

**Report of the independent auditor**

with financial statements as of 31 December 2011 of

**International Table Tennis Federation, Renens**

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

Lausanne, 25 July 2012  
mg/4.3

## **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 2011.

### *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.

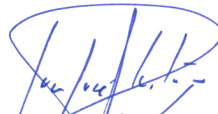
*Opinion*

In our opinion, the financial statements for the year ended 31 December 2011 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, 2011**

(in CHF)

	Notes	December 31, 2011	December 31, * 2010
<b>Assets</b>			
<b>Current assets</b>			
Cash at bank and in hand		554 930	956 297
Financial assets	6	506 521	1 548 711
Accounts receivable		28 387	70 993
Accounts receivable related parties	4	486 876	378 018
Prepaid expenses		552 107	76 168
<b>Total current assets</b>		<u>2 128 821</u>	<u>3 030 187</u>
<b>Fixed assets</b>			
Tangible fixed assets	5	<u>4 215 068</u>	<u>4 423 747</u>
<b>Total fixed assets</b>		<u>4 215 068</u>	<u>4 423 747</u>
		6 343 889	7 453 934
<b>Total assets</b>		<u><u>6 343 889</u></u>	<u><u>7 453 934</u></u>
<b>Liabilities and funds</b>			
<b>Current liabilities</b>			
Accounts payable, advance and accrued liabilities		1 410 426	828 357
Deferred revenues - Olympic funding	7	-	1 600 000
Deferred revenues - other	8	424 645	357 450
<b>Total current liabilities</b>		<u>1 835 071</u>	<u>2 785 807</u>
<b>Funds</b>			
Unrestricted funds		4 508 818	4 668 127
Currency translation adjustment	2.5	-	-
<b>Total funds</b>		<u>4 508 818</u>	<u>4 668 127</u>
		6 343 889	7 453 934
<b>Total liabilities and funds</b>		<u><u>6 343 889</u></u>	<u><u>7 453 934</u></u>

\* The International Table Tennis Federation changed its presentation currency from USD to Swiss francs for year-end 2011. For comparison reason, 2010 figures have been translated to Swiss francs using closing rate for assets & liabilities and average rate for the statement of income & expenditures.

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

**Statement of income and expenditure for the year ended  
December 31, 2011  
(in CHF)**

	Notes	2011	2010*
<b>Income</b>			
Marketing income	9	5'430'168	4'914'855
Olympic solidarity		499'967	505'295
Other Olympic Income		462'958	400'646
International Umpires/Referees		7'991	35'778
Equipment approval fees		919'554	1'024'281
Subscriptions and membership		29'025	32'008
Investment income/loss		(26'561)	(59'435)
Sales and advertising		28'177	40'048
Paralympic TT division		213'604	165'020
Miscellaneous		49'916	85'188
Butterfly Solidarity Fund Junior		53'236	59'580
Currency exchange gain		1'322	48'719
Other Marketing Revenue		323'854	-
Income before release from deferred revenues		7'993'211	7'251'983
Release from deferred revenues regarding Olympic Fund	7	1 600 000	2 400 000
		<u>9'593'211</u>	<u>9'651'983</u>
<b>Expenditure</b>			
Salaries and clerical assistance		806'084	777'818
Depreciation and Bad debts	16	216'303	216'303
Administration	10	460'542	507'097
Publications	11	56'334	142'576
Meetings and travel	12	648'798	599'200
Competitions	13	4'643'094	4'239'801
Development and Olympic Solidarity	14	1'749'386	2'170'505
Paralympic TT Division		110'120	105'172
Other expenses	15	718'070	804'234
Museum		54'778	50'101
Currency Exchange Loss		280 029	280 156
		<u>9'743'537</u>	<u>9'892'963</u>
<b>Loss over expenditure for the year</b>		<i>( 150 324)</i>	<i>( 240 980)</i>
Foreign currency translation adjustment		<i>( 8 985)</i>	<i>( 1 445)</i>
<b>Loss after translation adjustment</b>		<u><i>( 159 309)</i></u>	<u><i>( 242 425)</i></u>
Unrestricted funds at the beginning of the year		<u>4 668 127</u>	<u>4 910 552</u>
<b>Unrestricted funds at the end of the year</b>		<u><u>4 508 818</u></u>	<u><u>4 668 127</u></u>

**Notes to the financial statements 2011**

**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 2011**

**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:

	<b>2011</b>	<b>2010</b>
Assets and liabilities: at year-end rates	<b>0.9396</b>	<b>0.9345</b>
Statement of income and expenditure: at yearly average rate	<b>0.8873</b>	<b>1.0405</b>

The resulting translation gain or loss is recorded in the balance sheet directly in the funds as a currency translation adjustment unless it is a loss. In such case, it is recorded as an expense in the statement of income.

**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 2011**

**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 6'200'000 (2010 - USD 4'816'298) was transferred to the Federation and has been recorded as marketing income in the statement of operations.

The Federation charges TMS for administrative expenses, and during the year these charges amounted to USD 38'531 (2010 - USD 57'800). The Federation paid USD 328'500 (2010 - USD 42'800) on behalf of TMS that is recoverable from TMS. These amounts are outstanding and included in accounts receivable and prepaid expenses as at year-end, as well as shown as a reduction to the Federation's expenses. TMS already paid 2012 marketing rights in advance to the Federation for USD 500'000. This amount is included in the line accounts payable, advance and accrued liabilities for CHF 469'795 (2011 closing rate: 0.9396).

**5. Tangible fixed assets**

	<b>December 31, 2011 CHF</b>	<b>December 31, 2010 CHF</b>
Land and building	3 708 091	3 924 394
Furniture and equipment	2 913	7 289
Museum Collection	504 064	492 064
	<u>4 215 068</u>	<u>4 423 747</u>



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

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**Notes to the financial statements 2011**

**6. Financial assets**

	<b>December 31, 2011 CHF</b>	<b>December 31, 2010 CHF</b>
Money market and notes	506 521	1 548 711
	<u>506 521</u>	<u>1 548 711</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**

	<b>December 31, 2011 CHF</b>	<b>December 31, 2010 CHF</b>
Olympic funding at the beginning of the year	1 600 000	4 000 000
Received in year	-	-
Used in year	(1 600 000)	(2 400 000)
Olympic funding at the end of the year	<u>-</u>	<u>1 600 000</u>

**8. Deferred revenues - other**

	<b>December 31, 2011 CHF</b>	<b>December 31, 2010 CHF</b>
Sponsorship	37'360	-
Equipment approval	387 285	357 450
	<u>424 645</u>	<u>357 450</u>

**9. Marketing income**

	<b>December 31, 2011 CHF</b>	<b>December 31, 2010 CHF</b>
Transfer from TMS International (note 4)	5 501 074	5 011 548
Marketing direct cost	( 70 906)	( 96 693)
	<u>5 430 168</u>	<u>4 914 855</u>

**Notes to the financial statements 2011**

*Consistently with prior years, ITTF requested that an independent auditor attests the schedule of designated funds transferred by TMS to ITTF during the financial year. The table below shows a reconciliation between TMS transfers according to ITTF 2011 financial statements and TMS transfers according to the Independent auditor's report for the year ended December 31, 2011:*

	<b>December 31, 2011 USD</b>	<b>December 31, 2010 USD</b>
Transfer from TMS International (TMS auditor's report)	6 236 690	5 120 467
Impact of different foreign exchange rates	( 36 690)	( 70 969)
Previous year prize money paid by ITTF on behalf of TMS	-	( 233 200)
Marketing income recognized by ITTF in USD (note 4)	<u>6 200 000</u>	<u>4 816 298</u>
Translated into CHF at average rate:	<b>0.9396</b>	<b>1.0405</b>
	<b>CHF</b>	<b>CHF</b>
Transfer from TMS according to ITTF financial statements	<u><u>5 501 074</u></u>	<u><u>5 011 548</u></u>

**10. Administration**

	<b>December 31, 2011 CHF</b>	<b>December 31, 2010 CHF</b>
Storage	1 863	2 020
Accountancy and bank charges	21 701	28 406
Office equipment and furniture	59 876	63 420
Office expenses and rent	60 910	69 111
Stationary and supplies	7 646	5 963
Telephone, fax, internet and postage	149 665	157 385
Tax	2 051	5 389
Insurances	30 929	23 385
Professional fees	50 882	67 422
Repairs & Maintenance	49 411	51 454
Miscellaneous	25 607	27 642
Translation	-	5 500
	<u><u>460 542</u></u>	<u><u>507 097</u></u>

**11. Publications**

	<b>December 31, 2011 CHF</b>	<b>December 31, 2010 CHF</b>
TT Fascination	47 771	14 012
Table Tennis Illustrated	1 291	27 671
Bulletin, Digest, Directory, Coaching manuals	-	35 113
Other publications	<u>7 272</u>	<u>65 780</u>
	<u><u>56 334</u></u>	<u><u>142 576</u></u>

**Notes to the financial statements 2011**

**12. Meetings and travel**

	<b>December 31, 2011 CHF</b>	<b>December 31, 2010 CHF</b>
Executive Committee	268 142	200 562
DCC meetings	-	3 410
Board of Directors	1 682	8 494
AGM	18 692	17 513
Committee Chairmen	26 345	34 465
Committee Expenses	7 308	804
Professionnal staff	271 012	230 566
P.A.C:	10 542	20 541
Other meetings	33 840	74 435
Sport Accord	6 339	7 706
Other Travel Expenses	4 896	704
	<u>648 798</u>	<u>599 200</u>

**13. Competitions**

	<b>December 31, 2011 CHF</b>	<b>December 31, 2010 CHF</b>
World Championships	1 342 027	1 071 488
World Cup Men & Women	325 286	325 882
World Team Cup	333 324	117 093
ITTF Pro Tour	1 819 201	1 214 935
Olympic Games	1 655	35 079
China vs World	193 251	234 638
World Junior Championships	173 948	219 965
Tournament of Champions	-	227 210
Other competitions	454 847	538 524
Umpires travel / accomodation	-	163 657
Executive comitee and staff	( 446)	91 330
	<u>4 643 094</u>	<u>4 239 801</u>

**Notes to the financial statements 2011**

**14. Development and Olympic Solidarity**

	<b>December 31, 2011 CHF</b>	<b>December 31, 2010 CHF</b>
Continental Olympic Grants	75 734	32 534
Special projects	85 978	80 713
Equipment for Developing Associations	59 026	109 775
Coaching programs	29 861	112 971
Olympic Solidarity Courses	410 346	406 403
Referee and umpire scheme	59 024	64 710
Research and development	143 726	846
Promotion & media	52 642	51 723
Women development	11 411	38 919
Racket control	2 502	1 525
Experimental Field studies	4 845	-
Continental development projects	255 108	436 501
Videos and coaching material	-	10 490
Global junior program	181 470	405 383
Development program	367 542	383 579
Miscellaneous	-	175
Other expense	10 171	34 258
	<u>1 749 386</u>	<u>2 170 505</u>

**15. Other expenses**

	<b>December 31, 2011 CHF</b>	<b>December 31, 2010 CHF</b>
TV production	270 336	420 795
Internet TV (itTV)	10 249	23 287
Equipment testing	145 797	157 272
Anti-doping testing	17 197	21 191
Court cases legal fees	108 867	-
Promotional items and gifts	941	15 588
Computer software	280	534
Recruitment	-	8 670
Membership to sport bodies	5 360	4 500
Purchase of publications	3 854	6 104
Donations	1 048	1 464
Statistics & media	79 532	44 567
Ranking	55 898	64 043
Sundry (recovery)	13 110	31 133
VAT	4 563	4 159
Interest charges	1 038	927
	<u>718 070</u>	<u>804 234</u>

**Notes to the financial statements 2011**

**16. Depreciation and Bad debts**

	<b>December 31, 2011 CHF</b>	<b>December 31, 2010 CHF</b>
Depreciation	216 303	216 303
Bad debts	-	-
	<u>216 303</u>	<u>216 303</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 dates 2010 & 2011, 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-Pacific office**

The new Marketing office was opened in Beijing in January 2008. The ITTF pays the salary of the Director (Mr. Steven Dainton) while TMS International assumes all the costs of operating the office in Beijing.

**18. Commitments**

As of December 31, 2010 and 2011 there isn't any leasing commitment.

**19. Guarantee / Pledged assets**

As of December 31, 2011 and December 31, 2010, 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, 2011, the credit line is not used.

**20. 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