

**Report of the statutory auditor on the limited statutory
examination**

with financial statements as of 31 December 2008 of

Fédération Internationale des Echecs (FIDE), Lausanne

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

Lausanne, 5 October 2009

Report of the statutory auditor on the limited statutory examination


As statutory auditor, we have examined the financial statements (balance sheet, income statement and notes) of Fédération Internationale des Echecs (FIDE) for the year ended 31 December 2008.

These financial statements are the responsibility of the Committee. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the limited statutory examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of the Association's personnel and analytical procedures as well as detailed tests of the Association's documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law (art. 957 et seqq. Code of Obligations (CO) and the articles of association.

Ernst & Young Ltd



Serge Clément
Licensed audit expert



Fabrice Bernhard
Licensed audit expert
(Auditor in charge)

Enclosures

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

**FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE
BALANCE SHEET AS AT 31st DECEMBER 2008**

	Expressed in Euros		Expressed in Swiss Francs	
	31st Dec 08 EUR	31st Dec 07 EUR	31st Dec 08 CHF	31st Dec 07 CHF
CURRENT ASSETS				
CASH	1'029	2'653	1'523	4'391
BANK ACCOUNTS				
- UBS CHF Account	105'452	55'298	156'022	91'532
- UBS US \$ Account	246'027	324'007	364'009	536'312
- UBS EUR Account	1'145'120	1'493'239	1'694'262	2'471'685
- NBG EUR Account	4'105	10'393	6'074	17'204
- UBS EUR Time Deposit Account	0	400'000	-	662'100
SECURITIES HELD				
- UBS (Lux) Money Market Fund - USD (at market value)	101'936	94'794	150'819	156'907
DEBTORS FEDERATIONS	552'517	390'025	817'477	645'589
- net of provision for bad debts (11681€)				
- net of deposit fees (109994€)				
OTHER DEBTORS / PREPAID EXPENSES	146'805	228'912	217'205	378'907
net of provision for bad debts of 60.000euros				
	<u>2'302'992</u>	<u>2'999'321</u>	<u>3'407'392</u>	<u>4'964'626</u>
LESS CURRENT LIABILITIES				
CREDITORS	479'373	1'459'315	709'256	2'415'531
PREPAYMENTS BY FEDERATIONS	80'163	95'714	118'605	158'430
	<u>559'536</u>	<u>1'555'029</u>	<u>827'861</u>	<u>2'573'962</u>
NET CURRENT ASSETS	<u>1'743'456</u>	<u>1'444'292</u>	<u>2'579'531</u>	<u>2'390'665</u>
FIXED ASSETS, at Cost				
- Office Furniture	14'716	14'716	21'773	24'359
- Machines & Equipment	190'360	79'081	281'647	130'899
	205'076	93'797	303'420	155'257
LESS ACCUMULATED DEPRECIATION	105'178	62'365	155'616	103'230
	99'898	31'432	147'804	52'028
LESS NON CURRENT LIABILITIES				
Staff retirement indemnities	11'940	7'601	17'666	12'582
NET ASSETS	1'831'414	1'468'123	2'709'668	2'430'111
NET ASSETS REPRESENTED BY:				
FIDE RESERVE FUND	1'831'414	1'468'123	2'709'668	2'430'111

**FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE
STATEMENT of INCOME & EXPENDITURE**

PERIOD ENDED 31st DECEMBER 2008

INCOME	31st Dec 08 Actual EUR	31st Dec 08 Budget EUR	31st Dec 07 Actual EUR	31st Dec 08 Actual CHF	31st Dec 07 Actual CHF
Fees from Federations					
Membership Fees	126'260	125'000	120'185	200'008	179'556
Entry Fees	204'238	160'000	194'246	323'533	290'204
Rating Fees	53'273	45'000	40'440	84'389	60'417
Registered Tournaments	261'247	170'000	149'008	413'841	222'618
Late Tournament report charges	15'540	12'000	20'020	24'617	29'910
Change of Federation	8'060	15'000	9'555	12'768	14'275
FIDE Title Application Fees	127'878	130'000	133'575	202'571	199'561
Protest Fees	0	0	650	0	971
FIDE share from prize funds					
- World Chess Championship Tournament	0	0	197'080	0	294'438
- World Cup	0	0	226'560	0	338'481
- World Blitz	45'710	0	13'699	72'409	20'466
- Olympiad	361'627	240'000	0	572'854	0
- Women's World Championship	57'455	80'000	0	91'014	0
- World Champ Match	200'000	230'000	0	316'820	0
- Grand Prix series	127'200	0	0	201'498	0
Other Income					
- ARISF	3'665	4'000	4'410	5'806	6'589
- Candidates Matches: contribution towards expenses	0	0	11'350	0	16'956
- Clock testing fees	2'500	0	5'000	3'960	7'470
- Interest from bank	23'901	3'000	47'030	37'861	70'263
- International Olympic Committee	13'340	15'000	14'715	21'132	21'984
- Internet Rights for World Cup	0	0	42'480	0	63'465
- Presidential Boards: contribution towards travel	0	0	29'000	0	43'326
- Royalties - DGT	44'154	35'000	46'360	69'944	69'262
- Legal fees refund re Amazzal case	11'108	0	0	17'597	0
- Trainers fees	2'639	0	0	4'180	0
- World Championship Committee	64'354	0	61'819	101'942	92'358
- World Chess Ch. Tourn: contribution towards expenses	0	0	30'320	0	45'298
Option fees	628	0	0	994	0
Re-Credit Provisions - General	11'500	0	7'619	18'217	11'383
Re-Credit Provisions - 2 year arrears	23'964	0	10'984	37'961	16'410
Gain on Safe Custody Investments	7'142	0	11'651	11'314	17'407
World Cup: contribution towards expenses	907	0	0	1'437	0
Women's World Chess Champ.: contrib towards exp.	20'753	0	0	32'875	0
Gain on Currency conversion	29'623	0	0	46'926	0
TOTAL INCOME:	1'848'665	1'264'000	1'427'756	2'928'470	2'133'067

**FEDERATION INTERNATIONALE DES ECHECS
LAUSANNE
ANNUAL STATEMENT OF INCOME & EXPENSES
PERIOD ENDED 31st DECEMBER 2008**

EXPENSES	31st Dec 08 Actual EUR	31st Dec 08 Budget EUR	31st Dec 07 Actual EUR	31st Dec 08 Actual CHF	31st Dec 07 Actual CHF
Athens					
Staff Costs	242'755	240'000	221'505	384'548	330'928
Staff Travel	11'526	30'000	19'065	18'259	28'483
Provision for staff indemnities	7'620	0	0	12'071	0
Postage & Carriage	5'890	5'000	5'584	9'330	8'342
Photocopying & Printing	3'102	4'000	3'568	4'914	5'331
Office Supplies / Stationery	5'053	4'000	3'131	8'005	4'678
Telecommunications	6'435	10'000	7'424	10'194	11'091
Secretariat Hospitality	8'869	10'000	4'625	14'050	6'910
Repairs, Maintenance & Renewals	20'962	3'000	644	33'206	962
Rent	16'411	16'000	15'588	25'997	23'288
Utilities	2'554	3'000	2'408	4'046	3'598
Office Cleaning	3'570	4'000	3'570	5'655	5'334
Elista					
Staff and Other Costs	68'680	95'000	71'643	108'797	107'035
Lausanne					
Staff Costs	19'337	20'000	11'047	30'632	16'504
Other Costs	2'940	10'000	1'943	4'657	2'903
Moscow					
Staff Costs	42'088	40'000	35'880	66'671	53'605
Staff travel	17'182	10'000	15'587	27'217	23'287
General					
Bank Charges	6'116	4'000	4'914	9'688	7'342
Electronic Boards	13'433	17'000	13'957	21'280	20'852
Insurance	53'283	50'000	40'543	84'405	60'571
Subscriptions	7'450	8'000	11'432	11'802	17'079
Audit & Tax Accountant	11'241	11'000	8'422	17'806	12'582
Legal Costs	64'950	80'000	66'840	102'887	99'859
Treasurer's Expenses	12'164	10'000	5'739	19'268	8'574
Travel & Meetings	131'301	100'000	112'941	207'993	168'734
Medical Expenses	0	0	43'260	0	64'630
Entry Fees Refund to Organising Federations	37'625	20'000	37'586	59'602	56'153
Refund due to IMSA	9'450	0	0	14'970	0
Discounts Allowed for Early Payment	14'621	15'000	14'365	23'161	21'461
Depreciation	42'813	30'000	28'139	67'820	42'040
Medals & Badges	3'124	4'000	1'095	4'948	1'636

(Continued)

EXPENSES	EUR	EUR	EUR	CHF	CHF
Commissions & Committees:					
- CACDEC & CACDEC Activity Rebate	120'019	175'000	102'792	190'122	153'571
- Chess in Schools Committee	40'336	30'000	19'231	63'896	28'731
- Committee for Chess for the Disabled	1'620	5'000	1'500	2'566	2'241
- Committee for Women's Chess	1'013	15'000	1'369	1'604	2'045
- Development Commission	0	30'000	0	0	0
- Ethics Commission	0	10'000	9'087	0	13'576
- European President NOC Programme	0	0	5'000	0	7'470
- Medical Commission	7'150	2'000	5'195	11'326	7'761
- New Federations Initiative	5'309	0	8'844	8'411	13'213
- PR & Marketing	75'000	70'000	58'083	118'808	86'776
- Technical Commission	2'328	4'000	600	3'689	896
- Trainers Committee	0	10'000	0	0	0
- Verification Commission	12'808	10'000	8'014	20'289	11'973
- World Championship Committee	10'692	0	4'650	16'937	6'947
- Qualification Commission	0	6'000	0	0	0
- Composition Commission / PCCC	5'000	5'000	0	7'921	0
- Arbiters Council	1'800	3'000	0	2'851	0
- Organisers Committee	1'286	5'000	0	2'038	0
- Global Chess Interface	0	0	5'401	0	8'069
- World Champions Committee	0	0	8'400	0	12'550
Travel Americas President	14'989	15'000	0	23'744	0
Travel Africa President	17'786	25'000	0	28'175	0
ARISF Events	8'004	8'000	8'908	12'679	13'309
Continental Championships	0	0	135'464	0	202'383
Candidate Matches	0	0	139'114	0	207'836
World Championship Match expenses	7'220	0	0	11'438	0
World Championship Tournament	0	0	23'516	0	35'133
Write Offs	5'845	3'000	2'653	9'260	3'964
SportAccord	15'806	15'000	0	25'038	0
Mind Sport Games	113'916	0	0	180'454	0
Olympiad	64'902	0	0	102'812	0
World Cup	0	0	19'351	0	28'910
Provision for bad debts	60'000	0	0	95'046	0
Loss on conversion	0	0	58'498	0	87'396
TOTAL EXPENSES:	1'485'374	1'299'000	1'438'115	2'352'981	2'148'544
TOTAL INCOME:	1'848'665	1'264'000	1'427'756	2'928'470	2'133'067
TOTAL EXPENSES	1'485'374	1'299'000	1'438'115	2'352'981	2'148'544
EXCESS of INCOME over EXPENSES	363'291	-35'000	-10'359	575'490	-15'477
FIDE Reserve Fund at beginning of period	1'468'123		1'478'482	2'430'111	2'377'399
Currency translation adjustment				-295'931	68'188
Net result of the period	363'291		-10'359	575'490	-15'477
FIDE Reserve Fund at end of period	1'831'414		1'468'123	2'709'668	2'430'111

FEDERATION INTERNATIONALE DES ECHECS
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2008
(All amounts in Euro)

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.

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:

		31.12.2007	31.12. 2008
1 US (\$)	=	0,685 Euros	0,710 Euros
1 CHF	=	0,605 Euros	0,675 Euros

To comply with Swiss legal requirements, the financial statements have to be presented in Swiss Francs (CHF). Balance sheet is translated at year-end rate and the statement of income and expenditures at average rate (2008: CHF 1.00 =EUR 0.631; 2007: CHF 1.00 =EUR 0.669). The resulting currency translation adjustment is allocated to FIDE Reserve Fund.

(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 fulfillment 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.

FEDERATION INTERNATIONALE DES ECHECS
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2008
(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 € 6.791 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. Other debtors and prepaid expenses.

- (a) The balance of other debtors in 2008 has been reduced by 60.000 euros in respect of a provision for bad debts.
- (b) The balance of other debtors includes 10.400 euros which corresponds to a loan granted to FIDE Executive Director Mr David Jarrett.

FEDERATION INTERNATIONALE DES ECHECS
NOTES TO THE FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2008
(All amounts in Euro)

6. Fixed assets

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

COST	OFFICE FURNITURE	MACHINES & EQUIPMENT	TOTAL
Balance b/f	14.716	79.081	93.797
Additions 2008	0	111.279	111.279
Total Cost	14.716	190.360	205.076
DEPRECIATION			
Balance b/f	12.245	50.120	62.365
Charge for the period	741	42.072	42.813
Total Depreciation	12.986	92.192	105.178
NAV 31.12.08	1.730	98.168	99.898

7. 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 2008, would have been € 11.940,33 against of which recorded provision is € 7.620.