

**Report of the independent auditor**

with consolidated financial statements as of 31 December 2016 of

**International Table Tennis Federation, Renens**

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

Lausanne, 22 May 2017  
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## **Report of the independent auditor on the 2016 consolidated financial statements**

As independent auditor and in accordance with your instructions, we have audited the accompanying consolidated financial statements of International Table Tennis Federation which comprise the balance sheet, income statement and notes for the year ended 31 December 2016.

### **Board of Directors' responsibility**

The Board of Directors, represented by the Executive Committee, 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, represented by the Executive Committee, 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements for the year ended 31 December 2016 comply with Swiss law and the federation's articles of association.

Ernst & Young Ltd



Serge Clément  
Licensed audit expert  
(Auditor in charge)



Michael Ackermann  
Licensed audit expert

**Enclosure**

- ▶ Consolidated financial statements (balance sheet, income statement and notes)

**International Table Tennis Federation, Renens / Lausanne**

<b>Consolidated balance sheet at December 31, 2016 (in USD)</b>	<b>Notes</b>	<b>USD December 31, 2016</b>	<b>USD December 31, 2015</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and Cash Equivalents	<b>5</b>	24 536 990	9 138 087
Trade receivable, net	<b>6</b>	594 841	521 178
Prepaid expenses		59 624	290 781
<b>Total current assets</b>		<b>25 191 457</b>	<b>9 950 046</b>
<b>Capital assets</b>			
Tangible fixed assets	<b>7</b>	3 776 699	4 103 650
Intangible assets	<b>8</b>	175 943	-
<b>Total Capital assets</b>		<b>3 952 642</b>	<b>4 103 650</b>
<b>Total assets</b>		<b>29 144 099</b>	<b>14 054 747</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade creditors		1 267 187	1 592 924
Deferred revenues - Olympic funding	<b>9</b>	15 152 201	2 700 000
Deferred income and accrued expenses	<b>10</b>	1 745 811	622 099
<b>Total current liabilities</b>		<b>18 165 199</b>	<b>4 915 023</b>
<b>Equity</b>			
Unrestricted funds	<b>11</b>	11 385 252	9 408 883
Currency translation adjustment	<b>11</b>	( 406 353)	( 270 209)
<b>Total Equity</b>		<b>10 978 899</b>	<b>9 138 674</b>
<b>Total liabilities and funds</b>		<b>29 144 099</b>	<b>14 054 747</b>

**Consolidated statement of income and expenditure for the year ended  
December 31, 2016  
(in USD)**

	Notes	USD 2016	USD 2015
<b>Revenues</b>			
Marketing income	<b>12</b>	6'944'113	6'696'459
Olympic solidarity		167'906	276'079
Other Olympic Income		42'636	75'730
International Umpires/Referees		41'193	3'902
Equipment approval fees		1'263'457	1'252'562
Subscriptions and membership		147'700	179'449
Sales and advertising		21'117	7'288
<b>Other Income</b>			
Paralympic TT division		235'652	270'618
Miscellaneous	<b>13</b>	167'683	143'264
Revenues ITTF Museum Shanghai	<b>14</b>	400'000	400'000
Release from deferred revenues regarding Olympic fund	<b>8</b>	2'700'000	1'339'840
		<hr/> 12'131'456	<hr/> 10'645'192
<b>Expenditures</b>			
Publications	<b>16</b>	(45'623)	(45'082)
Meetings and travel	<b>17</b>	(625'236)	(804'920)
Competitions	<b>18</b>	(5'251'597)	(5'092'931)
Development and Olympic Solidarity	<b>19</b>	(1'417'853)	(1'627'358)
Cost of Marketing - Singapore		(37'055)	(2'770)
Paralympic TT Division		(79'531)	(131'811)
Museum		(25'420)	(2'220)
Education & Training	<b>22</b>	(304'907)	(453'724)
		<hr/> (7'787'224)	<hr/> (8 160 817)
<b>Administrative expenses</b>			
Salaries and clerical assistance		(937'721)	(1'005'883)
Depreciation and Bad debts	<b>21</b>	(282'904)	(241'378)
Administration	<b>15</b>	(671'197)	(488'132)
Other expenses	<b>20</b>	(743'107)	(569'757)
Umpire and Referee Program		(40'567)	-
		<hr/> (2 675 495)	<hr/> (2 305 150)
<b>Financial Result</b>			
	<b>23</b>	307'632	254'851
		<hr/> 1 976 369	<hr/> 391 376
<b>Net profit for the period</b>		<hr/> <hr/> 1 976 369	<hr/> <hr/> 391 376

**Notes to the consolidated financial statements 2016**

**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 is incorporated in Canada under Part II of the Canada Corporation Act with federal letters patent dated August 19, 1997. The International Table Tennis Federation (ITTF) Asia-Pacific office is on its side incorporated and domiciled in Singapore since 1 March 2011. The financial statements of these 3 entities were combined in these consolidated financial statements.

**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 consolidated financial statements 2016**

**Administrative expenses**

**2. Summary of significant accounting policies**

**2.1 Basis of accounting**

The financial statements of ITTF are presented in accordance with the Swiss Code of Obligations. Title 32 of the Swiss Code of Obligations deals with the commercial accounting and financial reporting.

Presentation adjustments were made to 2015 figures for comparison purpose.

**2.2 Tangible & intangible fixed assets**

Tangible and intangible fixed assets are stated at acquisition cost less accumulated depreciation/amortisation and any accumulated impairment losses. Assets with finite useful lives are depreciated/amortised on a straight-line basis over their estimated useful lives and assessed for impairment whenever there is an indication that the assets may be impaired. Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually. When assets are retired or otherwise disposed of, the cost of the asset and the related accumulated depreciation/amortization are removed from the accounts. Any profit or loss on disposal of fixed assets is reflected in the statement of income for the period.

**2.3 Depreciation & amortization**

Depreciation and amortization are 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
Table Tennis X intangible asset	not amortized (indefinite)

**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.

**Notes to the consolidated financial statements 2016**

**2.5 Foreign currencies**

The Federation's consolidated financial statements are presented in US dollars, which is the main currency used by the organization. For each entity the Federation determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

**i) Transactions and balances**

Transactions in foreign currencies are initially recorded by the Federation's entities at their respective functional currency at a fixed exchange rate adjusted on a yearly basis.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

**ii) Translation**

On consolidation, the assets and liabilities of foreign operations are translated into USD at the rate of exchange prevailing at the reporting date and their income statement is translated at the yearly average rate. The exchange differences arising on translation for consolidation are recognised as equity.

**2.6 Revenue recognition - Olympic revenue**

The Federation's policy is that enough Olympic revenue is 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.

**3. Financial instruments and currency exchange gains**

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.

Most of the Federation's financial instruments (cash at bank and financial assets) are nominated in USD.



**Notes to the consolidated financial statements 2016**

**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. Until 2013, TMS provided the Federation with yearly guaranteed revenue based on the greater of an annual budgeted amount approved at the Federation's Executive Committee:

The contract with TMS has been amended in September 2013 with regards to the financial year 2014. According to the new contract, there is no minimum amount committed by TMS but a profit sharing scheme is implemented (75% of the commercial income and TV rights for ITTF and 25% for TMS). A contract based on this model was also signed in July 2014 for the period 2015 to 2020. The amounts committed by TMS contractually and the amounts transferred each year by TMS and recorded by ITTF as marketing revenues are as follows:

<b>Financial Year</b>	<b>Contractual minimum revenues (former contract)</b>	<b>Contractual minimum revenues (amended contract)</b>	<b>TMS actual contribution</b>
	<b>in million USD</b>	<b>in million USD</b>	<b>in million USD</b>
<b>2015</b>	none	none	6.6
<b>2016</b>	none	none	6.6

In addition, the Federation charges TMS for administrative expenses incurred in the Asia-Pacific office. During the year these charges amounted to USD 124'495 (2015: USD 142'4968).

**5. Cash and Cash Equivalents**

	<b>December 31, 2016 USD</b>	<b>December 31, 2015 USD</b>
Current accounts with banks	19 342 495	3 351 154
Call accounts	5 005 829	5 607 881
Money market and notes	179 770	178 000
Petty cash	8 897	1 053
	<u>24 536 990</u>	<u>9 138 087</u>

The ITTF cash in excess resulting from the International Olympic Committee distribution after the 2012 and 2016 Olympic Games was invested in short term money deposits and notes with first ranking banks. These financial assets are accounted for at market value.

**Notes to the consolidated financial statements 2016**

**6. Trade receivables**

	<b>December 31, 2016 USD</b>	<b>December 31, 2015 USD</b>
Accounts receivable third parties	13 604	51 777
Accounts receivable related parties	604 564	481 401
Accounts receivable	618 169	533 178
Bad debt allowance	( 23 328)	( 12 000)
Accounts receivable, net	<u>594 841</u>	<u>521 178</u>

The changes in bad debt allowance and actual losses on receivables are recorded under the line depreciation and bad debts, refer to note 21.

**7. Tangible Fixed Assets**

	<b>December 31, 2016 USD</b>	<b>December 31, 2015 USD</b>
Land and building (Renens)	3 221 618	3 517 870
Furniture and equipment	45 334	69 717
Museum Collection	509 747	516 064
	<u>3 776 699</u>	<u>4 103 650</u>

During the financial year 2015, ITTF invested about USD 680'000 in building improvements for its Renens office.

**8. Intangible Assets**

	<b>December 31, 2016 USD</b>	<b>December 31, 2015 USD</b>
Internally generated	175 943	-
	<u>175 943</u>	<u>-</u>

The internally generated intangible asset was developed during the year 2016 and relates to Table Tennis X, a new discipline of Table Tennis game. There was no amortization during the year as the project was just launched and as the first licensing revenues will be recognized in 2017.

**Notes to the consolidated financial statements 2016**

**9. Deferred revenues - Olympic funding**

	<b>December 31, 2016 USD</b>	<b>December 31, 2015 USD</b>
Olympic funding at the beginning of the year	2 700 000	4 028 800
Received in year	15 152 201	-
Used in year	(2 700 000)	(1 339 840)
Foreign exchange impact	-	11 040
Olympic funding at the end of the year	<u>15 152 201</u>	<u>2 700 000</u>

The amount received during the year 2016 relates to the two first instalments for Rio 2016 Olympics. A third and final instalment will be received in 2017 and has not been accounted for.

**10. Deferred income and accrued expenses**

	<b>December 31, 2016 USD</b>	<b>December 31, 2015 USD</b>
Accrued expenses	842 178	135 833
Deferred income & advance equipment approvals	903 633	486 266
	<u>1 745 811</u>	<u>622 099</u>

The deferred income includes USD 347'418 of licensing revenues from the Table Tennis X.

**11. Equity**

	<b>December 31, 2016 USD</b>	<b>December 31, 2015 USD</b>
Unrestricted funds at the beginning of the year	9'408'883	9 017 507
Net profit for the period	1'976'369	391 376
Unrestricted funds at the end of the year	<u>11 385 252</u>	<u>9 408 883</u>
Currency translation adjustment	(406'353)	( 270 209)
Equity	<u>10 978 899</u>	<u>9 138 673</u>

**Notes to the consolidated financial statements 2016**

**12. Marketing income**

	<b>December 31, 2016 USD</b>	<b>December 31, 2015 USD</b>
Transfer from TMS International (note 4) Lausanne	6 614 724	6 557 065
Transfer from TMS International (note 4) to ITTF Singapore	124 545	142 496
Sponsorship Marketing	112 705	135 587
Marketing direct cost/income	92 139	( 138 689)
	<u>6 944 113</u>	<u>6 696 459</u>

**13. Miscellaneous**

	<b>December 31, 2016 USD</b>	<b>December 31, 2015 USD</b>
Foundation Global Sport Development	50 000	51 992
Donations & Dream building fundraising	51 782	10 398
Sales of coaching manual	28 906	23 007
Other	36 995	57 867
	<u>167 683</u>	<u>143 265</u>

**14. Revenues ITTF Museum Shanghai**

A cooperation agreement was signed in August 2014 with the Shanghai Municipal Education Commission and the Chinese Table Tennis Association. According to this agreement, a new ITTF Museum opened in Shanghai and is run by the local authorities. ITTF relocated its collection to this new Museum and received a financial compensation amounting to USD 2 million split over a 5 years period (from 2014 to 2018). The amount recognized in 2016 and 2015 is of USD 400'000. The 2016 amount has been invoiced and the corresponding payment has been received in May 2017.

Notes to the consolidated financial statements 2016

15. Administration

	December 31, 2016 USD	December 31, 2015 USD
Audit & accounting	28 706	32 130
Bank charges	21 343	19 441
Computers & Printers	8 976	10 227
Computer supplies	2 817	3 534
Internet	13 201	36 065
Insurance	37 932	16 861
Legal fees	935	-
Lighting & heating	17 971	12 026
Water - serv. Industr.	923	963
Maintenance	71 866	86 035
Miscellaneous	150	7 941
Taxes	5 359	5 890
Expert fees	12 305	27 822
Postage & shipping	64 589	61 460
Professional fees	239 666	69 875
Printing & copying	20 431	6 094
Office rent	40 578	35 492
Repairs	53 815	11 652
Office supplies	9 633	13 444
Telephone & fax	15 465	19 838
Translations	301	8 115
Credit Card fees	30	44
Membership Fees	-	359
	<u>671 197</u>	<u>488 132</u>

16. Publications

	December 31, 2016 USD	December 31, 2015 USD
ITTF Handbook	5 701	6 280
TT Fascination	37 289	35 779
Other publications	2 632	3 023
	<u>45 623</u>	<u>45 082</u>

Notes to the consolidated financial statements 2016

17. Meetings and travel

	December 31, 2016 USD	December 31, 2015 USD
Executive Committee	135 495	143 851
CPs & Board of Directors	477	520
Committe chairmen	632	1 884
Committee expenses	2 544	1 725
Professionnal staff	187 813	247 259
Travelling expenses	139 326	141 887
P.A.C	1 190	20 756
EC meetings	40 374	132 939
DCC Meetings	10 258	2 882
Board of directors meetings	2 239	3 581
AGM	11 458	13 751
Staff meetings	3 306	3 882
ASOIF meetings	990	4 796
Other meetings	15 799	5 907
Television and sportel	16	-
Sport accord	2 399	6 236
Competition department	1 900	416
Continental meetings	640	218
President's Honorarium	68 382	72 432
	<u>625 236</u>	<u>804 920</u>

18. Competitions

	December 31, 2016 USD	December 31, 2015 USD
Continental events	31 638	42 661
World championships	2 307 726	1 307 160
World Junior Championships	139 399	153 834
World cup Men	147 495	168 933
World cup women	238 708	48 570
World Veterans	9 188	-
ITTF World (pro) tour	1 212 642	3 059 432
Olympic games & YOG	698 272	23 634
Multi-sport games	-	10 089
Global junior program	281 696	207 127
Other competitions	165 652	53 274
Results & Statistics	19 180	18 216
	<u>5 251 597</u>	<u>5 092 931</u>

Notes to the consolidated financial statements 2016

19. Development and Olympic Solidarity

	December 31, 2016 USD	December 31, 2015 USD
Continental agreement expenses	196 941	199 280
TTX project	32 434	-
Africa Development Agreement	185 291	202 317
Asia Development agreement	99 110	119 891
Europe Development agreement	181 371	184 416
Latin America Development agreement	166 420	193 661
North America Development agreement	47 832	85 739
Oceania Development agreement	114 777	101 586
Humanitarian projects	136 088	82 968
Olympic solidarity	35 851	28 665
Dev. Promotion & publications	6 267	52 237
Development general	141 700	186 780
Latin America - Marketing	-	18 900
Africa - Marketing	-	18 900
Oceania - Marketing	-	22 401
North America - Marketing	-	18 900
Continental Develop. Officers	73 771	110 717
	<u>1 417 853</u>	<u>1 627 358</u>

20. Other expenses

	December 31, 2016 USD	December 31, 2015 USD
Advertising	26 366	63 156
Media service	102 459	84 459
Star awards	10 097	127 107
Equipment testing	200 287	119 479
Promotional items, gifts & advertising	43 156	30 340
Anti-doping testing	30 453	6 191
Racket control	13 045	18 527
Computer software	276	2 764
Membership to sport bodies	4 771	4 832
Purchase of publications	93	-
Subscription fees	10 756	14 162
Ranking	19 180	18 216
Title Registration protection	16 770	-
Other debtors written off	506	-
Website development	87 596	-
Consultant new competitions	71 102	-
Miscellaneous	106 194	80 524
	<u>743 107</u>	<u>569 757</u>

**Notes to the consolidated financial statements 2016**

**21. Depreciation and Bad debts**

	<b>December 31, 2016 USD</b>	<b>December 31, 2015 USD</b>
Depreciation	271 195	241 378
Change in bad debt allowance	11 709	-
	<u>282 904</u>	<u>241 378</u>

A bad debt allowance is recorded to adjust the accounts receivable to their net realizable value after performance of a specific analysis of accounts receivable overdue (note 6). The allowance corresponds to the overdue balances from various federations.

**22. Education & Training**

	<b>December 31, 2016 USD</b>	<b>December 31, 2015 USD</b>
Athlete scholarships	47 145	107 682
Online learning	34 786	24 608
Hopes	62 304	103 438
Approved Int. Training centres	27 137	11 277
General E&T	133 535	206 720
	<u>304 907</u>	<u>453 724</u>

**23. Financial result**

	<b>December 31, 2016 USD</b>	<b>December 31, 2015 USD</b>
Investment income/loss	4 459	4 151
Currency exchange gain	439 570	394 120
Currency Exchange Loss	( 136 397)	( 143 419)
	<u>307 632</u>	<u>254 852</u>



**Notes to the consolidated financial statements 2016**

**24. Guarantee / Pledged assets**

As of December 31, 2016 and December 31, 2015, the land and buildings in Lausanne are pledged to the bank to the extent of CHF 2'000'000 in guarantee of the credit limit granted. As of December 31, 2016, the credit line is not used.

**25. Other information required by law**

In 2016 and 2015, the number of full time equivalent employees is less than 50.

**26. Subsequent events**

On March 31, 2017, ITTF was formally informed by the IOC President that the third installment to be paid for the Rio 2016 Olympics will amount to USD 1.9 million.

The ITTF and TMS had a marketing agreement covering the periods 2015-2020 with automatic renewal if all conditions were met, for the period 2021-2024. This contract was including an income-sharing between ITTF (75%) and TMS (25%). On the initiative of ITTF, this agreement was terminated effective 1 January 2017. The termination agreement was approved by ITTF Executive Committee and signed by ITTF and TMS on 2 October 2016. TMS had already secured 19 commercial contracts for the period 2017-2020, and 3 contracts for the period 2021-2024 representing USD 43 million in revenues. Including contracts foreseen to be finalized in the coming months this represent over USD 50 million in total. As part of the settlement, TMS agreed to reduce its part of the income sharing from the 25% to 15% of the total expected. The TMS reduced income sharing was paid by ITTF in January 2017 for USD 7.7 million and will be amortized over several years, at the same time the corresponding revenues are recognized. The actual revenues may differ from the foreseen USD 50 million.