

Report of the independent auditor

with financial statements as of 30 June 2018 of

AIBA - International Boxing Association, Lausanne

AIBA - INTERNATIONAL BOXING ASSOCIATION, LAUSANNE

BALANCE SHEET AS OF JUNE 30, 2018

A S S E T S	NOTES	Jun. 30, 2018	Jun. 30, 2017
		CHF	CHF
CURRENT ASSETS			
Cash and Cash Equivalents		1,847,365	6,784,632
Trade Accounts Receivable:			
- Receivables from third parties		1,186,914	959,809
- Receivables from related company - WSB	3.5	0	0
- Receivables from related company - WSB-AO		0	0
- Receivables from related group company - BMA		24,555	41,555
- Receivables from related group company - FBB		11,021	0
- Receivables Valuation Adjustment	3.3	(1,174,291)	(349,155)
Other Short-Term Receivables		398,307	191,959
Prepaid Expenses and Accrued Income		76,124	122,940
TOTAL CURRENT ASSETS		2,369,996	7,751,740
NON-CURRENT ASSETS			
Financial Assets:			
- Guarantee Deposits		167,429	17,427
- Loan to related party - WSB-AO		188,418	188,430
- Loan to related party - BMA	3.6	3,815,782	3,815,782
Subordination agreement to related parties	3.6	(4,004,200)	(4,004,212)
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	40,752	25,338
- IS (computers, softwares)	3.1	68,715	75,283
- Leasehold improvement	3.1	3,763	5,616
- Building	3.1	938,422	1,017,060
TOTAL NON-CURRENT ASSETS		1,519,081	1,440,723
TOTAL ASSETS		3,889,077	9,192,463
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Trade account payable:			
- Payables due to third parties		337,717	640,976
- Payables due to related party - WSB	3.5	1,552,227	1,076,635
- Payables 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	3.7	11,483,247	10,742,517
- Other short-term liabilities		(1,527)	169,231
Accruals and deferred income:			
- Accruals		505,572	1,400,744
- Deferred Income International Olympic Committee		6,458,167	10,763,612
- Other Deferred income		1,972,523	1,526,956
TOTAL CURRENT LIABILITIES		22,404,428	26,417,172
NON-CURRENT LIABILITIES			
Other long-term liabilities:			
- Other long-term liabilities		500,000	0
TOTAL NON-CURRENT LIABILITIES		500,000	0
TOTAL LIABILITIES		22,904,428	26,417,172
UNRESTRICTED FUNDS			
Unrestricted operating funds		(17,224,709)	(9,998,418)
Result for the year		(1,790,643)	(7,226,291)
TOTAL UNRESTRICTED FUNDS	3.9	(19,015,352)	(17,224,709)
TOTAL LIABILITIES AND FUNDS		3,889,077	9,192,463

AIBA - INTERNATIONAL BOXING ASSOCIATION, LAUSANNE

**INCOME STATEMENT
FOR THE PERIOD ENDED JUNE 30, 2018**

		Interim Exercise <u>Jul. 01 - Jun.30</u> 2017 - 2018	Full Exercise <u>Jul. 01 - Jun.30</u> 2016 - 2017
		12 months CHF	12 months CHF
OPERATING INCOME			
Revenue from Sale of Goods and Services:			
Olympics	3.8	4,305,445	4,268,323
Sponsorship and TV Rights Revenue		757,610	543,850
Licensing		2,185	64,021
Host Fees & Competition revenues		2,098,100	305,000
Subsidies		53,212	69,388
Membership Fees		49,510	24,606
Sales of Merchandising Products		10,117	61,310
Examination Income		133,592	135,982
Impairment on receivables	3.3	(803,693)	(220,176)
Miscellaneous income		19,195	186,610
		<u>6,625,272</u>	<u>5,438,913</u>
OPERATING EXPENSES			
Expense from affiliated company - WSB	3.5	(1,100,650)	(1,147,762)
Personnel Expenses		(2,045,315)	(2,963,859)
HQ - Lausanne Office		(2,256,782)	(1,714,074)
AIBA Officials travel & expenses		(248,321)	(157,993)
Marketing Expenses		0	(19,283)
Communication Expenses		(497,290)	(649,064)
Continental Bureaus & Permanent Center		(243,515)	(201,638)
Commissions		(20,219)	(127,563)
AIBA Meetings		(417,895)	(453,338)
Championships & Games		(203,432)	(1,172,851)
Development Expenses		(175,236)	(799,463)
Ethics & Anti-doping		(191,406)	0
Miscellaneous Expenses		(2,225)	(44,150)
Purchases of Merchandising Products		(5,115)	(13,230)
Depreciation	3.1	(139,328)	(119,725)
		<u>(7,546,730)</u>	<u>(9,583,994)</u>
OPERATING RESULT - GAIN / (LOSS)		<u>(921,458)</u>	<u>(4,145,080)</u>
OTHER INCOME AND EXPENSES			
Financial Income		22,387	521
Financial Expenses		(363,509)	(402,367)
Foreign Exchange Gain		181,218	24,415
Foreign Exchange Loss		(182,664)	(317,049)
Extraordinary non recurring and prior periods Income	8	54,864	71,216
Extraordinary non recurring and prior periods Expenses	8	(578,600)	(2,455,541)
		<u>(866,305)</u>	<u>(3,078,804)</u>
RESULT BEFORE TAXES		<u>(1,787,763)</u>	<u>(7,223,885)</u>
Taxes	3.2	(2,880)	(2,406)
		<u>(1,790,643)</u>	<u>(7,226,291)</u>
Accumulated gain at beginning of year		(17,224,709)	(9,998,418)
ACCUMULATED LOSS AT END OF YEAR		<u><u>(19,015,352)</u></u>	<u><u>(17,224,709)</u></u>

AIBA – International Boxing Association, Lausanne

Notes to the financial statements from 01 July 2017 to 30 June 2018 (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 period ended 30 June 2018 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 2018, the period end exchange rate USD / CHF is 1.00768.

At June 30 2018, the period end exchange rate EUR / CHF is 1.16554.

At June 30 2018, the period end exchange rate GBP / CHF is 1.31707.

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 has finalized an agreement scheduling its repayment beginning 2021 onwards.
- In connection with First Commitment International Trade CO. LIMITED ("FCIT"), on 23rd April 2018, AIBA management signed a memorandum of understanding for the purposes of:
 - Develop the WSB Program to be successful and profitable.
 - Support AIBA Financially according to 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
- Following due-diligence, a new agreement is being finalized.

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 2017-2018 period, 50% for 2016-2017 period and 100% on older receivables.

In addition to this principle additional bad debt provisions are booked when economically justified no matter the aging of the receivable.

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 were found to take over the lease were found.

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, 2018, by AIBA.

Any WSB profit surplus is repaid to AIBA, while company shortage is financed by AIBA. AIBA payable contribution to WSB as per June 2018 amounts to CHF 1'100'650 (2017: AIBA payable to WSB CHF 1,147,762).

3.6 Boxing Marketing Arm SA (in liquidation)

Boxing Marketing Arm SA (BMA) is a Swiss corporation with its registered office in Lausanne. BMA is in liquidation and therefore there is no further activity. Its statutory purpose was 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 2018, at 80% by AIBA and at 20% by Skiff Productions who invested 10 Million USD in the APB-BMA.

At 30 June 2018, 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 10,320,814)

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.

AIBA and Benkons have now signed an agreement fixing terms and conditions of the loan settlement with a long term repayment plan without interest. The current year interest represents USD 369,477 (CHF 357,403) which has been booked in current year income statement. The release of the total cumulated interests will depend on the ratification of the settlement agreement by the Executive Committee by the 15 July 2018.

AIBA undertakes to offer to Benkons a sponsorship agreement for USD 2,000,000 first class exposure in all AIBA competitions in accordance with a sponsorship agreement which will last until the Tokyo Olympic Games (2020): The total value of the benefits provided by AIBA shall be USD 2,000,000 (two million US dollars). The remaining USD 8,000,000 will be repaid on 8 annual installments of 8 year starting from 2021 (2021 to 2028).

3.8 Revenues from Sale of Goods and Services Olympics

In the year of the Olympic Summer Games, AIBA receives 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 2.9 million for the current period.

3.9 Unrestricted Funds

For the business year under review, the unrestricted funds are negative CHF 19'015'352, 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 21.

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

BMA holds:

- 100% of the shares in BMA Boxing UK Limited, a private limited company organized under the laws of England and Wales with its registered office at 122 Feering Hill, Colechester, Essex, England

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's contingent liability exposure amounts to a maximum potential payment of 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. As a sign of goodwill, AIBA accepted to sign a declaration renouncing to invoke that FCIT's claims are time-barred and FCIT withdrew the order to pay filed against AIBA.

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

Extraordinary Incomes of CHF 54'864 is driven by various corrections from prior periods operations.

Extraordinary Expenses of CHF 578,600 is driven by various corrections from prior periods operations.

9. Significant event of the year

- 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 July 6 to submit draft report on AIBA's current and future actions in the fields of governance, management, finance, and sporting integrity.
- AIBA signed the 4th of July a settlement agreement fixing terms and conditions of the loan settlement with a long term repayment plan without interest. The contract will be active following ratification by the Executive Committee on July 12-13.
- AIBA received several requests and queries from compliance departments of its banks further to articles in the press; AIBA is in close contacts with its banks in this respect.
- In connection with First Commitment International Trade CO. LIMITED ("FCIT"), AIBA, parent entity signed on 23rd April 2018, AIBA management signed a memorandum of understanding for the purposes of:
 - Develop the WSB Program to be successful and profitable.
 - Support AIBA Financially according to 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 milion) towards AIBA without cash repayment.
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