

Report of the independent auditor

with financial statements as of 31 December 2012 of

International Table Tennis Federation, Renens

To the Board of Directors of
International Table Tennis Federation, Renens

Lausanne, 18 April 2013
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Report of the independent auditor on the financial statements

As independent auditor and in accordance with your instructions, we have audited the accompanying financial statements of International Table Tennis Federation which comprise the balance sheet, income statement and notes for the year ended 31 December 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 federation's articles of association. 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 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 31 December 2012 comply with Swiss law and the federation's articles of association.

Ernst & Young Ltd

A handwritten signature in blue ink, appearing to read 'Philip Klopfenstein'.

Philip Klopfenstein
Licensed audit expert
(Auditor in charge)

A handwritten signature in blue ink, appearing to read 'Juan Leston'.

Juan Leston
Licensed audit expert

Enclosure

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

International Table Tennis Federation, Renens / Lausanne

**Balance sheet at December 31, 2012
(in CHF)**

	Notes	December 31, 2012	December 31, 2011
Assets			
Current assets			
Cash at bank and in hand		11 238 547	554 930
Financial assets	6	180 293	506 521
Accounts receivable		1 272 259	28 387
Accounts receivable related parties	4	1 248 058	486 876
Prepaid expenses		138 146	552 107
Total current assets		<u>14 077 302</u>	<u>2 128 821</u>
Fixed assets			
Tangible fixed assets	5	<u>4 007 853</u>	<u>4 215 068</u>
Total fixed assets		<u>4 007 853</u>	<u>4 215 068</u>
		18 085 155	6 343 889
Total assets		<u><u>18 085 155</u></u>	<u><u>6 343 889</u></u>
Liabilities and funds			
Current liabilities			
Accounts payable, advance and accrued liabilities		1 699 379	1 410 426
Deferred revenues - Olympic funding	7	8 880 000	-
Deferred revenues - other	8	<u>505 692</u>	<u>424 645</u>
Total current liabilities		<u>11 085 071</u>	<u>1 835 071</u>
Funds			
Unrestricted funds		7 044 296	4 519 246
Currency translation adjustment	2.5	<u>(44 211)</u>	<u>(10 428)</u>
Total funds		<u>7 000 085</u>	<u>4 508 818</u>
		18 085 155	6 343 889
Total liabilities and funds		<u><u>18 085 155</u></u>	<u><u>6 343 889</u></u>

International Table Tennis Federation, Renens / Lausanne

Statement of income and expenditure for the year ended

December 31, 2012

(in CHF)

	Notes	2012	2011
Income			
Marketing income	9	4'600'500	5'430'168
Olympic solidarity		431'312	499'967
Other Olympic Income		513'023	462'958
International Umpires/Referees		23'024	7'991
Equipment approval fees		926'598	919'554
Subscriptions and membership		23'220	29'025
Investment income/loss		27'548	(26'561)
Sales and advertising		34'705	28'177
Paralympic TT division		174'361	213'604
Miscellaneous		140'210	49'916
Butterfly Solidarity Fund Junior		55'206	53'236
Currency exchange gain		-	1'322
Other Marketing Revenue		-	323 854
Income before release from deferred revenues		6'949'707	7'993'212
Release from deferred revenues regarding Olympic Fund	7	5 103 644	1 600 000
		<i>12'053'351</i>	<i>9'593'212</i>
Expenditure			
Salaries and clerical assistance		759'447	806'084
Depreciation and Bad debts	16	254'870	216'303
Administration	10	569'074	460'542
Publications	11	117'363	56'334
Meetings and travel	12	606'267	648'798
Competitions	13	4'030'000	4'643'094
Development and Olympic Solidarity	14	2'352'166	1'749'386
Paralympic TT Division		172'181	110'120
Other expenses	15	571'574	718'070
Museum		47'949	54'778
Currency Exchange Loss		47 412	280 029
		<i>9'528'301</i>	<i>9'743'537</i>
Profit (Loss) for the year		<i>2 525 050</i>	<i>(150 325)</i>
Unrestricted funds at the beginning of the year		4 519 246	4 669 572
Unrestricted funds at the end of the year		<u><u>7'044'296</u></u>	<u><u>4'519'246</u></u>

Notes to the financial statements 2012

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 2012

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
Museum Collection	not depreciated

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 from Ottawa have been translated into Swiss Francs by applying the exchange rates as follows:

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

The resulting translation gain or loss is recorded in the balance sheet directly in the funds as a currency translation adjustment.

2.6 Revenue recognition - Olympic revenue

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 or at least stabilize the statement of income and expenditure

Notes to the financial statements 2012

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 Executive Committee. The amounts committed by TMS contractually and the amounts transferred each year by TMS and recorded by ITTF as marketing revenues are as follows:

Financial Year	Contractual minimum revenues in million USD	TMS actual contribution in million USD
2005	2.5	3.5
2006	2.6	3.9
2007	2.7	3.8
2008	2.7	4.4
2009	4.2	4.4
2010	4.4	4.7
2011	4.6	6.2
2012	4.8	5.0
2013	5.0	tbd
2014	5.2	tbd

In addition, the Federation charges TMS for administrative expenses, and during the year these charges amounted to USD 36'818 (2011 - USD 38'531). On its side, TMS charges the federation for Information Technology services in lieu of the Federation hiring a full-time IT Manager. During the year, these charges amounted to USD 45'000 (2011 - nil).

International Table Tennis Federation, Renens / Lausanne

Notes to the financial statements 2012

5. Tangible fixed assets

	December 31, 2012 CHF	December 31, 2011 CHF
Land and building (Renens)	3 491 789	3 708 091
Furniture and equipment	-	2 913
Museum Collection	516 064	504 064
	<u>4 007 853</u>	<u>4 215 068</u>

6. Financial assets

	December 31, 2012 CHF	December 31, 2011 CHF
Money market and notes	180 293	506 521
	<u>180 293</u>	<u>506 521</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, 2012 CHF	December 31, 2011 CHF
Olympic funding at the beginning of the year	-	1 600 000
Received in year	13 983 644	-
Used in year	(5 103 644)	(1 600 000)
Olympic funding at the end of the year	<u>8 880 000</u>	<u>-</u>

8. Deferred revenues - other

	December 31, 2012 CHF	December 31, 2011 CHF
Sponsorship	139 500	37 360
Equipment approval	366 192	387 285
	<u>505 692</u>	<u>424 645</u>

International Table Tennis Federation, Renens / Lausanne

Notes to the financial statements 2012

9. Marketing income

	December 31, 2012 CHF	December 31, 2011 CHF
Transfer from TMS International (note 4 & note 9)	4 600 500	5 501 074
Marketing direct cost	-	(70 906)
Marketing income	<u>4 600 500</u>	<u>5 430 168</u>

Reconciliation with the "Auditor's report on the schedule of designated funds transferred to the International Table Tennis Federation in USD during the year ended December 31, 2012

	December 31, 2012 USD	December 31, 2011 USD
Transfer from TMS International (according to TMS report)	5 000 000	6 236 690
Impact of different foreign exchange rates	-	(36 690)
Marketing income recognized by ITTF in USD	<u>5 000 000</u>	<u>6 200 000</u>
Translated into CHF (average rate):		
	CHF	CHF
Transfer from TMS according to financial statements	<u>4 600 500</u>	<u>5 501 074</u>

10. Administration

	December 31, 2012 CHF	December 31, 2011 CHF
Storage	1 932	1 863
Accountancy and bank charges	23 762	21 701
Office equipment and furniture	58 392	59 876
Office expenses and rent (Renens, Ottawa, Vienna)	72 005	60 910
Stationary and supplies	4 958	7 646
Telephone, fax, internet and postage	160 247	149 665
Taxes, VAT (Renens)	75 037	2 051
Insurances	37 591	30 929
Professional fees	47 299	50 882
Repairs & Maintenance	47 607	49 411
Miscellaneous	40 244	25 607
	<u>569 074</u>	<u>460 542</u>

Notes to the financial statements 2012

11. Publications

	December 31, 2012 CHF	December 31, 2011 CHF
TT Fascination	47 311	47 771
Rules booklet and other handbooks	5 768	-
Bulletin, Digest, Directory, Coaching manuals	41 150	-
From London to London	12 663	-
Other publications	10 470	8 564
	<u>117 363</u>	<u>56 334</u>

12. Meetings and travel

	December 31, 2012 CHF	December 31, 2011 CHF
Executive Committee	251 773	268 142
Executive Board meetings	4 583	7 328
Board of Directors	2 307	1 682
AGM	27 394	18 692
Committee Chairmen	29 004	26 345
Committee Expenses	2 105	7 308
Professional staff	244 075	271 012
P.A.C:	14 074	10 542
Other meetings	23 656	26 512
Sport Accord	5 807	6 339
Other Travel Expenses	1 489	4 895
	<u>606 267</u>	<u>648 798</u>

13. Competitions

	December 31, 2012 CHF	December 31, 2011 CHF
Continental Events	43 219	-
World Championships	1 123 109	1 342 027
World Cup Men & Women	392 629	325 286
World Team Cup	22 302	333 324
ITTF Pro Tour	1 653 440	1 819 201
Olympic Games	109 547	1 655
China vs World	211 173	193 251
World Junior Championships	175 222	173 948
Other competitions	237 762	454 846
Executive comitee and staff	61 598	(446)
	<u>4 030 000</u>	<u>4 643 094</u>

Notes to the financial statements 2012

14. Development and Olympic Solidarity

	December 31, 2012 CHF	December 31, 2011 CHF
Continental Olympic Grants	156 690	75 734
Special projects	48 015	85 978
Equipment for Developing Associations	52 618	59 026
Coaching programs	1 169	29 861
Olympic Solidarity Courses	453 329	410 346
Referee and umpire scheme	45 838	59 024
Education & training program	142 413	143 726
Media service	-	52 642
Women development	14 023	11 411
Racket control	12 420	2 502
Continental development projects	379 949	255 108
Global junior program	564 618	181 470
Development Program	447 902	367 543
Other expense	33 182	10 171
	<u>2 352 166</u>	<u>1 749 386</u>

15. Other expenses

	December 31, 2012 CHF	December 31, 2011 CHF
TV production	22 572	270 336
Continental Aggrement	9 937	10 249
Equipment testing	103 243	145 797
Anti-doping testing	18 051	17 197
Court cases legal fees	224 089	108 867
Promotional items, gifts & advertising	14 235	941
Computer software	1 116	280
Recruitment	334	-
Membership to sport bodies	5 936	5 360
Purchase of publications	4 802	3 854
Donations	394	1 048
Media service	76 151	79 532
Ranking	58 656	55 898
Sundry (recovery)	25 936	17 673
Interest charges	6 121	1 039
	<u>571 574</u>	<u>718 070</u>

Notes to the financial statements 2012

16. Depreciation and Bad debts

	December 31, 2012 CHF	December 31, 2011 CHF
Depreciation	216 303	216 303
Bad debts	38 567	-
	<u>254 870</u>	<u>216 303</u>

A bad debt allowance was recorded to adjust the accounts receivable to their net realizable value after a specific analysis of accounts receivable overdue was performed. The bad debts expenses include an amount of CHF 28'069 corresponding to the federation decision to waive part of the amount due by the Chilean federation.

17. Asia-Pacific office

A marketing office was opened by TMS in Beijing in January 2008 and moved to Singapore in February 2011. In 2011 and 2012, the ITTF pays the salary of the Director (Mr. Steven Dainton) while TMS International assumes and sponsors all the costs of operating the office. The amount transferred by TMS to the Asia-Pacific office amounted to CHF 231,824 in 2012 and CHF 206,003 (reimbursed to ITTF-Lausanne) in 2011. ITTF management considers that the office is fully sponsored and controlled by TMS and as a consequence, the office financial positions are not included in ITTF financial statements. As of 2013 the costs of the Asia-Pacific office will be shared on a pro-rata basis between TMS and ITTF.

As per December 31, 2012 the Asia-Pacific office audited financial statements show a net asset of about GSD 92'000.

18. Commitments

As of December 31, 2011 and 2012 there isn't any leasing commitment.

19. Guarantee / Pledged assets

As of December 31, 2012 and December 31, 2011, 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, 2012, the credit line is not used.

Notes to the financial statements 2012

20. Litigations / claims

During the financial year 2011 a legal case was filed against the international Table Tennis Federation. This legal case was closed in July 2012 with the signature of a settlement with Sandman Group.

21. Performance of Risk Assessment

A risk assessment in accordance with Swiss Code of Obligations requirements has been performed during the financial year 2010 by the audit panel on behalf of the Board of Directors. This risk assessment is considered as still relevant and will be up-dated when deemed necessary