

DON'T
STAPLE**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
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with accounting requirements

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COMPANIES HOUSE

Part 1 Corporate company nameCorporate 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
audited.

Legislation ②

Switzerland

② This means the relevant rules or
legislation which regulates the
preparation 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**.Name of organisation
or body ③

KPMG

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

OS AA01

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

A3 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>	<p>❶ Please insert the name of the appropriate accounting organisation or body.</p>
Name of organisation or body ❶	KPMG	
Part 3 Signature		
Signature	<p>I am signing this form on behalf of the overseas company.</p> <p>Signature</p> <p>X  X</p> <p>This form may be signed by: <u>UK FINANCIAL CONTROLLER.</u> Director, Secretary, Permanent representative.</p>	

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



Presenter information

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	Keith Serginson
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Checklist

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Please make sure you have remembered the following:

- ☒ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☒ You have completed all sections of the form, if appropriate.
- ☒ You have signed the form.



Important information

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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 2020



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Report of the Statutory Auditor to the General Meeting of Shareholders of SCOTT Sports SA, Givisiez

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of SCOTT Sports SA, which comprise the balance sheet, statement of income and notes for the year ended 30 September 2020.

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 30 September 2020 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

Fabien Perrinjaquet
Licensed Audit Expert
Auditor in Charge

Myriam Roulin
Licensed Audit Expert

Lausanne, 9 March 2021

Enclosures:

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

SCOTT Sports SA, Givisiez

BALANCE SHEET
(Currency - CHF)

	Notes	<u>September 30, 2020</u>	<u>September 30, 2019</u>
ASSETS			
CURRENT ASSETS :			
Cash and cash equivalents		93'689'923	35'597'345
Trade accounts receivable	2.1	114'869'113	116'680'674
Other short-term receivable from third parties		1'352'140	2'302'343
Inventories	2.2	99'875'946	144'250'311
Prepaid expenses and accrued income		1'335'111	592'301
<i>Total current assets</i>		<u>311'122'233</u>	<u>299'422'974</u>
NON-CURRENT ASSETS :			
Financial assets	2.3	44'267'212	49'306'693
Investments	2.4	7'884'525	18'296'596
Property, plant and equipment			
- land and buildings		65'898'682	66'500'842
- furnitures and fittings		820'119	784'669
- plant and equipment		9'793'745	9'092'582
- under construction		1'924'864	-
<i>Total property, plant and equipment</i>		<u>78'437'410</u>	<u>76'378'093</u>
Intangible assets		14'551'129	21'341'765
<i>Total non-current assets</i>		<u>145'140'276</u>	<u>165'323'147</u>
<i>Total assets</i>		<u><u>456'262'509</u></u>	<u><u>464'746'121</u></u>

SCOTT Sports SA, Givisiez

BALANCE SHEET
(Currency - CHF)

	Notes	September 30, 2020	September 30, 2019
LIABILITIES AND SHAREHOLDER'S EQUITY			
SHORT-TERM LIABILITIES :			
Trade accounts payable	2.5	95'440'648	116'172'622
Short-term interest bearing liabilities			
- Bank borrowings	2.6	31'847'111	159'590'290
- Loans due to shareholder	2.6	180'638'594	-
Other short-term liabilities			
- Due to third parties	2.7	11'769'511	11'534'507
- Due to shareholder		1'241'366	-
- Short-term notes payable		440'120	-
Accrued expenses and deferred income	2.8	20'062'277	10'624'365
Short-term provisions	2.9	4'622'651	1'258'000
<i>Total short-term liabilities</i>		<u>346'062'278</u>	<u>299'179'784</u>
LONG-TERM LIABILITIES :			
Long-term interest-bearing liabilities			
- Loans due to shareholder		38'445'000	117'142'807
- Long-term bank debts	2.6	427'500	522'500
Other long-term liabilities			
- Notes payable		-	228'420
Provisions	2.9	-	1'000'000
<i>Total long-term liabilities</i>		<u>38'872'500</u>	<u>118'893'727</u>
SHAREHOLDER'S EQUITY :			
Share capital	2.10	6'000'000	6'000'000
General legal retained earnings		3'000'000	3'000'000
Voluntary retained earnings			
- Results carried forward	2.4	37'680'064	19'181'313
- Profit for the year		24'647'667	18'491'297
<i>Total shareholder's equity</i>		<u>71'327'731</u>	<u>46'672'610</u>
<i>Total liabilities and shareholder's equity</i>		<u>456'262'509</u>	<u>464'746'121</u>

SCOTT Sports SA, Givisiez

STATEMENT OF INCOME
FOR THE YEAR
(Currency - CHF)

		from October 1, 2019 to September 30, 2020	from October 1, 2018 to September 30, 2019
Revenue from sales of goods		740'689'610	623'993'513
Other operating income	2.11	6'873'412	4'456'196
Cost of sales		(606'126'541)	(496'875'914)
<i>Gross profit</i>		<u>141'436'481</u>	<u>131'573'795</u>
Administrative expenses		(49'979'973)	(50'828'443)
Selling and marketing expenses		(63'572'351)	(70'564'167)
<i>Operating expenses</i>		<u>(113'552'324)</u>	<u>(121'392'610)</u>
<i>Operating result</i>		<u>27'884'157</u>	<u>10'181'185</u>
Financial income	2.12	35'392'660	38'764'641
Financial expense	2.13	(36'460'503)	(34'181'279)
Non-operating income	2.14	11'967'353	7'428'744
Non-operating expenses	2.15	(10'526'285)	(1'773'469)
<i>Profit for the year before taxes</i>		<u>28'257'382</u>	<u>20'419'822</u>
Direct taxes		(3'609'715)	(1'928'525)
<i>Profit for the year</i>		<u>24'647'667</u>	<u>18'491'297</u>

Notes

1. Principles

1.1 General aspects

1.1.1 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.

1.1.2 Accounting policies

These financial statements were prepared according to the principles of the Swiss Law on Accounting and Financial Reporting (32nd title of the Swiss Code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

To ensure the comparability of information, certain line items of the comparative figures have been reclassified to conform to the presentation used in 2020.

(a) 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.

(b) Investments

The Company accounts for its investments in subsidiaries using the cost method. Investments are assessed for impairment annually or more often, when an event occurs or circumstances arise that could indicate a reduction of its book value. Any impairment in the value of investments is charged to the income statement in the period it occurs.

(c) Property, plant and equipment

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:

• Land	0% p.a.
• Building	2.5% - 3.33% p.a.
• Furniture and fittings	20% p.a.
• Plant and equipment: - Office and warehouse installations	20% p.a.
- Molds	33% p.a.
- Cars	33% p.a.
- Computer equipment & software	33% p.a.
- Other	33% p.a.

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

Notes

(d) Intangible assets

Amortization is calculated on a straight-line basis, from the acquisition date, and over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

• Trademark	5 - 15 years
• Patents	5 years
• Software	3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date.

(e) Foreign currency

Foreign currency transactions are recorded at the exchange rates prevailing at the date of the transactions or valuation where items are re-measured. Realized foreign exchange gains and losses from the settlement of such transactions and unrealized foreign exchange gains and losses from the translation at year-end exchange rates of current monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Unrealized exchange gains from translation of long-term monetary and non-monetary assets and liabilities are deferred, while unrealized losses on these items are recognized in the income statement.

Hedge

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.

Forward exchange contracts used to hedge future transactions

As the impairment principle applies, the fair value of hedging derivatives is presented in the balance sheet in Accrued expenses and deferred income if the value represents an unrealized loss. In the case of an unrealized gain, no asset will be presented in the balance sheet and no gain will be recorded in the income statement. Realized gains and losses and unrealized losses are recorded in the income statement.

Forward exchange contracts used to hedge balance sheet positions

If the underlying is a balance sheet item valued at the current price, the derivative is also valued at the current price. Gains and losses arising from the underlying and hedging transactions are dealt with on a joint basis (combined valuation perspective with regard to valuation units). As the impairment principle applies, unrealized exchange gains on these items are deferred, while unrealized losses are recognized in the income statement.

Translation of financial statements of branches in foreign currencies

The branches of SCOTT Sports SA keep their books in their local currencies. Monetary and non-monetary assets and liabilities expressed in local currencies are translated into Swiss francs at the rate of exchange prevailing at the end of the year. Revenues and expenses are translated into Swiss francs at the average rate of exchange prevailing at the end of each month.

Gains arising from the translation of the financial statements are deferred under "Deferred translation gains" in Accrued expenses and deferred income, whereas losses are charged to the income statement in accordance with Swiss accounting requirements.

Notes

(f) Revenue from sale of goods

Sales are recognized when risks and rewards are transferred to the client. Normally, this is the case upon delivery of the goods.

(g) 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 at closing date.

(h) Leases

Leasing and rental contracts are recognized based on legal ownership. Therefore, any leasing or rental expenses are recognized as expenses in the period they are incurred; however, the leased or rented objects themselves are not recognized in the balance sheet.

1.1.3 Foregoing a cash flow statement and additional disclosures in the notes

As Scott Corporation SA, the parent company of SCOTT Sports SA, has prepared its consolidated financial statements in accordance with a recognized accounting standard (IFRS), it has been decided to forego presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement in accordance with the law.

Notes

2 Disclosure on balance sheet and income statement items**2.1 Trade accounts receivable**

	In CHF	
	2020	2019
Receivables from third parties	70'516'638	66'369'799
Valuation adjustment	(5'820'076)	(5'420'721)
Receivables from group companies	51'251'893	56'650'038
Valuation adjustment	(1'079'342)	(918'442)
Total	114'869'113	116'680'674

2.2 Inventories

	In CHF	
	2020	2019
Finished goods	127'543'799	156'752'112
Valuation adjustment	(27'667'853)	(12'501'801)
Total	99'875'946	144'250'311

2.3 Financial assets

	In CHF	
	2020	2019
Long term group receivable	28'013'000	29'622'000
Loan to group companies	19'252'844	23'786'057
Valuation adjustment from group companies	(3'108'726)	(4'211'458)
Investments with an ownership of less than 20%	110'094	110'094
Total	44'267'212	49'306'693

Notes

2.4 Investments

Subsidiaries Company name, domicile	Share Capital in I.c.	Voting and capital rights in %	In CHF	
			2020	2019
S.P.F. S.p.A., Aosta, Italy	EUR 1'074'000 (same in 2019)	100 (same in 2019)	757'727	887'709
Scott Sports AB, Uppsala, Sweden	SEK 500'000 (same in 2019)	100 (same in 2019)	2'535'450	2'535'450
Scott Italia S.r.l., Albino, Italy	EUR 100'000 (same in 2019)	100 (same in 2019)	4'264'473	4'242'688
Scott Sports Denmark A/S, Skanderborg, Denmark	DKK 500'000 (same in 2019)	100 (same in 2019)	74'898	74'898
BERGAMONT Fahrrad Vertrieb GmbH, Hamburg, Germany	EUR 125'000 (same in 2019)	100 (same in 2019)	251'977	10'514'647
Bold Cycles AG, Biel, Switzerland	nil (2019: CHF 500'000)	0 (100 in 2019)	-	13'579
Bold Cycles Services GmbH, Aschau im Chemgau, Germany, in liquidation	EUR 25'000 (same in 2019)	100 (same in 2019)	-	27'625
			7'884'525	18'296'596

As of May 20, 2019, the Company acquired 100% of the shares and voting rights in Vinoux AG. The Vinoux Group is composed of Vinoux AG (100%) and its subsidiaries, Flow AG (100%), Bold Cycles AG (70%) and Bold Cycles Services GmbH (100%).

By the end of June 2019, the companies Vinoux AG and Flow AG were merged into SCOTT Sports SA with a retroactive effect as at January 1, 2019. The merger resulted in a merger loss of CHF 2'375'306 booked in Retained earnings.

As at September 30, 2019, the Company bought the remaining 30% of Bold Cycles AG.

At April 2, 2020, BOLD Cycles AG was subsequently merged into SCOTT Sports SA with retroactive effect as at October 1, 2019.

The merger resulted in a merger gain of CHF 7'454 booked in Retained earnings.

Notes

In 2020 impairment losses on investments were recognized in Non-operating expenses for a total amount of CHF 10'420'277 (2019 : CHF 486'420), as follow:

	In CHF	
	2020	2019
S.P.F. S.p.A.	129'982	-
BERGAMONT Fahrrad Vertrieb GmbH	10'262'670	-
Bold Cycles Services GmbH	27'625	-
BOLD Cycles AG	-	486'420
	10'420'277	486'420

In 2020, reversal of impairment losses on investments were recognized in Non-operating income for a total amount of CHF 21'785 (2019 : CHF 6'537'571), as follow:

	In CHF	
	2020	2019
Scott Italia S.r.l.	(21'785)	(191'114)
S.P.F. S.p.A.	-	(99'074)
BERGAMONT Fahrrad Vertrieb GmbH	-	(6'247'383)
	(21'785)	(6'537'571)

2.5 Trade accounts payable

	In CHF	
	2020	2019
Accounts payable due to third parties	79'962'719	94'117'114
Accounts payable to other group companies	13'041'623	19'361'966
Amounts payable due to shareholders	2'436'306	2'693'542
Total	95'440'648	116'172'622

2.6 Bank borrowings

A syndicated banks agreement was signed by the Company and Scott Corporation SA on April 1, 2015 which expired on April 30, 2020 to cover the operational needs of the Group. As of January 31, 2018 an amendment agreement to the Credit Facility Agreement dated April 1, 2015 was signed, which provided a line of credit totaling CHF 140'000'000 including working capital facilities totaling CHF 100'000'000 out of which a seasonal credit facility of CHF 60'000'000, and building construction loan facilities of CHF 40'000'000, replacing the previous line of credit totaling CHF 218'000'000, including special line for acquisitions and building construction. This credit line was reduced by an amount of CHF 4'000'000 on each September 30, beginning in 2018. As at September 30, 2019, the related secured fixed rate advances and overdrafts amounted to CHF 83'601'290. At maturity date at the end of April 2020, it was decided finally not to renew this credit facility agreement and therefore to reimburse the related outstanding secured fixed rate advances and overdrafts of CHF 126'220'000 on April 30, 2020.

The syndicated banks credit facility was replaced by a new shareholder's loan of USD 140'000'000 as of April 29, 2020. The loan is presented in short-term interest-bearing liabilities due to shareholder for CHF 129'760'000 as it may be immediately due and payable at any time and at the sole discretion of the shareholder.

In addition, credit line contracts with Korean banks were signed in December 2017 which provided additional working capital facilities of EUR 70'000'000 (2019: equivalent to CHF 75'894'000). These credit lines expired in May 2020. Amendments extending the maturity date by three months until August 27, 2020 were obtained. On June 10, 2020, it was decided to reimburse one of the Korean banks for an amount of CHF 37'401'000 (EUR 35'000'000). The other Korean bank was reimbursed at maturity date on August 27, 2020 for an amount of CHF 37'737'000 (EUR 35'000'000).

Scott Sports SA has secured bank mortgages for CHF 522'500 (2019: CHF 617'500) as at September 30, 2020.

At September 30, 2020, Scott Sports SA had CHF 32'274'611 (2019: CHF 160'112'790) bank borrowings outstanding out of which CHF nil (2019: CHF 142'894'000) under its line of credit agreements. At September 30, 2020, the cash equivalents exceeded bank borrowings by CHF 61'415'312. At September 30, 2019, the bank borrowings less cash equivalents amounted to CHF 124'515'445.

in CHF		
2020	2019	
		Total credit line available
-	-	Including revolving working capital facility
-	-	Including incremental seasonal credit facility (Sept 1st – May 31st)
-	-	Including credit facility for new building (under conditions)
5'000'000	-	Credit limit for financial derivatives or credit facility available
4'000'000	4'000'000	Credit limit for financial derivatives
4'000'000	4'000'000	Credit limit available for leasing

2.7

Pension liabilities

At September 30, 2020, liabilities due to pension schemes included in Other short-term liabilities due to third parties amounted to CHF 213'200 (2019: CHF 219'292).

Notes

2.8 Accrued expenses and deferred income

	In CHF	
	2020	2019
Accrued unrealized losses on forward exchange rate contracts	3'769'233	329'504
Accrued unrealized gain on long-term open balances	4'710'000	298'000
Other accrued expenses and deferred income	11'490'618	9'996'861
Deferred translation gains	92'426	-
Total	20'062'277	10'624'365

As at September 30, 2020, the Company had foreign exchange contracts for a total value of CHF 313 million (2019: CHF 157 million). As at September 30, 2020, the Company had unrealized gains relating to foreign exchange contracts used for hedging future transactions of CHF 911'282 and unrealized losses of CHF 3'769'233 (2019: unrealized gains of CHF 3'119'547 and unrealized losses of CHF 329'504). 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.

As at September 30, 2020, the Company had unrealized loss of CHF 820'000 (2019: nil) on the forward exchange contracts used to hedge balance sheet positions. According to the accounting policy of the Company, the related forwards are dealt with on a joint basis with the underlying balance sheet position and the related loss offsets the accrued unrealized gain on open balances.

2.9 Provisions

At September 30, 2020, the long-term provision amounts to nil (2019: CHF 1'000'000). This provision has been fully released during 2020 due to the closure of a litigation case by regulatory authorities.

At September 30, 2020, the short-term provision of CHF 4'622'651 (2019: CHF 1'258'000) concerns the warranty cases.

2.10 Share capital

As at September 30, 2020, the share capital of CHF 6'000'000 consists of 12'000 registered shares at a par value of CHF 500.

As at September 30, 2019, the share capital of CHF 6'000'000 consisted of 11'999 bearer shares at a par value of CHF 500 and 2 registered nominal preference shares at a par value of respectively CHF 324 and CHF 176.

2.11 Other operating income

Operating income consists of the co-sponsoring for CHF 1'376'444 (2019: CHF 1'190'033), the recharges to the subsidiaries of IT, warehouse, managements fees and others for CHF 4'496'968 (2019: CHF 3'266'163) and the release of a provision for a litigation concerning regulatory authorities in France for CHF 1'000'000 (2019: nil).

2.12 Financial income

	In CHF	
	2020	2019
Foreign exchange gains	33'780'941	25'818'468
Foreign exchange gains on swaps and forwards, net	299'722	10'790'310
Interest income	1'311'997	2'155'863
Total	35'392'660	38'764'641

Notes

2.13 Financial expense

	In CHF	
	2020	2019
Foreign exchange losses	(28'765'126)	(26'048'289)
Interest expenses	(7'665'451)	(7'504'091)
Translation difference	(29'926)	(628'899)
Total	(36'460'503)	(34'181'279)

2.14 Non-operating income

	In CHF	
	2020	2019
Dividend income	10'348'056	67'768
Reversal of impairment losses on investments	21'785	6'537'571
Reversal of impairment losses on loan	941'832	-
Rental and other income	564'633	603'886
Gain on sales of fixed assets	91'047	219'519
Total	11'967'353	7'428'744

2.15 Non-operating expenses

Non-operating expenses mainly consist of impairment losses on investments for CHF 10'420'277 (2019: mainly consisted of impairment losses on investments for CHF 486'420 and impairment losses on loan for CHF 1'249'257).

2.16 Personnal expenses

	In CHF	
	2020	2019
Personnal expenses included in administrative expenses	13'922'681	13'664'540
Personnal expenses included in selling and marketing expenses	29'494'237	28'078'193
Total	43'416'918	41'742'733

The Company was entitled to wage subsidies in response to the COVID-19 pandemic. CHF 1'720'633 (2019 : nil) was recognized in profit or loss decreasing the related wages and salaries expenses.

There is no outstanding balance of deferred income or receivable related to these grants as at September 30, 2020.

2.17 Depreciation and amortisation

	In CHF	
	2020	2019
Depreciation and amortisation included in cost of sales	3'820'361	3'687'902
Depreciation and amortisation included in administrative expenses	10'003'032	8'379'954
Depreciation and amortisation included in selling and marketing expenses	566'401	512'758
Total	14'389'794	12'580'614

Notes

3 Other information**3.1 Net release of hidden reserves**

	In CHF	
	2020	2019
Total net release of hidden reserves	-	6'004'222

3.2 Full-time equivalents

The annual average number of full-time equivalents for the reporting year, as well as the previous year, exceeded 250.

3.3 Assets pledged to secure own liabilities, as well as assets with retention of title

As of September 30, 2020, according to the agreement signed by Scott Corporation SA and SCOTT Sports SA in April 2020 regarding the USD 140'000'000 shareholder's loan granted by Youngone to Scott Corporation SA, some trademarks are pledged for an amount up to CHF 4'508'292.

As at September 30, 2019, the bank agreement which expired on April 30, 2020 included the following conditions and covenants :

- Pledge of all accounts receivable and trademarks 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 company is not allowed to, without the prior written consent of the bank, pay dividends, grant loans or make equity injections into not wholly owned subsidiaries of Scott Corporation SA with the exception of an annual dividend and/or loans or equity injections into not wholly owned subsidiaries not to exceed 60% of free cash flow generated by the Scott Group, and a one-time payment of CHF 6'000'000 to Scott Corporation SA to finance a minority stake in a new company.

The bank mortgages of CHF 522'500 (2019: CHF 617'500) are secured by the building and land in France to the extent of CHF 2'067'921 (2019: CHF 2'181'361) (net book value). The repayment of the mortgage is scheduled in installments of CHF 95'000 per year (2019: CHF 95'000).

3.4 Contingent liabilities

In June 2013, the French Competition Authority carried out an inspection at a number of international bikes selling companies in France. The investigation relates to alleged anti-competitive activities in the market of high-end cycles. In the complaints report received from the French Competition Authority in November 2019, the maximum penalties that may be imposed on a company that has committed an anti-competitive practice are 10% of the highest amount of consolidated turnover during the period under review.

At September 29, 2020, the French Competition Authority closed the case without any element to prove the existence of alleged any anti-competitive activity.

Notes

3.5 Collateral and guarantees for third party liabilities

- SCOTT Sports SA has open guarantees amounting to CHF 131'041'796 (2019: CHF 2'420'241) mainly due to the fact that SCOTT Sports SA acts as a guarantor for the credit facility of a group company, for the shareholder's loan of the parent company, but also for own 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 nil (2019: CHF 73'755) for a distribution warehouse.

3.6 Residual amount of leasing obligations

At September 30, 2020, the company had lease commitments that were not recorded on the balance sheet for a total of CHF 4'842'002 (2019: CHF 4'576'541). The maturity of leasing obligations which have a residual term of more than twelve months or which cannot be canceled within the next twelve months is as follow:

	In CHF	
	2020	2019
Up to 1 year	1'577'976	1'329'261
1 - 5 year	3'211'378	3'198'835
More than 5 years	52'648	48'445
	<u>4'842'002</u>	<u>4'576'541</u>

These amounts include payments related to leasing contracts up to the end of their (a) contract period or (b) notice period, as applicable.

3.7 COVID

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe. During the last months, many governments have taken stringent steps to help contain or delay the spread of the virus.

Currently, there is a significant increase in economic uncertainty caused by the "lock-down" of cities, regions or countries by controlled or closed borders leading to the disruption of business operations and volatile financial markets.

In 2020, the Coronavirus outbreak only had a negative impact on the sales in the second half of March 2020. However since then the sales increased significantly. Indeed the COVID-19 outbreak and the subsequent lockdown restrictions stimulated the trend to higher demand for outdoor activities and alternative mobility solutions. This triggered the demand for bicycles. In addition, the Company saved costs mainly in relation to marketing campaigns and events which had to be cancelled and thanks to various government grants.

As a matter of fact many governments introduced wage subsidy programs for companies that had to shut down their operations and furlough their employees. The related grants received in 2020 amounted to CHF 1'720'633 and were recognized in profit or loss in the respective captions related to wages and salaries for furloughed employees (see Note 16). There is no outstanding balance of deferred income or receivable related to these grants as at September 30, 2020.

As a consequence, this particular situation had a positive effect on the net result of the Company.

Notes

3.8 Subsequent events

a) New financing

On November 1, 2020, the Company obtained a mortgage of CHF 50'000'000 which is secured by the land and buildings in Givisiez to the extent of a mortgage note of CHF 50'000'000. This mortgage of one year with a renewal option is bearing interests of 0.9% per annum. The quarterly repayments of CHF 250'000 will start on March 31, 2021.

b) Reimbursement of shareholder' loans

On November 25, 2020, the Company reimbursed a loan of USD 10'000'000 and related capitalized interests of USD 250'000 for a total amount of CHF 9'440'250.

On December 11, 2020, the Company reimbursed a loan of USD 20'000'000 and related capitalized interests of USD 500'000 for a total amount of CHF 18'059'450.

On December 31, 2020, the Company reimbursed a loan of USD 10'000'000 and related capitalized interest of USD 409'192 for a total amount of CHF 9'398'459 to the CEO and shareholder by transferring the amount on a current account against the Group, which is at his disposal at any time.

Proposed Appropriation of Available Earnings	2020
	In CHF
Retained earnings brought forward	37'672'610
Merger gain	7'454
Profit for the year	24'647'667
Available earnings	<u>62'327'731</u>

The Board of Directors proposes to the General Meeting of Shareholders the following appropriation of available earnings:

To be carried forward	<u>62'327'731</u>
	<u>62'327'731</u>

As the general legal retained earnings reaches 50% of the share capital, a further allocation has been waived.