

MONTANE LTD
FINANCIAL STATEMENTS
30 SEPTEMBER 2019

MONTANE LTD

COMPANY INFORMATION

Directors	J Doxat D A Soulsby
Company secretary	D A Soulsby
Registered number	03223959
Registered office	3 Freeman Court North Seaton Ind Est Ashington Northumberland NE63 0YF
Independent auditors	Armstrong Watson Audit Limited Chartered Accountants & Statutory Auditor Rotterdam House 116 Quayside Newcastle upon Tyne NE1 3DY
Bankers	HSBC Kingsway North Team Valley Tyne & Wear NE11 0BE

MONTANE LTD

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MONTANE LTD

STRATEGIC REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019

Introduction

Montane Ltd develops and sells premium clothing and equipment for outdoor sports such as trail running, hiking, climbing and mountaineering all under the "Montane" brand name.

The company focuses upon functional, lightweight clothing and equipment, and is regarded to have a particularly active and sport-focused consumer base – as epitomised by the brand slogan "Further. Faster." The products are designed mainly using industry leading materials (including Gore-Tex®, Pertex®, Polartec® and Primaloft®) and are manufactured at world class 3rd party factories in Asia.

The brand is supported by a wide range of different marketing activities including headline sponsorship of the Tor des Géants event in Italy, the Montane Spine Race and Montane Lakeland 100 races in the UK; online and press advertising, athlete sponsorship and a brand partnership with the British Mountaineering Council, amongst other activities. Marketing investment has consistently been applied to support the brand through both consumer and trade channels.

Montane's sales unit volume is split approximately 60% UK to overseas territories; with sales value split approximately 77% UK, (where Montane Ltd also acts as the exclusive brand distributor), and the remainder is spread through distributors and some agents across 30 other countries worldwide, with Germany, Czech Republic, Spain, Hong Kong, Italy, New Zealand, Ukraine, Canada and Japan making up the non-UK top ten.

Business review

For the year ended 30 September 2019, there was a **9%** increase in turnover and a **38%** increase in net profit before tax underpinned by a gross margin increase to c. **32% from 29%**, brought about largely through sourcing efficiencies and a higher margin sales channel split.

The Company has budgeted for continued growth in both sales and pre-tax profits into the new financial year, with a steady order book value increase for the spring 2020 season, the expectation of strong double digit order book growth for winter 2020, and anticipated above average growth in our own high margin direct-to-consumer channel via www.montane.co.uk.

Operational highlights for 2019 include:

- Significant growth of sales revenue and profit through the 'direct-to-consumer' website. This now accounts for around 10% of annual gross profits, and underpins the overall gross margin improvement
- The accelerated move of production from China to more efficient factories in Vietnam; and a plan implemented for over 30% by value of all output to be moved to new factories in Cambodia and Myanmar, which provide further landed cost benefits
- To ensure the highest possible CSR standards at all our vendors, Montane has now become a full member of the Fairwear Foundation
- All products were repriced in response to the weaker GBP environment and new factory costs, in order to restore normal gross product margin patterns
- A maintained focus upon stock levels in 2019 enabled the business to meet its growth ambitions. At the year end, stocks accounted for 40% of total assets.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2019

Principal risks and uncertainties

The major risks the company contends with are:

Financial risk

- Uncertainty over “Brexit”, which we mitigate through a combination of currency hedging, proactive production sourcing, geographic sales spread and a readymade bonded warehouse facility at our premises in Northumberland;
- Mild weather, which we address by focusing upon lightweight and sun-protective products; and other summer focused products such as backpacks;
- Fierce branded competition, which we resist through innovative products, a clear and well-communicated brand image, and a significant marketing spend.

Credit risk

The company has implemented policies that require appropriate credit checks and, where appropriate, credit insurance on corporate customers before sales are made.

Liquidity risk

The directors believe that the company has sufficient funds available to support its activities in the future.

Financial key performance indicators

The directors consider the key financial performance indicator to be turnover growth, stock and EBITDA.

During the year turnover has increased by £1,173,141 (8.98%) from £13,062,691 in 2018 to £14,235,832 in 2019. The directors have successfully facilitated sales growth in areas that are key to the long term success of the business with key customers.

The stock value has increased by £213,231 from £3,615,053 in 2018 to £3,828,284 in 2019, which represents a satisfactory decline in proportion to turnover. The directors aim to keep the stock levels at around 3 months turnover.

Overall, EBITDA has increased from £1,054,557 in 2018 to £1,419,908 in 2019 and the directors are pleased with the result for the year.

After taxation and dividends, shareholders funds have increased from £3,071,380 to £4,199,811 at the year end which demonstrates the strong growth and strength of the company as a whole.

This report was approved by the board and signed on its behalf.

J Doxat

Director

Date: 17 February 2020

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

The directors present their report and the financial statements for the year ended 30 September 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £1,088,685 (2018 - £908,862).

The directors have not recommended a final dividend.

Directors

The directors who served during the year were:

J Doxat
D A Sculsby

Future developments

The directors are not expecting to make any significant changes in the nature of the business in the near future.

Matters covered in the strategic report

Information is not shown in the directors' report because it is shown in the strategic report instead under S414C (11). The strategic report includes a business review, principal risks and uncertainties and financial key performance indicators.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditors

The auditors, Armstrong Watson Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

J Doxat
Director

Date: 17 February 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MONTANE LTD

Opinion

We have audited the financial statements of Montane Ltd (the 'Company') for the year ended 30 September 2019, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2019 and of its profit for the year 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 this other information, we are required to report that fact.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MONTANE LTD (CONTINUED)

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the 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 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 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, 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.

Auditors' 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 Auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MONTANE LTD (CONTINUED)

Use of our report

This report is made solely to the Company's members 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 Auditors' 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 for our audit work, for this report, or for the opinions we have formed.

Joanna Gray (Senior statutory auditor)

for and on behalf of

Armstrong Watson Audit Limited

Chartered Accountants

Statutory Auditor

Rotterdam House

116 Quayside

Newcastle upon Tyne

NE1 3DY

25 February 2020

MONTANE LTD

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	Note	2019 £	2018 £
Turnover	4	14,235,832	13,062,691
Cost of sales		(9,683,297)	(9,288,028)
Gross profit		4,552,535	3,774,663
Administrative expenses		(3,155,817)	(2,750,033)
Operating profit		1,396,718	1,024,630
Interest payable and expenses	9	(102,979)	(88,268)
Profit before tax		1,293,739	936,362
Tax on profit	10	(205,054)	(27,500)
Profit for the financial year		1,088,685	908,862
Other comprehensive income for the year			
Cash flow hedges gain/(loss) arising in the year		(318,182)	312,109
Cash flow hedges gain/(loss) reclassified to profit or loss		396,493	165,913
Other comprehensive income for the year		78,311	478,022
Total comprehensive income for the year		1,166,996	1,386,884

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

The notes on pages 13 to 27 form part of these financial statements.

MONTANE LTD
REGISTERED NUMBER: 03223959

STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	11	3,109	-
Tangible assets	12	36,743	33,730
		<u>39,852</u>	<u>33,730</u>
Current assets			
Stocks	13	3,828,284	3,615,053
Debtors: amounts falling due after more than one year	14	-	39,548
Debtors: amounts falling due within one year	14	6,227,794	4,848,742
Cash at bank and in hand	15	63,750	74,463
		<u>10,119,828</u>	<u>8,577,806</u>
Creditors: amounts falling due within one year	16	(5,914,877)	(5,477,637)
Net current assets		<u>4,204,951</u>	<u>3,100,169</u>
Total assets less current liabilities		<u>4,244,803</u>	<u>3,133,899</u>
Provisions for liabilities			
Deferred tax	18	(60,391)	(62,519)
		<u>(60,391)</u>	<u>(62,519)</u>
Net assets		<u><u>4,184,412</u></u>	<u><u>3,071,380</u></u>
Capital and reserves			
Called up share capital	19	15,644	15,644
Share premium account	20	265,868	265,868
Capital redemption reserve	20	6,760	6,760
Other reserves	20	263,474	239,127
Profit and loss account	20	3,632,666	2,543,981
		<u><u>4,184,412</u></u>	<u><u>3,071,380</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

J Doxat

Director

Date: 17 February 2020

The notes on pages 13 to 27 form part of these financial statements.

MONTANE LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2019

	Called up share capital	Share premium account	Capital redemption reserve	Hedging reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 October 2018	15,644	265,868	6,760	239,127	2,543,981	3,071,380
Comprehensive income for the year						
	-	-	-	-	1,088,685	1,088,685
Profit for the year						
	-	-	-	(318,182)	-	(318,182)
Cash flow hedges gains						
	-	-	-	396,493	-	396,493
Cash flow hedges gain reclassified to profit or loss						
	-	-	-	(53,964)	-	(53,964)
Deferred tax on derivative financial instruments						
	-	-	-	24,347	-	24,347
Other comprehensive income for the year						
	-	-	-	24,347	1,088,685	1,113,032
Total comprehensive income for the year						
	-	-	-	-	-	-
Total transactions with owners						
	15,644	265,868	6,760	263,474	3,632,666	4,184,412
At 30 September 2019						

The notes on pages 13 to 27 form part of these financial statements.

MONTANE LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2018

	Called up share capital	Share premium account	Capital redemption reserve	Hedging reserve	Profit and loss account	Total equity
	£	£	£	£	£	£
At 1 October 2017	22,302	260,300	-	(182,803)	1,635,119	1,734,918
Comprehensive income for the year						
	-	-	-	-	908,862	908,862
Profit for the year						
	(6,760)	-	-	312,109	-	305,349
Cash flow hedges gains						
	-	-	-	165,913	-	165,913
Cash flow hedges gains reclassified to profit or loss						
	-	-	-	(56,092)	-	(56,092)
Deferred tax on derivative financial instruments						
	(6,760)	-	-	421,930	-	415,170
Other comprehensive income for the year						
	(6,760)	-	-	421,930	908,862	1,324,032
Total comprehensive income for the year						
	-	-	6,760	-	-	6,760
Purchase of own shares						
	102	5,568	-	-	-	5,670
Shares issued during the year						
	102	5,568	6,760	-	-	12,430
Total transactions with owners						
	15,644	265,868	6,760	239,127	2,543,981	3,071,380
At 30 September 2018						

The notes on pages 13 to 27 form part of these financial statements.

MONTANE LTD

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	1,088,685	908,862
Adjustments for:		
Amortisation of intangible assets	56	-
Depreciation of tangible assets	23,134	29,927
Interest paid	102,980	88,268
Taxation charge	205,054	27,500
(Increase) in stocks	(213,231)	(526,838)
(Increase) in debtors	(1,399,787)	(1,573,871)
(Decrease)/increase in creditors	(236,891)	299,826
Corporation tax (paid)/received	(27,500)	40,403
Net cash generated from operating activities	<u>(457,500)</u>	<u>(705,923)</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(3,165)	-
Purchase of tangible fixed assets	(26,147)	(29,205)
Net cash from investing activities	<u>(29,312)</u>	<u>(29,205)</u>
Cash flows from financing activities		
Issue of ordinary shares	-	5,670
Repayment of loans	578,896	764,643
Interest paid	(102,980)	(88,268)
Net cash used in financing activities	<u>475,916</u>	<u>682,045</u>
Net (decrease) in cash and cash equivalents	<u>(10,896)</u>	<u>(53,083)</u>
Cash and cash equivalents at beginning of year	74,463	127,546
Cash and cash equivalents at the end of year	<u><u>63,567</u></u>	<u><u>74,463</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	63,750	74,463
Bank overdrafts	(183)	-
	<u><u>63,567</u></u>	<u><u>74,463</u></u>

The notes on pages 13 to 27 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

1. General information

The company is a limited liability company incorporated and domiciled in the United Kingdom. It trades from its registered office at 3 Freeman Court, North Seaton Industrial Estate, Ashington, Northumberland, NE63 0YF.

The principal activity of the company is the manufacture of specialist outdoor clothing and equipment.

These financial statements have been presented in Pound Sterling as this is the currency of the primary economic environment in which the company operates.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.3 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.3 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on the following basis.

Depreciation is provided on the following basis:

Fixtures and fittings	-	33%	straight line
Computer equipment	-	33%	straight line
Production tooling	-	33%	straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.4 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.5 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.6 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.7 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.8 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs of finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

2.9 Hedge accounting

The Company uses foreign currency forward contracts to manage its exposure to cash flow risk on its foreign currency transactions. These derivatives are measured at fair value at each balance sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the year.

Gains and losses on the hedging instruments and the hedged items are recognised in profit or loss for the year. When a hedged item is an unrecognised firm commitment, the cumulative hedging gain or loss on the hedged item is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.10 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.11 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Company in an independently administered fund.

2.12 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of comprehensive income is charged with fair value of goods and services received.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

2.15 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.16 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.17 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

2. Accounting policies (continued)

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.19 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of these financial statements requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

Judgements and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will be, by definition, seldom equal to the related actual results.

There is a key source of estimation uncertainty in relation to the obsolescence of stock.

MONTANE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

4. Turnover

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	10,979,405	8,827,802
Rest of Europe	2,125,812	2,600,956
Rest of the world	1,130,615	1,633,933
	<u>14,235,832</u>	<u>13,062,691</u>

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Other operating lease rentals	<u>84,442</u>	<u>82,194</u>

6. Auditors' remuneration

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>7,000</u>	<u>6,500</u>

MONTANE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	1,470,690	1,277,235
Social security costs	142,433	128,951
Cost of defined contribution scheme	26,386	14,216
	<u>1,639,509</u>	<u>1,420,402</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Employees	<u>39</u>	<u>39</u>

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	<u>387,633</u>	<u>213,531</u>

The highest paid director received remuneration of £245,890 (2018 - £139,040).

Only the directors are considered to be key management personnel.

9. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	38,669	32,306
Other loan interest payable	64,310	55,962
	<u>102,979</u>	<u>88,268</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

10. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	205,054	27,500
	<u>205,054</u>	<u>27,500</u>
Total current tax	<u>205,054</u>	<u>27,500</u>
Deferred tax		
Total deferred tax	<u>-</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>205,054</u>	<u>27,500</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>1,293,738</u>	<u>936,362</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	245,810	177,909
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	16,328	5,734
Capital allowances for year in excess of depreciation	(573)	(104,722)
Adjustment in research and development tax credit leading to a decrease in the tax charge	(57,009)	(51,798)
Changes in provisions leading to an increase in the tax charge	498	437
Other differences leading to a decrease in the tax charge	-	(60)
Total tax charge for the year	<u>205,054</u>	<u>27,500</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

10. Taxation (continued)**Factors that may affect future tax charges**

Finance Acts 2015 and 2016 provided for a reduction in the main rate of corporation tax to 19% with effect from 1 April 2017 and by a further 2% to 17% from 1 April 2020. As the majority of the deferred tax liability is expected to reverse after 1 April 2020, it has been recognised at a rate of 17%.

11. Intangible assets

	Trademarks
	£
Cost	
Additions	3,165
	<hr/>
At 30 September 2019	3,165
	<hr/>
Amortisation	
Charge for the year	56
	<hr/>
At 30 September 2019	56
	<hr/>
Net book value	
At 30 September 2019	3,109
	<hr/> <hr/>
At 30 September 2018	-
	<hr/> <hr/>

MONTANE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

12. Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Production tooling £	Total £
Cost or valuation				
At 1 October 2018	120,274	119,442	4,209	243,925
Additions	999	25,148	-	26,147
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2019	121,273	144,590	4,209	270,072
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 October 2018	99,844	109,182	1,169	210,195
Charge for the year on owned assets	10,203	11,528	1,403	23,134
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2019	110,047	120,710	2,572	233,329
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 September 2019	<u>11,226</u>	<u>23,880</u>	<u>1,637</u>	<u>36,743</u>
At 30 September 2018	<u>20,430</u>	<u>10,260</u>	<u>3,040</u>	<u>33,730</u>

MONTANE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

13. Stocks

	2019 £	2018 £
Finished goods and goods for resale	<u>3,828,284</u>	<u>3,615,053</u>

Stock recognised in cost of sales during the year as an expense was £8,954,998 (2018 - £8,009,704) .

14. Debtors

	2019 £	2018 £
Due after more than one year		
Derivative financial instruments	<u>-</u>	<u>39,548</u>

	2019 £	2018 £
Due within one year		
Trade debtors	5,116,147	4,150,338
Other debtors	50,523	2,221
Prepayments and accrued income	743,686	440,512
Derivative financial instruments	317,438	255,671
	<u>6,227,794</u>	<u>4,848,742</u>

15. Cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	63,750	74,463
Less: bank overdrafts	(183)	-
	<u>63,567</u>	<u>74,463</u>

MONTANE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

16. Creditors: Amounts falling due within one year

	2019	2018
	£	£
Bank overdrafts	183	-
Bank loans	2,276,835	1,697,939
Trade creditors	1,450,622	1,376,855
Corporation tax	205,054	27,500
Other taxation and social security	5,591	43,700
Proceeds of factored debts	1,900,558	2,230,875
Accruals and deferred income	76,034	100,768
	<u>5,914,877</u>	<u>5,477,637</u>

Secured creditors

Proceeds of factored debts of £1,900,558 (2018 - £2,230,875) are secured over the book debts to which they relate.

Bank loans of £2,276,835 (2018 - £1,697,939) are secured by the company as detailed below.

Debenture comprising fixed and floating charges over all assets and undertakings of Montane Ltd including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future.

Supplemental fixed charge over goodwill, uncalled capital and intellectual property rights of Montane Limited.

Charge over contract monies given by Montane Limited.

General pledge over documents and goods given by Montane Limited.

Guarantee given by Mr J Doxat to secure all liabilities of Montane Limited, limited to £50,000.

MONTANE LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

17. Financial instruments

	2019 £	2018 £
Financial assets		
Financial assets measured at fair value through profit or loss	63,750	295,219
Financial assets that are debt instruments measured at amortised cost	5,118,366	3,931,800
	<u>5,182,116</u>	<u>4,227,019</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(3,803,674)</u>	<u>(3,175,562)</u>

The group enters into forward foreign currency contracts to hedge currency exposure on firm future commitments. The fair values of the assets and liabilities held at fair value through profit and loss at the balance sheet date are determined using quoted prices.

18. Deferred taxation

	2019 £
At beginning of year	(62,519)
Charged to other comprehensive income	2,127
At end of year	<u>(60,392)</u>

The provision for deferred taxation is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	6,427	6,427
Derivative financial instruments	53,965	56,092
	<u>60,392</u>	<u>62,519</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

19. Share capital

	2019	2018
	£	£
Allotted, called up and fully paid		
15,644 (2018 - 15,644) Ordinary shares of £1.00 each	<u>15,644</u>	<u>15,644</u>

20. Reserves**Share premium account**

This reserve includes and premiums received on issue of share capital. Any transactions costs associated with the issuing of shares are deducted from share premium.

Capital redemption reserve

This reserve arises on the repurchase of share capital of the company from the shareholders and records the nominal value of shares repurchased.

Hedging reserve

This reserve arises due to changes in the fair value of the Company's cash flow hedges, net of any deferred taxation.

21. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £26,386 (2018 - £14,216). Contributions totalling £7,048 (2018 - £4,429) were payable to the fund at the reporting date and are included in creditors.

22. Commitments under operating leases

At 30 September 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019	2018
	£	£
Not later than 1 year	10,126	18,600
Later than 1 year and not later than 5 years	9,779	4,300
	<u>19,905</u>	<u>22,900</u>

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