

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

with financial statements as of 31 December 2009 of

International Table Tennis Federation, Renens

To the General Meeting of
International Table Tennis Federation, Renens

Lausanne, 4 May 2010
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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 2009.

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 the articles of association and the accounting policies as set out in the notes.

Ernst & Young Ltd



Philip Klopfenstein
Licensed audit expert
(Auditor in charge)



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, 2009

(in USD)

	Notes	December 31, 2009	December 31, 2008
Assets			
Current assets			
Cash at bank and in hand		2 606 006	1 876 788
Financial assets	6	1 848 483	5 434 102
Accounts receivable		350 983	408 936
Accounts receivable related parties	4	214 323	68 641
Prepaid expenses		44 010	119 883
Total current assets		<u>5 063 805</u>	<u>7 908 348</u>
Fixed assets			
Tangible fixed assets	5	<u>4 458 127</u>	<u>4 570 909</u>
Total fixed assets		<u>4 458 127</u>	<u>4 570 909</u>
		9 521 931	12 479 257
Total assets		<u><u>9 521 931</u></u>	<u><u>12 479 257</u></u>
Liabilities and funds			
Current liabilities			
Accounts payable, advance and accrued liabilities		436 901	1 293 668
Deferred revenues - Olympic funding	7	3 854 400	6 000 000
Deferred revenues - other	8	517 680	406 576
Total current liabilities		<u>4 808 981</u>	<u>7 700 244</u>
Funds			
Unrestricted funds		4 148 667	4 294 925
Currency translation adjustment	2.5	<u>564 284</u>	<u>484 088</u>
Total funds		<u>4 712 950</u>	<u>4 779 013</u>
Total liabilities and funds		<u><u>9 521 931</u></u>	<u><u>12 479 257</u></u>

International Table Tennis Federation, Renens / Lausanne

**Statement of income and expenditure for the year ended
December 31, 2009
(in USD)**

	Notes	2009	2008
Income			
Marketing income	9	4 421 335	4 428 483
Olympic solidarity		340 979	348 599
IOC Technical. Officials Contributions		1 852	196 009
Other Olympic Income		-	202 222
International Umpires/Referees		1 887	27 241
Equipment approval fees		1 004 980	906 556
Subscriptions and membership		31 201	30 928
Investment income/loss		177 677	(96 848)
Sales and advertising		44 009	34 366
Paralympic TT division		160 322	268 833
Miscellaneous		89 296	27 649
Butterfly Solidarity Fund Junior		54 428	-
Currency exchange gain		-	43 291
Income before release from deferred revenues		<u>6 327 966</u>	<u>6 417 326</u>
Release from deferred revenues regarding Olympic Fund	7	<u>2 127 706</u>	<u>2 329 961</u>
		<u>8 455 672</u>	<u>8 747 288</u>
Expenditure			
Salaries and clerical assistance		606 117	719 050
Amortization and Bad debts	16	244 004	214 139
Administration	10	491 029	396 363
Publications	11	154 520	181 502
Meetings and travel	12	695 451	631 111
Competitions	13	3 356 819	3 327 368
Development and Olympic Solidarity	14	1 767 317	1 684 620
Paralympic TT Division		94 973	115 055
Other expenses	15	972 337	589 505
Museum		42 218	19 369
Mortgage Interest		-	42 838
Currency Exchange Loss		177 145	35 456
		<u>8 601 930</u>	<u>7 956 376</u>
(Loss) / Profit after provisions and translation adjustment		<u>(146 258)</u>	<u>790 912</u>
Unrestricted funds at the beginning of the year		<u>4 294 925</u>	<u>3 504 013</u>
Unrestricted funds at the end of the year		<u><u>4 148 667</u></u>	<u><u>4 294 925</u></u>

Notes to the financial statements 2009

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 2009

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 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

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 2009

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, 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 4'421'335 (2008 - USD 4'184'282) 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 47'938 (2008 - USD 52'656). The Federation also paid US 159'673 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, 2009 USD	December 31, 2008 USD
Land and building	3 989 976	4 125 361
Furniture and equipment	5 561	2 368
Museum Collection	462 590	443 179
	<u>4 458 127</u>	<u>4 570 909</u>

International Table Tennis Federation, Renens / Lausanne**Notes to the financial statements 2009****6. Financial assets**

	December 31, 2009 USD	December 31, 2008 USD
Money market and notes	1 848 483	5 434 102
	<u>1 848 483</u>	<u>5 434 102</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, 2009 USD	December 31, 2008 USD
Olympic funding at the beginning of the year	6 000 000	-
Received in year / FX effect	(17 895)	8 329 961
Used in year	<u>(2 127 706)</u>	<u>(2 329 961)</u>
Olympic funding at the end of the year	<u>3 854 400</u>	<u>6 000 000</u>

8. Deferred revenues - other

	December 31, 2009 USD	December 31, 2008 USD
Sponsorship	129 499	-
Equipment approval	388 181	406 576
	<u>517 680</u>	<u>406 576</u>

9. Marketing income

	December 31, 2009 USD	December 31, 2008 USD
Transfer from TMS International (note 4)	4 421 335	4 184 282
Event Marketing	-	242 576
General Marketing income	-	1 625
	<u>4 421 335</u>	<u>4 428 483</u>

Notes to the financial statements 2009

10. Administration

	December 31, 2009 USD	December 31, 2008 USD
Storage	4'630	6 696
Accountancy and bank charges	21'937	24 837
Office equipment and furniture	44'669	23 023
Office expenses and rent	67'754	80 822
Stationary and supplies	7'931	10 601
Telephone, fax, internet and postage	166'155	142 176
Tax	5'419	6 639
Moving expenses	32'136	25 556
Professional fees	80'433	75 350
Repairs & Maintenance	76'888	51 113
Miscellaneous	30'210	720
Translation	806	1 486
TMS Chargeback	(47'939)	(52 656)
	<u>491 029</u>	<u>396 363</u>

11. Publications

	December 31, 2009 USD	December 31, 2008 USD
TT Fascination	22 172	-
Table Tennis Illustrated	82 582	31 103
Bulletin, Digest, Directory, Coaching manuals	36 109	134 671
Other publications	13 657	15 727
	<u>154 520</u>	<u>181 502</u>

12. Meetings and travel

	December 31, 2009 USD	December 31, 2008 USD
Executive Committee	342 655	341 155
Executive Board meetings	16 065	47 076
Board of Directors	4 246	11 749
AGM	11 100	14 403
Committee Chairmen	35 469	17 655
Committee Expenses	14 667	2 435
Professional staff	223 747	125 577
P.A.C	6 568	6 532
Other meetings	40 355	49 344
Other Travel Expenses	582	15 186
	<u>695 451</u>	<u>631 111</u>

Notes to the financial statements 2009

13. Competitions

	December 31, 2009 USD	December 31, 2008 USD
World Championships	617 992	1 035 328
World Cup Men & Women	196 575	279 888
World Team Cup	61 357	396
ITTF Pro Tour	1 847 430	1 007 986
Olympic Games	32 010	540 947
China vs World	266 123	-
World Junior Championships	253 385	134 344
Other competitions	81 947	92 917
Umpires travel / accommodation	-	189 779
Executive committee and staff	-	15 077
ETTU general	-	30 707
	<u>3 356 819</u>	<u>3 327 368</u>

14. Development and Olympic Solidarity

	December 31, 2009 USD	December 31, 2008 USD
Continental Olympic Grants	51 362	162 134
Special projects	127 711	38 612
Equipment for Developing Associations	85 414	66 215
Coaching programs	95 634	-
Olympic Solidarity Courses	267 264	328 783
Referee and umpire scheme	60 283	48 383
Research and development	-	11 584
Media service	64 215	50 559
Women development	35 790	34 254
Racket control	5 707	49 107
Continental development projects	201 258	341 964
Videos and coaching material	3 697	9 787
Global junior program	562 704	438 341
Development Program	185 656	97 458
Miscellaneous	20 624	7 439
	<u>1 767 317</u>	<u>1 684 620</u>

Notes to the financial statements 2009

15. Other expenses

	December 31, 2009 USD	December 31, 2008 USD
TV production	299 043	209 876
Internet TV (itTV)	94 221	44 598
Equipment testing	252 542	138 761
Anti-doping testing	22 086	-
Court case legal fees	37 439	-
Promotional items and gifts	4 413	5 764
Computer software	1 151	173
Recruitment	9 714	-
Membership to sport bodies	4 334	4 136
Purchase of publications	24 726	4 715
Donations	40 685	282
Media service	88 574	79 081
Ranking	54 616	52 637
Sundry (recovery)	13 830	47 627
VAT	21 363	1 591
Interest charges	3 599	263
	<u>972 337</u>	<u>589 505</u>

16. Amortization and Bad debts

	December 31, 2009 USD	December 31, 2008 USD
Amortization	201 872	207 029
Bad debts - effective losses	42 132	7 110
	<u>244 004</u>	<u>214 139</u>

During the year 2008, a bad debt allowance was determined based on a detailed specific analysis of accounts receivable overdue and was covering the credit risk identified at this date.

A cleaning of the accounts receivable balances was performed during the year 2009. All the unrecoverable amounts were written off and the bad debt allowance created in the prior years was used.

At closing date, a detailed specific analysis of accounts receivable overdue was performed, no additional credit risk was identified and therefore no more bad debt allowance was recorded.

17. Asia office

The 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, 2008 and 2009 there isn't any leasing commitment.

Notes to the financial statements 2009

19. Guarantee / Pledged assets

As of December 31, 2008 and December 31, 2009, 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, 2009, the credit line is not used.

20. Litigations / claims

As of December 31, 2009 the legal case which was open previous year against a Table Tennis equipment distributor has been settled. The accrual recorded as of December 31, 2008 has been used to cover the legal expenses.

21. Performance of Risk Assessment

A risk assessment in accordance with Swiss Code of Obligations requirements will be performed during the financial year 2010 by the audit panel on behalf of the Board of Directors.