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To the President and Members of the  
**Fédération Internationale des Echecs, Lausanne**

Lausanne, June 4, 2004  
csd/4.4

### Report of the statutory auditors

As auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Fédération Internationale des Echecs for the year ended December 31, 2003.

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.

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

Ernst & Young Ltd



Serge Clément  
Swiss Certified Accountant



Fabrice Bernhard  
Swiss Certified Accountant  
(in charge of the audit)

#### Enclosures:

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

**FEDERATION INTERNATIONALE DES ECHECS  
LAUSANNE  
BALANCE SHEET AS AT 31st DECEMBER 2003**

Expressed in Swiss Francs

CURRENT ASSETS	31st Dec 03	31st Dec 02
CASH	1.495	777
BANK ACCOUNTS		
- UBS CHF Accounts	79.603	71.885
- UBS US \$ Account	104.361	385.556
- Elista account	9.033	12.835
- UBS US \$ Account (Americas)	13.064	0
SECURITIES HELD		
- UBS (Lux) Money Market Fund - USD (at cost)	149.292	166.285
DEBTORS FEDERATIONS		
- net of provision for bad debts of CHF43,369 (2001 - 76708)	831.223	872.444
WORLD CHESS FOUNDATION	0	46.266
OTHER DEBTORS / PREPAID EXPENSES	109.893	151.772
STOCKS ( Medals)	1	1
	<u>1.297.965</u>	<u>1.707.820</u>
LESS CURRENT LIABILITIES		
CREDITORS	265.346	205.859
PREPAYMENTS BY FEDERATIONS	64.713	38.363
DEPOSIT FEES	75.000	130.000
PROVISION FOR TAXES ON STAFF CONTRACTS	35.000	35.000
	<u>440.059</u>	<u>409.222</u>
LONG TERM LIABILITIES		
- EX GRATIA	55.000	71.618
	<u>495.059</u>	<u>480.840</u>
NET CURRENT ASSETS	<u>802.906</u>	<u>1.226.981</u>
FIXED ASSETS, at Cost		
- Office Furniture	46.895	46.895
- Machines & Equipment	195.308	195.308
- Motor Vehicle	50.500	50.500
	<u>292.703</u>	<u>292.703</u>
LESS ACCUMULATED DEPRECIATION	292.703	270.967
	<u>0</u>	<u>21.736</u>
NET ASSETS	802.906	1.248.717
NET ASSETS REPRESENTED BY:		
FIDE / CACDEC RESERVE FUND	802.906	1.248.717

**FEDERATION INTERNATIONALE DES ECHECS  
LAUSANNE  
STATEMENT of INCOME & EXPENDITURE**

**PERIOD ENDED 31st DECEMBER 2003**

<b>INCOME</b>	<b>31st Dec 04 Budget CHF</b>	<b>31st Dec 03 Actual CHF</b>	<b>31st Dec 03 Budget CHF</b>	<b>31st Dec 02 Actual CHF</b>	<b>31st Dec 02 Budget CHF</b>
Membership Fees	160.000	159.650	160.000	162.030	160.000
Entry Fees	280.000	253.070	230.000	375.170	280.000
Rating Fees	50.000	52.173	50.000	51.318	50.000
Registered Tournaments	210.000	213.756	170.000	139.116	140.000
Late Tournament report charges	20.000	22.900	20.000	38.500	0
FIDE Title Application Fees	160.000	152.950	180.000	162.960	140.000
Interest on overdue accounts	5.000	9.165	5.000	0	5.000
World Cup	0	0	0	158.574	0
FIDE share from WCC Prize Fund 2001	375.000	476.000	1.000.000	0	1.155.000
FIDE Permanent Fund (interest)	1.500	1.498	2.000	1.933	2.000
Interest from Bank	0	47	0	43	0
Royalties	20.000		20.000		20.000
- DGT		49.985		43.230	
- Franklin Mint		2.001		2.346	
Miscellaneous Income					
- International Olympic Committee	12.500	0	15.000	16.782	15.000
- ARISF	4.000	4.521	5.000	4.950	5.000
- World Rapid Championships	0	0	15.000	0	0
Gain on Currency Conversion	0	0	0	0	0
Disposal of Car	0	3.400	0	0	0
VAT Reclaim	0	5.454	0	9.397	0
Re-Credit Provisions - Federation bad debts	0	33.339	0	43.666	0
Re-Credit Provisions - General	0	3.711	0	60.000	0
<b>TOTAL INCOME:</b>	<b>1.298.000</b>	<b>1.443.620</b>	<b>1.872.000</b>	<b>1.270.015</b>	<b>1.972.000</b>

**FEDERATION INTERNATIONALE DES ECHECS  
LAUSANNE  
ANNUAL STATEMENT OF INCOME & EXPENSES  
PERIOD ENDED 31st DECEMBER 2003**

EXPENSES	31st Dec 04 Budget CHF	31st Dec 03 Actual CHF	31st Dec 03 Budget CHF	31st Dec 02 Actual CHF	31st Dec 02 Budget CHF
Staff Salaries	190.000	314.342	285.000	274.809	256.000
Staff Accommodation	0	43.500	43.500	43.500	43.500
Staff Travel	20.000	85.837	35.000	119.687	35.000
Staff Social costs	75.000	80.415	72.500	67.458	73.000
Other Taxes paid on behalf of staff	0	32.692	38.000	35.860	30.000
Staff Ex Gratia & contract costs	0	62.083	11.000	25.968	11.000
Stipends	150.000	0	0	0	0
Car Expenses	0	10.718	10.000	4.653	6.000
Publications:					
- FIDE Forum	0	0	27.000	0	42.000
- FIDE Directory	5.000	4.110	5.000	4.500	5.000
- FIDE Handbook	20.000	0	20.000	1.050	20.000
Rating Office Costs	130.000	85.307	100.000	85.228	90.000
Postage & Carriage	10.000	10.986	7.000	9.663	5.000
Photocopying & Printing	21.000	17.313	20.000	18.657	20.000
Office Supplies / Stationery	9.000	7.424	8.000	5.523	8.000
Telecommunications	54.000	59.178	50.000	96.784	63.000
Secretariat Hospitality	20.000	8.667	20.000	21.415	20.000
Office Installations	42.000	0	5.000	0	10.000
Publicity & Promotions	0	685	5.000	4.142	10.000
Repairs, Maintenance & Renewals	1.200	1.766	4.000	6.052	4.000
Rent	49.000	29.280	29.000	28.875	28.000
Utilities	7.200	776	2.000	1.858	2.000
Office Cleaning	6.200	4.305	5.000	3.712	5.000
Bank Charges	4.000	4.752	4.000	6.271	6.000
Insurance	22.000	28.367	20.000	332	33.000
Subscriptions	2.600	2.510	3.000	2.475	3.000
Audit	12.000	9.684	14.000	11.029	14.000
Legal Costs	5.000	4.143	15.000	3.118	30.000
Treasurer Expenses	35.000	27.568	30.000	31.032	30.000
Travel & Meetings	100.000	73.968	150.000	139.255	190.000
Commissions & Committees:					
- CACDEC	80.000	18.804	240.000	64.661	125.000
- Chess in Schools Committee	0	0	25.000	9.470	25.000
- Chess & Art Committee	0	0	3.000	3.000	3.000
- Chess Composition Commission	0	0	3.000	3.000	3.000
- CHIPS Committee	0	0	5.000	5.000	5.000
- Computer Chess Committee	0	0	0	0	0
- Committee for Chess for the Disabled	0	350	22.000	3.837	17.000
- Committee for Women's Chess	0	0	17.000	0	17.000
- Development Commission Chairman	0	0	0	0	0
- Grandmasters Steering Committee	0	0	20.000	0	0
- Trainers Committee	40.000	4.125	40.000	0	40.000
- Medical Commission	5.000	3.569	50.000	5.142	130.000
- Organisers Committee	0	0	0	0	0
- World Championship Cycle Committee	20.000	0	14.000	2.622	14.000
- Verification Commission	10.000	16.331	10.000	7.854	0

(Continued . . . . .)

EXPENSES	31st Dec 04 Budget CHF	31st Dec 03 Actual CHF	31st Dec 03 Budget CHF	31st Dec 02 Actual CHF	31st Dec 02 Budget CHF
CACDEC Activity Rebate	16.000	15.266	15.000	16.424	15.000
Entry Fees Refund to Continental Presidents	0	42.590	0	31.290	0
Entry Fees Refund to Organising Federations	30.000	35.630	30.000	35.320	30.000
World Cup Expenses	0	0	0	142.665	0
Discounts Allowed for Early Payment	15.000	11.272	16.000	17.245	16.000
Depreciation	0	21.736	16.000	9.315	16.000
Loss on Currency conversion	0	31.297	0	114.793	0
Write Offs	5.000	34.019	5.000	88.388	5.000
Additional Provision for Federation Bad Debts	0	0	0	0	0
Miscellaneous					
- Chess Hall of Fame	0	0	8.000	7.500	0
General Provision for 2003	0	604.045	0	35.000	0
Contingencies	25.000	0	100.000	0	100.000
Extraordinary Items:					
- Chess Equipment	0	0	0	43.791	0
- Lausanne Closure Costs	30.000	0	0	0	0
Provision for taxes on staff contracts	0	35.000	0	0	0
Medals	5.000	5.021	5.000	0	5.000
World Championship costs	0	0	50.000	0	0
Reserve for Working Capital	0	0	200.000	0	200.000
<b>TOTAL EXPENSES:</b>	<b>1.271.200</b>	<b>1.889.431</b>	<b>1.932.000</b>	<b>1.699.224 0</b>	<b>1.858.500</b>
<b>TOTAL INCOME:</b>	<b>1.298.000</b>	<b>1.443.620</b>	<b>1.872.000</b>	<b>1.270.015</b>	<b>1.972.000</b>
<b>TOTAL EXPENSES</b>	<b>1.271.200</b>	<b>1.889.431</b>	<b>1.932.000</b>	<b>1.699.224</b>	<b>1.858.500</b>
<b>EXCESS of INCOME over EXPENSES</b>	<b>26.800</b>	<b>-445.811</b>	<b>-60.000</b>	<b>-429.208</b>	<b>113.500</b>

FIDE Reserve Fund at beginning of period

1.248.717

1.677.925

FIDE Reserve Fund at end of period

802.906

1.248.717

# FEDERATION INTERNATIONALE DES ECHECS

## NOTES TO THE FINANCIAL STATEMENTS

Period Ended 31st December 2003

### 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	2003	
1 US \$	=	1.37	1.23	Swiss francs
1 EUR	=		1.56	Swiss francs
1 RUR	=		0.0423	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 fulfilment 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 is normally 30% per annum on outstanding balance. However, the assets in Lausanne have been written down to nil value as any disposal value is considered negligible.

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

7 A USB US dollar account is held on behalf of the Americas. The sum included in bank assets is compensated by a corresponding entry in creditors.

8 The lease on the office in Lausanne can be terminated in November 2005. No provision is included in the 2003 accounts for the rent payments due in 2004 & 2005.



FEDERATION INTERNATIONALE DES ECHECS

NOTES TO THE FINANCIAL STATEMENTS (continued)

Period ended 31st December 2003

**FIXED ASSETS**

<u>COST</u>	OFFICE FURNITURE	MACHINES & EQUIPMENT	MOTOR VEHICLE	TOTAL
	CHF	CHF	CHF	CHF
Balance b/f	46.895	195.308	50.500	292.703
Additions	0	0	0	0
	46.895	195.308	50.500	292.703
<b><u>DEPRECIATION</u></b>				
Balance b/f	43.808	176.659	50.500	270.967
Charge for the period	3.087	18.649	0	21.736
	46.895	195.308	50.500	292.703
NAV 31.12.03	0	0	0	0
NAV 31.12.02	3.087	18.649	0	21.736

The fire insurance of the fixed assets (motor vehicle excepted) amounts to CHF143,500