

FEDERATION INTERNATIONALE DES ECHECS

**FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2005**

TOGETHER WITH AUDITOR'S REPORT

Report of Independent Public Accountants

To the President and Members of the
Fédération Internationale des Echecs

We have audited the accompanying financial statements of Fédération Internationale des Echecs (The 'Federation') – a non profit federation, consisting of a balance sheet, statement of activities and Notes, for the year ended December 31, 2005.

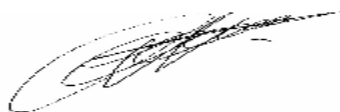
These financial statements are the responsibility of the Federation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Federation as at December 31, 2005 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 3, 2006



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

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

INCOME	Note	2005	2004
Membership Fees	3	167.695	160.850
Entry Fees	3	170.038	294.070
Rating Fees	3	59.521	56.890
Registered Tournaments	3	230.706	221.688
Late Tournament report charges		25.000	22.300
Change of Federation		18.600	23.800
FIDE Title Application Fees		219.980	180.095
Interest on overdue accounts		0	2.540
FIDE share from WCC Prize Fund		651.288	460.568
Bid Fee WCC		1.180	1.146
World Championship Committee		18.900	85.674
Interest from Bank		8.947	148
Royalties from:			
- DGT		72.853	33.310
- Franklin Mint		266	458
Miscellaneous Income from:			
- International Olympic Committee		12.000	12.800
- ARISF		6.105	4.059
- World Rapid Championships		0	16.474
- World Chess Championship Tournament		24.003	0
VAT Reclaim		0	3.841
Re-Credit Provisions - General	4	2.830	604.045
Gain on currency conversion		127.216	0
TOTAL INCOME:		1.817.128	2.184.756

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

EXPENSES	Note	2005	2004
Staff Salaries		158.442	157.557
Staff Travel		2.180	5.661
Staff Social costs		33.681	58.592
Other Taxes paid on behalf of staff		0	1.365
Staff Ex Gratia payments reserve for year		0	1.688
Triumvirate Stipends		150.000	125.000
Triumvirate Travel		42.667	34.672
Publications of FIDE Handbook Directory Publications		0	24.953
Rating Office Costs		107.927	132.725
Postage & Carriage		7.599	17.232
Photocopying & Printing		3.195	21.097
Office Supplies / Stationery		3.244	8.576
Telecommunications		18.159	12.198
Secretariat Hospitality		4.929	2.536
Office Installations		0	1.245
Publicity & Promotions		948	0
Repairs, Maintenance & Renewals		5.173	21.401
Rent		23.227	31.167
Utilities		3.245	4.649
Office Cleaning		5.272	5.239
Bank Charges		5.926	8.813
Insurance		26.805	21.853
Subscriptions		7.475	2.825
Audit		12.169	14.930
Legal Costs		16.764	111.383
Treasurer Expenses		22.847	22.093
Travel & Meetings		53.534	56.763
Commissions & Committees:			
- CACDEC		118.561	108.503
- Committee for Women's Chess		2.400	0
- Trainers Committee		20.760	40.000
- Medical Commission		186	2.876
- World Championship Cycle Committee		17.679	51.826
- Verification Commission		12.742	6.080
- Other		154	2.445
CACDEC Activity Rebate		9.435	18.772
Entry Fees Refund to Continental Presidents		500	1.260
Entry Fees Refund to Organizing Federations		32.486	34.260
Discounts Allowed for Early Payment		19.683	13.057
Depreciation		6.021	8.351
Loss on Currency conversion		0	83.821
World Cup costs		75.340	0
World Team costs		7.726	0
Write Offs		2.453	3.373
Continental Championships		218.718	0
Additional Provision for Federation Bad Debts		12.921	16.341
Provision in respect of unpaid Royalties - DGT		41.014	0
Lausanne Closure costs		32.065	33.723
Medals		2.310	5.522
Miscellaneous			
- Chess Hall of Fame		6.500	5.700
TOTAL EXPENSES:		1.355.064	1.342.123

FEDERATION INTERNATIONALE DES ECHES
BALANCE SHEET AS AT DECEMBER 31

		2005	2004
CURRENT ASSETS			
CASH		3.947	9.629
BANK ACCOUNTS	5		
- UBS CHF Accounts		242.860	143.561
- UBS US \$ Account		863.483	640.343
- UBS EUR € Account		392.006	174.730
- NBG EUR € Account		887	16.827
- Elista account		0	4.128
SECURITIES HELD			
- UBS (Lux) Money Market Fund - USD (at cost)		159.852	138.368
DEBTORS FEDERATIONS			
- net of provision for bad debts of CHF 72.631 (2004: 59.710)	3	777.917	870.629
OTHER DEBTORS / PREPAID EXPENSES – net of provision for Royalties DGT CHF 41.014 (2004 – zero)		63.808	75.919
STOCKS (Medals)	3	0	1
Total Current Assets		2.504.760	2.076.292
 LESS: CURRENT LIABILITIES			
CREDITORS		170.430	196.809
PREPAYMENTS BY FEDERATIONS		145.777	123.430
DEPOSIT FEES		95.000	130.000
		411.207	450.239
NET CURRENT ASSETS		2.093.553	1.626.053
 FIXED ASSETS, at Cost	6		
- Office Furniture		14.893	14.893
- Machines & Equipment		13.529	12.944
		28.422	27.837
LESS ACCUMULATED DEPRECIATION	6	14.372	8.351
		14.050	19.486
 NET ASSETS		2.107.603	1.645.539
 Represented by:			
FIDE RESERVE FUND at January 1,		1.645.539	802.906
Surplus (Deficit) for the year		462.064	842.633
FIDE RESERVE FUND at December 31		2.107.603	1.645.539

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, 2005

(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>2005</u>	<u>2004</u>
1 USD (\$)	=	1.317 CHF	1.14 CHF
1 EURO (€)	=	1.558 CHF	1.54 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). In 2005 in particular provision against Royalties receivable from DGT, the company producing electronic clocks, was set up for the first time covering the unpaid balance at year end.

(c) **Inventories:** Stocks of medals have been written down to zero from a nominal value of CHF 1 last year as they have no intrinsic value outside FIDE.

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

FEDERATION INTERNATIONALE DES ECHECS
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2005
 (All amounts in CHF)

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

4. Prior years' income

During 2004 amounts aggregating CHF 604,045 were collected and recorded as income of 2004, 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. Bank accounts

Until last year a USB US dollar account that is held on behalf of the Americas was included in both Bank accounts and Creditors. This year the balance of this account of CHF 22.449 (2004 – CHF 2.157) has been eliminated from Bank accounts and Creditors.

6. Fixed assets (amounts in CHF)

	Office furniture	Machines & Equipment	Total
COST			
Cost at January 1, 2005	14.893	12.944	27.837
Additions	0	585	585
Cost at December 31, 2005	14.893	13.529	28.422
DEPRECIATION			
Balance at January 1, 2005	4.468	3.883	8.351
Charge for the year	3.127	2.894	6.021
	7.595	6.777	14.372
Net Book Value at December 31, 2005	7.298	6.752	14.050