

Report of the statutory auditor

with financial statements as of 31 December 2011 of

Fédération Internationale des Echecs (FIDE), Lausanne

To the General Assembly of
Fédération Internationale des Echecs (FIDE), Lausanne

Lausanne, 7 June 2012
clh/4.3

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Fédération Internationale des Echecs (FIDE), which comprise the balance sheet, income statement and notes for the year ended 31 December 2011.

Committee's responsibility

The Presidential Board and Treasurer are responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and FIDE Handbook. 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 Committee 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 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 2011 comply with Swiss law (article 957 et seqq. Code of Obligations) and FIDE Handbook Financial regulations.

Ernst & Young Ltd



Fabrice Bernhard
Licensed audit expert
(Auditor in charge)



Serge Clément
Licensed audit expert

Enclosure

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

**FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE
BALANCE SHEET AS AT 31st DECEMBER 2011**

	31st Dec 11 Actual EUR	31st Dec 10 Actual EUR	31st Dec 11 Actual CHF	31st Dec 10 Actual CHF
CURRENT ASSETS				
CASH	31	197	38	246
BANK ACCOUNTS				
- UBS CHF Account	34'486	55'061	41'863	68'851
- UBS US \$ Account	1'120'069	260'058	1'359'652	325'190
- UBS EUR Account	215'764	1'173'987	261'916	1'468'012
- NBG EUR Account	1'956	383	2'374	479
- UBS EUR Time Deposit Account	0	0	0	0
SECURITIES HELD				
- UBS Investments	353'692	359'771	429'347	449'876
DEBTORS FEDERATIONS	202'418	182'975	245'716	228'801
- net of provision for bad debts (6872€), provisions (1292,44€)				
- net of deposit fees (540'000€)				
OTHER DEBTORS / PREPAID EXPENSES	406'642	88'108	493'623	110'175
TOTAL CURRENT ASSETS	<u>2'335'059</u>	<u>2'120'541</u>	<u>2'834'528</u>	<u>2'651'631</u>
LESS CURRENT LIABILITIES			0	
CREDITORS	1'107'230	376'516	1'344'067	470'815
PREPAYMENTS BY FEDERATIONS	16'350	37'400	19'847	46'767
TOTAL CURRENT LIABILITIES	<u>1'123'580</u>	<u>413'917</u>	<u>1'363'914</u>	<u>517'582</u>
NET CURRENT ASSETS	<u>1'211'479</u>	<u>1'706'624</u>	<u>1'470'614</u>	<u>2'134'049</u>
FIXED ASSETS, at Cost				
- Office Furniture	14'716	14'716	17'864	18'402
- Machines & Equipment	190'556	190'556	231'316	238'281
	205'272	205'272	249'180	256'682
LESS ACCUMULATED DEPRECIATION	<u>170'940</u>	<u>156'226</u>	<u>207'504</u>	<u>195'353</u>
	34'332	49'046	41'676	61'330
LESS NON CURRENT LIABILITIES				
Staff retirement indemnities	<u>21'433</u>	<u>18'713</u>	<u>26'018</u>	<u>23'400</u>
NET ASSETS	<u>1'224'378</u>	<u>1'736'957</u>	<u>1'486'272</u>	<u>2'171'978</u>
NET ASSETS REPRESENTED BY:				
FIDE RESERVE FUND	<u>1'224'378</u>	<u>1'736'957</u>	<u>1'486'272</u>	<u>2'171'978</u>

**FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE
STATEMENT of INCOME & EXPENDITURE
PERIOD ENDED 31st DECEMBER 2011**

INCOME	31st Dec 11 Actual EUR	31st Dec 11 Budget EUR	31st Dec 10 Actual EUR	31st Dec 11 Actual CHF	31st Dec 10 Actual CHF
Fees from Federations					
Membership Fees	127'780	130'000	128'160	157'624	176'929
Entry Fees	184'200	250'000	266'890	227'221	368'450
Rating Fees	50'075	45'000	46'737	61'770	64'522
Registered Tournaments	294'064	275'000	278'918	362'744	385'055
Late Tournament report charges	4'620	5'000	4'480	5'699	6'185
Change of Federation	9'500	10'000	17'205	11'719	23'752
FIDE Title Application Fees	144'478	150'000	144'425	178'221	199'383
FIDE share from prize funds					
- Candidates Matches	100'000	100'000	0	123'355	0
- World Cup	288'174	280'000	0	355'479	0
- World Blitz 2010 -2011	0	0	16'000	0	22'088
- Olympiad	0	0	600'000	0	828'319
- Women's World Championship	50'000	60'000	68'040	61'678	93'931
- World Champ Match	0	0	400'000	0	552'212
- Grand Prix series	0	0	42'400	0	58'535
- Womens' Grand Prix	30'000	40'000	30'000	37'007	41'416
- World Mind Games	115'995	0	0	143'086	0
Other Income					
- ARISF	4'070	5'000	4'571	5'021	6'311
- Affiliation fees	670	0	670	826	925
- Clock testing fees	2'500	0	0	3'084	0
- Interest from bank	15'974	0	18'410	19'705	25'416
- International Olympic Committee	13'880	15'000	14'580	17'122	20'128
- Royalties - DGT	43'070	45'000	45'873	53'129	63'329
- Arbiters' Seminars	17'180	0	4'760	21'192	6'571
- Trainers licence fees	25'965	0	60	32'029	83
- Trainers' Seminars	7'600	0	15'400	9'375	21'260
- World Championship Olympiad Commission	43'480	0	0	53'635	0
Lausanne office: social costs	15	0	22	19	31
Re-Credit Provisions not required: Saggiante refund of loan	0	0	61'297	0	84'622
Re-Credit Provisions - 2 year arrears	0	0	7'812	0	10'785
Unallocated/unauthorised	290	0	517	357	714
Zaragoza	160'247	60'000	0	197'673	0
Gain on Currency conversion	16'312	0	26'276	20'121	36'275
TOTAL INCOME:	1'750'139	1'470'000	2'243'504	2'158'891	3'097'226

**FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE
ANNUAL STATEMENT OF INCOME & EXPENSES
PERIOD ENDED 31st DECEMBER 2011**

EXPENSES	31st Dec 11 Actual EUR	31st Dec 11 Budget EUR	31st Dec 10 Actual EUR	31st Dec 11 Actual CHF	31st Dec 10 Actual CHF
Athens					
Staff Costs	325'363	290'000	261'315	401'353	360'753
Staff Travel	18'279	20'000	29'449	22'549	40'655
Provision for staff indemnities	2'730	0	2'146	3'368	2'963
Postage & Carriage	6'037	10'000	9'779	7'447	13'501
Photocopying & Printing	6'938	6'000	6'707	8'559	9'259
Office Supplies / Stationery	3'492	3'000	4'964	4'307	6'853
Telecommunications	5'570	10'000	9'310	6'870	12'853
Secretariat Hospitality	6'064	5'000	3'135	7'480	4'328
Repairs, Maintenance & Renewals	1'667	2'000	614	2'056	847
Rent	16'595	16'000	16'544	20'471	22'839
Utilities	3'001	3'000	3'036	3'702	4'191
Office Cleaning	3'383	4'000	3'650	4'172	5'039
Elista					
Staff and Other Costs	113'502	135'000	88'218	140'011	121'788
Moscow					
Staff Costs	66'000	66'000	51'784	81'415	71'490
Staff travel	98'557	75'000	23'269	121'575	32'124
General					
Bank Charges	14'342	5'000	16'302	17'692	22'505
Electronic Boards	51'872	23'000	16'059	63'986	22'169
Insurance	43'416	45'000	44'036	53'556	60'793
Subscriptions	5'116	9'000	12'720	6'311	17'560
Audit & Tax Accountant	45'545	25'000	24'205	56'182	33'416
Legal Costs	467'032	120'000	900'321	576'110	1'242'921
Treasurer's Expenses	15'590	15'000	17'970	19'231	24'808
Travel & Meetings	247'394	235'000	96'384	305'174	133'061
Entry Fees Refund to Organising Federations	36'840	40'000	39'014	45'444	53'860
Discounts Allowed for Early Payment	22'549	15'000	16'340	27'815	22'558
Depreciation	14'714	25'000	21'020	18'151	29'019
Medals & Badges	6'508	5'000	4'951	8'027	6'835

Commissions:

- Arbiters	9'831	20'000	13'607	12'127	18'785
- CACDEC & CACDEC Activity Rebate	104'122	100'000	132'114	128'440	182'387
- Chess Composition / WFCC	3'455	5'000	7'000	4'262	9'664
- Chess for the Disabled	7'609	5'000	1'620	9'387	2'236
- Chess in Schools	50'498	50'000	38'410	62'292	53'026
- Constitutional Commission	7'560	15'000	0	9'326	-
- Ethics	5'105	12'000	5'297	6'298	7'312
- Events	9'323	10'000	2'050	11'501	2'830
- Medical	7'489	16'000	9'287	9'238	12'821
-Modernisation	4'353	0	0	5'369	-
- PR & Marketing	0	0	3'701	-	5'110
- Qualification	6'158	9'000	8'401	7'596	11'598
- Rules and Tournaments regulations	4'054	5'000	5'712	5'001	7'886
- Swiss Pairings Programs	2'246	3'000	0	2'771	-
- Technical	1'536	7'000	600	1'895	828
- Technical Administration Panel	0	0	2'219	-	3'063
- Trainers	60'142	55'000	40'248	74'188	55'563
- Verification	14'859	12'000	13'646	18'330	18'838
- Women's Chess	12'828	30'000	15'752	15'824	21'746
- World Championship and Olympiad	19'013	0	11'260	23'454	15'544
Rating Meeting (Athens)	0	0	25'589	-	35'326
Contingency	0	0	26'223	-	36'201
General Secretary	11'904	0	5'417	14'685	7'478
Travel Americas President	26'677	20'000	21'503	32'908	29'686
Travel Africa President	17'923	10'000	12'428	22'109	17'157
Vice Presidents	16'306	0	0	20'114	-
UNESCO	15'674	0	0	19'335	-
ARISF Events	10'464	10'000	8'317	12'908	11'482
Continental Championships	79'381	92'000	0	97'921	-
Candidates Matches: expenses	8'019	0	0	9'892	-
World Championship Match expenses	0	0	376	-	519
Grand Prix series: Expenses	0	0	73	-	101
World Mind Games: Expenses	14'445	0	0	17'819	-
Olympiad :expenses	0	0	59'306	-	81'874
Women's Grand Prix: expenses	1'759	0	500	2'170	690
Women's World Chess Champ: expenses	5'272	0	1'640	6'504	2'265
World Youth: expenses	4'453	0	0	5'493	-
World Team: expenses	615	0	0	758	-
Write Offs	20'679	0	70	25'508	97
SportAccord	23'944	30'000	29'692	29'536	40'991
Publicity and Promotions	0	0	5'000	-	6'903
Campomanes Honorarium	0	0	7'208	-	9'950
Chess Lane	4'628	5'000	2'868	5'709	3'960
Internet services	9'600	0	9'600	11'842	13'253
Securities at market value	6'079	0	0	7'499	-
Provision for bad debts	0	0	0	-	-
Increase in provision for 2years arrears	6'619	0	0	8'165	-
TOTAL EXPENSES:	2'262'718	1'728'000	2'249'975	2'791'185	3'106'160
TOTAL INCOME:	1'750'139	1'470'000	2'243'504	2'158'891	3'097'226
TOTAL EXPENSES	2'262'718	1'728'000	2'249'975	2'791'185	3'106'160
INCOME against EXPENSES	-512'579	-258'000	-6'471	-632'294	-8'934
Currency translation difference EUR-CHF				-53'412	-404'854
FIDE Reserve Fund at beginning of period	1'736'957		1'743'428	2'171'978	2'585'765
FIDE Reserve Fund at end of period	1'224'378		1'736'957	1'486'272	2'171'978

**Fédération Internationale des Echecs
FIDE, Lausanne
Notes to the financial statements
As at December 31, 2011
(All amounts in Euro)**

1. FEDERATION'S FORMATION AND OPERATIONS

The International Chess Federation or Federation Internationale des Echecs (FIDE), (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. FIDE has its registered office in Lausanne where it is incorporated as an association under Swiss Law. Operating head-quarter is located in Athens, with other offices in Elista and Moscow.

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 changed its functional currency in 2006 to Euro (€). Transactions denominated in other currencies are recorded in € at the actual exchange rate as of the date of the transaction. At the end of the 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 such foreign currency conversions are reflected in the statement of income. All foreign currencies are converted into Euro as follows:

		2011	2010
1 US (\$)	=	0.773 Euros	0,751 Euros
1 CHF	=	0.824 Euros	0,799 Euros

For purpose of statutory reporting under Swiss law, financial statements are translated from EUR to CHF at closing rate, except for FIDE reserve fund which is kept at historical rate. Items of the income statements are translated using the average rate of the period. Differences resulting from the translation process for presentation purpose are disclosed on income statement in the line currency translation difference.

(b) **Provisions:** Debtors are stated at nominal value, net of provision for doubtful debts, which cover in addition to known doubtful debts, all members in arrears in fulfilment of their financial obligations to FIDE. Based on the FIDE Handbook (A. Administrative Subjects point 0.3 Financial Regulations), a federation that is one year in arrears shall not receive services from the Secretariat and cannot bid for or organize any FIDE event, while a federation that is two years in arrears shall be temporarily excluded and therefore, fully provided against.

**Fédération Internationale des Echecs
FIDE, Lausanne
Notes to the financial statements
As at December 31, 2011
(All amounts in Euro)**

(c) **Fixed assets depreciation:** Depreciation rate used is 30% per annum on the reduced balance method.

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

4. Cash and bank accounts

The balance of cash at banks does not include the amount of € 5.087,28 corresponding to one specific bank account at UBS bank. The aforementioned account, although it is reposted by the bank in its confirmation letters having FIDE as beneficiary, essentially beneficiaries are the America's chess federations. This account had been established for practical reasons, in order to enhance the transactions between various chess federations in the continent of America and as such transactions undertaken by the related federations do not pass through FIDE's accounting books.

5. Fixed assets

The movement of cost and related accumulated depreciation of the fixed assets in the accompanying balance sheet is the following:

<u>COST</u>	OFFICE FURNITURE	MACHINES & EQUIPMENT	TOTAL
Balance b/f	14.716	190.556	205.272
Additions	0	0	0
Disposals	0	0	0
<i>Total Cost</i>	14.716	190.556	205.272
<u>DEPRECIATION</u>			
Balance b/f	13.868	142.358	156.226
Charge for the period	254	14.460	14.714
<i>Total Depreciation</i>	14.122	156.818	170.940
NAV 31.12.11	594	33.738	34.332

**Fédération Internationale des Echecs
FIDE, Lausanne
Notes to the financial statements
As at December 31, 2011
(All amounts in Euro)**

6. Provision for Staff Retirement Benefits

Under Greek labor law, employees are entitled to termination payments in the event of dismissal or retirement, with the amount of payment varying in relation to the employee's compensation, length of service and manner (dismissed or retired) of termination, which if due to retirement is 40% of the amount payable upon dismissal. Employees who resign or are dismissed with cause are not entitled to termination payments. The number of employees who will eventually be dismissed or retired in subsequent years is not known; the maximum liability under the provisions of Greek labor law, if all employees had been dismissed at 31st December 2011, would have been € 21.443 (2010 - € 18.713) for which a provision has been made.

7. Contingent liability

FIDE is currently involved in a case pending decision by the Court of arbitration for sport whose outcome is not certain. Potential costs in relation to that decision are not anticipated to exceed a limit of CHF 200.000.