 pandemic, the Group had demonstrated strong sales growth and consistent EBITDA performance. The Group is operationally and financially strong and has a track record of over 10 years of growth and cash generation.
- In common with many other retailers we were heavily impacted by the COVID-19 crisis, principally due to closing the entire global store estate. At the outset of COVID-19 significant cost-control actions were launched and sales forecasts revised. Cashflow modelling identified a near-term funding gap and an RCF extension of £10m was granted in May 2020, for a period until November 2020. This was not drawn down. Alongside, lenders waived all Covenant tests until February 2021, replacing them with a bi-weekly minimum liquidity test. The minimum EBITDA test resumes from February 2021 and there is a phased return to quarterly covenant tests of leverage, fixed charge cover and cash charge cover from November 2021 to May 2022. After nine weeks of lockdown the business gradually reopened stores in line with Government guidance across its nine countries of operation, with sales improving gradually since. eCommerce outperformed expectations during this period. Since then the Group has reacted to local lockdowns as mandated by local governments, notably in Wales, Ireland, England and parts of Poland, New Zealand and Canada.
- The global pandemic is unprecedented, and we do not have a similar experience in which to inform us of the level of impact that the pandemic will have on consumer demand. Our recovery plan is therefore based on our sales patterns to date along with sales predictions shared by other retailers. Based on this intelligence the Directors have agreed a plan to return the business to growth as follows:
    - The plan is centred around a gradual recovery of LFL store trading alongside an acceleration in eCommerce growth. Online sales since the start of the pandemic have been strong and we believe this is a permanent shift in consumer behaviour.
    - As part of this there will be a less aggressive store opening plan which will also help to conserve liquidity.
    - The forecasts for FY21 and FY22 have been built using detailed daily cash modelling, buying plans, sales projections, landlord agreements, manpower plans and scrutiny of all costs.
    - Based on this plan, there is sufficient headroom in the funding available to the Group to meet the possible cash requirements of the Group and to comply with the covenant testing requirements associated with the Group's funding, taking into account the unprecedented circumstances caused by COVID-19.
- The Board has applied extensive scrutiny to the projections and sensitivities made in assessing the financial modelling for the Group and is satisfied that reasonable assumptions have been made for the going concern opinion.
    - Modelling has been based on the most significant uncertainties: the speed of recovery of store sales, rate of online sales growth, working capital assumptions for stock purchases and dollar exchange rate for stock purchases.
    - Additional, severe, but plausible scenarios centred around further store trading restrictions, have also been modelled. This downside case does not give rise to a breach of banking covenants and there is adequate headroom in the funding available to the Group to meet its cash requirements.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Going concern (continued)

  - Further mitigating actions available to the Group include managing stock intake and terms, pausing non-essential capital expenditure and further reducing discretionary costs.

- The brand is well positioned in the resilient and high-growth outdoor lifestyle sector. Our expectations of future business performance have consistently improved since March lockdown to the date of the approval of the financial statements as insight into and confidence in trade has developed.

- These financial plans have been shared with the Group's lenders in application for a £15m CLBILS loan and covenant reset, both of which have been agreed. Covenant testing over the next 12 months are limited to a minimum liquidity test and minimum EBITDA test.

The Board has concluded that there is a reasonable expectation that the Group has adequate resources to remain in operational existence for at least 12 months from the date of approval of these financial statements. On this basis, the Directors continue to adopt the going concern basis for the preparation of the financial statements.

1.4 Basis of consolidation

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

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

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

1.5 Revenue

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

1.6 Foreign currency

The consolidated financial statements are presented in pound Sterling, which is the functional currency of the company. Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in profit and loss except for differences arising on the retranslation of qualifying cash flow hedges with changes taken to other comprehensive income, which are recognised in other comprehensive income.

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

Notes *(continued)*

1 Accounting policies (continued)

1.7 Basic financial instruments

Trade and other debtors / creditors

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

Derivative financial statements 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 the Statement of Comprehensive Income as they arise.

Cash flow hedges

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

1.9 Stocks

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

1.10 Tangible fixed assets

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

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

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

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

Notes *(continued)*

1 Accounting policies (continued)

1.10 Tangible fixed assets (continued)

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 profit and loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit 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 profit and loss represents the contributions payable to the scheme in respect of the accounting period.

Notes *(continued)*

1 Accounting policies (continued)

1.13 Operating leases

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease. 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.

Onerous lease provision

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

Dilapidations provision

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

1.15 Taxation

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

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

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

Deferred tax is measured 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:

	2020 £000	2019 £000
United Kingdom	**203,052**	176,656
Europe	**31,088**	26,637
Rest of the World	**60,816**	51,751
	294,956	255,044

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:

	2020 £000	2019 £000
Depreciation: owned assets	**6,215**	5,115
Impairment	**2,033**	159
Amortisation of goodwill and intangibles	**4,313**	4,182
Operating lease expense	**30,264**	26,301
Loss on disposal of fixed assets	**545**	41
Foreign exchange differences	**416**	(766)

Auditor's remuneration:

	2020 £000	2019 £000
Audit of these financial statements	**12**	5
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	**145**	65
Audit related assurance services	**5**	5
Non-audit related assurance services	**-**	140

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:

	2020 No.	2019 No.
Sales and administration	**1,978**	1,629

Notes *(continued)*

4 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	**48,836**	39,488
Social security costs	**4,284**	3,163
Contributions to defined contribution plans	**564**	301
	53,684	42,952

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 £564,000 (2019: *£301,000*). Contributions amounting to £138,000 (2019: *£63,000*) were payable to the scheme at the balance sheet date and are included in creditors.

The Company had no employees during the period (2019: *nil*).

5 Interest payable and similar income

	2020 £000	2019 £000
Interest on bank loans and overdrafts	**3,906**	5,179
Interest on loan notes	**-**	82
Amortisation of debt issue costs	**401**	1,809
	4,307	7,070

6 Directors' remuneration

Three of the directors are also directors of a number of other group companies and do not consider it possible to identify the proportion of their remuneration relating to their roles as directors of this company. Their remuneration is included in the disclosure in the Mountain Warehouse Limited financial statements. Two directors receive no remuneration from the Company or any other company in the Group. The total remuneration of the remaining directors, which is borne by Mountain Warehouse Limited is outlined in the tables below.

	2020 £'000	2019 £'000
Directors' emoluments	**226**	261

The aggregate remuneration of the highest paid director was £188,000 (2019: *£221,000*) and company pension contributions of £1,000 (2019: *£Nil*) were made to a money purchase scheme on his behalf.

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

	2020	2019
Money purchase schemes	**1**	1

Notes *(continued)*

7 Taxation

Recognised in the profit and loss

	2020 £000	2019 £000
UK Corporation tax		
Current year	**971**	2,169
Adjustments for prior periods	**562**	313
	1,533	2,482
Foreign tax		
Current period	**951**	1,624
Total current tax	**2,484**	4,106
Deferred tax		
Origination and reversal of temporary differences	**(162)**	(7)
Adjustment in respect of prior periods	**(256)**	113
Effects of the change in tax rate	**19**	61
Deferred tax expense	**(399)**	167
Total tax expense	**2,085**	4,273

Deferred tax recognised in other comprehensive income

	2020 £000	2019 £000
Effective portion of changes in fair value of cash flow hedges	**(100)**	(568)

Reconciliation of effective tax rate

The current tax charge for the period is higher (2019: *higher)* than the standard rate of corporation tax in the UK.

	2020 £000	2019 £000
Profit before taxation	**4,596**	12,151
Tax using the UK corporation tax rate of 19% (2019: *19%*)	**873**	2,309
Change in tax rate	**178**	572
Adjustments in respect of previous periods	**306**	425
Expenses not deductible for tax purposes	**728**	967
Total tax expense	**2,085**	4,273

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 1st March 2020 has been calculated based on this rate. In the 11 March 2020 budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will increase the Group's future tax charge.

Deferred tax liabilities of £196,000 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 24 February 2019	69,249	4,206	73,455
Additions	-	795	795
Disposals	-	-	-
Balance at 1 March 2020	69,249	5,001	74,250
Amortisation and impairment			
Balance at 24 February 2019	18,464	2,710	21,174
Amortisation for the year	3,585	728	4,313
Disposals	-	-	-
Balance at 1 March 2020	22,049	3,438	25,487
Net book value			
At 24 February 2019	50,785	1,497	52,281
At 1 March 2020	**47,200**	**1,563**	**48,763**

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

Notes *(continued)*

9 Tangible fixed assets

Group

	Freehold property £000	Fixtures & fittings £000	Total £000
Cost			
Balance at 24 February 2019	2,791	59,504	62,295
Additions	1,501	14,493	15,994
Disposals	-	(1,076)	(1,076)
Foreign exchange differences	-	(23)	(23)
Balance at 1 March 2020	4,292	72,898	77,190
Depreciation			
Balance at 24 February 2019	166	29,725	29,891
Depreciation charge for the year	75	6,140	6,215
Disposals	-	(531)	(531)
Impairment loss	-	2,033	2,033
Foreign exchange differences	-	(44)	(44)
Balance at 1 March 2020	241	37,323	37,564
Net book value			
At 24 February 2019	2,625	29,779	32,404
At 1 March 2020	**4,051**	**35,575**	**39,626**

The Company does not own any tangible fixed assets.

Notes *(continued)*

10 Investments in subsidiaries

At 1 March 2020, 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%
Mountain Warehouse Trustee Limited	England and Wales	Holding Company	Ordinary 100%
The Mountain Group Limited	England and Wales	Holding Company	Ordinary 97% directly, 100% indirectly
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%
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	Dormant Company	Ordinary 100%
Mountain Warehouse Handelgesellschaft GmbH	Austria	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse Polska S.p z o.o.	Poland	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse Outdoor (Canada) Limited	Canada	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse Outdoor Inc	USA	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
Mountain Warehouse B.V.	Netherlands	Retailing of clothing and equipment for outdoor pursuits	Ordinary 100%
A.L. & I.D Fox Limited	England and Wales	Dormant Company	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 24 February 2019 and 1 March 2020	-

Notes *(continued)*

11 Stocks

	Group	
	2020	2019
	£000	£000
Finished goods	**58,793**	52,898

The cost of inventories recognised as an expense and charged to cost of sales in the period was £112.6m (2019: *£95.7m*).

12 Debtors

	Group		Company	
		Restated		Restated
	2020	2019	**2020**	
	£000	£000	**£000**	£000
Amounts owed by group undertakings	**-**	-	**15,421**	15,110
Other debtors	**2,476**	1,772	**-**	-
Prepayments	**3,076**	6,211	**-**	-
Deferred tax (note 20)	**335**	11	**-**	-
	5,887	7,994	**15,421**	15,110

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.

The FY19 prepayments and trade creditors balances have been restated to correct debit balances on the stock creditors ledger. The impact of this restatement is to increase the balance in the group by £3,069,000.

13 Creditors: amounts falling due within one year

	Group		Company	
		Restated		
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Amounts owed to group undertakings	**-**	-	**2,226**	2,225
Trade creditors	**12,260**	8,084	**-**	-
Accruals and deferred income	**10,120**	13,654	**-**	-
Other taxes and social security	**3,078**	3,137	**-**	-
Interest payable	**148**	262	**-**	-
Revolving credit facility	**11,000**	1,000	**-**	-
Bank loans (net of debt issue costs of £411,000)	**3,589**	3,617	**-**	-
Corporation tax	**530**	112	**-**	-
	40,725	29,866	**2,226**	2,225

Notes *(continued)*

13 Creditors: amounts falling due within one year *(continued)*

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.

The FY19 prepayments and trade creditors balances have been restated to correct debit balances on the stock creditors ledger. The impact of this restatement is to increase the balance in the group by £3,069,000.

14 Creditors: amounts falling due after more than one year

	Group		Company	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Bank loans	**70,000**	76,000	-	-
Unamortised debt issue costs	**(1,025)**	(1,340)	-	-
Accruals and deferred income	**6,770**	6,782	-	-
	75,745	81,442	-	-

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 term loans, and the revolving credit facility (see Note 13) are subject to interest at Libor between + 2.5% and +3.25%, depending on the Group's leverage in respect of the period in concern.

Debt maturities	Note	**2020**	2019
		£000	£000
< 1 year	13	**4,000**	4,000
1-2 years	14	**4,000**	4,000
2-5 years	14	**66,000**	72,000
More than 5 years		-	-
		74,000	80,000

Analysis of changes in net debt	**At 24 February 2019**	**Cash flows**	**At 1 March 2020**
	£000	**£000**	**£000**
Cash	9,256	7,634	**16,890**
Revolving Credit Facility	(1,000)	(10,000)	**(11,000)**
Borrowings	(80,000)	6,000	**(74,000)**
	(71,744)	3,634	**(68,110)**

Notes *(continued)*

15 Provisions

Group	Onerous lease £000	Dilapidations provision £000	Total £000
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
Foreign Exchange Differences	48	(1)	47
Provisions made during the year	1,987	209	2,196
Remeasurement		548	548
Utilised during the period	(169)	(17)	(186)
Unused amounts reversed	(61)	(18)	(79)
Balance at 1 March 2020	**2,211**	**5,685**	**7,896**
Current	185	847	1,032
Non-current	221	4,117	4,338
Balance at 25 February 2019	406	4,964	5,370
Current	952	1,172	2,124
Non-current	1,259	4,513	5,772
Balance at 1 March 2020	**2,211**	**5,685**	**7,896**

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 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 Company does not hold any provisions.

Notes *(continued)*

16 Capital and reserves

Share capital

Represents the nominal value of shares that have been issued.

	2020 £'000	2019 £'000
Allotted, called up and fully paid; shares of £1 each		
738,329 (*2019*: 738.329) 'A' Ordinary shares	**738**	738
108,000 (*2019: 108,000*)'B' Ordinary shares	**108**	108
180,000 'B2' Ordinary shares	**180**	180
200,098 "C" Ordinary shares	**200**	200
	1,226	1,226

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	2020 £'000	2019 £'000
Other comprehensive income		
Effective portion of changes in fair value of cash flow hedges	**528**	3,343
Income tax on other comprehensive income	**(100)**	(568)
Total other comprehensive income	**428**	2,775

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

Where appropriate, hedge accounting is adopted by the Group. Fair value movements in foreign currency derivatives are recognised in other comprehensive income to the extent that the contract is part of an effective hedging relationship (note 16). Fair value movements of £132,000 (2019: *£274,000*) 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.

	2020 **1 year or less** **£000**	**1 to <2years** **£000**	**Total** **£000**	2019 1 year or less £000	1 to <2years £000	Total £000
Forward exchange contracts	**82,066**	**10,170**	**92,236**	80,806	3,392	84,198

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 £30.0m revolving credit facility to support short and medium term liquidity. As at balance sheet date, £11m of this balance had been drawn down. During May 2020, the Group agreed an RCF extension of £10m until 30 November 2020.

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 1 March 2020 this exposure amounted to £9.4m (2019: *£9.9m)*. 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	
		Restated		
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Current				
Derivatives used for hedging	**1,714**	1,413	-	-
Trade and other receivables	**5,552**	7,983	-	-
Other Financial Assets	-	4,500	-	-
Cash and cash equivalents	**16,890**	9,256	-	-
	24,156	23,152	-	-

Notes *(continued)*

18 Financial assets and liabilities *(continued)*

Financial liabilities

	Group		Company	
		Restated		
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Non-current				
Trade and other payables	**5,745**	6,782	-	-
Bank loans	**70,000**	76,000	-	-
Loan notes	-	-	-	-
	75,745	82,782	-	-
Current				
Derivatives used for hedging	**672**	767	-	-
Bank loans and revolving credit facility	**15,000**	5,000	-	-
Trade and other payables	**25,726**	25,249	-	-
	41,398	31,016	-	-

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.

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:

	2020	2019
	£'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	
	2020	2019	**2020**	2019	**2020**	2019
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**(310)**	-	-	15	**(310)**	15
Derivatives	-	-	**196**	156	**196**	156
Pension	**(25)**	(11)	-	-	**(25)**	(11)
Goodwill	-	-	**234**	234	**234**	234
Tax (assets) / liabilities	**(335)**	(11)	**430**	405	**95**	394

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	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Less than one year	**26,713**	25,513	**293**	73
Between one and five years	**72,428**	65,353	**371**	53
More than five years	**29,041**	21,106	**-**	-
	128,182	111,972	**664**	126

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 £74m (2019: *£80m*).

There were no other material contingent assets or liabilities at 1 March 2020 (2019: *£Nil*).

23 Related parties

Transactions with key management personnel

Directors of the Group, and Inflexion Partnership Capital fund, control 100% of the voting shares of the Group.

The directors include two directors representing Inflexion Partnership Capital fund who hold a minority stake in the Group.

Management fees of £102,000 were paid to Inflexion Partnership Capital fund in the year (2019: £N*il*).

Inflexion Partner Capital fund invested in the Group in 2019 and an arrangement fee of £1,400,000 was payable on completion of this transaction .

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

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 Mark 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	Dormant Company	Ordinary 100%
A.L. & I.D. Fox Limited	06618166	Dormant Company	Ordinary 100%
		Holding Company	
Mountain Warehouse Trustee Limited	08729050		Ordinary 100%

Each of the above companies are incorporated in England and Wales.
* 97% held directly, 100% held indirectly

25 Subsequent Events

COVID-19

Subsequent to the year-end date, the Group has had to react and respond to the COVID-19, a global public health pandemic entirely outside the Group's influence or control.

The Board views the COVID-19 pandemic as a non-adjusting post balance sheet event.

Based on the conditions that existed at the balance sheet date, only limited impact on the trading operations of the business were expected. These impacts were primarily related to Supply Chain disruption from China and there were sufficient options available to mitigate this.

In accordance with local government guidelines, all stores around the Group were closed for a period during March 2020 to July 2020. There was a phased reopening of stores from April through to July, with 352 stores open by the end of June and the whole estate trading by the end of July. Since then the Group has reacted to local lockdowns as mandated by local governments, notably in Wales, Ireland, England and parts of Poland, New Zealand and Canada. All stores in England closed on 5 November 2020 as required by the government's second lockdown and reopened on 2 December 2020.

The closure of stores for a significant proportion of the financial year 2021 has had a material impact on Group sales for the period. Our e-commerce business continued to trade throughout and has exceeded expectations, providing some offset to the reduction in store sales. Overall, we are currently expecting a -14.4% year on year reduction in sales. Due to the uncertainties relating to the future impact of the pandemic it is not possible to estimate the overall impact of the pandemic on the Group.

During this period, the Group has taken appropriate measures to preserve liquidity including:

- Utilising government backed financial support, including wage subsidy schemes and business rates waivers
- Managing stock intake and supplier terms
- Rephasing or delaying non-essential capital expenditure
- Closing out open derivative contracts to realise a cash injection
- Agreeing rent deferrals or rent-free periods with a significant number of landlords
- Controlling the discretionary cost base

Notes *(continued)*

25 Subsequent events *(continued)*

To maximise liquidity for the duration of the crisis and the recovery period beyond, the following further steps have been taken with our lenders:

- During May 2020, the Group agreed an RCF extension of £10m until 30 November 2020. This was not drawn down.
- Simultaneous to the RCF extension, the Group received a waiver for covenant tests at the end of Q1, Q2 and Q3 of FY21, and a deferral of loan amortisation payments throughout FY21 and a new minimum liquidity covenant was agreed, tested fortnightly with immediate effect.
- During November 2020, the Group completed on CLBILS loan finance of £15m on a 3-year term.
- Revised covenants were agreed in November 2020. Under these revised covenant terms, the Group operates with a minimum liquidity test from May 2020 through to February 2022, with a quarterly minimum EBITDA test resuming from February 2021. There is a phased return to quarterly covenant tests of leverage, fixed charge cover and cash charge cover from November 2021 to May 2022.

Whilst the impact of Covid-19 remains uncertain, the Board does not anticipate that Covid-19 will result in a significant impairment of fixed assets or goodwill. Whilst assets relating to some specific stores may become impaired under short-term adverse trading conditions, with the possibility of onerous leases, it is not yet possible to reliably estimate the impact.

The Group utilises foreign currency derivative contracts and US Dollar denominated cash balances to manage the foreign exchange risk on US Dollar denominated purchases. To the extent forecast foreign currency transactions would no longer be expected to occur, amounts recognised in the hedging reserve and cost of hedging reserve relating to those cashflows would be expensed to the Statement of Comprehensive Income. The impact on the FY21 financial statements is not yet known.

Only a very small proportion of the Group's Inventories are perishable and inventory specific to a season can be stored until the following year. Therefore, the realisable value of inventories would not have been significantly impacted by the subsequent event.

<u>Other</u>

In October 2020 Mountain Warehouse entered into an agreement with H Young Operations Limited to license the Intellectual Property and Domain Names of the brand Animal with an option to buy which expires in February 2023.