

**International Table Tennis Federation
Renens / Lausanne**

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

International Table Tennis Federation, Renens / Lausanne

**Consolidated balance sheet at December 31, 2015
(in USD)**

	Notes	USD December 31, 2015	USD December 31, 2014
Assets			
Current assets			
Cash and Cash Equivalents	5	9 138 087	10 633 303
Trade receivable, net	6	521 178	887 975
Prepaid expenses		290 781	63 623
Total current assets		9 950 046	11 584 901
Capital assets			
Tangible fixed assets	7	4 103 650	3 612 066
Total Capital assets		4 103 650	3 612 066
		14 054 747	15 196 968
Total assets		14 054 747	15 196 968
Liabilities			
Current liabilities			
Trade creditors		1 592 924	1 811 720
Deferred revenues - Olympic funding	8	2 700 000	4 028 800
Deferred income and accrued expenses	9	622 099	434 701
Total current liabilities		4 915 023	6 275 221
Equity			
Unrestricted funds	10	9 408 883	9 017 507
Currency translation adjustment	10	(270 209)	(95 760)
Total Equity		9 138 674	8 921 747
Total liabilities and funds		14 054 747	15 196 968

International Table Tennis Federation, Renens / Lausanne

Consolidated statement of income and expenditure for the year ended

December 31, 2015

(in USD)

	Notes	USD 2015	USD 2014
Revenues			
Marketing income	11	6'696'459	7'012'680
Olympic solidarity		276'079	129'255
Other Olympic Income		75'730	563'041
International Umpires/Referees		3'902	46'253
Equipment approval fees		1'252'562	1'184'500
Subscriptions and membership		179'449	126'377
Sales and advertising		7'288	32'441
Other Income			
Paralympic TT division		270'618	231'950
Miscellaneous		143'412	57'514
Revenues ITTF Museum Shanghai	12	400'000	400'000
Butterfly Solidarity Fund Junior		-	74'750
Government Grant		(148)	4'635
Income before release from deferred revenues		<u>1 339 840</u>	<u>2 222 200</u>
Release from deferred revenues regarding Olympic fund	8	10'645'192	12'085'596
Expenditure			
Publications	14	(97'318)	(110'455)
Meetings and travel	15	(709'800)	(775'366)
Competitions	16	(5'316'629)	(5'917'474)
Development and Olympic Solidarity	17	(1'668'230)	(1'655'790)
Cost of Marketing - Singapore		(14'025)	(13'464)
Paralympic TT Division		(283'839)	(130'741)
Museum		(1'804)	(96'429)
		<u>(8 091 647)</u>	<u>(8 699 720)</u>
Operating Result			
Salaries and clerical assistance		912'872	828'413
Depreciation and Bad debts	19	241'378	234'409
Administration	13	443'942	656'580
Other expenses	18	818'829	1'019'206
		<u>2 417 021</u>	<u>2 738 608</u>
Financial Result			
	20	254'851	1'128'301
		<u>391 376</u>	<u>1 775 569</u>
Net profit for the period		<u><u>391 376</u></u>	<u><u>1 775 569</u></u>

Notes to the consolidated financial statements 2015

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 International Table Tennis Federation (ITTF) Asia-Pacific office is on its side incorporated and domiciled in Singapore since 1 March 2011.

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 2015

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.

The financial statements are presented in accordance with the New Law on Accounting and Financial Reporting. Presentation adjustments were made to 2014 figures for comparison purpose.

For the first time, the consolidated financial statements are presented in USD. The impact of the change of presentation currency is disclosed in note 10.

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 disposal of fixed assets 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 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.

Notes to the consolidated financial statements 2015

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.

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:

Financial Year	Contractual minimum revenues (former contract) in million USD	Contractual minimum revenues (amended contract) in million USD	TMS actual contribution in million USD
2014	5.2	none	6.7
2015	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 142'496 (2014: USD 135'658).

5. Cash and Cash Equivalents

	December 31, 2015 USD	December 31, 2014 USD
Cash	3 352 206	5 941 832
Call accounts	5 607 881	4 512 189
Money market and notes	178 000	179 282
	<u>9 138 087</u>	<u>10 633 303</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 with first ranking banks. These financial assets are accounted for at market value.

Notes to the consolidated financial statements 2015

6. Trade receivables

	December 31, 2015 USD	December 31, 2014 USD
Accounts receivable third parties	51 777	113 758
Accounts receivable related parties	481 401	786 304
Accounts receivable	533 178	900 062
Bad debt allowance	(12 000)	(12 086)
Accounts receivable, net	<u>521 178</u>	<u>887 975</u>

The changes in bad debt allowance and actual losses on receivables are recorded under the line depreciation and bad debts, refer to note 19.

7. Tangible Fixed Assets

	December 31, 2015 USD	December 31, 2014 USD
Land and building (Renens)	3 517 870	3 081 209
Furniture and equipment	69 717	11 077
Museum Collection	516 064	519 780
	<u>4 103 650</u>	<u>3 612 066</u>

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

8. Deferred revenues - Olympic funding

	December 31, 2015 USD	December 31, 2014 USD
Olympic funding at the beginning of the year	4 028 800	6'251'000
Used in year	(1 339 840)	(2 222 200)
Foreign exchange impact	11'040	-
Olympic funding at the end of the year	<u>2 700 000</u>	<u>4 028 800</u>

9. Deferred income and accrued expenses

	December 31, 2015 USD	December 31, 2014 USD
Accrued expenses	135'833	-
Deferred income & advance equipment approvals	486'266	434'701
	<u>622 099</u>	<u>434 701</u>

Notes to the consolidated financial statements 2015

10. Equity

	December 31, 2015 USD	Restated Financial Statements December 31, 2014 USD	Audited financial statements at December 31, 2014 CHF
Unrestricted funds at the beginning of the year	9'017'507	7'241'938	7'314'159
Net profit for the period	391'376	1'775'569	1'695'828
Currency translation adjustment	(270'209)	(95'760)	(151'829)
Unrestricted funds at the end of the year	<u>9 138 674</u>	<u>8 921 747</u>	<u>8'858'158</u>

The unrestricted funds were converted at the closing rate of : 1.111 USD/CHF for the income Statement and of 1.007 for the balance sheet.

11. Marketing income

	December 31, 2015 USD	December 31, 2014 USD
Transfer from TMS International (note 4) Lausanne	6 557 065	6 686 300
Transfer from TMS International (note 4) to ITTF Singapore	142 496	135 658
Sponsorship Marketing	135 587	296 833
Marketing direct cost	(138 689)	(106 111)
	<u>6 696 459</u>	<u>7 012 680</u>

12. 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 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 received in 2015 and 2014 is of USD 400'000.

13. Administration

	December 31, 2015 USD	December 31, 2014 USD
Accountancy and bank charges	15 603	21 919
Audit and accounting	28 558	26 618
Office equipment and furniture	51 840	99 782
Office expenses and rent (Renens, Ottawa, Singapore, Vienna)	48 184	85 231
Telephone, fax, internet and postage	70 220	113 690
Taxes, VAT (Renens)	5 890	6 282
Insurances	41 026	50 982
Professional fees	97 696	21 014
Repairs & Maintenance	70 699	152 567
Miscellaneous	6 110	67 280
Translation	8 115	1 251
TMS chargeback	-	9 963
	<u>443 942</u>	<u>656 580</u>

Notes to the consolidated financial statements 2015

14. Publications

	December 31, 2015 USD	December 31, 2014 USD
TT Fascination	35 779	39 016
Rules booklet and other handbooks	6 280	5 875
Coaching manuals & other publications	55 260	65 564
	<u>97 318</u>	<u>110 455</u>

15. Meetings and travel

	December 31, 2015 USD	December 31, 2014 USD
Executive Committee	345 118	370 760
Board of Directors	4 101	9 426
AGM	13 751	15 463
Committee Chairmen	1 884	36 174
Committee Expenses	1 725	9 974
President's Honorarium	65 198	21 000
Professional staff	230 274	264 632
Tangible fixed assets	20 756	11 888
Other meetings	20 757	19 883
Sport Accord	6 236	9 232
Other Travel Expenses	-	6 934
	<u>709 800</u>	<u>775 366</u>

16. Competitions

	December 31, 2015 USD	December 31, 2014 USD
World Championships	1 307 160	1 589 318
World Cup Men & Women	217 503	391 315
World Team Cup	32 913	37 286
ITTF World Tour	3 204 438	2 965 478
Global junior program	239 046	593 180
World Junior Championships	153 834	125 206
Other competitions	143 040	193 004
Olympic Games	478	2 289
Results & Statistics	18 216	20 398
	<u>5 316 629</u>	<u>5 917 474</u>

Notes to the consolidated financial statements 2015

17. Development and Olympic Solidarity

	December 31, 2015 USD	December 31, 2014 USD
Continental Olympic Grants	108 223	54 882
Special projects	20 041	(4 800)
Equipment for Developing Associations	57 996	139 688
Coaching programs	12 716	4 874
Olympic Solidarity Courses	136 347	167 142
Referee and umpire scheme	27 460	35 705
Education & training program	247 035	221 693
Women development	64 704	16 465
Development program	993 708	1 020 140
	<u>1 668 230</u>	<u>1 655 790</u>

18. Other expenses

	December 31, 2015 USD	December 31, 2014 USD
Continental Agreements & Events	241 942	312 894
Equipment testing	138 006	235 267
Anti-doping testing	6 191	23 795
Promotional items, gifts & advertising	93 582	234 961
Computer software	215	2 604
Membership to sport bodies	-	7 272
Purchase of publications	-	5 144
Donations	400	5 269
Media service	84 459	71 087
Ranking	18 216	23 490
Miscellaneous	235 782	95 092
Interest charges	35	2 325
	<u>818 829</u>	<u>1 019 206</u>

Notes to the consolidated financial statements 2015

19. Depreciation and Bad debts

	December 31, 2015 USD	December 31, 2014 USD
Depreciation	241 378	247 742
Change in bad debt allowance	-	(13 333)
	<u>241 378</u>	<u>234 409</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 5). The allowance corresponds to the overdue balances from various federations.

20. Financial result

	December 31, 2015 USD	December 31, 2014 USD
Investment income/loss	4'151	3'717
Currency exchange gain	394'120	1'131'987
Currency Exchange Loss	(143'419)	(7'403)
	<u>254 852</u>	<u>1 128 301</u>

21. Guarantee / Pledged assets

As of December 31, 2015 and December 31, 2014, 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, 2015, the credit line is not used.

22. Other information required by law

In 2014 and 2015, the number of full time equivalent employees is less than 50.