

Report of the statutory auditor

with financial statements as of 31 December 2009 of

Fédération Internationale des Echecs, Lausanne

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

Lausanne, 16 July 2010
mg/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 2009.

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 2009 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)



Pierre Delaloye
Licensed audit expert

Enclosures

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

**Fédération Internationale des Echecs (FIDE)
Lausanne**

Balance sheet as of 31 December 2009

CURRENT ASSETS	31st Dec 09 EUR	31st Dec 08 EUR	31st Dec 09 CHF	31st Dec 08 CHF
CASH	4'299	1'029	6'376	1'523
BANK ACCOUNTS				
- UBS CHF Account	64'074	105'452	95'031	156'022
- UBS US \$ Account	224'157	246'027	332'458	364'009
- UBS EUR Account	627'324	1'145'120	930'415	1'694'262
- NBG EUR Account	30'500	4'105	45'236	6'074
- UBS EUR Time Deposit Account	250'000	0	370'788	0
SECURITIES HELD				
- UBS Investments	359'771	101'936	533'595	150'819
DEBTORS FEDERATIONS	478'127	552'517	709'134	817'477
- net of provision for bad debts (14684€)				
- net of deposit fees (149993,61€)				
OTHER DEBTORS / PREPAID EXPENSES	59'598	146'805	88'392	217'205
- 2008 - net of provision (60000€)				
	<u>2'097'850</u>	<u>2'302'992</u>	<u>3'111'426</u>	<u>3'407'392</u>
LESS CURRENT LIABILITIES				
CREDITORS	386'315	479'373	572'963	709'256
PREPAYMENTS BY FEDERATIONS	21'606	80'163	32'045	118'605
	<u>407'921</u>	<u>559'536</u>	<u>605'009</u>	<u>827'861</u>
NET CURRENT ASSETS	<u>1'689'928</u>	<u>1'743'456</u>	<u>2'506'417</u>	<u>2'579'531</u>
FIXED ASSETS, at Cost				
- Office Furniture	14'716	14'716	21'826	21'773
- Machines & Equipment	190'556	190'360	282'623	281'647
	<u>205'272</u>	<u>205'076</u>	<u>304'449</u>	<u>303'420</u>
LESS ACCUMULATED DEPRECIATION	<u>135'206</u>	<u>105'178</u>	<u>200'531</u>	<u>155'616</u>
	70'066	99'898	103'918	147'804
LESS NON CURRENT LIABILITIES				
Staff retirement indemnities	16'567	11'940	24'571	17'666
NET ASSETS	<u>1'743'428</u>	<u>1'831'414</u>	<u>2'585'765</u>	<u>2'709'668</u>
NET ASSETS REPRESENTED BY:				
FIDE RESERVE FUND	<u>1'743'428</u>	<u>1'831'414</u>	<u>2'585'765</u>	<u>2'709'668</u>

**Fédération Internationale des Echecs (FIDE)
Lausanne**

Income statement 2009

	31st Dec 09 Actual EUR	31st Dec 09 Budget EUR	31st Dec 08 Actual EUR	31st Dec 09 Actual CHF	31st Dec 08 Actual CHF
INCOME					
<i>Fees from Federations</i>					
Membership Fees	127'020	130'000	126'260	191'809	200'008
Entry Fees	193'950	150'000	204'238	292'878	323'533
Rating Fees	41'158	45'000	53'273	62'152	84'389
Registered Tournaments	273'764	200'000	261'247	413'403	413'841
Late Tournament report charges	11'550	12'000	15'540	17'441	24'617
Change of Federation	7'735	5'000	8'060	11'680	12'768
FIDE Title Application Fees	138'243	140'000	127'878	208'757	202'571
<i>FIDE share from prize funds</i>					
- World Championship Cycle	0	225'000	0	0	0
- World Cup	229'120	280'000	0	345'987	0
- World Blitz	13'269	0	45'710	20'038	72'409
- Olympiad	0	0	361'627	0	572'854
- Women's World Championship	0	0	57'455	0	91'014
- World Champ Match	0	0	200'000	0	316'820
- Grand Prix series	84'900	126'000	127'200	128'205	201'498
- Womens' Grand Prix	20'000	0	0	30'201	0
- Challengers' Match	35'050	0	0	52'928	0
<i>Other Income</i>					
- ARISF	4'402	5'000	3'665	6'647	5'806
- Clock testing fees	1'000	0	2'500	1'510	3'960
- Interest from bank	2'146	15'000	23'901	3'240	37'861
- International Olympic Committee	15'780	15'000	13'340	23'829	21'132
- Internet Rights for World Cup	42'960	0	0	64'873	0
- Royalties - DGT	66'489	20'000	44'154	100'403	69'944
- Legal fees refund re Amazzal case	0	0	11'108	0	17'597
- Arbiters' Seminars	8'960	0	0	13'530	0
- Trainers fees	8'200	0	2'639	12'383	4'180
- Trainers' Seminars	7'400	0	0	11'175	0
- World Championship Olympiad Commission	28'640	0	64'354	43'248	101'942
- Sale of equipment	1'749	0	0	2'641	0
Chess Art and Philately	668	0	0	1'009	0
World Cup: prize fund	1'622	0	0	2'450	0
World Cup: stipends	2'864	0	0	4'325	0
Option fees	0	0	628	0	994
Re-Credit Provisions not required	5'919	0	11'500	8'938	18'217
Re-Credit Provisions - 2 year arrears	0	0	23'964	0	37'961
Gain on Safe Custody Investments	0	0	7'142	0	11'314
World Cup: contribution towards expenses	0	0	907	0	1'437
Women's World Chess Champ.: contrib towards exp.	0	0	20'753	0	32'875
Gain on Currency conversion	0	0	29'623	0	46'926
TOTAL INCOME:	1'374'558	1'368'000	1'848'665	2'075'680	2'928'470

**Fédération Internationale de Echecs (FIDE)
Lausanne**

Expense statement 2009

EXPENSES	31st Dec 09 Actual EUR	31st Dec 09 Budget EUR	31st Dec 08 Actual EUR	31st Dec 09 Actual CHF	31st Dec 08 Actual CHF
Athens					
Staff Costs	250'691	280'000	242'755	378'561	384'548
Staff Travel	8'283	30'000	11'526	12'508	18'259
Provision for staff indemnities	0	0	7'620	0	12'071
Postage & Carriage	4'453	5'000	5'890	6'725	9'330
Photocopying & Printing	4'105	4'000	3'102	6'200	4'914
Office Supplies / Stationery	2'781	5'000	5'053	4'199	8'005
Telecommunications	5'653	10'000	6'435	8'536	10'194
Secretariat Hospitality	5'465	10'000	8'869	8'252	14'050
Repairs, Maintenance & Renewals	845	3'000	20'962	1'276	33'206
Rent	16'480	16'000	16'411	24'887	25'997
Utilities	2'638	3'000	2'554	3'984	4'046
Office Cleaning	3'620	4'000	3'570	5'466	5'655
Elista					
Staff and Other Costs	99'218	110'000	68'680	149'826	108'797
Lausanne					
Staff Costs	14'226	22'000	19'337	21'482	30'632
Other Costs	5'819	5'000	2'940	8'787	4'657
Moscow					
Staff Costs	48'000	48'000	42'088	72'483	66'671
Staff travel	21'218	12'000	17'182	32'041	27'217
General					
Bank Charges	8'161	5'000	6'116	12'324	9'688
Electronic Boards	16'615	17'000	13'433	25'090	21'280
Insurance	56'699	55'000	53'283	85'619	84'405
Subscriptions	12'680	8'000	7'450	19'148	11'802
Audit & Tax Accountant	20'874	20'000	11'241	31'521	17'806
Legal Costs	83'711	80'000	64'950	126'409	102'887
Treasurer's Expenses	13'522	15'000	12'164	20'419	19'268
Travel & Meetings	108'136	100'000	131'301	163'293	207'993
Entry Fees Refund to Organising Federations	38'790	30'000	37'625	58'576	59'602
Refund due to IMSA	0	0	9'450	0	14'970
Discounts Allowed for Early Payment	16'168	15'000	14'621	24'415	23'161
Depreciation	30'028	60'000	42'813	45'344	67'820
Medals & Badges	5'729	4'000	3'124	8'652	4'948
Commissions:					
- CACDEC & CACDEC Activity Rebate	142'034	225'000	120'019	214'481	190'122
- Chess in Schools	20'788	30'000	40'336	31'391	63'896
- Committee for Chess for the Disabled	0	5'000	1'620	0	2'566
- Committee for Women's Chess	0	15'000	1'013	0	1'604
- Ethics	0	10'000	0	0	0
- Medical	11'642	3'000	7'150	17'581	11'326
- New Federations Initiative	3'074	0	5'309	4'642	8'411
- PR & Marketing	32'920	31'000	75'000	49'712	118'808
- Technical	1'734	4'000	2'328	2'618	3'689
- Trainers	7'914	10'000	0	11'950	0
- Verification	8'914	10'000	12'808	13'461	20'289
- World Championship Olympiad	25'185	0	10'692	38'031	16'937
- Qualification	2'355	7'000	0	3'556	0
- Chess Composition / PCCC	7'000	7'000	5'000	10'570	7'921
- Arbiters	2'512	8'000	1'800	3'794	2'851
- Organisers	4'133	5'000	1'286	6'241	2'038
- Rules and Tournaments regulations	1'523	3'000	0	2'300	0
- K factor	15'386	0	0	23'233	0
Singapore office	9'056	0	0	13'676	0
Travel Americas President	15'453	15'000	14'989	23'335	23'744
Travel Africa President	17'028	30'000	17'786	25'714	28'175
ARISF Events	5'359	10'000	8'004	8'092	12'679
Continental Championships	75'942	100'000	0	114'677	0
Sub-total commissions expenses	409'951	528'000	325'140	619'055	515'055

**Fédération Internationale de Echecs (FIDE)
Lausanne**

Expense statement 2009

EXPENSES	31st Dec 09 Actual EUR	31st Dec 09 Budget EUR	31st Dec 08 Actual EUR	31st Dec 09 Actual CHF	31st Dec 08 Actual CHF
Carry forward commissions expenses	409'951	528'000	325'140	619'055	515'055
World Cup: Expenses	16'387	0	0	24'745	0
World Championship Match expenses	0	0	7'220	0	11'438
Grand Prix series: Expenses	646	0	0	976	0
Challengers' Match: Expenses	26'319	0	0	39'744	0
Write Offs	490	3'000	5'845	740	9'260
SportAccord	51'418	25'000	15'806	77'645	25'038
Mind Sport Games	0	0	113'916	0	180'454
Dresden 2008 Olympiad	1'300	0	64'902	1'963	102'812
Campomanes Honorarium	10'305	0	0	15'561	0
Chess Lane	9'352	0	0	14'122	0
ChessDom	800	0	0	1'208	0
Provision for bad debts	0	0	60'000	0	95'046
Increase in provision for 2years arrears	3'003	0	0	4'535	0
Staff indemnities	4'627	0	0	6'987	0
Loss on conversion	23'339	0	0	35'244	0
Currency translation from EUR to CHF				-8'963	295'933
TOTAL EXPENSES:	<u>1'462'544</u>	<u>1'532'000</u>	<u>1'485'374</u>	<u>2'199'583</u>	<u>2'648'914</u>
TOTAL INCOME:	1'374'558	1'368'000	1'848'665	2'075'680	2'928'470
TOTAL EXPENSES	<u>1'462'544</u>	<u>1'532'000</u>	<u>1'485'374</u>	<u>2'199'583</u>	<u>2'648'914</u>
INCOME against EXPENSES	-87'986	-164'000	363'291	-123'902	279'557
FIDE Reserve Fund at beginning of period	1'831'414		1'468'123	2'709'668	2'430'111
FIDE Reserve Fund at end of period	<u>1'743'428</u>		<u>1'831'414</u>	<u>2'585'765</u>	<u>2'709'668</u>

**Fédération Internationale des Echecs
FIDE, Lausanne
Notes to the financial statements
As at December 31, 2009
(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.

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:

		2008	2009
1 US (\$)	=	0,710 Euros	0,698 Euros
1 CHF	=	0,670 Euros	0,674 Euros

(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
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Notes to the financial statements
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(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 € 4.123,61 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	190.360	205.076
Additions 2009		3.231	3.231
Sales 2009	0	-3.035	-3.035
<i>Total Cost</i>	14.716	190.556	205.272
 <u>DEPRECIATION</u>			
Balance b/f	12.986	92.192	105.178
Charge for the period	519	29.509	30.028
<i>Total Depreciation</i>	13.505	121.701	135.206
NAV 31.12.09	1.211	68.855	70.066

**Fédération Internationale des Echecs
FIDE, Lausanne
Notes to the financial statements
As at December 31, 2009
(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 2009, would have been € 16.567 for which a provision has been made.