

To the General Meeting of
INTERNATIONAL JUDO FEDERATION ASSOCIATION, Lausanne

Lausanne, 22 August 2019

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 2018.



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 2018 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

A handwritten signature in blue ink that reads "Clément".

Serge Clément
Licensed audit expert
(Auditor in charge)

A handwritten signature in blue ink that reads "Bojan Radovanovic".

Bojan Radovanovic
Licensed audit expert

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE

BALANCE SHEET AS OF 31 DECEMBER 2018

		12/31/2018	12/31/2017
	Note	<u>CHF</u>	<u>CHF</u>
ASSETS			
Current assets			
Cash and cash equivalents and current assets with a stock exchange price		2'999'229	31'942'981
Short-term deposit		15'279'652	-
Trade receivables	3	12'634'190	2'104'816
Other current receivables		62'393	-
Accrued income and prepaid expenses	4	832'091	1'603'635
Total current assets		<u>31'807'555</u>	<u>35'651'432</u>
Non-current assets			
Long term deposits		1'156	-
Tangible fixed assets			
Real estate	5	4'079'013	4'124'792
Total non-current assets		<u>4'080'169</u>	<u>4'124'792</u>
TOTAL ASSETS		<u>35'887'724</u>	<u>39'776'224</u>

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BALANCE SHEET AS OF 31 DECEMBER 2018

	12/31/2018	12/31/2017
	<u>CHF</u>	<u>CHF</u>
EQUITY AND LIABILITIES		
Current liabilities		
Trade payables		
to third parties	1'916'300	699'935
to participants & bodies	3'057'930	980'926
Other current liabilities		
to third parties	8'848	154'053
Deferred income and accrued expenses	6 26'089'785	29'654'302
Total current liabilities	<u>31'072'863</u>	<u>31'489'216</u>
Non-current liabilities		
Non-current interest-bearing liabilities		
Other non-current liabilities	7 -	3'820'059
Unrealised translation gain	187'015	132'850
Total non-current liabilities	<u>187'015</u>	<u>3'952'909</u>
Total liabilities	<u>31'259'878</u>	<u>35'442'125</u>
Equity		
Opening balance	4'334'100	3'232'833
Net income for the year	293'746	1'101'265
Retained earnings	8 <u>4'627'846</u>	<u>4'334'099</u>
Total equity	<u>4'627'846</u>	<u>4'334'099</u>
TOTAL EQUITY AND LIABILITIES	<u>35'887'724</u>	<u>39'776'224</u>

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE

INCOME STATEMENT AS OF 31 DECEMBER 2018

	12/31/2018	12/31/2017
	CHF	CHF
Income statement		
Contribution from Olympiad	1'642'920	2'060'098
Sponsorship income	4'382'818	3'464'037
Licensing fees	9'340'494	11'235'264
Donations	978	-
Suppliers fees	4'171'083	4'941'704
Broadcasting rights	8'520'414	8'716'211
Others	1'858'345	1'274'661
Total revenue	29'917'053	31'691'974
Travelling expenses	-9'868'983	-9'585'419
Office expenses	-2'792'950	-2'811'591
Donations	-5'211'167	-4'157'982
Professional fees	-761'535	-1'548'655
Competition expenses	-3'140'002	-3'801'777
Personnel expenses	-2'530'682	-2'241'830
Other operating expenses	-6'545'046	-3'620'713
Total operating expenses	-30'850'365	-27'767'968
<i>Earnings before interest, tax, depreciation and amortization (EBITDA)</i>	-933'312	3'924'006
Depreciation and impairment of tangible fixed assets	-92'914	-210'673
Provision for major events	1'956'088	-1'969'225
<i>Earnings before interest and tax (EBIT)</i>	929'861	1'744'108
Financial cost	-640'153	-642'844
Financial income	4'037	1
Net income for the year	293'746	1'101'265

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE

CASH-FLOW STATEMENT AS OF 31 DECEMBER 2018

12/31/2018

CHF

Net Income	293'746
+ Depreciation on Property	92'914
+ Depreciation Tangible Assets	-
- Increase Receivables	-10'529'375
<i>(Including and increase of bad debt allowance)</i>	<i>1'524'010</i>
+ Increase Other receivables	-62'393
+ Decrease accrued Income	279'442
+ Decrease deferred Expenses	492'102
- Increase long term Assets	-1'156
+ Increase Trade Payables	3'293'369
- Decrease Other Payables	-145'205
- Decrease accrued Expenses	-253'760
- Decrease deferred Income	-1'354'670
- Decrease prov. Major Events	-1'956'088
- Decrease long term Liabilities	-2'290'016
Operating Cash Drain	<u>-12'141'089</u>
Investment	
- Tangible Assets	-
Financing	
- Reduction Loans	-1'530'042
+ Currency revaluation Properties	53'328
+ Currency revaluation Provision	13'138
- Currency revaluation Other	-5'269
- Unrealised translation gain	-54'165
Cash Drain	-13'664'100
Cash 31.12.2017	31'942'981
Cash 31.12.2018	18'278'881
Cash Drain 2018	<u>-13'664'100</u>

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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).

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 purposes. 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. Conversion 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 and when the competition occurs. The difference between invoicing and the recognized income is deferred in the balance sheet.

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 or when the debt is overdue for more than 90 days as at closing date. 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.

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NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

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 income statement.

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 the income statement is translated at the yearly average rate.

In 2017, at the end of the year, the exchange rate is 1 \$ = 0.97448 CHF and the average rate is 1 \$ = 0.98461 CHF. In 2018, at the end of the year, the exchange rate is 1 \$ = 0.98578 CHF and the average rate is 1 \$ = 0.97803 CHF.

3. Account receivables

	December 31, 2018	December 31, 2017
Accounts receivable third parties	8'333'248	3'643'166
Accounts receivable participants and bodies	8 062 470	699 168
Accounts receivable	<u>16 395 719</u>	<u>4 342 334</u>
Bad debt allowance*	<u>(3 761 529)</u>	<u>(2 237 518)</u>
Accounts receivable, net	<u>12 634 190</u>	<u>2 104 816</u>

* Bad debt allowance has been adjusted accordingly to the account principle under 2.3

4. Accrued income and prepaid expenses

	December 31, 2018	December 31, 2017
Accrued income	531 673	811 115
Prepaid expenses	<u>300 418</u>	<u>792 520</u>
	<u>832 091</u>	<u>1 603 635</u>

5. Real estate

	December 31, 2018	December 31, 2017
Ouchy residence	2'628'327	2'656'643
Budapest office	339'706	345'554
Budapest residence	<u>1'110'979</u>	<u>1'122'595</u>
Real estate, net	<u>4'079'012</u>	<u>4'124'792</u>

INTERNATIONAL JUDO FEDERATION, ASSOCIATION, LAUSANNE
NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018

6. Accrued expenses and deferred income

	December 31, 2018	December 31, 2017
Accrued expenses	-35'659	-289'419
Deferred revenue	-26'054'125	-29'364'883
	<u>-26'089'785</u>	<u>-29'654'302</u>

7. Long term debt

	December 31, 2018	December 31, 2017
Federations	-	-2'290'017
Bank loan	-	-1'530'042
	<u>-</u>	<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. The loan had been entirely reimbursed in 2018.

8. Dissolution of excess reserve

In 2017, a provision for major events had been created and entirely released in 2018 for 1'956 kCHF, which represents a dissolution of excess reserve.

9. Other information required by law

In 2017 and 2018, the number of full time equivalent employees is less than 50.