AIBA – INTERNATIONAL BOXING ASSOCIATION

LAUSANNE

AUDITOR'S REPORT
WITH INTERIM FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2018
Auditor’s report

to the Executive Committee of
AIBA – International Boxing Association

Lausanne

In accordance with the mandate that you have given us, we have reviewed the interim financial statements (balance sheet, income statement and notes) of International Boxing Association for the 6 months period ended 31 December 2018.

Prior year figures were audited by another auditor. He was not able to express an opinion on these financial statements in relation with the going concern assumption. At that time, debt settlement agreements, revenues agreements negotiations and contingencies remained incomplete.

These interim financial statements are the responsibility of the Executive Committee. Our responsibility is to issue a report on these interim financial statements based on our review.

We conducted our review in accordance with the Swiss Auditing Standard 910 Review. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data. It therefore provides less assurance than a full audit. We have performed a limited review and not a full audit and accordingly we do not express an opinion further to a full audit.

Based on our limited review, nothing has come to our attention that causes us to believe that the interim financial statements do not comply with Swiss law and the association’s articles of incorporation.
Without qualifying our conclusion, we draw attention to notes 2, 3.7 and 7 in the notes to the financial statements describing a material uncertainty that may cast doubt about the ability of International Boxing Association to continue as a going concern. International Boxing Association is in over-indebtedness situation and its ability to repay its long-term debts will depend upon the continuing recognition of AIBA by the International Olympic Committee as the international federation governing the sport of boxing. Should the association be unable to continue as a going concern, the financial statements would have to be prepared on the basis of liquidation values.

Nyon, 22 Mars 2019

MOORE STEPHENS REFIDAR SA

Déborah Dépraz  
Licensed Audit Expert
Auditor in charge

Tony Lerch  
Licensed Audit Expert

Enclosure: Interim financial statements (balance sheet, income statement and notes)
# Balance Sheet As of December 31, 2018

## Assets

### Current Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>CHF 2018</th>
<th>CHF 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td></td>
<td>663,412</td>
<td>1,847,365</td>
</tr>
<tr>
<td>Trade Accounts Receivable:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Receivables from third parties</td>
<td>3.5</td>
<td>4,486,594</td>
<td>1,186,914</td>
</tr>
<tr>
<td>- Receivables from related company - WSB</td>
<td>3.6</td>
<td>164,281</td>
<td></td>
</tr>
<tr>
<td>- Receivables from related company - WSB-AO</td>
<td></td>
<td>49,110</td>
<td>24,555</td>
</tr>
<tr>
<td>- Receivables from related group company - BMA</td>
<td>3.3</td>
<td>13,102</td>
<td>11,021</td>
</tr>
<tr>
<td>- Receivables valuation adjustment</td>
<td></td>
<td>(1,916,214)</td>
<td>(1,174,291)</td>
</tr>
<tr>
<td>Other current receivables</td>
<td></td>
<td>70,043</td>
<td>398,307</td>
</tr>
<tr>
<td>Prepaid expenses and accrued income</td>
<td></td>
<td>254,634</td>
<td>76,124</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td></td>
<td>3,790,961</td>
<td>2,369,996</td>
</tr>
</tbody>
</table>

### Non-Current Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>CHF 2018</th>
<th>CHF 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Guarantee deposits</td>
<td>3.7</td>
<td>150,000</td>
<td>167,429</td>
</tr>
<tr>
<td>- Loan to related party - WSB-AO</td>
<td>3.8</td>
<td>3,815,782</td>
<td>3,815,782</td>
</tr>
<tr>
<td>Subordination agreement to related parties</td>
<td></td>
<td>(3,615,782)</td>
<td>(4,004,200)</td>
</tr>
<tr>
<td>Investments:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Investment in WSB</td>
<td>3.5</td>
<td>300,000</td>
<td>300,000</td>
</tr>
<tr>
<td>- Investment in BMA</td>
<td>3.6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Property, Plant and Equipment:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Furniture and equipment</td>
<td>3.1</td>
<td>37,537</td>
<td>40,752</td>
</tr>
<tr>
<td>- IS (computers, softwares)</td>
<td>3.1</td>
<td>51,833</td>
<td>68,716</td>
</tr>
<tr>
<td>- Leasehold improvement</td>
<td>3.1</td>
<td>3,142</td>
<td>3,763</td>
</tr>
<tr>
<td>- Building</td>
<td>3.1</td>
<td>902,107</td>
<td>938,422</td>
</tr>
<tr>
<td><strong>Total Non-Current Assets</strong></td>
<td></td>
<td>1,444,619</td>
<td>1,519,081</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td>5,239,580</td>
<td>3,889,077</td>
</tr>
</tbody>
</table>

## Liabilities and Net Assets

### Current Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>CHF 2018</th>
<th>CHF 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade account payable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Payables due to third parties</td>
<td>3.5</td>
<td>746,575</td>
<td>337,717</td>
</tr>
<tr>
<td>- Payables due to related party - WSB</td>
<td>3.6</td>
<td>1,760,421</td>
<td>1,552,227</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>3.7</td>
<td>994,330</td>
<td>11,483,247</td>
</tr>
<tr>
<td>Accruals and deferred income:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Accruals</td>
<td></td>
<td>608,637</td>
<td>505,572</td>
</tr>
<tr>
<td>- Deferred income International Olympic Committee</td>
<td></td>
<td>4,305,446</td>
<td>6,458,167</td>
</tr>
<tr>
<td>- Other deferred income</td>
<td></td>
<td>4,766,229</td>
<td>1,972,523</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td></td>
<td>13,360,351</td>
<td>22,404,428</td>
</tr>
</tbody>
</table>

### Non-Current Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>CHF 2018</th>
<th>CHF 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other non-current liabilities</td>
<td>3.7</td>
<td>3,500,000</td>
<td>500,000</td>
</tr>
<tr>
<td>- Liability in relation to guarantee on WSB AO loan from third party</td>
<td></td>
<td>5,451,805</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Non-Current Liabilities</strong></td>
<td></td>
<td>8,801,805</td>
<td>500,000</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td>22,162,156</td>
<td>22,904,428</td>
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</table>

## Restricted Funds

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>CHF 2018</th>
<th>CHF 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance from third party related to BMA</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

## Unrestricted Funds

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>CHF 2018</th>
<th>CHF 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted operating funds</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Result for the period - Gain / (Loss)</td>
<td>3.9</td>
<td>19,015,352</td>
<td>17,224,709</td>
</tr>
<tr>
<td><strong>Total Unrestricted Funds</strong></td>
<td>3.9</td>
<td>(16,926,576)</td>
<td>(19,015,352)</td>
</tr>
<tr>
<td><strong>Total Liabilities and Funds</strong></td>
<td></td>
<td>5,235,580</td>
<td>3,889,077</td>
</tr>
</tbody>
</table>

AIBA - INTERNATIONAL BOXING ASSOCIATION, LAUSANNE
## AIBA - INTERNATIONAL BOXING ASSOCIATION, LAUSANNE

## INCOME STATEMENT

FOR THE PERIOD ENDED DECEMBER 31, 2018

<table>
<thead>
<tr>
<th></th>
<th>Interim Exercise</th>
<th>Full Exercise</th>
<th>NOTES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Jul. 01 - Dec.31</td>
<td>Jul. 01 - Jun.30</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2018 - 2018</td>
<td>2017 - 2018</td>
<td></td>
</tr>
<tr>
<td></td>
<td>6 months</td>
<td>12 months</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CHF</td>
<td>CHF</td>
<td></td>
</tr>
</tbody>
</table>

### OPERATING INCOME

Revenue from Sale of Goods and Services:

- Olympics: 3.8 2,255,967 4,305,445
- Sponsorship and TV Rights Revenue: 499,575 757,610
- Licensing: 159,636 2,185
- Sport Events: 800,000 2,088,100
- Grant & Subsidies: 203,582 53,212
- Donations from President: 173,352 0
- Membership Fees: 24,405 49,510
- Sales of Merchandising Products: 1,905 10,117
- Examination Income: 75,128 133,592
- Miscellaneous income: 89,126 19,195

**Total Revenues:** 4,282,677 7,428,965

Impairment on receivables: 3.3 (25,736) (803,693)

**TOTAL OPERATING INCOME:** 4,256,941 6,625,272

### OPERATING EXPENSES

- Expense from affiliated company - WSB: (208,193) (1,100,650)
- President Office: (24,000) (184,642)
- Personnel Expenses: (1,052,956) (2,045,315)
- HQ - Rent & Utilities: (45,480) (153,707)
- HQ - Office expenses: (67,270) (201,460)
- HQ - Travel expenses: (31,245) (84,459)
- HQ - External services: (678,753) (1,632,513)
- AIBA representatives travel & expenses: (18,347) (248,321)
- Marketing Expenses: 0 0
- Communication Expenses: (143,397) (497,290)
- Continental Bureaus & Permanent Center: (35,054) (243,515)
- Commissions: (90,738) (20,219)
- AIBA Meetings: (509,926) (417,695)
- AIB Championship & Events: (344,552) (203,432)
- Training & Education expenses: (36,237) (175,236)
- Ethics & Anti-doping: (149,368) (191,406)
- Miscellaneous Expenses: (175) (2,225)
- Purchases of Merchandising Products: 0 (5,115)
- Depreciation: 3.1 (59,836) (139,328)

**TOTAL OPERATING EXPENSES:** (3,495,632) (7,546,730)

### OPERATING RESULT - GAIN / (LOSS)

761,410 (921,458)

### OTHER INCOME AND EXPENSES

- Financial Income: 5,655 22,387
- Financial Expenses: (4,505) (363,509)
- Foreign Exchange Gain: 22,592 181,218
- Foreign Exchange Loss: (64,017) (182,664)
- Extraordinary non recurring Income: 2,975,129 54,864
- Extraordinary non recurring Expenses: (1,568,143) (578,600)

**TOTAL OTHER INCOME AND EXPENSES:** 1,328,710 (866,305)

### RESULT BEFORE TAXES

2,090,120 (1,787,763)

Taxes: 3.2 (1,345) (2,880)

### NET GAIN / (LOSS)

2,088,775 (1,790,643)

Accumulated gain at beginning of year: (19,015,352) (17,224,709)

**ACCUMULATED LOSS AT END OF YEAR:** (16,926,576) (19,015,352)

AIBA - INTERNATIONAL BOXING ASSOCIATION
AIBA – International Boxing Association, Lausanne

Notes to the financial statements for the period of 01 July 2018 to 31 December 2018 (6 months)

A. General information

1. Accounting principles

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 31 December 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 December 31 2018, the period end exchange rate USD / CHF is 0.99433.
At December 31 2018, the period end exchange rate EUR / CHF is 1.13726.
At December 31 2018, the period end exchange rate GBP / CHF is 1.26162.

2. Going Concern

The fact that AIBA’S liabilities exceed its assets (i.e. is over-indebted) is mainly due to support provided 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) notably 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.
• On 2nd November 2018, AIBA management signed a contract with First Commitment International Trade CO. LIMITED ("FCIT") providing for the term and conditions of a future cooperation and an investment by FCIT in boxing.

However the closing of this contract is subject to the fulfillment of several conditions which are not yet met including notably that the IOC has not so far issued any decision regarding the withdrawal of the recognition of AIBA as international federation governing boxing.

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

The long term projections (over 18 months, after Tokyo 2020) and the resolution of the over-indebtedness are dependent upon the continuing recognition of AIBA by the International Olympic Committee as the international federation governing the sport of boxing.

3. Information, breakdowns and explanations relating to items on the balance sheet and in the profit and loss account

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

Adjustments to the value of receivables have been made based on the following principle:
- Falling due within 12 months – no adjustment
- Falling due within 12 to 24 months – 50% adjustment
- Falling due after 24 months – 100% adjustment

The provision schedule has been accelerated when specific risks were identified.

3.4 Financial engagements / lease commitments

There are no lease commitments.
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 to develop a single professional boxing championship. The share capital amounts to CHF 300,000 and is entirely owned, as of December 30, 2018, by AIBA.

Any WSB profit surplus is repaid to AIBA, while company shortage is financed by AIBA. The contribution due by AIBA to WSB for the financial period amounts to CHF 208’193 (2017: CHF 1’100’650 due by AIBA).

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 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 31 December 2018, at 80% by AIBA and at 20% by Skiff Productions who invested 10 Million USD in BMA.

At 31 December 2018, the total exposure of AIBA in BMA is:

<table>
<thead>
<tr>
<th></th>
<th>CHF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment (share)</td>
<td>0</td>
</tr>
<tr>
<td>Provision on Investment</td>
<td>0</td>
</tr>
<tr>
<td>Loan</td>
<td>3,615,782</td>
</tr>
<tr>
<td>Subordination of Loan</td>
<td>-3,615,782</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>0</strong></td>
</tr>
</tbody>
</table>

AIBA agreed to subordinate its receivable against BMA for an amount of CHF 3,615,782 as of 31 January 2017. BMA is currently in 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

On 18 November 2010, AIBA granted a guarantee in relation to a USD 10.0M 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. was a Swiss corporation having its registered office in Lausanne, who was wholly owned by WSB S.A. This company has been written off from the trade register following the closure of its bankruptcy.

The loan was not repaid by WSB-AO on the 18 November 2013 and as such an amount of USD 10’000’000 has been booked in the prior year financial statements of AIBA.

AIBA and Benkons have signed an agreement fixing terms and conditions of the loan settlement with a long term repayment plan without interest. The contract has been ratified by the Executive Committee on July 12-13 2018. The accumulated interest was in the amount of USD 1,825,461 (CHF 1,803,942) and has been released as Extraordinary Income in July 2018.

A sponsorship agreement for USD 2’000’000 over four years since July 2018 is included in the agreement to be netted against the original debt. The remaining USD 8’000’000 will be repaid over 8 annual installments starting from 2021 (2021 to 2028).

The current balance is CHF 994’300 or USD 1’000’000 (2017: CHF 11’483’247) and the non-current balance is CHF 8’451’805 or USD 8’500’000 (2017: CHF 0) resulting in a total liability of CHF 9’451’805 or USD 9’500’000 (2017: 11’483’247).

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 millions (CHF 17.2 millions) in 3 instalments for the 2016 Olympic Games. AIBA recognized a revenue of CHF 2.3 millions for the current period.

3.9 Unrestricted Funds

For the business year under review, the unrestricted funds are CHF 16’904’244 overdrawn (2017: 19’015’352 overdrawn), 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.

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

5. Number of full-time positions on annual average
   The annual average number of full-time positions for the business year under review is 19.

6. Investments in affiliated companies
   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, Colchester, Essex, England

7. Contingent liabilities
   AIBA's contingent liability exposure includes a risk of a potential litigation with First Commitment International, Trade CO., Limited. It is related to a subordinated loan agreement of CHF 18.9 millions (2017: CHF 18.9 millions) between FCIT and BMA (in bankruptcy). In view of the current relationship between FCIT & AIBA and based on prior legal opinions, the risk is considered low and does not require any provision to be made.

8. Extraordinary Income and Expenses
   Extraordinary Income of CHF 2'975'129 (2017: CHF 54'864) is driven by Benkons Interest expense release (1.4 millions), License fee invoiced from prior period (0.5 millions fully impaired within extraordinary Expenses) and various operations from prior periods.

   Extraordinary Expenses of CHF 1'563'811 (2017: 578'600) is driven by various corrections and impairments from prior periods operations.

9. Legal matters
   There were a number of open legal cases in which AIBA is a party either as a claimant or a defendant. In December 2018 AIBA has solved most of these cases and an appropriate provision have been accrued for one minor remaining case.

10. Subsequent events
    - In December 2017, the International Olympic Committee (IOC)'s Executive Board decided to withhold its financial contributions to AIBA with immediate effect until required actions were fully addressed. AIBA submitted several reports to IOC regarding its current and future actions in the fields of governance, management, finance, and sporting integrity. In December 2018, the IOC appointed an inquiry commission to investigate AIBA's current situation. AIBA collaborated with this commission by answering all submitted queries.
    - Several contracts for future incomes have been signed and/or future event fees have been collected during the 1st quarter of 2019:
      - World Women Championship for an amount of CHF 1'000'000 fully collected in February 2019
      - World Men Championship for an amount of CHF 4'000'000 with collection of the remaining balance of CHF 1'500'000 in January and February 2019.
    - Advance discussions are on going with respect to future revenues for AIBA resulting from competitions and sponsorship to take place in 2019 and 2020.
    - AIBA management continues to monitor expenditures and its operating costs very closely. The first quarter 2019 is expected to be favorable compared to budget, as it has been the case for the two last quarters of 2018 which are contained in this financial statement.