

The Mountain Group Limited

**Directors' report and financial
statements**

Registered number 06240297

28 February 2011

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Directors' Report

The directors present their annual report and the audited financial statements for the year ended 28 February 2011

Principal activity

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

Proposed dividend

The directors do not recommend the payment of a dividend (2010 £nil)

Director and directors' interests

The directors who held office during the year and subsequent to it, were as follows

Director

Mark Neale
Shantelle Augier
Carl Deering
Marcus Ward
Rupinder Cheema (resigned 22 September 2010)
Bjarki Brynjarsson (resigned 22 September 2010)

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 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



MD Ward
Director

3 Eccleston Street
London
SW1W 9LX

28

June 2011

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 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 company and of the profit or loss of the company for that period.

In preparing the 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and to prevent and detect fraud and other irregularities.



KPMG LLP

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditor's report to the members of The Mountain Group Limited

We have audited the financial statements of The Mountain Group Limited for the year ended 28 February 2011 set out on pages 6 to 15. 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 auditor

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, and express an opinion on, 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/private.cfm

Opinion

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 28 February 2011 and of its 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 auditor's 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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 (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 The Embankment
Leeds
West Yorkshire
LS1 4DW

28 June 2011

Profit and loss account
for the year ended 28 February 2011

	<i>Note</i>	2011 £	2010 £
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses	2	(110,140)	(62,000)
Other income		450,000	-
Operating profit	2	339,860	(62,000)
Income from shares in group undertakings	11	12,000,000	-
Interest payable and similar charges	3	(1,108,932)	(1,196,693)
Profit/(loss) on ordinary activities before taxation		11,230,928	(1,258,693)
Tax on profit/(loss) on ordinary activities		-	-
Profit/(loss) for the financial year		11,230,928	(1,258,693)

A statement of the movement on reserves is set out in note 10. There are no recognised gains or losses other than the profit for the period as stated above. The results derive entirely from continuing operations. The profit on ordinary activities before taxation is the historical cost profit.

Balance sheet
as at 28 February 2011

	Note	2011	2010
		£	£
Fixed assets			
Investments	5	13,913,596	13,913,596
Current assets			
Debtors	6	12,806,455	673,954
Creditors: amounts falling due within one year	7	(16,336,086)	(1,277,866)
Net current (liabilities)/assets		(3,529,631)	(603,912)
Total assets less current liabilities		10,383,965	13,309,684
Creditors: amounts falling due after one year	8	(1,500,000)	(17,038,742)
Net assets/(liabilities)		8,883,965	(3,729,058)
Capital and reserves			
Called up share capital	9	1,882,094	499,999
Capital redemption reserve	10	7,000,000	-
Profit and loss account	10	1,871	(4,229,057)
Shareholders' funds/(deficit)		8,883,965	(3,729,058)

These financial statements were approved by the board of directors on
 signed on its behalf by

28 June 2011 and were



M Ward
 Director

Reconciliation of movements in shareholders' funds
for the year ended 28 February 2011

	2011 £	2010 £
Profit/(loss) for the financial year	11,230,928	(1,258,693)
Capitalisation of unpaid preference share interest	1,382,095	-
Net increase/(decrease) in shareholders' funds	12,613,023	(1,258,693)
Shareholders' (deficit)/funds brought forward	(3,729,058)	(2,470,365)
Closing shareholders' funds/(deficit)	8,883,965	(3,729,058)

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

As the company is a wholly owned subsidiary of Mountain Warehouse Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the group

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

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

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

Notes (continued)

1 Accounting policies (continued)

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

Dividends receivable

Dividends receivable from the Company's shareholdings are recorded as a liability in the period in which the dividends are approved

2 Staff costs and operating profit

The Company had no employees during the year (2010 nil) The directors are not remunerated for their role as directors of this company

Other income relates to management charge income

Audit fees for the company in the year are borne by its parent entity (2010 £3,000 borne by the company)

3 Interest payable and similar charges

	2011 £	2010 £
Interest on		
Bank loans and overdrafts	106,010	241,836
Preference shares	694,208	831,369
Amortisation / write-off of debt issue costs	308,714	123,488
	1,108,932	1,196,693

Notes (continued)

4 Taxation

	2011 £	2010 £
UK Corporation tax		
Current tax on income for the period	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The current tax charge for the period is lower (2010 lower) than the standard rate of corporation tax of 28% (2010 28%). The differences are explained below

	2011 £	2010 £
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	11,230,928	(1,258,693)
	<u>11,230,928</u>	<u>(1,258,693)</u>
Tax at 28% (2010 28%)	3,144,660	(352,434)
<i>Effects of</i>		
Group relief surrendered	-	119,650
Tax losses not recognised	215,340	232,784
Non-taxable income	(3,360,000)	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

5 Fixed asset investments

	Shares in group Undertakings £
<i>Cost</i>	
At beginning of year	13,913,596
Additions	-
	<u>13,913,596</u>
At end of year	<u>13,913,596</u>
<i>Provisions</i>	
At beginning and end of period	-
	<u>-</u>
<i>Net book value</i>	
At 28 February 2011	<u>13,913,596</u>
	<u>13,913,596</u>
At 28 February 2010	<u>13,913,596</u>

Notes (continued)

5 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
Direct holdings			
Mountain Warehouse Holdings Limited	England and Wales	Holding Company	100% of ordinary shares
Indirect holdings			
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

6 Debtors

	Company	
	2011	2010
	£	£
Amount owed by subsidiary undertaking	12,806,455	657,340
Other debtors	-	16,614
	<u>12,806,455</u>	<u>673,954</u>

Notes (continued)

7 Creditors: amounts falling due within one year

	Company	
	2011	2010
	£	£
Bank loans	-	1,176,514
Accruals and deferred income	-	94,992
Interest payable	-	6,360
Amount owed to parent company	16,336,086	-
	16,336,086	1,277,866

8 Creditors: amounts falling due after more than one year

	Company	
	2011	2010
	£	£
Bank loans	-	6,500,000
Preference shares – owned by parent entity	1,500,000	8,500,000
	1,500,000	15,000,000
Unamortised debt issue costs	-	(185,231)
	-	14,814,769
Accruals and deferred income	-	-
Interest payable	-	2,223,973
	1,500,000	17,038,742
Analysis of debt due after one year:	£	£
Debt can be analysed as falling due		
Between one and two years	-	3,400,487
Between two and five years	1,500,000	5,138,255
More than 5 years	-	8,500,000
	1,500,000	17,038,742

Bank loans were secured over all the assets of the group

Notes (continued)

9 Called up share capital

	2011 £	2010 £
<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	1,500,000	8,500,000
1,382,095 Deferred shares	1,382,095	-
	<u>3,382,094</u>	<u>8,999,999</u>
Shares classified as liabilities	1,500,000	8,500,000
Shares classified as shareholders funds	<u>1,882,094</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	Deferred 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	None
Redemption	None	None	None	None
Priority on winding up	Joint priority	Joint priority	Joint priority	After ordinary shares
Voting rights	One vote per share	One vote per share	One vote per share	None
Rights on sale of company	Equal rights	Equal rights	Equal rights	None

During the year £7m of preference shares were redeemed and £1,382,095 of deferred shares created upon the capitalisation of unpaid preference share interest

Notes (continued)

10 Reserves

	Capital Redemption reserve £	Profit and loss account £	Total £
At beginning of year	-	(4,229,057)	(4,229,057)
Profit for financial year	-	11,230,928	11,230,928
Creation of capital redemption reserve	7,000,000	(7,000,000)	-
	<u>7,000,000</u>	<u>1,871</u>	<u>7,001,871</u>
At end of year	<u>7,000,000</u>	<u>1,871</u>	<u>7,001,871</u>

11 Dividends

	2011 £	2010 £
Amount recognised as income from shareholdings in the year	12,000,000	-
	<u>12,000,000</u>	<u>-</u>

12 Ultimate parent company

The company is a subsidiary undertaking of Mountain Warehouse Group Limited which is the ultimate parent company incorporated in England and Wales

13 Contingent liability

The principal value of the bank loans of £15.7m are held within Mountain Warehouse Group Limited the company's parent entity. The company is a guarantor who irrevocably and unconditionally joint and severally guarantee these borrowings.