

FINANCE & AUDIT COMMITTEE MEETING

Meeting held virtually through Microsoft Teams
10:00-11:15 CET Thursday 3rd November 2022

MINUTES

1. Welcome and Opening

1.1. Chair's opening remarks

Mr. Natran welcomed all to the meeting. Mr. Natran remarked briefly about the internal changes and developments within the ITTF that has caused the delay for the finalization of the Financial Statements, but appreciates the work done to get to where we are today.

1.2. Roll Call

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| Mr. Roland Natran | Chair (Executive Vice President – Finance) |
| Mr. Dhanraj Choudhary | Board of Directors Appointee |
| Mr. Robert Brophy | Independent Member |

In attendance

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| Mr. Michael Brown | ITTF CFO |
| Mr. Michael Ackermann | Mazars |
| Mr. Jean-Christophe | Mazars |

Absent with apology

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| Ms. Ludewine Arpino | Independent Member |
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2. Minutes of the previous Finance & Audit Committee meeting

2.1. Adoption of the Minutes of the previous meeting

Mr. Brophy, as a new member of the Finance & Audit Committee, asked for background information about the disposal of the TTX Intangible Asset which took place in 2020, and asked about the evolution of the Internal Control Systems, noting it is part of the agenda.

Mr. Choudhary, as the only continuing member of the Finance & Audit Committee, confirmed to accept the minutes, as a factual representation of the previous meeting.

2.2. Business arising from the minutes

Mr. Brown gave an overview of each of the decisions made from the prior year meeting, with majority of the decisions being actioned throughout the year, and a few decisions still be in progress for completion or adoption.

3. Audit of Financial Statements

3.1. Management presentation of Financial Statements

Mr. Natran emphasized that this year is an extraordinary one, in terms of having the financial statements finalised in the fourth quarter of the year. We will work to ensure such delays will not occur again but appreciates the support of his colleagues in ensuring the preparation of the Financial Statements.

Mr. Brown presented an overview analysis of the 2021 Financial Statements, including detailed analysis of both the Balance Sheet and Profit & Loss with comparisons between the Current Year and Prior Year.

Mr. Brophy questioned the approach undertaken in relation to Contract Assets, in which Mr. Brown confirmed that it is rights in consideration for events already completed, but not yet invoiced, such as Data Rights for completed matches. Once the contracted assets have been invoiced, they are then transferred to trade receivables.

Mr. Brown noted that although the equity levels may appear small, a recent investment into equity from World Sports, as well as ongoing conversations for further external investment will help to ensure stable equity moving forward. In addition, the ongoing sale of the property in Renens, Switzerland will also assist in building cash reserves.

Mr. Brown explained the reason to adjust the presentation of the Profit & Loss was to become more streamlined, and in line with IFRS. Compared to the prior year, all revenue lines saw increases, noting that the 2020 revenues were significantly impacted by the COVID-19 pandemic. The increase in spending was significant too, in relation to events, as well as returning salaries to pre-pandemic levels, following salary reductions during 2020.

Mr. Brophy commented as to what the planned progression of finances is over the coming years, to gradually reduce the losses and questioned what the staff costs are, and what is the current headcount, including the budgeted growth in these areas for the coming years. Mr. Brown replied that although financial losses incurred in 2020, 2021 and are planned for 2022 and 2023, this has been approved through the ITTF AGM, as part of the introduction of World Table Tennis.

Mr. Natran commented that following the establishment of World Table Tennis in 2019, it was known through various ITTF meetings about the initial investment into the growth of World Table Tennis would result in initial losses.

3.2. Selection and appointment of auditors

Mr. Brown confirmed that Mazars was appointed as the 2021 audit firm during the 2020 ITTF AGM.

3.3. Scope and planning of the audit

Mazars presented their report, which provided details in relation to the purpose of their work, the scoping strategy and organisation of their work, their progress on the audit, and a conclusion.

In conclusion, Mazars confirmed that there is no unrecorded adjustment nor reclassification in the consolidated financial statements as of December 31, 2021 and therefore will issue a clean audit opinion.

However, it should be noted that contrary to the provisions of Art. 958 para. 3 CO of the Swiss Civil Obligations (CO), the annual report was not prepared and submitted to the General Meeting within six months of the end of the financial year, however contrary to the provisions of Art. 699 para. 2 CO, the ordinary General Meeting was not held within six months of the end of the financial year.

As part of the report, specific mention was made about the appreciation of the openness and transparency during the audit process that has allowed Mazars to undertake the audit without issues.

Mazars continued their report to provide an overview of the quality of the accounting closing process, which as the initial transition towards IFRS did note some changes in accounting practices between different entities, with the Singapore based entities moving more in-line to IFRS compared to the other entities, this did result in some additional work being required by the auditors, as they had to assess two different accounting approaches.

In addition, it was noted that the standardization of the accounting procedures and policies have improved overall, with the same set of software used across all entities, which helps to ensure consistency where applicable. Specific mention was made that the biggest differences appear with the accounting processes in place at the ITTF Foundation, and more work should be done to better align the accounting work at the ITTF Foundation to the rest of the ITTF.

The auditors noted the various changes to the accounting team throughout the audit period, with three different staff involved in the accounting function

departing the organisation, however, did note that they are comfortable, and impressed, by the new accounting team in place and appreciated the efforts made in October to ensure the conclusion of the consolidated audit.

Two significant events were noted as part of the audit work undertaken. The first significant event was the introduction of the Master License Agreement between ITTF and WTT. This resulted in a significant change in terms of revenue generation, with World Table Tennis becoming the primary revenue generator of the ITTF Group, however from a consolidated perspective it made no difference, just that the audit teams working on the revenue aspect changed from the Mazars Lausanne office to the Mazars Singapore office.

The other significant event was the adjust presentation of the financial statements to commence the transition towards presenting the finances under IFRS. Therefore, additional work was required in terms of presenting comparative figures as an additional note disclosure within the Financial Statements.

Mazars reported that there were no audit adjustments that remained unrecorded, all adjustments or reclassifications that had been identified had been corrected by Management.

3.4. Independence and objectivity of external auditors

Mr. Ackermann provided background information in relation to the independence of himself, and Mazars, to be able to undertake the audit of the ITTF with an objective view.

3.5. Effectiveness of the audit

Mazars confirmed that they will provide a separate report to this meeting in relation to how the effectiveness of the audit could be improved, and the presentation of the Financial Statements to continue the transition towards reporting under IFRS.

3.6. Adherence to Swiss Civil Code

It was confirmed that the audit opinion provided by Mazars for the ITTF Financial Statements adheres to the Swiss Civil Code.

3.7. Approval of Financial Statements

The approval of the 2021 Audited Financial Statements was given by unanimous decision of the members of the Finance & Audit Committee.

4. Financial Management

4.1. Annual Budget

Mr. Brown presented the 2022 forecast, based on the latest management accounts. This was primarily focused on the ITTF forecast.

Mr. Choudhary questioned what work has been done to reduce the deficit that is forecasted, to which Mr. Brown replied that following five different versions of the budget, this was the most balanced budget, which was also approved by the ITTF Executive Committee.

4.2. Quadrennial Budget

In addition to the 2022 forecast, budgets for 2023 and 2024 were presented. It was noted that the balance was moving in the right direction, with reduced losses in both 2023 and 2024, however it was suggested to work harder in reducing expenses to at least reach a profitable balance by 2024.

4.3. Monitoring of budgets

Mr. Brown provided the overview as to how budgets had been managed and adjusted throughout 2022, which has been a challenge based on a newly elected leadership in late 2021, and with unknown parameters to work within based on a new leadership looking to make their own mark in 2022. In addition, the various macro level issues the world is facing at the moment has created additional uncertainty when preparing budgets and forecasts.

Mr. Natran agreed that the early months of 2022 were difficult in terms of budgeting but appreciated the continued efforts of Mr. Brown in working towards a balanced budget.

4.4. Lending, borrowing and investing

It was noted that the ITTF has taken a loan guaranteed by the Swiss Government as part of COVID-19 packages, as well as loans from third parties with regards to the start-up nature of World Table Tennis. The loans received by World Table Tennis will be converted to equity.

5. Risk Management

5.1. Internal Control System

Mr. Brown presented an update on the ongoing Risk Management project which commenced in August this year and is being undertaken with the support of Marsh. The report provided an overview of the 10 key risks that will be studied in more detail, and in which proactive controls will be implemented to help reduce and/or mitigate the key risks that the ITTF faces.

5.2. Compliance

Mr. Brown explained the importance to ensure compliance is met according to the ITTF Handbook, but also each of the different legal jurisdictions in which the ITTF is now operating.

5.3. Insurance

Mr. Brown commented that the ITTF, and in particular World Table Tennis, have a more robust insurance approach in place, in particular for event cancellation insurance. In addition, Mr. Brown commented on the existing insurance policies in place in relation to day-to-day operations.

6. Any other business

It was noted that there was no other business.

7. Next meeting

It was proposed from 2023 that four meetings take place per year, following the release of quarterly management reports. The first to take place in late January/early February.