

**International Table Tennis Federation
Renens / Lausanne**

**Report of the auditors
to the Members of the Federation**

**Report of the statutory auditor on the limited statutory
examination**

with financial statements as of 31 December 2008 of

International Table Tennis Federation, Renens

To the General Meeting of
International Table Tennis Federation, Renens

Lausanne, 9 April 2009
mg/10.3

Report of the statutory auditor on the limited statutory examination

As statutory auditor, we have examined the financial statements (balance sheet, income statement and notes) of International Table Tennis Federation for the year ended 31 December 2008.

These financial statements are the responsibility of the Committee. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.


We conducted our examination in accordance with the Swiss Standard on the limited statutory examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of the Association's personnel and analytical procedures as well as detailed tests of the Association's documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law (art. 957 seqq. Code of Obligations (CO)) and the articles of association.

Ernst & Young Ltd



Pierre-Alain Cardinaux
Swiss Certified Finance and Controlling Expert



Juan Leston
Licensed audit expert
(Auditor in charge)

Enclosures

- Financial statements (balance sheet, income statement and notes)

International Table Tennis Federation, Renens / Lausanne

Balance sheet at December 31, 2008
(in USD)

	Notes	2008	2007
Assets			
Current assets			
Cash at bank and in hand		1 876 788	404 657
Financial assets	6	5 434 102	-
Accounts receivable		408 936	566 413
Accounts receivable related parties	4	68 641	75 268
Prepaid expenses		119 883	32 825
		<u>7 908 348</u>	<u>1 079 162</u>
Fixed assets			
Tangible fixed assets	5	<u>4 570 909</u>	<u>4 474 815</u>
		4 570 909	4 474 815
Total assets		<u><u>12 479 257</u></u>	<u><u>5 553 977</u></u>
Liabilities and funds			
Current liabilities			
Bank overdraft	19	-	677 229
Accounts payable, advance and accrued liabilities		1 293 668	755 393
Deferred revenues - Olympic funding	7	6 000 000	-
Deferred revenues - other	8	406 576	348 109
		<u>7 700 244</u>	<u>1 780 731</u>
Provisions			
Currency translation provision		484 088	269 233
		<u>484 088</u>	<u>269 233</u>
Funds			
Unrestricted funds		<u>4 294 925</u>	<u>3 504 013</u>
Total liabilities and funds		<u><u>12 479 257</u></u>	<u><u>5 553 977</u></u>

International Table Tennis Federation, Renens / Lausanne

Statement of income and expenditure for the year ended
December 31, 2008
(in USD)

	Notes	2008	2007
Income			
Marketing income	9	4 428 483	4 359 779
Olympic solidarity		348 599	314 024
IOC Technical. Officials Contributions		196 009	-
Other Olympic Income		202 222	-
International Umpires/Referees		27 241	2 571
Equipment approval fees		906 556	883 030
Subscriptions and membership		30 928	30 073
Investment income		(96 848)	22 043
Sales and advertising		34 366	34 098
Paralympic TT division		268 833	172 065
Miscellaneous		27 649	26 312
Butterfly Solidarity Fund Junior		-	40 047
Currency exchange gain		43 291	22 695
Income before release from deferred revenues		<u>6 417 326</u>	<u>5 906 737</u>
Release from deferred revenues regarding Olympic Fund	7	2 329 961	1 668 480
		<u>8 747 288</u>	<u>7 575 217</u>
Expenditure			
Salaries and clerical assistance		719 050	557 358
Amortization and Bad debts	16	214 139	237 767
Administration	10	396 363	357 009
Publications	11	181 502	19 670
Meetings and travel	12	631 111	543 705
Competitions	13	3 327 368	2 904 958
Development and Olympic Solidarity	14	1 684 620	1 441 747
Paralympic TT Division		115 055	12 345
Other expenses	15	589 505	397 003
Museum		19 369	3 098
Credit line Interest		42 838	8 529
Currency Exchange Loss		35 456	35 446
		<u>7 956 376</u>	<u>6 518 637</u>
Income over expenditure after provisions and translation adjustment		<u>790 912</u>	<u>1 056 579</u>
Unrestricted funds at the beginning of the year		<u>3 504 013</u>	<u>2 447 434</u>
Unrestricted funds at the end of the year		<u><u>4 294 925</u></u>	<u><u>3 504 013</u></u>

Notes to the financial statements 2008

1. Activity

International Table Tennis Federation (ITTF), Lausanne, is operating as a not-for-profit organization incorporated under article 60 of the Swiss Civil Code. The Federation's office in Canada is incorporated under Part II of the Canada Corporation Act with federal letters patent dated August 19, 1997.

The objectives of the Federation are:

- a) to develop the spirit of friendship and mutual assistance among affiliated table tennis associations and players;
- b) to regulate relations between affiliated table tennis associations and between table tennis associations and other organizations;
- c) to seek continual improvement in the technical standard of table tennis and in the extent of participation in the sport throughout the world;
- d) to foster friendly sporting competition and to eliminate unfair and unsporting practices;
- e) to establish and maintain the Laws of Table Tennis and the Regulations for international Competitions;
- f) to publish the standard text of the Rules, consisting of the Constitution, the Laws and the Regulations;
- g) to encourage the publication of the Rules in other languages and to check the accuracy of such publications;
- h) to promote and to supervise World and Olympic title competitions; and
- i) to employ the funds of the ITTF as may be expedient in the interests of international table tennis.
- j) to endeavor to increase participation at all levels, to enhance the popularity of the sport, to develop new sources of revenue and to manage the sport through a systematic planning process.
- k) to encourage players, coaches and officials to present the sport positively in the best ways so as to enhance its image.
- l) to encourage and to support the promotion of women in sport at all levels and to ensure significant representation of women in ITTF Committees, Commissions and Working Groups.

Notes to the financial statements 2008

2. Summary of significant accounting policies

2.1 Basis of accounting

ITTF uses the accruals basis of accounting in preparing the financial statements.

2.2 Tangible fixed assets

Tangible fixed assets are stated at acquisition cost. When assets are retired or otherwise disposed of, the cost of the asset and the related accumulated depreciation are removed from the accounts. Any profit or loss on retirement is reflected in the statement of income for the period.

2.3 Depreciation

Depreciation is calculated on the basis of the cost of the assets and on their estimated useful lives and is provided as follows:

Furniture and equipment	33.3% straight-line basis
Computers	33.3% straight-line basis
Building	4% straight-line basis
Vehicles	30% straight-line basis

2.4 Deferred income

Any funds received for events to be held in the future, where reimbursement of these funds would be necessary in the case of event cancellation, are deferred in the balance sheet and not recognized as income until the event for which the funds were received has taken place.

2.5 Translation of foreign currencies

The Federation's accounts are maintained in Canadian Dollars (Office of Ottawa) and in Swiss Francs (ITTF Headquarters, Lausanne). The financial statements have been translated from those currencies into United States Dollars by applying the exchange rates as follows:

Assets and liabilities: at year-end rates
Statement of income and expenditure: at yearly average rate

When the resulting translation is a gain, it is recorded in the balance sheet as a provision. Such provision will be compensated with future losses and if the losses exceed the provision, the remaining amount will be recorded in the statement of income and expenditure.

2.6 Revenue recognition

The Federation's policy is that enough Olympic revenue be recognized in each year of the quadrennial in order to eliminate any deficiency of revenue over expenses for the year, and thus maintain positive excess of income after translation adjustment.

Notes to the financial statements 2008

3. Financial instruments

The Federation's financial instruments consist of cash, accounts receivable and accounts payable. The carrying values of these financial instruments approximate their fair value. Unless otherwise noted, it is management's opinion that the Federation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

4. Related parties

TMS International

TMS International ("TMS") is an independent, non-profit Marketing Corporation that conducts marketing and commercial activities on behalf of the Federation and other entities.

Under an agreement between the Federation, as the principal client, and TMS, expired December 31, 2008 and extended for a six new year's period, TMS has the exclusive rights of selling Federation sponsorship, advertising, television and licensing rights over specified Federation events. TMS has agreed to provide the Federation with yearly guaranteed revenue based on the greater of an annual budgeted amount approved at the Federation's annual general meeting, as follows:

original contract: USD 2.5 million in 2005; USD 2.6 million in 2006; USD 2.7 million in 2007; and USD 2.7 million in 2008

contract extension: USD 4.2 million in 2009; USD 4.4 million in 2010; USD 4.6 million in 2011; USD 4.8 million in 2012; USD 5 million in 2013 and USD 5.2 million in 2014.

During the year, USD 4'184'282 (2007 - USD 4'209'037) was transferred to the Federation and has been recorded as marketing income in the statement of operations.

The Federation charges TMS for the use of office space and administrative expenses, and during the year these charges amounted to USD 52'656 (2007 - USD 55'156). The Federation also paid US 15'985 on behalf of TMS that is recoverable from TMS. These amounts are outstanding and included in accounts receivable as at year-end, as well as shown as a reduction to the Federation's expenses

5. Tangible fixed assets

	December 31, 2008 USD	December 31, 2007 USD
Land and building	4 125 361	4 060 891
Computers	-	-
Furniture and equipment	2 368	9 109
Museum Collection	443 179	404 814
	<u>4 570 909</u>	<u>4 474 815</u>

International Table Tennis Federation, Renens / Lausanne

Notes to the financial statements 2008

6. Financial assets

	December 31, 2008 USD	December 31, 2007 USD
Money market and notes	5 434 102	-
	<u>5 434 102</u>	<u>-</u>

The ITTF cash in excess resulting from the International Olympic Committee distribution after the 2008 Olympic Games was invested in short term money deposits and notes. These financial assets are accounted for at market value.

7. Deferred revenues - Olympic Fund

	December 31, 2008 USD	December 31, 2007 USD
Olympic funding at the beginning of the year	-	1 638 404
Received in year / FX effect	8 329 961	30 076
Used in year	(2 329 961)	(1 668 480)
Olympic funding at the end of the year	<u>6 000 000</u>	<u>-</u>

8. Deferred revenues - other

	December 31, 2008 USD	December 31, 2007 USD
Equipment approval	406 576	348 109
	<u>406 576</u>	<u>348 109</u>

9. Marketing income

	2008 USD	2007 USD
Transfer from TMS International (note 5)	4 184 282	4 209 037
Event Marketing	242 576	-
General Marketing income	1 625	150 742
	<u>4 428 483</u>	<u>4 359 779</u>

Notes to the financial statements 2008

10. Administration

	2008 USD	2007 USD
Storage	6'696	5 635
Accountancy and bank charges	24'837	11 682
Office equipment and furniture	23'023	12 548
Office expenses and rent	80'822	70 536
Stationary and supplies	10'601	16 376
Telephone, fax, internet and postage	142'176	139 972
Tax	6'639	6 129
Moving expenses	25'556	23 294
Professional fees	75'350	81 688
Repairs & Maintenance	51'113	33 271
Miscellaneous	720	6 853
Translation	1'486	-
TMS Chargeback	(52'656)	(50 976)
	<u>396 363</u>	<u>357 009</u>

11. Publications

	2008 USD	2007 USD
Table Tennis Illustrated	31 103	11 987
Bulletin, Digest, Directory, Coaching manuals	134 671	1 390
Other publications	15 727	6 294
	<u>181 502</u>	<u>19 670</u>

12. Meetings and travel

	2008 USD	2007 USD
Executive Committee	341 155	275 294
Executive Council meetings	47 076	-
Board of Directors	11 749	9 344
AGM	14 403	8 136
Committee Chairmen	17 655	7 719
Committee Expenses	2 435	863
Professional staff	125 577	179 311
P.A.C	6 532	11 119
Other meetings	49 344	51 086
Other Travel Expenses	15 186	833
	<u>631 111</u>	<u>543 705</u>

Notes to the financial statements 2008

13. Competitions

	2008	2007
	USD	USD
World Championships	1 035 328	1 068 817
World Cup Men & Women	279 888	184 169
World Team Cup	396	225 913
ITTF Pro Tour	1 007 986	1 236 411
Olympic Games	745 803	1 717
World Junior Championships	134 344	93 441
European Champions League	-	57 773
Other competitions	123 625	36 717
	<u>3 327 368</u>	<u>2 904 958</u>

14. Development and Olympic Solidarity

	2008	2007
	USD	USD
Continental Olympic Grants	162 134	176 010
Special projects	38 612	8 108
Equipment for Developing Associations	66 215	48 068
Coaching programs	-	-
Olympic Solidarity Courses	328 783	278 736
Referee and umpire scheme	48 383	57 679
Research and development	11 584	19 501
Media service	50 559	44 094
Women development	34 254	76 026
Racket control	49 107	-
Continental development projects	341 964	306 203
Videos and coaching material	9 787	400
Global junior program	438 341	311 725
Development Program	97 458	20 705
Miscellaneous	7 439	94 493
	<u>1 684 620</u>	<u>1 441 747</u>

Notes to the financial statements 2008

15. Other expenses

	2008 USD	2007 USD
TV production	209 876	75 259
Internet TV (itTV)	44 598	37 705
Equipment testing	138 761	172 126
Promotional items and gifts	5 764	10 836
Computer software	173	89
Recruitment	-	4 638
Membership to sport bodies	4 136	3 608
Purchase of publications	4 715	8 342
Donations	282	5 051
Media service	79 081	15 483
Ranking	52 637	54 746
Sundry (recovery)	47 627	7 996
VAT	1 591	1 126
Interest charges	263	-
	<u>589 505</u>	<u>397 003</u>

16. Amortization and Bad debts

	2008 USD	2007 USD
Amortization	207 029	198 716
Bad debts	7 110	39 052
	<u>214 139</u>	<u>237 767</u>

A bad debt allowance was accounted for an amount of US\$ 39'052 during the year 2007. This bad debt allowance was determined based on a detailed specific analysis of accounts receivable overdue and covers the credit risk identified at this date. An additional provision was recorded during the year 2008 in order to reflect the increase in credit risk.

17. Opening of Asia office

In 2005, ITTF opened an office in China, located at 1800 Zhongshan Nan Er Road, Shanghai. The office was closed during December 2007 and a new Marketing office was opened in Beijing in January 2008. The ITTF pays the salary of the Director (Mr. Stefan Dainton) while TMS International assumes all the costs of operating the office in Beijing.

18. Commitments

As of December 31, 2007 and 2008 there isn't any leasing commitment.

Notes to the financial statements 2008

19. Guarantee / Pledged assets

As of December 31, 2007 and December 31, 2008, the land and buildings in Lausanne are pledged to the bank to the extent of USD 2'130'304 in guarantee of the credit limit granted. As of December 31, 2008, the credit line is not used.

20. Litigations / claims

In October 2008 a Table Tennis equipment distributor, TT-Master, based in Switzerland, obtained a court injunction to put 2 racket coverings back on the ITTF's Racket Covering Authorization list No.29B. This matter is still in court at the "hearing" level, and a law suit has not yet been launched. An expense of CHF 30,000 has been accrued in 2008 to cover the possible costs related to this case.

21. Performance of Risk Evaluation by the Board of Directors

A risk evaluation in accordance with Swiss Code of Obligations requirements will be performed during the year 2009 by the Board of Directors.