



**Boxing Marketing Arm SA, Lausanne**

**Report of the Statutory Auditor  
on the Limited Statutory Examination  
to the General Meeting of Shareholders  
Financial Statements 31 December 2014**



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Report of the Statutory Auditor on the Limited Statutory Examination to the General Meeting of Shareholders of

## **Boxing Marketing Arm SA, Lausanne**

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As statutory auditors, we have examined the financial statements (balance sheet, income statement and notes) of Boxing Marketing Arm SA for the year ended 31 December 2014.

These financial statements are the responsibility of the board of directors. 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 company personnel and analytical procedures as well as detailed tests of company documents 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 the company's articles of incorporation.

We draw attention to the fact that Boxing Marketing Arm SA is over-indebted as per art. 725 para. 2 CO. Due to the fact that creditors of the company subordinated their claims amounting to CHF 25'797'311 as at 30 June 2016, the board of directors has refrained from notifying the court.

Finally, we draw attention to the fact that the annual General Meeting of shareholders did not take place within six months after the balance sheet date as required by article 699 para. 2 CO.

KPMG SA

Pierre-Henri Pingeon  
*Licensed Audit Expert*  
*Auditor in Charge*

Stéphane Nusbaumer

Geneva, 13 April 2017

### *Enclosures:*

Financial statements (balance sheet, income statement and notes)

**BMA BOXING MARKETING ARM S.A.**

**BALANCE SHEET AS OF DECEMBER 31, 2014**

		<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>
	NOTES	CHF	CHF
<b>A S S E T S</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		7'544'377	152'867
Trade account receivables:			
- Receivables from third parties		295'480	215'033
- Receivables Valuation Adjustment		(172'507)	0
Other short-term receivables		30'432	10'458
Prepaid expenses and accrued income		<u>33'968</u>	<u>9'930</u>
<b>TOTAL CURRENT ASSETS</b>		<b><u>7'731'749</u></b>	<b><u>388'288</u></b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment:			
- IS (computers, softwares)	3.1	37'460	2'135
Intangible assets:			
- UK Market	3.2	1	1'744'069
- German Market	3.2	0	1'214'033
- USA Market	3.2	0	802'851
- Mexico Market	3.2	<u>0</u>	<u>821'496</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>37'461</u></b>	<b><u>4'584'584</u></b>
<b>TOTAL ASSETS</b>		<b><u>7'769'210</u></b>	<b><u>4'972'872</u></b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Trade account payables:			
- Payables due to third parties		764'016	34'549
- Payables due to shareholder - AIBA		876'204	0
- Payables due to related parties - WSB		2'038'644	0
Other short-term liabilities		82'718	30'501
Accruals and deferred income		<u>744'164</u>	<u>168'012</u>
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>4'505'747</u></b>	<b><u>233'062</u></b>
<b>NON-CURRENT LIABILITIES</b>			
Loan from shareholder - AIBA		0	7'003'845
Loan from third party - FCIT (subordinated)	3.4, 6	<u>15'000'000</u>	<u>0</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b><u>15'000'000</u></b>	<b><u>7'003'845</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>19'505'747</u></b>	<b><u>7'236'908</u></b>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital		100'000	100'000
Reserves from capital contributions		9'373'201	0
Accumulated loss		(2'364'036)	0
Result for the year		<u>(18'845'702)</u>	<u>(2'364'036)</u>
<b>TOTAL SHAREHOLDER'S EQUITY</b>	3.5	<b><u>(11'736'537)</u></b>	<b><u>(2'264'036)</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>		<b><u>7'769'210</u></b>	<b><u>4'972'872</u></b>

Lausanne, 13 April 2017

BMA BOXING MARKETING ARM S.A.

**BMA BOXING MARKETING ARM S.A.**

**STATEMENT OF INCOME AND ACCUMULATED LOSS  
FOR THE PERIODS ENDED DECEMBER 31, 2014**

		<u>Jan. 01 - Dec 31</u>	<u>Jul. 01 - Dec. 31</u>
		2014	2012/2013
		12 months	12 months
	NOTES	CHF	CHF
<b>INCOME STATEMENT</b>			
Revenue from sale of goods and services:			
Media Rights		485'495	484'140
Miscellaneous income		0	5'696
Commissions on sales		(17'637)	(16'572)
		<hr/>	<hr/>
<b>TOTAL OPERATING INCOME</b>		<b>467'858</b>	<b>473'264</b>
<b>OPERATING EXPENSES</b>			
Personnel Expenses		(1'389'055)	(1'279'385)
HQ - Lausanne Office		(603'342)	(234'213)
Marketing expenses		0	(16'890)
License Fees AIBA		(1'515'000)	0
License Fees WSB		(766'800)	0
Communication expenses		(406'062)	(63'964)
TV Production expenses		(410'202)	(683'450)
Development expenses		(22'482)	(39'976)
Competition Expenses		(616'381)	0
Boxers expenses		(2'741'387)	(180'814)
Provision for doubtful receivables		(172'507)	0
Depreciation		(6'196'322)	(242'210)
		<hr/>	<hr/>
<b>TOTAL OPERATING EXPENSES</b>		<b>(14'839'541)</b>	<b>(2'740'902)</b>
<b>OTHER INCOME AND EXPENSES</b>			
Financial income		28'865	3'785
Financial expenses		(37'624)	(100'183)
Prior periods income		965	0
Prior periods Expenses		(25'879)	0
Expenses prior periods adjustments	3.7	(4'390'450)	0
		<hr/>	<hr/>
<b>TOTAL OTHER INCOME AND EXPENSES</b>		<b>(4'424'122)</b>	<b>(96'398)</b>
		<hr/>	<hr/>
<b>RESULT BEFORE TAXES</b>		<b>(18'795'804)</b>	<b>(2'364'036)</b>
Taxes		(49'898)	0
		<hr/>	<hr/>
<b>NET (LOSS) FOR THE YEAR</b>		<b>(18'845'702)</b>	<b>(2'364'036)</b>
Accumulated loss at beginning of year		(2'364'036)	0
		<hr/>	<hr/>
<b>ACCUMULATED LOSS AT END OF YEAR</b>		<b>(21'209'738)</b>	<b>(2'364'036)</b>

Lausanne, 13 April 2017

BMA BOXING MARKETING ARM S.A.

## **BMA - Boxing Marketing Arm S.A.**

Notes to the financial statements from 01 January 2014 to 31 December 2014

### **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))**

The annual accounts have been prepared based on the principles set out in the Swiss code of obligations (CO). The financial

The accounting records of the BMA 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 2014, the period end exchange rate USD / CHF is 0.99879.

At December 31 2014, the period end exchange rate EUR / CHF is 1.21463.

At December 31 2014, the period end exchange rate GBP / CHF is 1.55479.

#### **2. Going Concern**

The over-indebtedness position of the Company is mainly a result of the start-up nature of the business and has been addressed by the Board as at 30 June 2016 (see note 3.5). BMA is still in a development phase which means the company is currently investing more than the revenues it is generating.

As of today, BMA's activity is significantly reduced and this is expected to remain until the on-going discussion with potential investors are finalised (see note 6). BMA will not enter any new contracts and new commitments until the negotiation potential investors are finalised.

As a result of this and the subordination of debt (as described in note 3.5), the Board of Directors came to the conclusion that BMA

#### **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

Useful life: IS, computer, hardware and software 3 years

##### **3.2 Intangible Fixed assets**

The intangible assets represented mainly expenses incurred in connection with commercial rights relating to WSB franchises owned or controlled by BMA, in particular, the WSB franchises in the United States of America and in Mexico .

These have been fully written down in the current year as the company does not expect future benefits.

##### **3.3 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. It represents a total sum of CHF 81'172 until next term (31 March 2016).

##### **3.4 FCIT Loan**

This corresponds to an advance made by FCIT in prevision of an investment to be completed in BMA. FCIT and BMA entered into a restated and amended subordination agreement with effect of December 31, 2014 whereby FCIT agreed to subordinate payment of its entire claim.

##### **3.5 Shareholders equity**

For the business year under review, the shareholders equity is negative and amount to negative CHF 11,736,537. BMA is still in a development phase which means that the company was currently investing more that the revenues generated (see also note 2).

BMA is still in a development phase which means that the company was currently investing more that the revenues generated.

## **Profits and loss**

### **3.6 Revenue Recognition and related expenditure**

Revenues and expenses related to BMA 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".

### **3.7 Expenses prior periods adjustments**

Abnormal Expense item of CHF 4,390,450 are detailed as follow:

- Previous period expenses related to Skiff advance for the BMA project	<u>CHF</u> <u>4'390'450</u>
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This contributions was made by Skiff for the BMA project before the creation of BMA. The cash was tranfered to AIBA and expenses started to be incurred in AIBA on behalf of BMA.

Once BMA was created, the remaining cash was transferred to BMA as capital contribution. The expenses incurred in AIBA were than recharged to BMA.

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

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

Boxing Marketing Arm SA, a stock corporation (*société anonyme*) with 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 does not exceed 10.

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

In November 28, 2014 AIBA signed a Share Transfer Agreement whereby it shall sell to First Commitment International Trade Co. Limited (**FCIT**) 35% of the shares in BMA for a consideration of CHF 35 million to be contributed to BMA for its development. Simultaneously, BMA signed a BMA China Agency Agreement relating to a license granted for the Great China Area to BMA China Holding Limited, a subsidiary of FCIT.

The deal contemplated in those agreement were not finalized nor completed. In particular, the sale and purchase of the 35% of shares in BMA were not completed nor the CHF 35 million invested in BMA.

Notwithstanding the foregoing, FCIT made several payments in anticipation of the completion of the deal, amounting in total to CHF 15 million.

AIBA, FCIT and BMA discussed about how to finalize and complete the above-mentioned investment. In the meantime, they agreed to considered the CHF 15 million investment as a loan granted by FCIT to BMA and to subordinate such loan pursuant to a subordination agreements dated December 31, 2014 and restated and amended as of June 30, 2015 and June 30, 2016. Within the framework of these discussions.

The parties are now in 2017 discussing about a way to address the past issues with an appropriate financial restructuring and the terms and conditions of a new investment by FCIT into BMA in order to ensure the business continuity of BMA.