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To the President and Members of the
Federation Internationale des Echecs, Lausanne

Lausanne, May 13, 2003
esd/3.4

Report of the auditors

As auditors, we have audited the accounting records and the financial statements (balance sheet, statement of income and notes) of Federation Internationale des Echecs for the year ended December 31, 2002.

These financial statements are the responsibility of the Treasurer. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements comply with Swiss law and the requirements of the Federation's statutes.

The budgeted figures presented are for information purposes only.

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

Ernst & Young Ltd



Serge Clement
Swiss Certified Accountant

Fabrice Bernhard
Swiss Certified Accountant

Enclosures:

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

FEDERATION INTERNATIONALE DES ECHECS, LAUSANNE
BALANCE SHEET AS AT 31st DECEMBER 2002

Expressed in Swiss Francs

CURRENT ASSETS	31st Dec 02	31st Dec 01
CASH	777	2'857
BANK ACCOUNTS		
- UBS CHF Accounts	71'885	30'669
- UBS US\$ Accounts	385'556	585'708
- Citibank – GRD Account	0	280
- Elista Account	12'835	0
SECURITIES HELD		
- UBS (Lux) Money Market Fund – USD	166'285	0
DEBTORS FEDERATIONS		
- net of provision for bad debts of CHF76708 (2001-120374)	872'444	1'163'157
WORLD CHESS FOUNDATION	46'266	16'782
FIDE COMMERCE INTERNATIONAL	0	1'117'010
OTHER DEBTORS / PREPAID EXPENSES	151'772	69'021
STOCKS (Medals)	1	1
	1'707'820	2'985'485
LESS CURRENT LIABILITIES		
CREDITORS	205'859	379'848
PREPAYMENTS BY FEDERATIONS	38'363	16'583
DEPOSIT FEES	130'000	55'000
GENERAL PROVISION 2002	35'000	0
PROVISION RE: WORLD CHAMPIONSHIP 2001	0	780'000
PROVISION FOR COMMITTEE EXPENDITURE	0	60'000
	409'222	1'291'431
LONG TERM LIABILITIES		
- EX GRATIA	71'618	45'650
	480'840	1'337'081
NET CURRENT ASSETS	1'226'981	1'648'404
FIXED ASSETS, at Cost		
- Office Furniture	46'895	46'895

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- Machines & Equipment	195'308	193'778
- Motor Vehicle	50'500	50'500
	<hr/>	<hr/>
	292'703	291'173
 LESS ACCUMULATED DEPRECIATION	 270'967	 261'652
	<hr/>	<hr/>
	21'736	29'521
 NET ASSETS	 1'248'717	 1'677'925
 NET ASSETS REPRESENTED BY:		
 FIDE / CACDEC RESERVE FUND	 1'248'717	 1'677'925

FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE
STATEMENT of INCOME & EXPENDITURE
PERIOD ENDED 31st DECEMBER 2002

INCOME	31 st Dec 03 Budget CHF	31 st Dec 02 Actual CHF	31 st Dec 02 Budget CHF	31 st Dec 01 Actual CHF	31 st Dec 01 Budget CHF
Membership Fees	160'000	162'030	160'000	161'630	160'000
Entry Fees	230'000	375'170	280'000	367'454	350'000
Rating Fees	50'000	51'318	50'000	52'423	60'000
Registered Tournaments	170'000	139'116	140'000	148'216	100'000
Late Tournament report changes	20'000	38'500	0	91'800	0
FIDE Title Application Fees	180'000	162'960	140'000	188'000	100'000
Interest on overdue accounts	5'000	0	5'000	2'769	7'000
World Cup India	0	158'574	0	0	0
FIDE share from WCC Prize Fund	1'000'000	0	1'155'000	1'149'506	1'137'000
FIDE Permanent Fund (interest)	2'000	1'933	2'000	2'203	2'000
Interest from Bank	0	43	0	48	0
Royalties	20'000		20'000		17'000
- DGT		43'230		40'591	
- Franklin Mint		2'346		7'048	
Miscellaneous Income					
- International Olympic Committee	15'000	16'782	15'000	16'677	10'000
- ARISF	5'000	4'950	5'000	5'775	0
- World Rapid Championships	15'000	0	0	0	0
Gain on Currency Conversion	0	0	0	68'730	0
VAT Reclaim	0	9'397	0	17'998	0
Re-Credit Provisions – Federation bad debts	0	43'666	0		0
Re-Credit Provisions – Committees	0	60'000	0	0	0
Extraordinary Item: WCC 2000	0	0	0	16'353	0
TOTAL INCOME:	1'872'000	1'270'015	1'972'000	2'337'221	1'943'000

**FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE
ANNUAL STATEMENT OF INCOME & EXPENSES
PERIOD ENDED 31st DECEMBER 2002**

EXPENSES	31 st Dec 03 Budget CHF	31 st Dec 02 Actual CHF	31 st Dec 02 Budget CHF	31 st Dec 01 Actual CHF	31 st Dec 01 Budget CHF
Staff Salaries	285'000	274'809	256'000	263'568	255'000
Staff Accommodation	43'500	43'500	43'500	43'500	49'000
Staff Travel	35'000	119'687	35'000	58'021	35'000
Staff Social costs	72'500	67'458	73'000	75'494	60'000
Other Taxes paid on behalf of staff	38'000	35'860	30'000	39'075	39'000
Staff Ex Gratia payments reserve for year	11'000	25'968	11'000	11'130	11'000
Recruitment Agency Fees	0	0	0	8'957	0
Car Expenses	10'000	4'653	6'000	15'941	6'000
Publications:					
- FIDE Forum	27'000	0	42'000	13'600	38'000
- FIDE Directory	5'000	4'500	5'000	0	5'000
- FIDE Handbook	20'000	1'050	20'000	1'531	20'000
Rating Office Costs	100'000	85'228	90'000	72'540	54'000
Postage & Carriage	7'000	9'663	5'000	9'760	12'000
Photocopying & Printing	20'000	18'657	20'000	21'064	10'000
Office Supplies / Stationery	8'000	5'523	8'000	5'039	5'000
Telecommunications	50'000	96'784	63'000	79'278	60'000
Secretarial Hospitality	20'000	21'415	20'000	18'177	20'000
Office Installations	5'000	0	10'000	0	10'000
Publicity & Promotions	5'000	4'142	10'000	21'451	10'000
Repairs, Maintenance & Renewals	4'000	6'052	4'000	4'811	4'000
Rent	29'000	28'875	28'000	28'740	28'000
Office Electricity	2'000	1'858	2'000	1'031	2'000
Office Cleaning	5'000	3'712	5'000	4'130	5'000
Bank Charges	4'000	6'271	6'000	8'184	6'000
Insurance	20'000	332	33'000	32'606	10'000
Subscriptions	3'000	2'475	3'000	2'824	2'000
Audit	14'000	11'029	14'000	11'707	14'000
Legal Costs	15'000	3'118	30'000	12'200	30'000
Treasurer Expenses	30'000	31'032	30'000	30'985	24'000
Travel & Meetings	150'000	139'255	190'000	412'837	90'000

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EXPENSES	31 st Dec 03 Budget CHF	31 st Dec 02 Actual CHF	31 st Dec 02 Budget CHF	31 st Dec 01 Actual CHF	31 st Dec 01 Budget CHF
Commissions & Committees:					
- CACDEC	240'000	64'661	125'000	118'233	128'000
- Chess in Schools Committee	25'000	9'470	25'000	24'446	25'000
- Chess & Art Committee	3'000	3'000	3'000	0	0
- Chess Composition Commission	3'000	3'000	3'000	3'000	3'000
- CHI PS Committee	5'000	5'000	5'000	0	0
- Computer Chess Committee	0	0	0	0	5'000
- Committee for Chess for the Disabled	22'000	3'837	17'000	12'972	16'000
- Committee for Women's Chess	17'000	0	17'000	0	17'000
- Development Commission Chairman	0	0	0	5'000	5'000
- Grandmasters Steering Committee	20'000	0	0	0	0
- Trainers Committee	40'000	0	40'000	5'000	5'000
- Medical Commission	50'000	5'142	130'000	91'577	300'000
- Organizers Committee	0	0	0	10'029	0
- World Championship Cycle Committee	14'000	2'622	14'000	9'351	14'000
- Verification Commission	10'000	7'854	0	6'307	0
CACDEC Activity Rebate	15'000	16'424	15'000	10'831	13'000
Entry Fees Refund to Continental Presidents	0	31'290	0	31'040	40'000
Entry Fees Refund to Organizing Federations	30'000	35'320	30'000	17'240	70'000
World Cup Expenses	0	142'665	0	0	0
Discounts Allowed for Early Payment	16'000	17'245	16'000	14'746	16'000
Depreciation	16'000	9'315	16'000	12'652	16'000
Loss on Currency conversion	0	114'793	0	0	0
Write Offs	5'000	88'388	5'000	25'373	5'000
Additional Provision for Federation Bad Debts	0	0	0	54'472	0
Miscellaneous					
- Lausanne Young Masters	0	0	0	50'000	0
- Chess Hall of Fame	8'000	7'500	0	49'059	0
Provisions re: World Championship 2001	0	0	0	780'000	0
General Provision for 2002	0	35'000	0	0	0
Contingencies	100'000	0	100'000	0	100'000
Extraordinary Items:					
- Chess Equipment	0	43'791	0	0	0
Medals	5'000	0	5'000	10'452	5'000
World Championship costs	50'000	0	0	53'262	0
Reserve for Working Capital	200'000	0	200'000	0	200'000
TOTAL EXPENSES:	1'932'000 0	1'699'224 0	1'858'500	1'703'223	1'897'000
TOTAL INCOME:	1'872'000	1'270'015	1'972'000	2'337'221	1'943'000
TOTAL EXPENSES	1'932'000	1'699'224	1'858'500	2'703'223	1'897'000
EXCESS of INCOME over EXPENSES	- 60'000	- 429'208	113'500	- 366'002	46'000
FIDE Reserve Fund at beginning of period		1'677'925		2'043'927	
FIDE Reserve Fund at end of period		1'248'717		1'677'925	

FEDERATION INTERNATIONALE DES ECHECS

NOTES TO THE FINANCIAL STATEMENTS

Period Ended 31st December 2002

Summary of Significant Accounting Policies

1 The accompanying financial statements have been prepared in accordance with the requirements of the Federation's statutes.

2 Translation of foreign currencies.

The Statements of accounts are in Swiss currency, foreign currencies are translated into Swiss francs as follows:

Current assets and current liabilities - rate prevailing at the end of the period under review.

		2002	2001	
1 US \$	=	1.37	1.6782	Swiss francs

Income and Expenses are calculated at current rate.

3 Debtors are stated at nominal value, net of provision for bad debts, which covers all members in arrears in fulfillment of their financial obligations to FIDE, temporarily excluded or to be excluded as per FIDE statutes (A.01, page 4, rule 2.5).

4 Stocks of medals have been written down to a nominal value of CHF1. They have no intrinsic value outside FIDE.

5 Depreciation rate of 30% per annum on outstanding balance.

6 Provision has been made for ex gratia payments due to staff under terms of their employment.

FEDERATION INTERNATIONALE DES ECHECS
NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 31st December 2002

FIXED ASSETS

<u>COST</u>	OFFICE FURNITURE	MACHINES & EQUIPMENT	MOTOR VEHICLE	TOTAL
	CHF	CHF	CHF	CHF
Balance b/f	46'895	193'778	50'500	291'173
Additions	0	1'530	0	1'530
	46'895	195'308	50'500	292'703
<u>DEPRECIATION</u>				
Balance b/f	42'485	168'667	50'500	261'652
Charge for the period	1'323	7'992	0	9'315
	43'808	176'659	50'500	270'967
NBV 31.12.02	3'087	18'649	0	21'736
NBV 31.12.01	4'410	25'111	0	29'521

The fire insurance of the foxed assets (motor vehicle excepted) amounts to CHF 143,500.