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SCOTT Sports SA, Givisiez
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders
Financial Statements August 31, 2011

KPMG SA
Fribourg, December 1, 2011
Ref SG/MR/lp

WEDNESDAY



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18/07/2012
COMPANIES HOUSE



KPMG SA
Audit
Rue des Pilettes 1
CH-1700 Fribourg

P.O. Box 887
CH-1701 Fribourg

Telephone +41 26 347 49 00
Fax +41 26 347 49 01
Internet www.kpmg.ch

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of

SCOTT Sports SA, Givisiez

As statutory auditor, we have audited the accompanying financial statements of SCOTT Sports SA, which comprise the balance sheet, income statement, statement of retained earnings and notes for the year ended August 31, 2011

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended August 31, 2011 comply with Swiss law and the company's articles of incorporation.



*SCOTT Sports SA, Givisiez
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders*

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved

KPMG SA

Stéphane Gard
*Licensed Audit Expert
Auditor in Charge*

Myriam Roulin
Licensed Audit Expert

Fribourg, December 1, 2011

Enclosures

- Financial statements (balance sheet, income statement, statement of retained earnings and notes)
- Proposed appropriation of available earnings

SCOTT SPORTS SA

BALANCE SHEETS AS OF AUGUST 31,
(Currency - Swiss Francs)

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash and securities	25'706'996	3'935'153
Accounts receivable		
- Trade	29'653'634	32'397'852
- Allowance for doubtful accounts	(2'957'322)	(2'746'169)
<i>Total trade receivable</i>	26'696'312	29'651'683
- Group	25'571'241	20'276'448
- Allowance for doubtful accounts	(1'918'223)	(1'918'223)
<i>Total group receivable</i>	23'653'018	18'358'225
- Shareholders	11'200'000	40'000
- Other	399'777	313'009
- Taxes receivable	299'584	76'186
<i>Total accounts receivable</i>	62'248'691	48'439'103
Inventories, net of reserve of CHF 29'450'326 (2009 CHF 26'325'574)	56'552'294	42'007'875
Prepaid expenses	1'388'066	1'346'072
<i>Total current assets</i>	<u>145'896'047</u>	<u>95'728'203</u>
NON-CURRENT ASSETS		
Investments	6'250'158	6'250'158
Fixed assets, at cost	41'697'802	37'278'657
Less- accumulated depreciation	(25'489'016)	(21'285'406)
<i>Total net fixed assets</i>	16'208'786	15'993'251
Goodwill	3'924'070	3'924'070
Less- accumulated depreciation	(3'924'070)	(3'856'611)
<i>Total goodwill</i>	-	67'459
Patent	370'594	370'594
Less- accumulated depreciation	(333'149)	(308'185)
<i>Total patent</i>	37'445	62'409
<i>Total non-current assets</i>	<u>22'496'389</u>	<u>22'373'277</u>
<i>Total assets</i>	<u><u>168'392'436</u></u>	<u><u>118'101'480</u></u>

SCOTT SPORTS SA
BALANCE SHEETS AS OF AUGUST 31,
(Currency - Swiss Francs)

	<u>2011</u>	<u>2010</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank Borrowings	65'800'547	31'308'087
Current portion long-term debt	666'083	662'760
Accounts payable		
- Trade	40'519'229	29'267'283
- Group	3'095'505	6'512'146
<i>Total accounts payable</i>	43'614'734	35'779'429
Accrued expenses	6'995'978	6'221'764
Accrued taxes	1'133'984	1'683'492
<i>Total current liabilities</i>	<u>118'211'326</u>	<u>75'655'532</u>
NON-CURRENT LIABILITIES		
Long-term debt	4'400'731	5'041'701
<i>Total non-current liabilities</i>	<u>4'400'731</u>	<u>5'041'701</u>
SHAREHOLDER'S EQUITY		
Share capital	6'000'000	6'000'000
Legal reserve	3'000'000	3'000'000
Retained earnings	36'780'379	28'404'247
<i>Total shareholder's Equity</i>	<u>45'780'379</u>	<u>37'404'247</u>
<i>Total liabilities and shareholder's Equity</i>	<u>168'392'436</u>	<u>118'101'480</u>

SCOTT SPORTS SA

STATEMENT OF INCOME
FOR THE YEARS ENDED AUGUST 31,
(Currency - Swiss Francs)

	<u>2011</u>	<u>2010</u>
Net Sales	339'491'486	352'281'718
Cost of Sales	(266'688'656)	(284'734'098)
<i>Gross profit</i>	72'802'830	67'547'620
EXPENSES		
Personnel	(21'314'156)	(19'603'593)
Advertising and product development	(22'538'922)	(21'359'121)
Professional fees and management fees	(10'859'337)	(11'405'738)
Depreciation for G&A related fixed assets	(1'319'002)	(1'195'810)
Depreciation for G&A related intangible assets	(202'778)	(98'873)
Office rent, telephone, postage	(2'895'048)	(2'792'348)
Travel and representation	(220'576)	(227'808)
Repair and maintenance	(1'076'995)	(1'188'414)
<i>Total expenses</i>	(60'426'814)	(57'871'705)
<i>Income from operations</i>	<u>12'376'016</u>	<u>9'675'915</u>
OTHER (EXPENSE) / INCOME		
Interest income	600'120	848'165
Interest expense	(3'010'654)	(2'421'320)
Exchange differences	(652'464)	4'573'551
Other income	604'091	484'783
Other expense	(78'438)	(104'221)
Gain on sale of fixed assets	82'854	11'589
<i>Total other (expenses) / income</i>	(2'454'491)	3'392'547
<i>Income before taxes</i>	<u>9'921'525</u>	<u>13'068'462</u>
TAXES	(1'372'463)	(956'553)
<i>Net income</i>	<u><u>8'549'062</u></u>	<u><u>12'111'909</u></u>

SCOTT SPORTS SA
STATEMENT OF RETAINED EARNINGS
FOR THE YEARS ENDED AUGUST 31,
(Currency - Swiss Francs)

	<u>2011</u>	<u>2010</u>
RETAINED EARNINGS		
Balance, beginning of the year	28'404'247	36'964'999
Dividend allocation	-	(21'495'681)
Translation adjustment	(172'930)	823'020
Net income	8'549'062	12'111'909
<i>Balance, end of the year</i>	<u><u>36'780'379</u></u>	<u><u>28'404'247</u></u>

SCOTT Sports SA

NOTES TO FINANCIAL STATEMENTS AS OF AUGUST 31, 2011

1. Operations

The Company sells mountain bikes, skipoles, skigoggles, skis, motorcycle-goggles, sunglasses and certain other leisure equipment and accessories through its own sales branches in Europe and to independent distributors

As of September 1, 1998, SSG (Europe) SA was merged with SSG Holdings SA, without any increase in capital. Its name was then changed to SCOTT Sports SA

2. Investments

Investments in the following companies are stated at cost

Companies	Share Capital in l.c.	Owned in %	2011 CHF	Share Capital in l.c.	Owned in %	2010 CHF
S.P.F. S.p.A., Aosta, Italy	EUR 1'074'000	100	3'600'000	EUR 1'074'000	100	3'600'000
Scott Sportech Benelux, N.V., Kortenberg, Belgium	EUR 495'787	19	110'094	EUR 495'787	19	110'094
Ed Scott Sports Group Svenska AB, Uppsala, Sweden	SEK 500'000	100	2'535'450	SEK 500'000	100	2'535'450
Acerbis UK Ltd Luton Beds, UK	GBP 10'000	19	4'614	GBP 10'000	19	4'614
			6'250'158			6'250'158

3. Inventories

Inventories are stated at cost. Manufactured inventories are assembled to a large extent by contractors and primarily consist of mountain bikes, ski and motorcycle goggles, skipoles and skis. Specific and general reserves are provided on inventory balances.

4. Fixed assets

Fixed assets include land, a building, machinery and equipment, furniture and fixtures, computer equipment and cars. The depreciation is computed on the straight-line basis over the estimated useful lives. The following depreciation rates are used:

- Building 3.33% p.a.
- Machinery and equipment 20% p.a.
- Furniture and fixtures 20% p.a.
- Computer hardware & software 33% p.a.
- Cars 33% p.a.

Expenditures for maintenance and repairs are charged to the statement of income as incurred.

As of the balance sheet date, the Company had insured its fixed assets against fire for a total of CHF 33'667'849 as of August 31, 2011 and CHF 35'489'446 as of August 31, 2010.

5. Intangible assets

The depreciation is computed on the straight-line basis over the estimated useful lives. The following depreciation rate is used:

- Goodwill in Switzerland 20% p.a.
- Goodwill in Germany and Austria 10% p.a.
- Patents 40% p.a.

6. Legal reserve

No allocation to the general reserve has been recorded, as the legal reserve reaches 50% of the share capital.

	2011 CHF	2010 CHF
Capital surplus	687'200	687'200
General reserve	2'312'800	2'312'800
	3'000'000	3'000'000

7. Depreciation

Total depreciation expense amounts to CHF 4'715'616 (2010 CHF 3'952'009)

	2011 CHF	2010 CHF
Depreciation for G&A related fixed assets	1'319'002	1'195'810
Depreciation for G&A related intangible assets	202'778	98'873
Depreciation included in cost of sales	3'064'891	2'510'001
Depreciation included in advertising	164'945	147'325
	4'751'616	3'952'009

8. Income taxes

The Company is liable for income and capital taxes. In Switzerland the Company is taxed based on its income from domestic operations only. The foreign branches are taxed in their respective countries based on their local contribution to the Company's net result. For financial reporting purposes the Company has accrued all income taxes which will be levied based on the net income reported as of August 31, 2011.

9. Foreign currency

The Group's operations are conducted in numerous currencies. The Group manages its foreign currency exposures through a combination of natural hedges and the use of forward exchange contracts. The Company generally enters into these forward contracts to hedge positions for up to twelve months.

At August 31, 2011, the Company had foreign exchange contracts for a total value of CHF 88.7 million (2010 CHF 70.0 million). The Company has unrealized losses relating to these contracts of approximately CHF 820'771 at August 31, 2011 and gains of approximately CHF 1'205'936 at August 31, 2010. According to the accounting policy of the company, the related unrealized losses are expensed in the statement of income but the unrealized gains are not recorded.

10. Transactions with the group

a. Group accounts receivable

These accounts receivable reflect trade receivables due from group companies for transactions entered into in the normal course of business.

b. Royalties

Cost of sales includes royalties to Scott USA, Ltd of CHF 3'259'621 for the period ended August 31, 2011 and of CHF 4'990'577 for the period ended August 31, 2010

11. Credit lines

The credit arrangements include the following conditions and covenants

- Maximum availability under the credit line of CHF 150'000'000 (2010 CHF 120'000'000), including seasonal credit line of CHF 60'000'000 (2010 CHF 55'000'000) and including a credit line for acquisitions and investments of CHF 30'000'000 (2010 CHF 0)
- Pledge of all accounts receivable in favour of the bank
- The company has signed a negative pledge agreement with the Bank in which SCOTT Sports SA agrees not to pledge any assets in favor of any other third party
- SCOTT Corporation SA, the parent company has pledged the shares of SCOTT Sports SA to the bank
- The distribution of dividend is subject to the approval of the Company's bank under the line of credit agreement

12. Contingent Liabilities

- Irrevocable standby letters of credit amounting to CHF 4'061'760 (2010 CHF 1'023'400) were issued to guarantee banking facilities to two suppliers and a group company (PMBE Trading (Proprietary) Ltd in Port Elizabeth, South Africa)
- SCOTT SPORTS SA has open guarantees amounting to CHF 825'098 (2010 CHF 1'371'237) mainly for customs clearing and rent
- SCOTT Sports SA acts as a guarantor on a leasing commitment taken by SSG (Europe) Distribution Center N V Aubange, Belgium in the amount of CHF 3.7 million (2010 CHF 4.5 million) for a new distribution warehouse

13. Long-term debt

The long term debt of CHF 2'000'000 (2010 CHF 2'300'000) is secured by the building and land in Switzerland to the extent of CHF 5'878'556 (2009 CHF 6'075'476) (net book value) The repayment of the mortgage is scheduled in installments of CHF 300'000 per year

The long term debt of CHF 2'400'731 (2010 CHF 2'741'701) is secured by the building and land in France to the extent of CHF 3'185'361 (2010 CHF 3'650'213) (net book value) The repayment of the mortgage is scheduled in installments of CHF 366'083 per year (2010 CHF 362'760)

14. Leasing Commitment

At August 31, 2011 the company had lease commitments that were not recorded in the balance sheet for a total of CHF 2'013'831 (2010 CHF 1'867'004)

15. Litigations

At August 31, 2011, there are no open litigations that could be considered as being material

At August 31, 2010, the group was in litigation in Switzerland in relation to a bike sponsoring contract. The case is closed by payment agreement of CHF 1'235'328 and the remaining provision of CHF 1'036'547 was released.

The Group's branch in Germany was in litigation with the fiscal authorities for backdated taxes. The litigation is closed and the provision of CHF 968'760 was released.

16. Risk Assessment

During the year 2011, a risk assessment has been performed with regards to those risks which exercise a material impact on the financial statements. This assessment was approved by the board of directors as at June 23, 2011.

SCOTT Sports SA

**PROPOSED APPROPRIATION OF AVAILABLE EARNINGS
AS OF AUGUST 31, 2011**

The Board of Directors proposes to allocate the balance of retained earnings of CHF 36'780'379 as follows

To be carried forward

CHF 36'780'379

OS AA01

Statement of details of parent law and other
information for an overseas company



Companies House

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☐ What this form is NOT for
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with accounting requirements

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Part 1 Corporate company name

Corporate name of
overseas company ¹

SCOTT SPORTS SA

UK establishment
number

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Please complete in typescript or in
bold black capitals

All fields are mandatory unless
specified or indicated by *

¹ This is the name of the company in
its home state

Part 2 Statement of details of parent law and other
information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited

Legislation ²

SWISS LAW (AOA) & (ARTICLE 728 CO)

² This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box

☐ No Go to Section A3

☒ Yes Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3

³ Please insert the name of the
appropriate accounting organisation
or body

KPMG SA

FRIBOURG

Name of organisation
or body ³

A3 Accounts

Accounts

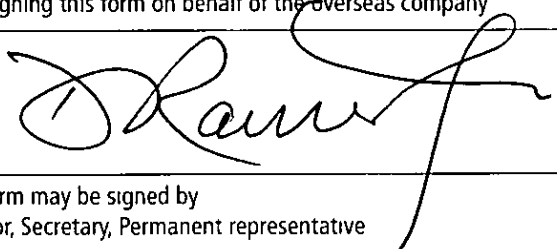
Have the accounts been audited? Please tick the appropriate box

☐ No Go to Section A5

☒ Yes Go to Section A4

OS AA01

Statement of details of parent law and other information for an overseas company

A4 Audited accounts	
Audited accounts	<p>Have the accounts been audited in accordance with a set of generally accepted auditing standards?</p> <p>Please tick the appropriate box</p> <p><input type="checkbox"/> No Go to Part 3 'Signature'</p> <p><input checked="" type="checkbox"/> Yes Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'</p>
Name of organisation or body ①	<p>① Please insert the name of the appropriate accounting organisation or body</p> <p>KPMG SA FRIBOURG</p>
A5 Unaudited accounts	
Unaudited accounts	<p>Is the company required to have its accounts audited?</p> <p>Please tick the appropriate box</p> <p><input type="checkbox"/> No</p> <p><input type="checkbox"/> Yes</p>
Part 3 Signature	
Signature	<p>I am signing this form on behalf of the overseas company</p> <p>Signature X  X</p> <p>This form may be signed by Director, Secretary, Permanent representative</p>

OS AA01

Statement of details of parent law and other information for an overseas company



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You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	DAVID RAINSFORD
Company name	SCOTT SPORTS SA (UK BRANCH)
Address	UNIT 3, BAKER RD, NELSON PARK WEST
Post town	CRAMLINGTON
County/Region	NORTHUMBRIA
Postcode	NE23 1WL
Country	U.K.
DX	
Telephone	07733 895399



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- ☐ You have completed all sections of the form, if appropriate
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