

AIBA International Boxing Association, Lausanne

Report of the Statutory Auditor on the Limited Statutory Examination to the Executive Committee Financial Statements 30 June 2015

> KPMG SA Geneva, 13 April 2017 Ref. PHP/SNU



KPMG SA Audit Western Switzerland 111 Rue de Lyon CH-1203 Geneva

P.O. Box 347 CH-1211 Geneva 13 Telephone +41 58 249 25 15 Fax +41 58 249 25 13 Internet www.kpma.ch

Report of the Statutory Auditor on the Limited Statutory Examination to the Executive Committee of

AIBA – International Boxing Association, Lausanne

As statutory auditors, we have examined the financial statements (balance sheet, income statement and notes) of AIBA - International Boxing Association as of the year ended 30 June 2015.

These financial statements are the responsibility of the Executive Committee of the association. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of personnel and analytical procedures as well as detailed tests of documents of the unit as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law and AIBA's statutes.

Without qualifying our examination conclusion, we draw attention to the fact that, at the balance sheet date, the liabilities of the association exceed its assets, and to notes 2 and 3.7 to the financial statements describing the recognition of a liability related to a guarantee to a third party as well as the association's assessment of going concern.

KPMG SA



Pierre-Henri Pingeon Licensed Audit Expert Auditor in Charge



Stéphane Nusbaumer

Geneva, 13 April 2017

Enclosure:

- Financial statements (balance sheet, income statement and notes)

AIBA - INTERNATIONAL BOXING ASSOCIATION, LAUSANNE

BALANCE SHEETS AS OF JUNE 30, 2015

		Jun. 30, 2015	Jun. 30, 2014
ASSETS	NOTES	CHF	CHF
CURRENT ASSETS			
Cash and Cash Equivalents		3'616'763	2'896'887
Trade Account Receivables:		5 010 705	2000007
- Receivables from third parties		940'740	82'391
- Receivables from related group companies - WSB		3'505'132	3'542'466
- Receivables from related group companies - BMA		0	10'798'796
- Receivables Valuation Adjustment	3.3	(68'040)	(5'029'774)
Other Short-Term Receivables		122'091	140'065
Prepaid Expenses and Accrued Income		31'670	26'310
TOTAL CURRENT ASSETS		8'148'357	12'457'141
NON-CURRENT ASSETS			
Financial Assets:			
- Guarantee Deposits		17'420	17'404
- Loan to related party - WSB	3.5	538'619	535'467
- Loan to related party - WSB-AO	2.6	181'920	0
- Loan to related party - BMA - Provision on Loans	3.6	3'317'706	0
Investments:		(3'499'626)	0
- Investment in WSB	3.5, 6	300'000	742'917
- Investment in BMA	3.6, 6	0	100'000
Property, Plant and Equipment:	,		
- Furniture and equipment	3.1	15'914	16'013
- IS (computers, softwares)	3.1	120'631	163'930
- Leasehold improvement	3.1	9'183	8'548
- Building	3.1	1'162'360	1'198'889
TOTAL NON-CURRENT ASSETS		2'164'126	2'783'168
TOTAL ASSETS		10'312'482	15'240'309
LIABILITIES AND FUNDS			
CURRENT LIABILITIES			
Trade Account Payables:			
- Payables due to third parties		66'385	447'973
- Payables due to related party - WSB		4'300'207	1'683'527
- Payables due to related party - BMA		0	1'799'620
Other short-term liabilities: - Liability in relation to guarantee on WSB AO loan from third party	3.7	9'765'781	
- Advance from third party related to BMA	5.7	2'000'000	
- Other short-term liabilities		364'993	353'497
Accruals and deferred income:			
- Accruals		56'126	74'970
- Deferred Income International Olympic Committee	3.8	1'919'258	5'757'773
- Other Deferred income		3'989'872	682'952
TOTAL CURRENT LIABILITIES		22'462'623	10'800'311
TOTAL LIABILITIES		22'462'623	10'800'311
UNRESTRICTED FUNDS			
Unrestricted funds (accumulated gain)		4'439'997	597'356
Result for the year		(16'590'138)	3'842'641
TOTAL UNRESTRICTED FUNDS	3.9	(12'150'140)	4'439'997
TOTAL LIABILITIES AND FUNDS		10'312'482	15'240'309

AIBA - INTERNATIONAL BOXING ASSOCIATION

AIBA - INTERNATIONAL BOXING ASSOCIATION, LAUSANNE

STATEMENT OF INCOME AND EXPENSES FOR THE PERIODS ENDED JUNE 30, 2015

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Miscellaneous income 59867 2758 TOTAL OPERATING INCOME 3921/843 9592/25 OPERATING EXPENSES 0 9 Expense related to affiliated company - WSB 3.5 0 0 Personnel Expenses (200000) (61878) 0 HQ - Lausame Office (200000) (61878) 0 Communication Expenses (200000) (19887) 0 AltBA Officials travel & expenses (134064) (7923) 0 Communication Expenses (221841) (23721) 0 Communication Expenses (7031) (2134) 0 0 Commissions (221841) 0(32721) 0<			2'100'000	1'687'500
OPERATING EXPENSES Comparison Comparison <thcomparison< th=""> Comparison <thc< td=""><td></td><td>_</td><td>59'867</td><td>27'585</td></thc<></thcomparison<>		_	59'867	27'585
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NET (LOSS) PROFIT for the year(16'590'138)3'842'64Accumulated gain at beginning of year4'439'997597'35	RESULT BEFORE TAXES	_	(16'587'733)	3'845'047
Accumulated gain at beginning of year 4'439'997 597'35	Taxes		(2'405)	(2'406)
	NET (LOSS) PROFIT for the year	_	(16'590'138)	3'842'641
ACCUMULATED (LOSS) PROFIT AT END OF VEAR (12'150'140) 4'439'99	Accumulated gain at beginning of year		4'439'997	597'356
	ACCUMULATED (LOSS) PROFIT AT END OF YEAR		(12'150'140)	4'439'997

Lausanne, 13 April 2017

AIBA - INTERNATIONAL BOXING ASSOCIATION

AIBA - International Boxing Association, Lausanne

Notes to the financial statements from 01 July 2014 to 30 June 2015

A. General information (CO 959c (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.

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 2015, the period end exchange rate USD / CHF is 0.93667. At June 30 2015, the period end exchange rate EUR / CHF is 1.04841. At June 30 2015, the period end exchange rate GBP / CHF is 1.47369.

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 S.A. (WSB) and to World Series of Boxing America Operations S.A. (WSB AO) through the guarantee of the Ioan 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. Management prepared a balance sheet prepared at liquidation value as at 31/01/2017 which shows that AIBA is not over-indebted as a consequence of the cash received from the International Olympic Committee (IOC) in the second half of 2016. 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. Management is also aware the guarantee on the WSB AO loan from Benkons can be called upon immediately even if to date this is not the case. If such an event were to occur, management will be able to undertake additional financial measures to ensure there are sufficient funds to pay the guarantee and keep the association operating.

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 2014-2015 period, 50% for 2013-2014 period and 100% on older receivables.

3.4 Financial engagements / lease commitments

The office lease contract term for APB/BMA project is 31 March 2013, renewed each year at the same date. It was signed by AIBA as other entities were not registered at the time.

AIBA - International Boxing Association, Lausanne

Notes to the financial statements from 01 July 2014 to 30 June 2015

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, 2015 by AIBA

In order to support the development of the activities of WSB, AIBA granted WSB with a long term interest bearing loan of CHF 500,000, with the obligation only to repay it when WSB has capacity to make it. This loan is recorded in the Non-Current Assets as "Loan to related party - WSB". This loan was fully repaid in June 2016.

At 30 June 2015, AIBA has paid a contribution to WSB according to WSB tax status and relationship with AIBA. The net contribution paid for the financial period amounts to CHF 2,698,302 (2015: AIBA received from WSB CHF 427,229).

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 2015, at 80% by AIBA and at 20% by Skiff Productions who invested 10 Million USD in the APB-BMA.

At 30 June 2015, the total exposure of AIBA in BMA is:

Investment (share)	100'000
Provision on Investment	-100'000
Loan	3'317'706
Subordination of Loan	-3'317'706
Total	0

AIBA agreed to subordinate its receivable against BMA for an amount of CHF 3,317,706 as of 30 June 2015.

3.7 Liability in relation to guarantee on WSB AO loan from third party (CHF 9,765,781)

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 9,366,700) has been booked in the financial statements for the period under review to reflect such guarantee. The interest related represents USD 426,064 (CHF 399,081) which has also been booked

AIBA and Benkons are now discussing the terms and conditions of the loan settlement with a long term repayment plan.

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. Based on the IOC projections, AIBA will receive a total of USD 17,7 million (CHF 16.6 million) in 3 instalments for the 2016 Olympic Games. As per today two instalments have been cashed for a total of USD 15.4 million. The third and final instalment will be paid by June 2017. AIBA will recognize a revenue of CHF 3.8 million for the current period.

3.9 Unrestricted Funds

For the business year under review, the unrestricted funds are negative CHF 12,150,140. The over-indebtedness was however covered by the money received from the IOC related to Rio 2016 Olympic games. Indeed the balance sheet prepared at liquidation value as at 31 January 2017, shows AIBA is in a net assets position, see also note 2. This balance sheet includes the USD 15,400,000 already received from the IOC, however excluding the estimated USD 2,000,000 still to be received no later than June 2017.

AIBA - International Boxing Association, Lausanne

Notes to the financial statements from 01 July 2014 to 30 June 2015

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".

3.11 Abnormal items - Expense prior periods adjustments

Abnormal Expenses of CHF 13,265,407 are detailed as follows:

	CHF	
 Payable in relation to guarantee to third party 	9'366'700	see note 3.7
 Payable Interest in relation to guarantee to third party 	399'081	see note 3.7
- BMA Subordination Agreement	3'317'706	see note 3.6
- Impairment of WSB-AO Loan	181'920	
	13'265'407	-

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

- 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 30.

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 in WSB, i.e. 300 shares of a nominal value of CHF 1,000
- 80% of the shares in BMA, 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. Legal matters

There are a number of open legal cases in which is a party either as a clamant or a defendant. AIBA has considered its exposure with each case and recorded provisions accordingly if deemed necessary. As at 30.06.2015, there are no provision recorded in the balance sheet or contingent assets to be disclosed.

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

AIBA has received from the IOC two settlements as contribution for the Rio 2016 Olympic Games. USD 7,600,000 in September 2016 and USD 7,800,000 in December 2016. The third and final settlement estimated to USD 2,000,000 is schedule for June 2017.