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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, 2010

TUESDAY
WEDNESDAY


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KPMG SA
Fribourg, November 17, 2010
Ref MR/dda, 15+2



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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, 2010

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, 2010 comply with Swiss law and the company's articles of incorporation.

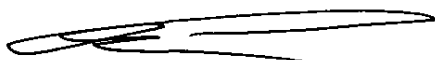
Report on Other Legal Requirements

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 17, 2010

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>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS .		
Cash and securities	3'935'153	14'627'594
Accounts receivable		
- Trade	32'397'852	29'878'047
- Allowance for doubtful accounts	<u>(2'746'169)</u>	<u>(2'816'070)</u>
<i>Total trade receivable</i>	29'651'683	27'061'977
- Group	20'276'448	19'931'501
- Allowance for doubtful accounts	<u>(1'918'223)</u>	<u>(1'918'223)</u>
<i>Total group receivable</i>	18'358'225	18'013'278
- Shareholders	40'000	4'640'000
- Other	313'009	444'734
- Taxes receivable	<u>76'186</u>	<u>9'825</u>
<i>Total accounts receivable</i>	48'439'103	50'169'814
Inventories, net of reserve of CHF 26'325'574 (2009 CHF 26'410'761)	42'007'875	47'340'344
Prepaid expenses	1'346'072	1'262'926
<i>Total current assets</i>	<u>95'728'203</u>	<u>113'400'678</u>
NON-CURRENT ASSETS		
Investment in subsidiaries	6'250'158	6'250'158
Fixed assets, at cost	37'278'657	41'974'704
Less- accumulated depreciation	<u>(21'285'406)</u>	<u>(25'765'840)</u>
<i>Total net fixed assets</i>	15'993'251	16'208'864
Goodwill	3'924'070	3'924'070
Less- accumulated depreciation	<u>(3'856'611)</u>	<u>(3'789'150)</u>
<i>Total goodwill</i>	67'459	134'920
Patent	370'594	370'594
Less- accumulated depreciation	<u>(308'185)</u>	<u>(266'580)</u>
<i>Total patent</i>	62'409	104'014
<i>Total non-current assets</i>	<u>22'373'277</u>	<u>22'697'956</u>
<i>Total assets</i>	<u>118'101'480</u>	<u>136'098'634</u>

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

	<u>2010</u>	<u>2009</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Bank Borrowings	31'308'087	41'145'763
Current portion long-term debt	662'760	662'128
Accounts payable		
- Trade	29'267'283	23'357'545
- Group	6'512'146	6'648'531
<i>Total accounts payable</i>	<u>35'779'429</u>	<u>30'006'076</u>
Accrued expenses	6'221'764	11'665'254
Accrued taxes	1'683'492	955'357
<i>Total current liabilities</i>	<u>75'655'532</u>	<u>84'434'578</u>
NON-CURRENT LIABILITIES		
Long-term debt	5'041'701	5'699'057
<i>Total non-current liabilities</i>	<u>5'041'701</u>	<u>5'699'057</u>
SHAREHOLDER'S EQUITY		
Share capital	6'000'000	6'000'000
Legal reserve	3'000'000	3'000'000
Retained earnings	28'404'247	36'964'999
<i>Total shareholder's Equity</i>	<u>37'404'247</u>	<u>45'964'999</u>
<i>Total liabilities and shareholder's Equity</i>	<u><u>118'101'480</u></u>	<u><u>136'098'634</u></u>

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

	<u>2010</u>	<u>2009</u>
Net Sales	352'281'718	326'781'911
Cost of Sales	(284'734'098)	(261'712'581)
<i>Gross profit</i>	<u>67'547'620</u>	<u>65'069'330</u>
EXPENSES		
Personnel	(19'603'593)	(20'440'974)
Advertising and product development	(21'359'121)	(26'612'882)
Professional fees and management fees	(11'405'738)	(12'161'389)
Depreciation for G&A related fixed assets	(1'195'810)	(1'184'073)
Depreciation for G&A related intangible assets	(98'873)	(211'415)
Office rent, telephone, postage	(2'792'348)	(2'813'903)
Travel and representation	(227'808)	(227'347)
Repair and maintenance	(1'188'414)	(1'153'687)
<i>Total expenses</i>	<u>(57'871'705)</u>	<u>(64'805'670)</u>
<i>Income from operations</i>	<u>9'675'915</u>	<u>263'660</u>
OTHER INCOME / (EXPENSE)		
Interest income	848'165	682'092
Interest expense	(2'421'320)	(4'601'772)
Exchange differences	4'573'551	11'236'605
Other income	484'783	1'058'647
Other expense	(104'221)	(260'640)
Gain on sale of fixed assets	11'589	91'567
<i>Total other income/(expenses)</i>	<u>3'392'547</u>	<u>8'206'499</u>
<i>Income before taxes</i>	<u>13'068'462</u>	<u>8'470'159</u>
TAXES	(956'553)	(1'171'195)
<i>Net income</i>	<u><u>12'111'909</u></u>	<u><u>7'298'964</u></u>

SCOTT SPORTS SA

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

	<u>2010</u>	<u>2009</u>
RETAINED EARNINGS		
Balance, beginning of the year	36'964'999	61'265'076
Dividend allocation	(21'495'681)	(31'291'512)
Allocation to general reserve	-	(1'112'800)
Translation adjustment	823'020	805'271
Net income	12'111'909	7'298'964
<i>Balance, end of the year</i>	<u>28'404'247</u>	<u>36'964'999</u>

SCOTT Sports S.A.

NOTES TO FINANCIAL STATEMENTS AS OF AUGUST 31, 2010

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 S A

2. Investments

Investments in the following subsidiaries are stated at cost

Subsidiaries	Owned in %	2010 CHF	Owned in %	2009 CHF
S P F. S p A , Aosta, Italy	100	3'600'000	100	3'600'000
Scott Sportech Benelux, N V , Kortenberg, Belgium	19	110'094	19	110'094
Ed Scott Sports Group Svenska AB, Uppsala, Sweden	100	2'535'450	100	2'535'450
Acerbis UK Ltd Luton Beds, UK	19	4'614	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 35'489'446 as of August 31, 2010 and CHF 38'164'201 as of August 31, 2009.

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

Even if a dividend of CHF 21'495'681 was paid, no allocation to the general reserve has been recorded because the legal reserve has already reached 50% of the share capital. The company decided not to make further allocation.

	2010 CHF	2009 CHF
Share premium	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 3'952'009 (2009 CHF 5'292'130)

	2010 CHF	2009 CHF
Depreciation for G&A related fixed assets	1'195'810	1'184'073
Depreciation for G&A related intangible assets	98'873	211'415
Depreciation included in cost of sales	2'510'001	3'719'504
Depreciation included in advertising	147'325	177'138
	3'952'009	5'292'130

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, 2010.

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, 2010, the Company had foreign exchange contracts for a total value of CHF 70 million (2009 CHF 56.9 million). The Company has unrealized gains relating to these contracts of approximately CHF 1'205'936 at August 31, 2010 and losses of approximately CHF 704'549 at August 31, 2009. 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 4'990'577 for the period ended August 31, 2010 and of CHF 4'611'586 for the period ended August 31, 2009.

11. Credit lines

The credit arrangements include the following conditions and covenants

- Maximum availability under the credit line of CHF 120'000'000 (2009 CHF 120'000'000) , including seasonal credit line of CHF 55'000'000 (2009 CHF 55'000'000)
- 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
- SSG Invest S A , the parent company has pledged the shares of SCOTT Sports S A. 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 1'023'400 (2009 CHF 1'062'300) was issued to guarantee banking facilities to a supplier
- SCOTT SPORTS SA has open guarantees amounting to CHF 1'371'237 (2009 CHF 1'999'885) 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 4.5 million (2009 CHF 5.7 million) for a new distribution warehouse

13. Long-term debt

The long term debt of CHF 2'300'000 (2009 CHF 2'600'000) is secured by the building and land in Switzerland to the extent of CHF 6'075'476 (2009 CHF 6'261'341) (net book value). The repayment of the mortgage is scheduled in installments of CHF 300'000 per year

The long term debt of CHF 2'741'701 (2009 CHF 3'099'057) is secured by the building and land in France to the extent of CHF 3'650'213 (2009 CHF 4'447'648) (net book value). The repayment of the mortgage is scheduled in installments of CHF 362'760 per year (2009 CHF 362'128)

14. Leasing Commitment

At August 31, 2010 the company had lease commitments that were not recorded in the balance sheet for a total of CHF 1'867'004 (2009 : CHF 1'767'018).

15. Litigations

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

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 November 12, 2010.

SCOTT Sports S.A.

**PROPOSED APPROPRIATION OF AVAILABLE EARNINGS
AS OF AUGUST 31, 2010**

The Board of Directors proposes to allocate the balance of retained earnings of CHF 28'404'247 as follows

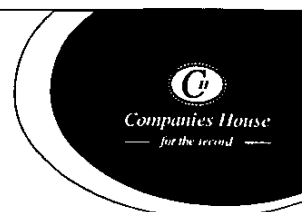
To be carried forward CHF 28'404'247

703448/30 UP

In accordance with
Regulation 32 of the
Overseas Companies
Regulations 2009

OS AA01

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



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

☐ **What this form is NOT**
You cannot use this form
an alteration of manner o
with accounting requireme

21/09/2011
COMPANIES HOUSE

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Part 1 Corporate company name

Corporate name of overseas company ①	SCOTT SPORTS SA							
	If the company has already been registered in the UK, please enter the establishment number below							
UK establishment number ②	B	R	0	0	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

② This should only be completed if the company has already been registered in the UK

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 ③ SWISS ACCOUNTING STANDARDS

③ 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

Name of organisation or body ④ SWISS ACCOUNTING STANDARDS

④ Please insert the name of the appropriate accounting organisation or body

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**

SWISS ACCOUNTING STANDARDS

A5

Unaudited accounts

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box

☐ No

☐ Yes

Part 3

Signature

I am signing this form on behalf of the overseas company

Signature

Signature

X

B. Rauss

X

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

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

Company name

Address

Post town

County/Region

Postcode

Country

DX

Telephone



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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



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DX ED235 Edinburgh 1
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