

Report of the statutory auditor

with financial statements as of 31 December 2012 of

Fédération Internationale des Echecs (FIDE), Lausanne

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

Lausanne, 14 June 2013
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 2012.

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 2012 comply with Swiss law (article 957 et seqq. Code of Obligations) and FIDE Handbook Financial regulations.

Ernst & Young Ltd

A handwritten signature in blue ink, appearing to read 'Fabrice Bernhard'.

Fabrice Bernhard
Licensed audit expert
(Auditor in charge)

A handwritten signature in blue ink, appearing to read 'Serge Clément'.

Serge Clément
Licensed audit expert

Annexe

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

**FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE
BALANCE SHEET AS AT 31st DECEMBER 2012**

	31st Dec 12 Actual EUR	31st Dec 11 Actual EUR	31st Dec 12 Actual CHF	31st Dec 11 Actual CHF
CURRENT ASSETS				
CASH	7	31	8	38
BANK ACCOUNTS				
- UBS CHF Account	83'219	34'486	100'429	41'863
- UBS US \$ Account	371'213	1'120'069	447'980	1'359'652
- UBS EUR Account	218'348	215'764	263'502	261'916
- NBG EUR Account	9'823	1'956	11'854	2'374
- UBS EUR Visa	24'986	0	30'153	0
SECURITIES HELD				
- UBS Investments	352'326	353'692	425'187	429'347
DEBTORS FEDERATIONS	684'193	202'418	825'684	245'716
- net of provision for bad debts (14725€), provisions (1292,44€)				
- net of deposit fees (160'000€)				
OTHER DEBTORS / PREPAID EXPENSES	355'969	406'642	429'584	493'623
TOTAL CURRENT ASSETS	<u>2'100'084</u>	<u>2'335'059</u>	<u>2'534'381</u>	<u>2'834'528</u>
LESS CURRENT LIABILITIES				
CREDITORS	245'861	1'107'230	296'705	1'344'066
PREPAYMENTS BY FEDERATIONS	1'753	16'350	2'115	19'847
TOTAL CURRENT LIABILITIES	<u>247'613</u>	<u>1'123'580</u>	<u>298'820</u>	<u>1'363'914</u>
NET CURRENT ASSETS	<u>1'852'471</u>	<u>1'211'479</u>	<u>2'235'561</u>	<u>1'470'614</u>
FIXED ASSETS, at Cost				
- Office Furniture	14'716	14'716	17'759	17'864
- Machines & Equipment	193'493	190'556	233'507	231'316
	208'209	205'272	251'267	249'180
LESS ACCUMULATED DEPRECIATION	182'121	170'940	219'784	207'504
	26'088	34'332	31'483	41'676
LESS NON CURRENT LIABILITIES				
Staff retirement indemnities	19'978	21'433	24'109	26'018
NET ASSETS	<u>1'858'581</u>	<u>1'224'378</u>	<u>2'242'935</u>	<u>1'486'272</u>
NET ASSETS REPRESENTED BY:				
FIDE RESERVE FUND	<u>1'858'581</u>	<u>1'224'378</u>	<u>2'242'935</u>	<u>1'486'272</u>

**FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE
STATEMENT of INCOME & EXPENDITURE
PERIOD ENDED 31st DECEMBER 2012**

INCOME	31st Dec 12 Actual EUR	31st Dec 12 Budget EUR	31st Dec 11 Actual EUR	31st Dec 12 Actual CHF	31st Dec 11 Actual CHF
<i>Fees from Federations</i>					
Membership Fees	130'820	130'000	127'780	158'566	157'624
Entry Fees	302'720	250'000	184'200	366'924	227'221
Rating Fees	53'602	45'000	50'075	64'971	61'770
Registered Tournaments	353'460	275'000	294'064	428'426	362'744
Late Tournament report charges	1'470	5'000	4'620	1'782	5'699
Change of Federation	23'500	10'000	9'500	28'484	11'719
FIDE Title Application Fees	207'220	150'000	144'478	251'170	178'221
<i>FIDE share from prize funds</i>					
- Candidates Matches	0	0	100'000	0	123'355
- World Cup	0	0	288'174	0	355'479
- World Rapid and Blitz	64'400	0	0	78'059	0
- Olympiad	831'750	700'000	0	1'008'157	0
- Women's World Championship	71'190	60'000	50'000	86'289	61'678
- World Champ Match	486'254	500'000	0	589'384	0
- Grand Prix series	24'000	0	0	29'090	0
- Womens' Grand Prix	30'000	20'000	30'000	36'363	37'007
- World Mind Games	163'969	0	115'995	198'745	143'086
Other Income					
- ARISF	4'505	4'000	4'070	5'460	5'021
- Affiliation fees	0	0	670	0	826
- Clock testing fees	0	0	2'500	0	3'084
- Interest from bank	433	0	1'270	525	1'566
- Investment income	13'955	10'000	14'705	16'915	18'139
- International Olympic Committee	15'100	15'000	13'880	18'303	17'122
- Royalties - DGT	45'604	45'000	43'070	55'276	53'129
- Arbiters seminar fees	10'360	10'000	17'180	12'557	21'192
- Trainers licence fees	16'573	30'000	25'965	20'087	32'029
- Trainers seminars	24'600		7'600	29'817	9'375
- Trainers academy annual and registration fees	3'500	0	0	4'242	0
- World Championship Olympiad Commission	120'250	0	43'480	145'754	53'635
Rental of software	6'383	0	0	7'736	0
Event bidding fees	8'000	0	0	9'697	0
Chess in Schools project (Slovakia)	273	0	0	331	0
Chess in Schools project (Slovenia)	289	0	0	350	0
Lausanne office:social costs	0	0	15	0	19
Unallocated/unauthorised	0	0	290	0	357
Zaragoza	0	0	160'247	0	197'673
Reduced provision for staff indemnities	1'465	0	0	1'776	0
Gain on Currency conversion	0	0	16'312	0	20'122
TOTAL INCOME:	3'015'644	2'259'000	1'750'139	3'655'237	2'158'891

**FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE
ANNUAL STATEMENT OF INCOME & EXPENSES
PERIOD ENDED 31st DECEMBER 2012**

EXPENSES	31st Dec 12 Actual EUR	31st Dec 12 Budget EUR	31st Dec 11 Actual EUR	31st Dec 12 Actual CHF	31st Dec 11 Actual CHF
Athens					
Staff Costs	297'827	300'000	325'363	360'993	401'353
Staff Travel	8'692	25'000	18'279	10'535	22'549
Postage & Carriage	5'539	10'000	6'037	6'714	7'447
Photocopying & Printing	7'953	6'000	6'938	9'640	8'559
Office Supplies / Stationery	7'252	3'000	3'492	8'790	4'307
Telecommunications	14'677	10'000	5'570	17'790	6'870
Secretariat Hospitality	9'157	5'000	6'064	11'099	7'480
Repairs, Maintenance & Renewals	376	2'000	1'667	456	2'056
Rent	16'937	16'000	16'595	20'529	20'471
Utilities	4'237	3'000	3'001	5'136	3'702
Office Cleaning	4'754	4'000	3'383	5'762	4'172
				0	0
Elista					
Staff and Other Costs	143'307	150'000	113'502	173'701	140'011
				0	0
Moscow					
Staff Costs	66'000	85'000	66'000	79'998	81'415
Staff travel	60'774	75'000	98'557	73'663	121'575
				0	0
General					
Bank Charges	14'978	10'000	14'342	18'154	17'692
Electronic Boards	21'190	25'000	51'872	25'684	63'986
Insurance	44'520	45'000	43'416	53'962	53'556
Subscriptions	5'387	5'000	5'116	6'530	6'311
Audit & Tax Accountant	26'557	40'000	45'545	32'189	56'182
Legal Costs	150'918	120'000	467'032	182'926	576'109
Treasurer's Expenses /General Secretary	24'475	15'000	27'494	29'666	33'915
Travel & Meetings	227'680	220'000	222'373	275'969	274'309
Entry Fees Refund to Organising Federations	59'640	40'000	36'840	72'289	45'444
Discounts Allowed for Early Payment	25'404	25'000	22'549	27'792	27'815
Depreciation	11'181	5'000	14'714	13'553	18'151
Medals & Badges	9'464	5'000	6'508	11'471	8'027
				0	0
Commissions:					
- Arbiters	23'757	35'000	9'831	28'796	12'127
- CACDEC & CACDEC Activity Rebate	178'087	200'000	104'122	215'858	128'440
- Chess Composition / WFCC	4'236	10'000	3'455	5'135	4'262
- Chess for the Disabled	7'783	10'000	7'609	9'434	9'387
- Chess in Schools	50'000	50'000	50'498	60'605	62'292
- Constitutional Commission	14'497	15'000	7'560	17'572	9'326
- Ethics	15'975	15'000	5'105	19'363	6'298
- Events	23'023	30'000	9'323	27'906	11'501
- Medical	2'745	20'000	7'489	3'327	9'238
-Modernisation	0	0	4'353	0	5'369
- Qualification	19'701	15'000	6'158	23'880	7'596
- Rules and Tournaments regulations	18'462	10'000	4'054	22'377	5'001
- Swiss Pairings Programs	2'197	3'000	2'246	2'663	2'771
- Technical	6'171	10'000	1'536	7'480	1'895
- Trainers	77'450	70'000	60'142	93'876	74'188
- Verification	4'496	15'000	14'859	5'450	18'330
- Women's Chess	27'403	35'000	12'828	33'215	15'824
- World Championship and Olympiad	15'152	0	19'013	18'366	23'454
Contingency	0	45'000	0	0	0
Travel Americas President	25'000	25'000	26'677	30'302	32'908
Travel Africa President	14'127	20'000	17'923	17'123	22'109
Vice Presidents and Subcommittees	23'118	50'000	41'327	28'022	50'979
New federations	3'941	0	0	4'777	0
UNESCO	0	0	15'674	0	19'335
ARISF Events	1'750	10'000	10'464	2'121	12'908
Agon: expenses	14'600	0	0	17'697	0

**FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE
ANNUAL STATEMENT OF INCOME & EXPENSES
PERIOD ENDED 31st DECEMBER 2012**

EXPENSES	31st Dec 12 Actual EUR	31st Dec 12 Budget EUR	31st Dec 11 Actual EUR	31st Dec 12 Actual CHF	31st Dec 11 Actual CHF
Continental Championships	12'336	18'000	79'381	14'952	97'921
Candidates Matches: expenses	0	0	8'019	0	9'892
World Championship Match expenses	17'957	0	0	21'766	0
World Mind Games: Expenses	321	0	14'445	389	17'819
Olympiad :expenses	56'152	0	0	68'061	0
Women's Grand Prix: expenses	18'493	0	1'759	22'415	2'170
Women's World Chess Champ: expenses	6'238	0	5'272	7'561	6'504
World Youth: expenses	0	0	4'453	0	5'493
World Team: expenses	0	0	615	0	758
World Rapid and Blitz: expenses	370	0	0	449	0
World Cities: expenses	7'330	0	0	8'884	0
Grand Prix: expenses	528	0	0	640	0
Write Offs	286'087	0	20'679	346'764	25'508
SportAccord	40'714	40'000	23'944	49'349	29'536
Chess Lane	25'582	5'000	4'628	31'008	5'709
Internet services	9'600	10'000	9'600	11'636	11'842
FIDE website	9'000	0	0	10'909	0
Special projects	36'027	35'000	0	43'668	0
Social projects	274	0	0	333	0
Provision for bad debts	0	0	0	0	0
Loss on currency conversion	9'286	0	0	11'256	0
Securities at market value	1'366	0	6'079	1'656	7'499
Increased provision for staff indemnities	0	0	2'730	0	3'368
Increase in provision for 2years arrears	1'234	0	6'619	1'496	8'165
TOTAL EXPENSES:	2'381'440	2'050'000	2'262'718	2'886'524	2'791'185
TOTAL INCOME:	3'015'644		1'750'139	3'655'237	2'158'891
TOTAL EXPENSES	2'381'440		2'262'718	2'886'524	2'791'185
INCOME against EXPENSES	634'203		-512'579	768'712	-632'294
Currency translation difference EUR-CHF				-12'049	-53'413
FIDE Reserve Fund at beginning of period	1'224'378		1'736'957	1'486'272	2'171'978
FIDE Reserve Fund at end of period	1'858'581		1'224'378	2'242'935	1'486'272

Fédération Internationale des Echecs
FIDE, Lausanne
Notes to the financial statements
As at December 31, 2012
(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:

		2012	2011
1 US (\$)	=	0.772 Euros	0.75 Euros
1 CHF	=	0.823 Euros	0.8 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, 2012
(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 € 10,876 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. The account shown on the balance sheet with balance € 24,986 is called Visa Corporate Guarantee and it is a restricted cash account.

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 2012		2,937	2,937
Sales 2012	0	0	0
<i>Total Cost</i>	14,716	193,493	208,209
<u>DEPRECIATION</u>			
Balance b/f	14,122	156,818	170,940
Charge for the period	178	11,003	11,181
<i>Total Depreciation</i>	14,300	167,821	182,121
NAV 31.12.12	416	25,673	26,088

**Fédération Internationale des Echecs
FIDE, Lausanne
Notes to the financial statements
As at December 31, 2012
(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 2012, would have been € 19,978 (2011 € 21,443.33) for which a provision has been made.