

The Mountain Group Limited

**Directors' report and consolidated
financial statements**

Registered number 6240297

28 February 2010

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Directors' Report

The directors present their annual report and the audited financial statements for the year ended 28 February 2010

Principal activity

The principal activity of the company is that of a holding company

Enhanced business review

The consolidated group profit before tax is £5,867,469, (2009 £3,220,008) The Board is satisfied with the growth shown during the year Sales reached £47.5m and Gross profit £28.7m There were 94 stores at the end of the year (2009 64) The Board is confident in the future growth of the company and continues to roll out new stores during 2010 We have considered the facilities available to the group and are confident we have sufficient headroom going forward

Proposed dividend

The directors do not recommend the payment of a dividend (2009 £nil)

Director and directors' interests

The directors who held office during the year, were as follows

Director

Mark Neale

Shantelle Augier

Carl Deening

Marcus Ward

Rupinder Cheema

Political and charitable contributions

Neither the company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the year

Disclosure of information to auditors

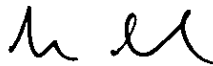
The directors who held office at the date of approval of this directors' report confirm that, so far as they each are aware, there is no relevant audit information of which the group's auditors are unaware, and each director has taken all the steps that ought to have been taken as a director to make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

Directors' Report *(continued)*

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



M Ward
Director

3 Eccleston Street
London
SW1W 9LX

27 July 2010

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

The directors are responsible for preparing the Directors' 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).

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 judgments 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and 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 the 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.



1 The Embankment
Neville Street
Leeds
LS1 4DW

Independent auditors' report to the members of The Mountain Group Limited

We have audited the financial statements of The Mountain Warehouse Group Limited for the year ended 28 February 2010 set out on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 28 February 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of The Mountain Group Limited *(continued)*

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company's 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

AJ Sills

AJ Sills (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 The Embankment
Leeds
West Yorkshire
LS1 4DW

2 August 2010

Consolidated profit and loss account
for the year ended 28 February 2010

	<i>Note</i>	2010 £	2009 £
Turnover	<i>1</i>	47,533,620	31,616,033
Cost of sales		(18,818,624)	(11,198,258)
Gross profit		28,714,996	20,417,775
Administrative expenses		(21,639,671)	(15,603,912)
Operating profit		7,075,325	4,813,863
Interest received		15,197	35,390
Interest payable and similar charges	<i>5</i>	(1,223,053)	(1,629,245)
Profit on ordinary activities before taxation	<i>2-4</i>	5,867,469	3,220,008
Tax on profit on ordinary activities	<i>6</i>	(2,110,624)	(1,422,342)
Retained profit for the financial period	<i>14</i>	3,756,845	1,797,666

A statement of the movement on reserves is set out in note 14. There are no recognised gains or losses other than the profit for the year as stated above. The results derive entirely from continuing operations. The profit on ordinary activities before taxation is the historical cost profit.

Consolidated balance sheet
at 28 February 2010

	<i>Note</i>	2010	2009
		£	£
Fixed assets			
Intangible fixed Assets	8	12,087,272	12,839,696
Tangible fixed assets	9	5,069,848	3,912,026
		<u>17,157,120</u>	<u>16,751,722</u>
Current assets			
Stocks – finished goods		6,712,275	5,576,338
Debtors	10	1,555,191	378,730
Cash at bank and in hand		7,885,406	4,793,895
		<u>16,152,872</u>	<u>10,748,963</u>
Creditors: amounts falling due within one year	11	<u>(7,191,583)</u>	<u>(6,659,123)</u>
Net current assets		<u>8,961,289</u>	<u>4,089,840</u>
Total assets less current liabilities		<u>26,118,409</u>	<u>20,841,562</u>
Creditors amounts falling due after one year	12	<u>(19,447,837)</u>	<u>(17,906,669)</u>
Provisions for Liabilities – deferred tax		<u>-</u>	<u>(21,166)</u>
Net assets		<u>6,670,572</u>	<u>2,913,727</u>
Capital and reserves			
Called up share capital	13	499,999	499,999
Profit and loss account	14	6,170,573	2,413,728
Shareholders' funds		<u>6,670,572</u>	<u>2,913,727</u>

These financial statements were approved by the board of directors on *27th* 2010 and were signed on its behalf by

M Ward

M Ward
Director

Company balance sheet
at 28 February 2010

	<i>Note</i>	2010	2009
		£	£
Fixed assets			
Investments	7	13,913,596	13,913,596
Current assets			
Debtors	10	673,954	1,651,402
		<u>673,954</u>	<u>1,651,402</u>
Creditors amounts falling due within one year	11	<u>(1,277,866)</u>	<u>(651,476)</u>
Net current (liabilities)/assets		<u>(603,912)</u>	<u>999,926</u>
Total assets less current liabilities		<u>13,309,684</u>	<u>14,913,522</u>
Creditors: amounts falling due after one year	12	<u>(17,038,742)</u>	<u>(17,383,887)</u>
Net liabilities		<u>(3,729,058)</u>	<u>(2,470,365)</u>
Capital and reserves			
Called up share capital	13	499,999	499,999
Profit and loss account	14	<u>(4,229,057)</u>	<u>(2,970,364)</u>
Shareholders' deficit		<u>(3,729,058)</u>	<u>(2,470,365)</u>

These financial statements were approved by the board of directors on **27 July 2010** and were signed on its behalf by



M Ward
Director

Consolidated cash flow statement
for the year ended 28 February 2010

Reconciliation of operating profit to net cash flow from operating activities

	2010 £	2009 £
Operating profit	7,075,325	4,813,863
Depreciation	1,210,204	775,232
Amortisation of leasehold capital contributions	(295,392)	(251,574)
Amortisation of goodwill	752,424	752,424
Increase in stocks	(1,135,937)	(2,942,470)
(Increase)/decrease in debtors	(1,130,461)	413,228
Increase in creditors	1,549,954	2,405,747
Net cash inflow from operating activities	8,026,117	5,996,450

Cash flow statement

Net cash inflow from operating activities		8,026,117	5,996,450
Returns on investments and servicing of finance	<i>18</i>	(253,001)	(756,472)
Capital expenditure	<i>18</i>	(1,926,026)	(2,793,747)
Corporation tax		(2,055,579)	(818,850)
Financing	<i>18</i>	(700,000)	1,500,000
Increase in cash		3,091,511	3,097,381

Reconciliation of movements in shareholders' funds
for the year ended 28 February 2010

	2010 £	2009 £
Profit for the financial year	3,756,845	1,797,666
Net increase in shareholders' funds	3,756,845	1,797,666
Shareholders' funds brought forward	2,913,727	1,116,061
Closing shareholders' funds	6,670,572	2,913,727

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules on a going concern basis

The accounts have been prepared on a going concern basis, notwithstanding that the parent company balance sheet is in a net liabilities position as at 28 February 2010. This is on the basis that there are sufficient post acquisition distributable reserves in the parent company's subsidiaries that could be used to return the company to a net asset position via dividend payments

The Board has prepared a working capital forecast based upon assumptions as to the Group's future trading. Based upon these projections the facility available and its cash balances, the Board has concluded that the Group has adequate working capital, will meet financial performance covenants and that therefore it is appropriate to use the going concern basis of preparation for this financial statements

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings for the period ended 28 February 2010. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Under s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation is capitalised. Purchased goodwill is amortised to nil by equal instalments over its estimated useful life

Fixed assets and depreciation

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
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Foreign currencies

Transactions in foreign currencies are recorded using a standard rate of exchange which is reviewed and updated regularly. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Notes (continued)

1 Accounting policies (continued)

Leases

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated by the methods stated above. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Any incentives received to sign lease agreements have been spread over the duration of the term of the lease in accordance with UITF Abstract 28.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period.

Investments

Investments held as fixed assets are included at cost less any provision for diminution in value.

2 Profit on ordinary activities before taxation

	2010 £	2009 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Fees paid to auditor for audit of the company's accounts	3,000	3,000
Fees paid to auditor for audit of subsidiary accounts	13,500	15,000
Fees paid to auditor for other services – tax services	2,750	2,750
Depreciation owed assets	1,210,204	775,232
Amortisation of goodwill	752,424	752,424

Notes (continued)

3 Remuneration of directors

	2010 £	2009 £
Directors' emoluments	458,500	424,375

The emoluments of the highest paid director were £140,000 (2009 £140,000)

4 Staff numbers and costs

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

	Number of employees 2010	2009
Sales and administration	654	415

The aggregate payroll costs of these persons was as follows

	2010 £	2009 £
Wages and salaries	6,316,048	4,251,401
Social security costs	426,541	284,695
	6,742,589	4,536,096

The Company had no employees during the year (2009 nil)

5 Interest payable and similar charges

	2010 £	2009 £
Interest on		
Bank loans and overdrafts	268,198	625,758
Preference shares	831,369	850,001
Other charges – amortisation of debt issue costs	123,486	153,486
	1,223,053	1,629,245

Notes (continued)

6 Taxation

	2010 £	2009 £
Current tax on income for the year	2,177,790	1,326,120
Deferred tax		
- Current Year	(43,094)	28,318
- Prior Year Adjustment	(24,072)	67,904
	<u>2,110,624</u>	<u>1,422,342</u>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher than the standard rate of corporation tax in the UK (28%) The differences are explained below

	2010 £	2009 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities	5,867,469	3,220,008
Current tax at 28% (2009 28%)	1,642,891	901,602
<i>Effects of</i>		
Expenses not deductible for tax purposes (predominately goodwill amortisation, preference share dividends and ineligible depreciation)	549,548	452,836
Fixed asset timing differences	42,748	(28,318)
Non taxable income	(57,397)	-
	<u>2,177,790</u>	<u>1,326,120</u>

Deferred tax balances relate to fixed asset timing differences The year and balance was an asset of £46,000 (2009 Liability of £21,166)

7 Fixed asset investments – company

	Shares in group Undertakings £
<i>Cost</i>	
At beginning of year	13,913,596
Additions	-
At end of year	<u>13,913,596</u>
<i>Provisions</i>	
At beginning and end of year	-
<i>Net book value</i>	
At 28 February 2010	<u>13,913,596</u>
At beginning of year	13,913,596

Notes (continued)

7 Fixed asset investments – company (continued)

The companies in which the company's interest is more than 20% is as follows

Subsidiary undertakings	Country of registration	Principal activity	Class and percentage of shares held
<i>Direct holdings</i>			
Mountain Warehouse Holdings Limited	England and Wales	Holding Company	100% of ordinary shares
<i>Indirect holdings</i>			
Mountain Warehouse Limited	England and Wales	Retailing of clothing and equipment for outdoor pursuits	100% of ordinary shares
Mountain Warehouse Handelgesellschaft GmbH	Austria	Retailing of clothing and equipment for outdoor pursuits	100% of ordinary shares
Mountain Warehouse N V	Czech Republic	Dormant company	100% of ordinary shares

8 Intangible fixed assets

Goodwill	Group £
<i>Cost</i>	
At beginning and end of year	14,067,784
At end of year	14,067,784
<i>Amortisation</i>	
At beginning of year	1,228,088
Charge for year	752,424
At end of year	1,980,512
<i>Net book value</i>	
At 28 February 2010	12,087,272
At 28 February 2009	12,839,696

Goodwill is being amortised over a period of 20 years

Notes (continued)

9 Tangible fixed assets

Group	Fixtures and Fittings £
<i>Cost</i>	
At beginning of year	4,982,292
Additions	2,381,548
Disposals	(74,960)
At end of year	7,288,880
<i>Depreciation</i>	
At beginning of year	1,070,266
Charge for year	1,210,204
Disposals	(61,438)
At end of year	2,219,032
<i>Net book value</i>	
At 28 February 2010	5,069,848
At 28 February 2009	3,912,026

10 Debtors

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Amount owed by subsidiary undertaking	-	-	657,340	1,634,788
Prepayments	1,352,663	253,911	-	-
Other debtors	156,528	124,819	16,614	16,614
Deferred tax asset	46,000	-	-	-
	1,555,191	378,730	673,954	1,651,402

Notes (continued)

11 Creditors' amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Bank loans	1,176,514	576,514	1,176,514	576,514
Trade creditors	600,530	668,912	-	-
Accruals and deferred income	3,445,843	3,234,353	94,992	68,601
Interest payable	6,360	6,361	6,360	6,361
Corporation tax	1,434,513	1,312,301	-	-
Other taxes and social security	527,823	860,682	-	-
	<u>7,191,583</u>	<u>6,659,123</u>	<u>1,277,866</u>	<u>651,476</u>

Bank loans falling due within one year are stated net of unamortised debt issue costs of £123,486 (2009 £123,486)

The Group's year end stock and accruals balances include £1,852,278 (2009 £1,126,000) in respect of stock in transit

12 Creditors: amounts falling due after more than one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Bank loans	6,500,000	7,800,000	6,500,000	7,800,000
Preference shares	8,500,000	8,500,000	8,500,000	8,500,000
	<u>15,000,000</u>	<u>16,300,000</u>	<u>15,000,000</u>	<u>16,300,000</u>
Unamortised debt issue costs	(185,231)	(308,717)	(185,231)	(308,717)
	<u>14,814,769</u>	<u>15,991,283</u>	<u>14,814,769</u>	<u>15,991,283</u>
Accruals and deferred income	2,409,095	522,782	-	-
Interest payable	2,223,973	1,392,604	2,223,973	1,392,604
	<u>19,447,837</u>	<u>17,906,669</u>	<u>17,038,742</u>	<u>17,383,887</u>
Analysis of debt due after one year	£	£	£	£
Debt can be analysed as falling due				
Between one and two years	1,176,514	1,276,514	1,176,514	1,276,514
Between two and five years	5,138,255	6,214,769	5,138,255	6,214,769
More than 5 years	8,500,000	8,500,000	8,500,000	8,500,000
	<u>14,814,769</u>	<u>15,991,283</u>	<u>14,814,769</u>	<u>15,991,283</u>

Bank loans are secured over all the assets of the group

Notes (continued)

13 Called up share capital

	2010 £	2009 £
<i>Allotted, called up and fully paid, shares of £1 each</i>		
199,999 'A' Ordinary shares	199,999	199,999
300,000 'B' Ordinary shares	300,000	300,000
8,500,000 Preference shares	8,500,000	8,500,000
	<u>8,999,999</u>	<u>8,999,999</u>
Shares classified as liabilities	8,500,000	8,500,000
Shares classified as shareholders funds	<u>499,999</u>	<u>499,999</u>

Preference shareholders are entitled to receive a fixed cumulative preferential dividend at the annual rate of 10%. The preferential dividend is payable on a winding-up in priority to other claims or rights of shareholders in respect of share capital. Preference shares are redeemable on the earlier of (i) Sale or Listing of the Company, or, (ii) 10th July 2014.

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

	'A' Ordinary shares	'B' Ordinary shares	'C' Ordinary shares
Rights to dividends	As determined by the Board with the consent of all holders of preference shares	As determined by the Board with the consent of all holders of preference shares	As determined by the Board with the consent of all holders of preference shares
Redemption	None	None	None
Priority on winding up	Joint priority	Joint priority	Joint priority
Voting rights	One vote per share	One vote per share	One vote per share
Rights on sale of company	Equal rights	Equal rights	Equal rights

Notes (continued)

14 Reserves

	Group Profit and loss account £	Company Profit and loss account £
At beginning of year	2,413,728	(2,970,364)
Profit / (loss) for financial year	3,756,845	(1,258,693)
At end of year	6,170,573	(4,229,057)

15 Contingent liabilities

The Company has foreign currency contracts in place to purchase US Dollars, the amount contracted at the year end was £3.1m (2009 £6.9m)

16 Related party transactions

The following table summarises those disclosures for transactions between the company and related parties during the year to 28 February 2009

Related Party	Relationship	Type of Transaction	Received	Paid	Due from/(to) at 28 February 2010
Kcaj UK LLP	Equity Shareholder	Fees	-	£53,000	-
Ewa Deering	Director's Spouse	Recruitment Services	-	£39,734	-
Simon Neale	Director's Brother	Website Design Consultancy	-	-	(£16,667)

Notes (continued)

17 Commitments

Lease commitments at the end of the financial period are as follows

	2010		2009	
	Land & Buildings	Other	Land & Buildings	Other
	£	£	£	£
<i>Operating leases which expire</i>				
Within one year	1,308,735	5,706	697,799	1,852
In the second to fifth years inclusive	1,414,812	17,858	2,081,204	10,785
Over five years	4,777,095	-	1,952,537	-
	<u>7,500,642</u>	<u>23,564</u>	<u>4,731,540</u>	<u>12,637</u>

18 Analysis of cash flows

	2010		2009	
	£	£	£	£
Returns on investments and servicing of finance				
Interest received	15,197		35,390	
Interest paid	(268,198)		(791,862)	
		(253,001)		(756,472)
Capital expenditure				
Purchase of tangible fixed assets	(2,368,026)		(3,143,152)	
Receipts from capital contributions	442,000		349,405	
		(1,926,026)		(2,793,747)
Financing				
New loans	-		2,000,000	
Repayment of loans	(700,000)		(500,000)	
		(700,000)		1,500,000

Notes (continued)

19 Analysis of changes in net debt

	2009	Cash flows	Non-cash movements	2010
	£	£	£	£
Bank overdraft / cash at bank	4,793,895	3,091,511	-	7,885,406
Debt – due less than one year	(576,514)	700,000	(1,300,000)	(1,176,514)
Debt – due after more than one year	(15,991,283)	-	1,176,514	(14,814,769)
	<u>(11,773,902)</u>	<u>3,791,511</u>	<u>(123,486)</u>	<u>(8,105,877)</u>

20 Reconciliation of net cash flow to movements in net debt

	2010	2009
	£	£
Increase in cash in the period	3,091,511	3,097,381
New loans	-	(2,000,000)
Repayment of loans	700,000	500,000
Non-cash changes	<u>(123,486)</u>	<u>(147,490)</u>
	576,514	(1,647,490)
Movement in net funds during the period	3,668,025	1,449,891
Net debt at start of period	<u>(11,773,902)</u>	<u>(13,223,793)</u>
Net debt at end of period	<u><u>(8,105,877)</u></u>	<u><u>(11,773,902)</u></u>