

Report of the statutory auditor

with financial statements as of 31 December 2017 of

INTERNATIONAL JUDO FEDERATION ASSOCIATION, Lausanne



To the General Meeting of
INTERNATIONAL JUDO FEDERATION ASSOCIATION, Lausanne

Lausanne, 27 August 2018

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of INTERNATIONAL JUDO FEDERATION ASSOCIATION, which comprise the balance sheet, income statement, cash-flow statement and notes, for the year ended 31 December 2017.



Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.



Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements for the year ended 31 December 2017 comply with Swiss law and the company's articles of incorporation.



Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

During our audit performed in accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we noted that an internal control system for the preparation of financial statements, designed in accordance with the instructions of the Board of Directors, has not been documented in all material respects.

In our opinion, the internal control system is not in accordance with Swiss law and accordingly we are unable to confirm the existence of the internal control system for the preparation of the financial statements.

We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Serge Clément
Licensed audit expert
(Auditor in charge)

Bojan Radovanovic
Licensed audit expert

Enclosures

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

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE

BALANCE SHEET AS OF 31 DECEMBER 2017

		31.12.2017	31.12.2016
	Note	<u>CHF</u>	<u>CHF</u>
ASSETS			
Current assets			
Cash and cash equivalents and current assets with a stock exchange price		31'942'981	34'063'345
Trade receivables	3	2'104'816	2'009'370
Accrued income and prepaid expenses	4	1'603'635	385'716
Total current assets		<u>35'651'432</u>	<u>36'458'431</u>
Non-current assets			
Tangible fixed assets			
Real estate	5	4'124'792	4'398'612
Total non-current assets		<u>4'124'792</u>	<u>4'398'612</u>
TOTAL ASSETS		<u>39'776'224</u>	<u>40'857'043</u>

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE

BALANCE SHEET AS OF 31 DECEMBER 2017

	31.12.2017	31.12.2016
	<u>CHF</u>	<u>CHF</u>
EQUITY AND LIABILITIES		
Current liabilities		
Trade payables		
to third parties	-853'988	-2'170'231
to participants & bodies	-980'926	-1'237'919
Deferred income and accrued expenses	6 -29'654'302	-28'284'911
Total current liabilities	<u>-31'489'216</u>	<u>-31'693'061</u>
Non-current liabilities		
Non-current interest-bearing liabilities		
Other non-current liabilities	7 -3'820'059	-5'641'828
Unrealised translation gain	-132'850	-289'320
Total non-current liabilities	<u>-3'952'909</u>	<u>-5'931'148</u>
Total liabilities	<u>-35'442'125</u>	<u>-37'624'210</u>
Equity		
Opening balance	-3'232'833	-2'444'141
Net income for the year	-1'101'265	-788'692
Retained earnings	8 <u>-4'334'099</u>	<u>-3'232'833</u>
Total equity	<u>-4'334'099</u>	<u>-3'232'833</u>
TOTAL EQUITY AND LIABILITIES	<u>-39'776'224</u>	<u>-40'857'043</u>

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE

INCOME STATEMENT AS OF 31 DECEMBER 2017

	31.12.2017	31.12.2016
	<u>CHF</u>	<u>CHF</u>
Income statement		
Contribution from Olympiad	2'060'098	13'189'488
Sponsorship income	3'464'037	2'813'653
Licensing fees	11'235'264	2'880'548
Suppliers fees	4'941'704	2'198'118
Broadcasting rights	8'716'211	2'600'903
Others	1'274'661	183'251
Total revenue	31'691'974	23'865'961
Travelling expenses	-9'585'419	-7'947'317
Office expenses	-2'811'591	-1'543'785
Donations	-4'157'982	-7'531'248
Professional fees	-1'548'655	-408'844
Competition expenses	-3'801'777	-1'466'603
Personnel expenses	-2'241'830	-1'671'752
Other operating expenses	-5'589'938	-2'292'410
Total operating expenses	-29'737'194	-22'861'960
<i>Earnings before interest, tax, depreciation and</i>	1'954'781	1'004'001
Depreciation and impairment of tangible fixed assets	-210'673	-69'711
<i>Earnings before interest and tax (EBIT)</i>	1'744'108	934'290
Financial cost	-642'844	-145'731
Financial income	1	133
Net income for the year	1'101'265	788'692

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE

CASH-FLOW STATEMENT AS OF 31 DECEMBER 2017

31.12.2017

CHF

Net Income	1'101'265
+ Depreciation on Property	93'539
+ Depreciation Tangible Assets	117'135
- Increase Receivables	-862'096
+ Increase Bad debt allowance	766'650
- Increase accrued Income	-605'078
- Increase deferred Expenses	-612'841
- Decrease Trade Payables	-1'573'236
+ Increase accrued Expenses	238'957
- Decrease deferred Income	-818'515
+ Increase prov. Major Events	1'948'950
- Decrease long term Liabilities	-1'800'809
Operating Cash Drain	-2'006'079
Investment	
- Tangible Assets	-115'929
Financing	
- Reduction Property Loan	-20'961
Unrealised translation gain	22'605
Cash Drain	-2'120'364
Cash 31.12.2016	34'063'345
Cash 31.12.2017	<u>31'942'981</u>
Cash Drain 2017	-2'120'364

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

1. Activities

International Judo Federation is a non for profit association under Swiss law with seat in Lausanne Switzerland. It started its operations in Switzerland as of 1 January 2010. The Federation is composed of National Judo Federations acting as members, officially affiliated through one of the five Continental Judo Unions of Africa, Europe, Oceania, Asia and Pan America. The Federation is engaged in the organization and development of the sport and practice of Judo.

2.1 Basis preparation

These financial statements have been prepared in accordance with the provisions on commercial accounting laid down in articles 957 – 963b Swiss Code of Obligations (CO) (effective 1 January 2013). Presentation adjustments were made to 2015 figures for comparison purpose.

2.2 Principles applied in these financial statements (where these are not specified by law):

Accounting records are maintained in US Dollars (USD), which is the functional currency of the Federation. Financial statements are translated from USD into Swiss Franc (CHF) for statutory purpose. Items of the balance sheet are translated at closing rate and income statements items are translated at average rate. Members' fund are recorded at historical rate. Net translation differences resulting in a loss are taken to income statement. Translation gains are deferred to balance sheet.

2.3 Significant accounting policies

Revenue recognition

Revenue from sponsorship income and membership is recognized when the outcome of the transaction can be estimated reliably.

Donation income is recognized on receipt.

Property

Property is stated at cost less accumulated depreciation and any impairment in value.

Account receivables

Account receivables are stated at amount agreed with sponsors less a provision for uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Account payables and accruals

Liabilities are recognised for amounts to be paid in the future for services received, whether billed by the supplier or not.

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2017

Provision

Provisions are recognised when the Federation has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statements of comprehensive income.

The financial statements are presented in CHF but the accounting is in USD because this is the main currency used by the organization.

The assets and liabilities are translated into CHF at the rate of exchange prevailing at the reporting date and their income statement is translated at the yearly average rate.

In 2017, at the end of the year, the exchange rate is 1 \$ = 0.97447 CHF and the average rate is 1 \$ = 0.9846 CHF.

In 2016, at the end of the year, the exchange rate is 1 \$ = 1.01887 CHF and the average rate is 1 \$ = 0.9849 CHF.

3. Account receivables

	December 31, 2017	December 31, 2016
Accounts receivable third parties	3'643'166	3'120'448
Accounts receivable participants and bodies	699 168	359 789
Accounts receivable	<u>4 342 334</u>	<u>3 480 237</u>
Bad debt allowance	<u>(2 237 518)</u>	<u>(1 470 868)</u>
Accounts receivable, net	<u><u>2 104 816</u></u>	<u><u>2 009 370</u></u>

4. Accrued income and prepaid expenses

	December 31, 2017	December 31, 2016
Accrued income	811 115	206 038
Prepaid expenses	792 520	179 679
	<u>1 603 635</u>	<u>385 716</u>

5. Real estate

	December 31, 2017	December 31, 2016
Ouchy residence	2'656'643	2'831'796
Budapest office	345'554	370'568
Budapest residence	1'122'595	1'196'249
Real estate, net	<u>4'124'792</u>	<u>4'398'612</u>

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2016

6. Accrued expenses and deferred income

	December 31, 2017	December 31, 2016
Accrued expenses	-289'419	-50'462
Deferred revenue	-29'364'883	-28'234'449
	<u>-29'654'302</u>	<u>-28'284'911</u>

7. Long term debt

	CHF
Balance as at 31.12.16	-5'641'828
Payments to continental federations	1'800'809
Repayments for bank loan	-40'650
Currency translation adjustment	61'610
Final balance as at 31.12.16	<u>-3'820'059</u>

The International Judo Federation contracted a loan in 2013 for a total amount of 1.6 MCHF, with interest rate of 1.65%. The amortisation is equal to 1% per year.

8. Other information required by law

In 2016 and 2017, the number of full time equivalent employees is less than 50.