

Report of the independent auditor

with financial statements as of 30 June 2017 of

AIBA - International Boxing Association, Lausanne

AIBA - INTERNATIONAL BOXING ASSOCIATION, LAUSANNE

BALANCE SHEET AS OF JUNE 30, 2017

	NOTES	Jun. 30, 2017 CHF	Jun. 30, 2016 CHF
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents		6'784'632	293'716
Trade Accounts Receivable:			
- Receivables from third parties		959'809	3'015'810
- Receivables from related company - WSB		0	2'921'554
- Receivables from related group company - BMA		41'555	0
- Receivables Valuation Adjustment	3.3	(349'155)	(83'880)
Other Short-Term Receivables		191'959	158'252
Prepaid Expenses and Accrued Income		122'940	315'974
TOTAL CURRENT ASSETS		7'751'740	6'621'426
NON-CURRENT ASSETS			
Financial Assets:			
- Guarantee Deposits		17'427	17'425
- Loan to related party - WSB-AO		188'430	192'231
- Subordinated Loan to related party - BMA	3.6	3'815'782	3'317'706
- Provison on Receivable Loans		(4'004'212)	(3'509'937)
Investments:			
- Investment in WSB	3.5	300'000	300'000
- Investment in BMA	3.6	0	0
Property, Plant and Equipment:			
- Furniture and equipment	3.1	25'338	29'107
- IS (computers, softwares)	3.1	75'283	47'213
- Leasehold improvement	3.1	5'616	7'425
- Building	3.1	1'017'060	1'089'689
TOTAL NON-CURRENT ASSETS		1'440'723	1'490'857
TOTAL ASSETS		9'192'463	8'112'283
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Trade account payable:			
- Payables due to third parties		640'976	1'472'532
- Payable due to related party - NFs		0	0
- Payables due to related party - WSB	3.5	1'076'635	3'488'385
- Payable due to related party - BMA		96'501	96'501
Other short-term liabilities:			
- Liability in relation to guarantee on WSB AO loan from third party		10'742'517	10'626'029
- Other short-term liabilities		169'231	983'218
Accruals and deferred income:			
- Accruals		1'400'744	98'040
- Deferred Income International Olympic Committee		10'763'612	(0)
- Other Deferred income		1'526'956	1'345'995
TOTAL CURRENT LIABILITIES		26'417'172	18'110'701
NON-CURRENT LIABILITIES			
TOTAL NON-CURRENT LIABILITIES		0	0
TOTAL LIABILITIES		26'417'172	18'110'701
UNRESTRICTED FUNDS			
Unrestricted operating funds		(9'998'418)	(12'150'140)
Result for the year		(7'226'291)	2'151'722
TOTAL UNRESTRICTED FUNDS	3.9	(17'224'709)	(9'998'418)
TOTAL LIABILITIES AND FUNDS		9'192'463	8'112'283

AIBA - INTERNATIONAL BOXING ASSOCIATION, LAUSANNE

**INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017**

		Full Exercise <u>Jul. 01 - Jun.30</u> 2016 - 2017	Full Exercise <u>Jul. 01 - Jun.30</u> 2015 - 2016
		12 months	12 months
	NOTES	CHF	CHF
INCOME STATEMENT			
Revenue from Sale of Services:			
Olympics	3.8	4'268'323	4'109'102
Sponsorship and TV Rights Revenue		543'850	0
Licensing		64'021	235'029
Host Fees & Competition revenues		305'000	4'289'535
Subsidies		69'388	102'753
Membership Fees		24'606	61'840
Sales of Merchandising Products		61'310	126'847
Examination Income		135'982	98'480
Income from affiliated company - WSB		0	456'783
Impairment on receivables	3.3	(220'176)	(13'845)
Miscellaneous income		186'610	131'246
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TOTAL OPERATING INCOME		5'438'913	9'597'770
OPERATING EXPENSES			
Expense from affiliated company - WSB		(1'147'762)	0
Personnel Expenses		(2'963'859)	(3'313'181)
HQ - Lausanne Office		(1'714'074)	(575'312)
HQ - Tapei Office		0	(199'670)
AIBA Officials travel & expenses		(157'993)	(103'394)
Marketing Expenses		(19'283)	(13'420)
Communication Expenses		(649'064)	(149'773)
Continental Bureaus & Permanent Center		(201'638)	(83'715)
Commissions		(127'563)	(66'297)
AIBA Meetings		(453'338)	(334'611)
Championships & Games		(1'172'851)	(572'565)
Development Expenses		(799'463)	(391'983)
Miscellaneous Expenses		(44'150)	(32'168)
Purchases of Merchandising Products		(13'230)	(35'918)
Depreciation	3.1	(119'725)	(176'957)
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TOTAL OPERATING EXPENSES		(9'583'994)	(6'048'965)
OTHER INCOME AND EXPENSES			
Financial Income		521	3'625
Financial Expenses		(402'367)	(341'388)
Foreign Exchange Gain		24'415	381'119
Foreign Exchange Loss		(317'049)	(712'893)
Extraordinary non recurring and prior periods Income	8	71'216	35'867
Extraordinary non recurring and prior periods Expenses	8	(2'455'541)	(761'007)
		<hr/>	<hr/>
TOTAL OTHER INCOME AND EXPENSES		(3'078'804)	(1'394'677)
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RESULT BEFORE TAXES		(7'223'885)	2'154'128
Taxes	3.2	(2'406)	(2'406)
		<hr/>	<hr/>
NET (LOSS) PROFIT		(7'226'291)	2'151'722
Accumulated gain at beginning of year		(9'998'418)	(12'150'140)
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ACCUMULATED LOSS AT END OF YEAR		(17'224'709)	(9'998'418)

AIBA – International Boxing Association, Lausanne

Notes to the financial statements from 01 July 2016 to 30 June 2017 (12 months)

A. General information (CO 959c (1))

1. Details of the principles applied in the annual accounts where these are not specified by law (CO 959c (1) (1))

Legal basis. The annual accounts have been prepared based on the principles set out in the Swiss code of obligations (CO) in particular CO 957 – 962. The financial statements for the year ended 30 June 2017 have been prepared in accordance with the new provisions of the Swiss Law regarding accounting and financial reporting.

Currency and exchange rate. The annual accounts are maintained in Swiss Francs (CHF).

Assets and liabilities denominated in currencies other than Swiss Francs are recorded in the balance sheet based on exchange rates ruling at the year-end. Transactions denominated in currencies other than Swiss Francs are recorded at monthly average rates; all exchange losses and realized exchange gains are recognized as financial income or expense.

At June 30 2017, the period end exchange rate EUR / CHF is 0.96732.

At June 30 2017, the period end exchange rate USD / CHF is 1.10332.

At June 30 2017, the period end exchange rate GBP / CHF is 1.25396.

2. Going Concern

The fact that AIBA's liabilities exceed its assets (i.e. is over-indebted) is mainly due to the on-going support in the development of Boxing Marketing Arm S.A. (BMA) and World Series of Boxing (WSB) and to World Series of Boxing America Operations S.A. (WSB AO) through the guarantee of the loan WSB AO received from Benkons MMC (see Note 3.7). As at the date of preparation of these financial statements, AIBA is still operating and its underlying activity remains profitable.

Furthermore:

- the cash flow forecast for the next twelve months prepared by management shows the association will have sufficient liquid funds to discharge its obligations as they fall due.
- In relation to the guarantee on WSB AO loan from Benkons, AIBA management is finalizing an agreement scheduling a repayment from 2021 onwards.
- In connection with First Commitment International Trade CO. LIMITED ("FCIT"), AIBA management signed on 23rd April 2018 a memorandum of understanding on the purpose to:
 - Develop the WSB Program to be successful and profitable.
 - Support AIBA Financially according to the future development plans agreed by each party- temporarily over the next 3 years.
 - Develop AIBA's Marketing and Sponsoring opportunities.
 - Settle the FCIT claimed debt of USD 20,319.716 (about CHF 19 Million) towards AIBA without cash repayment.

As a result, the Executive Committee came to the conclusion that AIBA will continue as a going concern over the next twelve months.

3. Information, breakdowns and explanations relating to items on the balance sheet and in the profit and loss account (CO 959c (1) (2))

Balance Sheet

3.1 Fixed assets

Fixed assets are recorded on the balance sheet at the acquisition value and depreciated on a straight line basis.

Useful life:

Furniture and equipment	8 years
IS, computer, hardware and software	3 years
Other electronic device, office machine	5 years
Office improvements	8 years
Building	25 years
License	5 years

3.2 Taxes

AIBA is exonerated from its liabilities to income and capital taxes because its activity is considered as of pure public usefulness.

3.3 Receivables Valuation Adjustment

A valuation adjustment is made on the receivables according to the following principle: nothing for 2016-2017 period, 50% for 2015-2016 period and 100% on older receivables.

The provision has been anticipated when specific risks were identified.

3.4 Financial engagements / lease commitments

The office lease contract for new premises in Rhodanie 58 has been canceled In April 2018 as new tenants taking over the lease were founded.

3.5 World Series of Boxing SA

World Series of Boxing SA (WSB) is a Swiss corporation with its registered office in Lausanne. Its statutory purpose is notably to develop a single professional boxing championship. The share capital amounts to CHF 300,000 and is entirely owned, as of June 30, 2017, by AIBA.

Any WSB profit surplus is repaid to AIBA, while company shortage is financed by AIBA. The AIBA payable contribution to WSB for the financial period amounts to CHF 1,147,762 (2016: AIBA receivable contribution amounted CHF 456,783).

3.6 Boxing Marketing Arm SA

Boxing Marketing Arm SA (BMA) is a Swiss corporation with its registered office in Lausanne. Its statutory purpose is notably the development, marketing and management of boxing competitions and athletes in order to contribute to the continuous growth of AIBA boxing. The share capital amounts to CHF 100,000, which was owned, as at 30 June 2017, at 80% by AIBA and at 20% by Skiff Productions who invested 10 Million USD in the APB-BMA.

At 30 June 2017, the total exposure of AIBA in BMA is:

Investment (share)	0
Provision on Investment	0
Loan	3'815'782
Subordination of Loan	-3'815'782
Total	0

AIBA agreed to subordinate its receivable against BMA for an amount of CHF 3,815,782 as of 31 January 2017. BMA is currently into liquidation since February 2018. AIBA is not expecting to recover any amount.

3.7 Liability in relation to guarantee on WSB AO loan from third party (CHF 10,742,517)

On 18 November 2010, AIBA granted a guarantee in relation to a USD 10M loan made by Benkons MMC (Baku) to WSB America Operations SA (WSB AO SA), due for repayment on 18 November 2013.

WSB AO S.A. is a Swiss corporation having its registered office in Lausanne, who is wholly owned by WSB S.A.

The loan was not repaid by WSB-AO on the 18 November 2013 and as such an amount of USD 10,000,000 (CHF 10,150,000) has been booked in the prior year financial statements. The current year interest represents USD 369,477 (CHF357,403) which has been booked in current year income statement.

AIBA and Benkons are now discussing the terms and conditions of the loan settlement with a long term repayment plan without interest.

A memorandum of understanding (MOU) has been signed on February 2018. The final contract will be finalized in the next weeks.

3.8 Revenues from Sale of Goods and Services Olympics

AIBA receives in the year of the Olympic Summer Games a Contribution from the International Olympic Committee (IOC). It is considered that these proceeds, which are only received once every four years, represent a core financing of AIBA both for the year of the Games and the succeeding three years. It is recognized as income and made available for operating expenditure on a prorata basis over four years, starting with the year of the Olympic Summer Games. AIBA received a total of USD 17,3 million (CHF 17.2 million) in 3 instalments for the 2016 Olympic Games. AIBA recognized a revenue of CHF 4.3 million for the current period.

3.9 Unrestricted Funds

For the business year under review, the unrestricted funds are negative by CHF 17'224'709, see note 2.

Profits and loss

3.10 Revenue Recognition and related expenditure

Revenues and expenses related to AIBA are recognized in the appropriate period.

Instalments received in advance are stated on the liabilities side of the balance sheet under "Deferred income" while commissions and due expenses are on the assets side of the balance sheet under "Deferred expenses".

B. Detailed information (CO 959c (2))

4. Business name, legal form and registered office (CO 959c (2) (1))

International Boxing Association is an association having its registered office in Lausanne (Vaud, Switzerland).

5. Declaration as to whether the number of full-time positions on annual average is no more than 10, 50 or 250 (CO 959c (2) (2))

The annual average number of full-time positions for the business year under review is of 26.

6. Business name, legal form and registered office of undertakings in which direct or substantial indirect shareholdings are held, stating the share of the capital and votes held (CO 959c (2) (3))

AIBA holds the following direct and indirect participations:

Direct participations:

- 100% of the shares and voting rights in WSB, Lausanne, i.e. 300 shares of a nominal value of CHF 1,000
- 80% of the shares and voting rights in BMA, Lausanne, i.e. 80 shares of a nominal value of CHF 1,000

WSB holds:

- 100% of the shares of WSB America Operations SA, a corporation organized under the laws of Switzerland with its registered office in Lausanne (WSB AO)

WSB AO holds:

- 100% of the shares of WSB-WEST, INC., a corporation organized under the laws of the State of Delaware (USA) with its registered office in Lewes, Delaware, USA
- 100% of the shares of World Series of Boxing, Mexico, a corporation (sociedad anonima de capital variable) organized under the laws of Mexico with its registered office in Mexico City, Federal District, Mexico

7. Contingent liabilities

AIBA is exposed to contingent liabilities amounting to a maximum potential payment CHF 19.5 million approximately, representing mainly a potential litigation of CHF 19 million with First Commitment International, Trade CO., Limited. A settlement agreement is currently under discussion with regards to this potential litigation.

8. Explanations of exceptional, non-recurring or prior-period items in the profit and loss account (CO 959c (2) (12))

Extraordinary Incomes of CHF 71'216 is driven by various corrections from prior periods operations (2014-2015-2016)

Extraordinary Expenses of CHF 2'455'541 is driven by various corrections from prior periods and litigation settlements with ex-employees

9. Legal matters

There were a number of open legal cases in which is a party either as a claimant or a defendant. AIBA has now solved in April 2018 all open cases and has accrued the amount agreed with each party.

10. Significant events occurring after the balance sheet date (CO 959c (2) (13))

- In December 2017, the International Olympic Committee (IOC)'s Executive Board deciding to withhold its financial contributions to AIBA with immediate effect until required actions were fully addressed. AIBA met the IOC on April 25 to submit report on AIBA's current and future actions in the fields of governance, management, finance, and sporting integrity.
- AIBA signed the 24 of January a memorandum of understanding with Benkons MMC in order to find an amicable settlement in order for Benkons to recover the amount invested, in part in cash and in part in sponsorship benefits, and in order for AIBA to strengthen its financial situation in the long term.
- AIBA signed in April 2018 a Memorandum Of Understanding (not legally binding the parties) with First Commitment International Trade CO. LIMITED ("FCIT") with the purpose to:
 - Develop the WSB Program to be successful and profitable
 - Support AIBA Financially according to the future development plans agreed by each party- temporarily over the next 3 years
 - Develop AIBA's Marketing and Sponsoring opportunities
 - Settle the FCIT claimed debt of USD 20,319.716 (about CHF 19 Million) towards AIBA without cash repayment.