

**ANNEX 1
(7 PAGES)**

FEDERATION INTERNATIONALE DES ECHECS

**FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2004**

TOGETHER WITH AUDITORS' REPORT

Report of Independent Public Accountants

To the President and Members of the
Fédération Internationale des Echechs

We have audited the accompanying financial statements of Fédération Internationale des Echechs (The 'Federation') – a non profit federation, consisting of a balance sheet, statement of activities and Notes, for the year ended December 31, 2004. We did not audit the financial statements of the Federation as of December 31, 2003. Those financial statements were audited by other auditors who expressed an unqualified opinion.

These financial statements are the responsibility of the Federation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

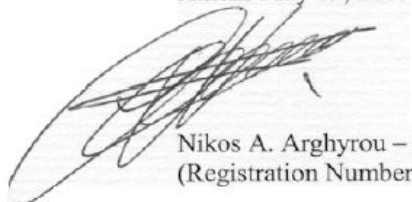
Except as discussed in the following paragraph, our audit was conducted in accordance with International Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As mentioned in Note 4 amounts expensed in previous years of CHF 604,045 were collected during the year and recorded as income of 2004.

In our opinion except for the matter mentioned in the preceding paragraph the financial statements referred to above present fairly in all material respects, the financial position of the Federation as at December 31, 2004 and its activities for the year then ended, in conformity with accounting principles generally accepted in Switzerland.

As with other entities of similar size and structure with the Federation, the Treasurer is actively involved in measuring, executing and recording transactions in the accounting records. For these reasons we have relied on Treasurer's representations as to the completeness of the financial information included in these financial statements.

Athens May 19, 2005



Nikos A. Arghyrou – *Partner*
(Registration Number 15511)

FEDERATION INTERNATIONALE DES ECHECS
ANNUAL INCOME AND EXPENSES FOR THE YEAR ENDED DECEMBER 31

INCOME	Note	2004	2003
Membership Fees	3	160.850	159.650
Entry Fees	3	294.070	253.070
Rating Fees	3	56.890	52.173
Registered Tournaments	3	221.688	213.756
Late Tournament report charges		22.300	22.900
Change of Federation		23.800	0
FIDE Title Application Fees		180.095	152.950
Interest on overdue accounts		2.540	9.165
FIDE share from WCC Prize Fund		460.568	476.000
Bid Fee WCC		1.146	0
World Championship Committee		85.674	0
FIDE Permanent Fund (interest)		0	1.498
Interest from Bank		148	47
Royalties			
- DGT		33.310	49.985
- Franklin Mint		458	2.001
Miscellaneous Income			
- International Olympic Committee		12.800	0
- ARISF		4.059	4.521
- World Rapid Championships		16.474	0
- Extraordinary Items		0	3.400
VAT Reclaim		3.841	5.454
Re-Credit Provisions - Federation bad debts		0	33.339
Re-Credit Provisions - General	4	604.045	3.711
TOTAL INCOME:		2.184.756	1.443.620

FEDERATION INTERNATIONALE DES ECHECS
ANNUAL INCOME AND EXPENSES FOR THE YEAR ENDED DECEMBER 31

EXPENSES	Note	2004	2003
Staff Salaries		157.557	314.342
Staff Accommodation		0	43.500
Staff Travel		5.661	85.837
Staff Social costs		58.592	80.415
Other Taxes paid on behalf of staff		1.365	67.692
Staff Ex Gratia payments reserve for year		1.688	62.083
Triumvirate Stipends		125.000	0
Triumvirate Travel		34.672	0
Car Expenses		0	10.718
- FIDE Directory Publications		4.953	4.110
- FIDE Handbook Publications		20.000	0
Rating Office Costs		132.725	85.307
Postage & Carriage		17.232	10.986
Photocopying & Printing		21.097	17.313
Office Supplies / Stationery		8.576	7.424
Telecommunications		12.198	59.178
Secretariat Hospitality		2.536	8.667
Office Installations		1.245	0
Publicity & Promotions		0	685
Repairs, Maintenance & Renewals		21.401	1.766
Rent		31.167	29.280
Utilities		4.649	776
Office Cleaning		5.239	4.305
Bank Charges		8.813	4.752
Insurance		21.853	28.367
Subscriptions		2.825	2.510
Audit		14.930	9.684
Legal Costs		111.383	4.143
Treasurer Expenses		22.093	27.568
Travel & Meetings		56.763	73.968
Commissions & Committees:			
- CACDEC		108.503	18.804
- Chess in Schools Committee		790	0
- Committee for Chess for the Disabled		1.655	350
- Trainers Committee		40.000	4.125
- Medical Commission		2.876	3.569
- World Championship Cycle Committee		51.826	0
- Verification Commission		6.080	16.331
CACDEC Activity Rebate		18.772	15.266
Entry Fees Refund to Continental Presidents		1.260	42.590
Entry Fees Refund to Organising Federations		34.260	35.630
Discounts Allowed for Early Payment		13.057	11.272
Depreciation		8.351	21.736
Loss on Currency conversion		83.821	31.297
Write Offs		3.373	34.019
Additional Provision for Federation Bad Debts		16.341	0
Miscellaneous			
- Chess Hall of Fame		5.700	0
General Provision	4	0	604.045
- Lausanne Closure costs		33.723	0
Medals		5.522	5.021
TOTAL EXPENSES:		1.342.123	1.889.431

**FEDERATION INTERNATIONALE DES ECHECS
BALANCE SHEET AS AT DECEMBER 31**

		2004	2003
CURRENT ASSETS			
CASH		9.629	1.495
BANK ACCOUNTS			
- UBS CHF Accounts		143.561	79.603
- UBS US \$ Account		640.343	104.361
- UBS EUR € Account		174.730	0
- NBG EUR € Account		16.827	0
- Elista account		4.128	9.033
- UBS US \$ Account (Americas)		2.157	13.064
SECURITIES HELD			
- UBS (Lux) Money Market Fund - USD (at cost)		138.368	149.292
DEBTORS FEDERATIONS			
- net of provision for bad debts of CHF 59.710 (2003: 43.369)	3	870.629	831.223
OTHER DEBTORS / PREPAID EXPENSES		75.919	109.893
STOCKS (Medals)	3	1	1
Total Current Assets		2.076.292	1.297.965
 LESS: CURRENT LIABILITIES			
CREDITORS		196.809	265.346
PREPAYMENTS BY FEDERATIONS		123.430	64.713
DEPOSIT FEES		130.000	75.000
PROVISION FOR TAXES ON STAFF CONTRACTS		0	35.000
		450.239	440.059
LONG TERM LIABILITIES			
- EX GRATIA		0	55.000
		450.239	495.059
NET CURRENT ASSETS		1.626.053	802.906
 FIXED ASSETS, at Cost	5		
- Office Furniture		14.893	46.895
- Machines & Equipment		12.944	195.308
- Motor Vehicle		0	50.500
		27.837	292.703
 LESS ACCUMULATED DEPRECIATION	5		
		8.351	292.703
		19.486	0
 NET ASSETS		1.645.539	802.906
 Represented by:			
FIDE RESERVE FUND at January 1,		802.906	1.248.717
Surplus (Deficit) for the year		842.633	(445.811)
FIDE RESERVE FUND at December 31		1.645.539	802.906

The Notes on pages 5 to 6 form part of these financial statements

FEDERATION INTERNATIONALE DES ECHECS
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2004
(All amounts in CHF)

1. FEDERATION'S FORMATION AND OPERATIONS

The International Chess Federation or Federation Internationale des Echecs, (the 'Federation'), is the recognized international federation in the domain of chess, which was founded on July 20, 1924 in Paris. The Federation is recognized by the International Olympic Committee as the supreme body responsible for the game of chess and its Championships. The Federation unites national chess federations throughout the world and oversees all International competitions. The Federation is concerned exclusively with chess activities.

In 2004, the Federation's secretariat in Lausanne was closed and transferred to Athens, 9 Syngrou Avenue - Greece.

2. BASIS OF FINANCIAL STATEMENTS

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

The financial statements have been prepared on the historical cost basis.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) **Foreign currency translation:** The Federation's functional currency is the Swiss Franc (CHF). Transactions denominated in other currencies are recorded in CHF at the actual exchange rate as of the date of the transaction. At the end of financial year monetary assets and liabilities denominated in foreign currencies are translated and reported at the rates of exchange prevailing at the year end. Gains or losses resulting from foreign currency conversions are reflected in the statement of income. All foreign currencies are converted into CHF as follows:

		<u>2004</u>	<u>2003</u>
1 USD (\$)	=	1.14 CHF	1.23 CHF
1 EURO (€)	=	1.54 CHF	1.56 CHF

(b) **Provisions:** Debtors are stated at nominal value, net of provision for doubtful 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).

(c) **Inventories:** Stocks of medals have been written down to a nominal value of CHF 1. They have no intrinsic value outside FIDE.

(d) **Fixed assets depreciation:** Depreciation rate used is 30% per annum on acquisition cost.

(e) **Revenue recognition:** Membership, entry and other fees are recorded as income in the year they are earned.

FEDERATION INTERNATIONALE DES ECHECS
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2004
 (All amounts in CHF)

4. Prior years' income

During 2004 amounts aggregating CHF 604,045 were collected and recorded as income as they were expensed in previous years as described in the Treasurer's report to the General Assembly that approved the 2003 financial statements.

5. Fixed assets

<u>COST</u>	OFFICE FURNITURE	MACHINES & EQUIPMENT	TOTAL
	CHF	CHF	CHF
Balance b/f	0	0	0
Additions	14,893	12,944	27,837
	14,893	12,944	27,837
 <u>DEPRECIATION</u>			
Balance b/f	0	0	0
Charge for the period	4,468	3,883	8,351
	4,468	3,883	8,351
NAV 31.12.04	10,425	9,061	19,486
NAV 31.12.03	0	0	0