

OS AA01

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



Companies House

☒ What this form is for
You may use this form to
accompany your accounts
disclosed under parent law

☒ What this form is NOT for
You cannot use this form to
an alteration of manner of co
with accounting requirements



A09 *A231KOVE* #278
26/02/2013
COMPANIES HOUSE
COMPANIES HOUSE
A21RJ828
A38 08/02/2013 #219
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of
overseas company ①

SCOTT SPORTS SA

UK establishment
number

B R 7 8 5 8

→ Filling in this form
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

SWITZERLAND

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

Name of organisation
or body ③

KPMG

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

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box

☐ No Go to Part 3 'Signature'

☒ Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'

① Please insert the name of the appropriate accounting organisation or body

Name of organisation or body ①

KPMG

A5

Unaudited accounts

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box

☐ No.

☐ Yes

Part 3

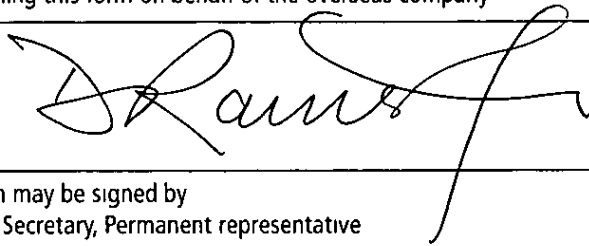
Signature

Signature

I am signing this form on behalf of the overseas company

Signature

X

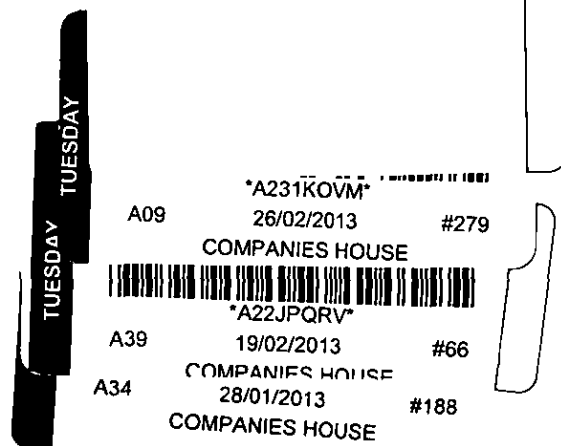


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This form may be signed by
Director, Secretary, Permanent representative

~~703 550/20~~ 703 550/20

SCOTT Sports SA, Givisiez
Report of the Statutory Auditor
on the Financial Statements
to the General Meeting of Shareholders
Financial Statements August 31, 2012



**KPMG SA****Audit**

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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, 2012

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, 2012 comply with Swiss law and the company's articles of incorporation.

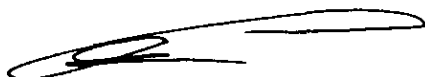
Report on Other Legal Requirements

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, November 30, 2012

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>2012</u>	<u>2011</u>
A S S E T S		
CURRENT ASSETS		
Cash and securities	74,782,300	25,706,996
Accounts receivable		
- Trade	35,265,242	29,653,634
- Allowance for doubtful accounts	(3,258,440)	(2,957,322)
<i>Total trade receivable</i>	<u>32,006,802</u>	<u>26,696,312</u>
- Group	45,595,557	25,571,241
- Allowance for doubtful accounts	(3,375,286)	(1,918,223)
<i>Total group receivable</i>	<u>42,220,271</u>	<u>23,653,018</u>
- Shareholders	12,904,397	11,200,000
- Other	466,868	399,777
- Taxes receivable	261,563	299,584
<i>Total accounts receivable</i>	<u>87,859,901</u>	<u>62,248,691</u>
Inventories, net of reserve of CHF 32'431'754 (2011 CHF 29'450'326)	71,785,403	56,552,294
Prepaid expenses	1,485,902	1,388,066
<i>Total current assets</i>	<u>235,913,506</u>	<u>145,896,047</u>
NON-CURRENT ASSETS		
Investment in subsidiaries	8,868,263	6,250,158
Fixed assets, at cost	41,351,178	41,697,802
Less- accumulated depreciation	(25,077,392)	(25,489,016)
<i>Total net fixed assets</i>	<u>16,273,786</u>	<u>16,208,786</u>
Patent	4,158,994	370,594
Less- accumulated depreciation	(769,060)	(333,149)
<i>Total patent</i>	<u>3,389,934</u>	<u>37,445</u>
<i>Total non-current assets</i>	<u>28,531,983</u>	<u>22,496,389</u>
<i>Total assets</i>	<u>264,445,489</u>	<u>168,392,436</u>

SCOTT SPORTS SA

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

	<u>2012</u>	<u>2011</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES :		
Bank Borrowings	140,515,585	65,800,547
Current portion long-term debt	662,145	666,083
Current portion note payable	631,400	-
Accounts payable		
- Trade	50,895,530	40,519,229
- Group	4,838,563	3,095,505
<i>Total accounts payable</i>	<u>55,734,093</u>	<u>43,614,734</u>
Accrued expenses	11,182,234	6,995,978
Accrued taxes	327,272	1,133,984
<i>Total current liabilities</i>	<u>209,052,729</u>	<u>118,211,326</u>
NON-CURRENT LIABILITIES :		
Long-term debt	3,712,763	4,400,731
Long-term note payable	2,525,600	-
<i>Total non-current liabilities</i>	<u>6,238,363</u>	<u>4,400,731</u>
SHAREHOLDER'S EQUITY		
Share capital	6,000,000	6,000,000
Legal reserve	3,000,000	3,000,000
Retained earnings	40,154,397	36,780,379
<i>Total shareholder's Equity</i>	<u>49,154,397</u>	<u>45,780,379</u>
<i>Total liabilities and shareholder's Equity</i>	<u><u>264,445,489</u></u>	<u><u>168,392,436</u></u>

SCOTT SPORTS SA

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

	<u>2012</u>	<u>2011</u>
Net Sales	383,627,868	339,491,486
Cost of Sales	(315,427,604)	(266,688,656)
<i>Gross profit</i>	<u>68,200,264</u>	<u>72,802,830</u>
EXPENSES		
Personnel	(23,641,752)	(21,314,156)
Advertising and product development	(28,720,152)	(22,538,922)
Professional fees and management fees	(12,991,270)	(10,859,337)
Depreciation for G&A related fixed assets	(1,334,274)	(1,319,002)
Depreciation for G&A related intangible assets	(14,978)	(202,778)
Office rent, telephone, postage	(3,309,903)	(2,895,048)
Travel and representation	(334,972)	(220,576)
Repair and maintenance	(1,284,809)	(1,076,995)
<i>Total expenses</i>	<u>(71,632,110)</u>	<u>(60,426,814)</u>
<i>(Loss) / Income from operations</i>	<u>(3,431,846)</u>	<u>12,376,016</u>
OTHER INCOME / (EXPENSES)		
Interest income	977,281	600,120
Interest expense	(4,667,604)	(3,010,654)
Exchange differences income / (expense)	10,819,881	(652,464)
Other income	611,709	604,091
Other expense	(101,178)	(78,438)
Gain on sale of fixed assets	69,598	82,854
<i>Total other income / (expenses)</i>	<u>7,709,687</u>	<u>(2,454,491)</u>
<i>Income before taxes</i>	<u>4,277,841</u>	<u>9,921,525</u>
TAXES	(919,485)	(1,372,463)
<i>Net income</i>	<u><u>3,358,356</u></u>	<u><u>8,549,062</u></u>

SCOTT SPORTS SA

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

	<u>2012</u>	<u>2011</u>
RETAINED EARNINGS		
Balance, beginning of the year	36,780,379	28,404,247
Translation adjustment	15,662	(172,930)
Net income	3,358,356	8,549,062
<i>Balance, end of the year</i>	<u>40,154,397</u>	<u>36,780,379</u>

SCOTT Sports SA

NOTES TO FINANCIAL STATEMENTS AS OF AUGUST 31, 2012

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 subsidiaries are stated at cost :

Subsidiaries	Share Capital in Lc.	Owned in %	2012 CHF	Share Capital in Lc.	Owned in %	2011 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 , Kortenbergh, Belgium	EUR 495'787	19	110'094	EUR 495'787	19	110'094
Scott Sports AB (formerly 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
Scott Italia S.r.l. Albino, Italy	EUR 100'000	81	2'618'105	-	-	-
			8'868'263			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 | 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 42'810'848 as of August 31, 2012 and CHF 33'667'849 as of August 31, 2011.

5. Intangible assets

The depreciation is computed on the straight-line basis over the estimated useful lives:

- | | |
|-----------------------------------|----------|
| • Goodwill in Switzerland | 5 years |
| • Goodwill in Germany and Austria | 10 years |
| • Trademarks | 6 years |
| • Patents | 5 years |

6. Legal reserve

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

	2012 CHF	2011 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 5'166'222 (2011 CHF 4'715'616)

	2012 CHF	2011 CHF
Depreciation for G&A related fixed assets	1'334'274	1'319'002
Depreciation for G&A related intangible assets	14'978	202'778
Depreciation included in cost of sales	3'686'003	3'064'891
Depreciation included in advertising	130'967	164'945
	5'166'222	4'751'616

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, 2012.

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, 2012, the Company had foreign exchange contracts for a total value of CHF 124.4 million (2011 CHF 88.7 million). The Company has unrealized losses relating to these contracts of approximately CHF 96'952 at August 31, 2012.

(2011 : CHF 820'771). 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 3'699'824 for the period ended August 31, 2012 and of CHF 3'259'621 for the period ended August 31, 2011

11. Credit lines

The credit arrangements include the following conditions and covenants :

- Maximum availability under the credit line of CHF 144'000'000 (2011 CHF 150'000'000) ; including seasonal credit line of CHF 60'000'000 (2011 CHF 60'000'000) and a credit line for acquisitions and investments of CHF 24'000'000 (2011 : CHF 30'000'000)
- 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 4'356'400 (2011 CHF 4'061'760) were issued to guarantee banking facilities to two customers.
- SCOTT Sports SA has open guarantees amounting to CHF 838'128 (2011 CHF 825'098) mainly for customs clearing and rent.
- SCOTT Sports SA acts as a guarantor on a real estate mortgage commitment taken by SSG (Europe) Distribution Center N V Aubange, Belgium in the amount of CHF 3.3 million (2011 CHF 3.7 million) for a new distribution warehouse.

13. Long-term debt

The long term debt of CHF 1'700'000 (2011 : CHF 2'000'000) is secured by the building and land in Switzerland to the extent of CHF 5'692'241 (2011 : CHF 5'878'556) (net book value). The repayment of the mortgage is scheduled in installments of CHF 300'000 per year.

The long term debt of CHF 2'012'763 (2011 : CHF 2'400'731) is secured by the building and land in France to the extent of CHF 3'134'189 (2011 : CHF 3'185'361) (net book value). The repayment of the mortgage is scheduled in installments of CHF 362'145 per year (2011 : CHF 366'083).

14. Leasing Commitment

At August 31, 2012, the company had lease commitments that were not recorded in the balance sheet for a total of CHF 1'693'493 (2011 : CHF 2'013'831).

15. Litigations

At August 31, 2012, there are no open litigations that could be considered as being material.

At August 31, 2012, the group was in litigation in Belgium with the customs concerning the duty payment on development costs (product development and molds costs) for the fiscal year 2011 and 2012. The case is on the way to be closed by payment agreement of CHF 700'000, fully provided for as of August 31, 2012.

16. Risk Assessment

During the year 2012, 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 October 16, 2012.

SCOTT Sports SA

**PROPOSED APPROPRIATION OF AVAILABLE EARNINGS
AS OF AUGUST 31, 2012**

The Board of Directors proposes to allocate the balance of retained earnings of CHF 40'154'397 as follows :

To be carried forward CHF 40'154'397