



FÉDÉRATION INTERNATIONALE DE PHILATÉLIE

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A REVIEW OF THE FIP FINANCE, YEAR 2010 - 2015

Presented by Mr Tay Peng Hian, President of the FIP at the 74th FIP Congress held in Taipei on October 26, 2016

I am pleased to present to you a Summary of the FIP financial situation from 2010 to 2015, the 6-year period.

Slide 1: Revenue (excludes investment data) 2010 - 2015

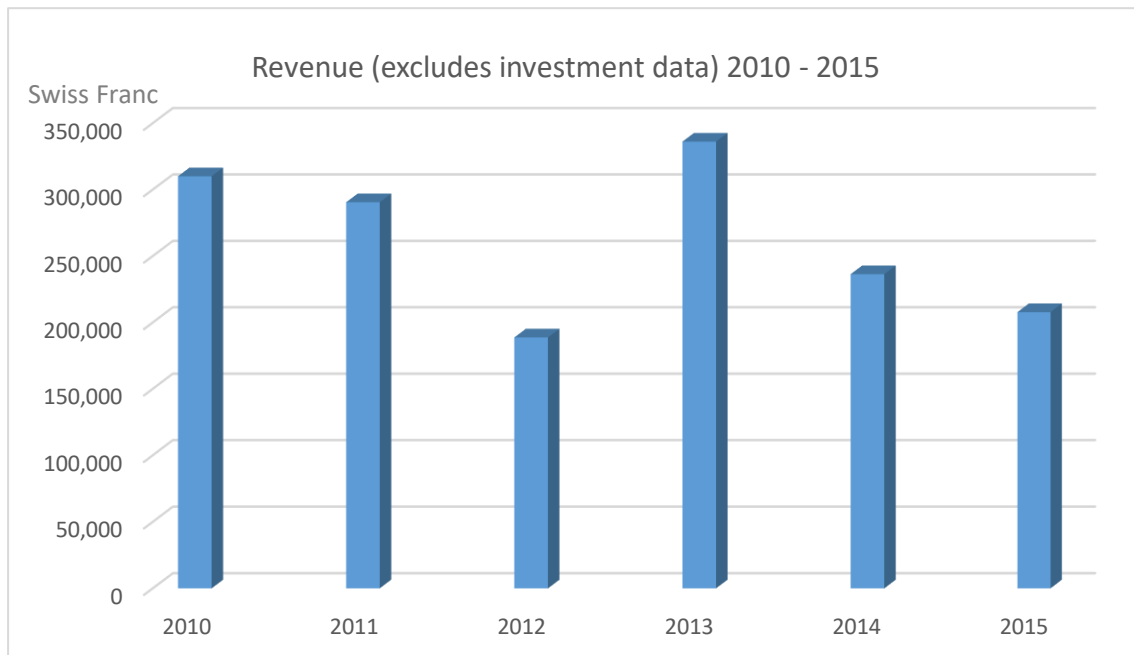


Table 1: Percentage of Income from Annual Membership and Patronage Fees

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenue Total (Swiss Franc) | 310,000 | 290,000 | 188,000 | 336,000 | 236,000 | 207,000 |
| (a) Annual membership fees | 121,000 | 120,000 | 116,000 | 115,000 | 120,000 | 117,000 |
| (b) Patronage fees | 152,000 | 162,000 | 71,000 | 198,000 | 109,000 | 85,000 |
| (a + b) Subtotal | 273,000 | 282,000 | 187,000 | 313,000 | 229,000 | 202,000 |
| (%) Subtotal over Revenue Total | 88.1% | 97.2% | 99.5% | 93.2% | 97.0% | 97.6% |

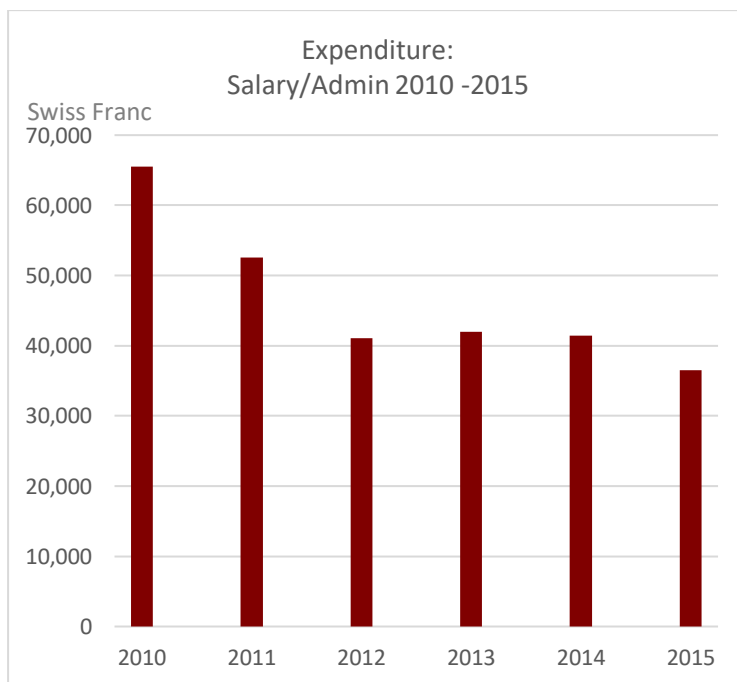
To sum up:

Membership fees stand alone at 45% over income. Patronage fees is at 50% over income. Membership fees of an average of 120,000 CHF per year is rather consistent year to year, whereas Patronage fees depend very much on whether we have one, two or three exhibitions in a year. Thus, revenue is very much affected by the intake of patronage fees. Please note that membership fees and patronage fees combined make up an average of 95% of our income.

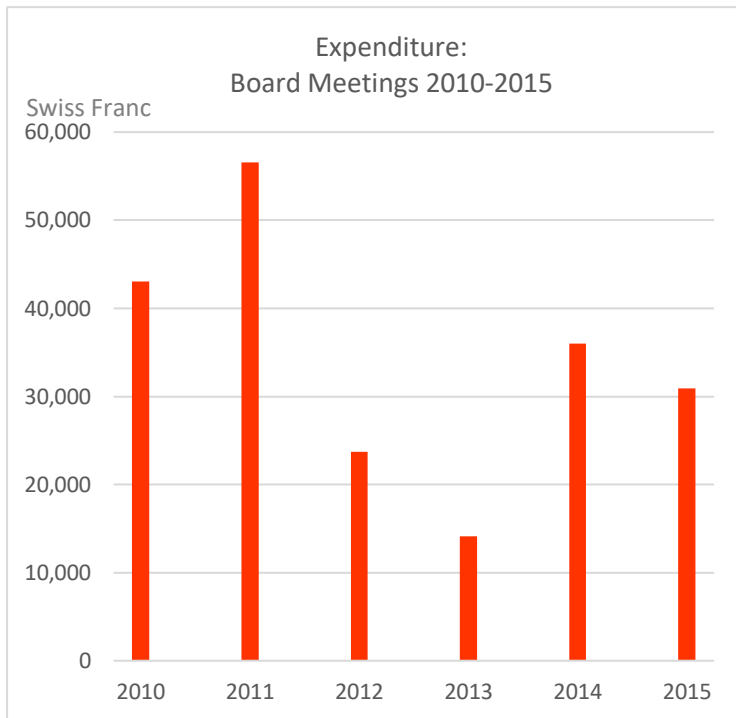
Slide 2: Expenditure 2010 – 2015

Our five main expenses are: (1) Salary/Administration, (2) Board Meetings, (3) Publications of FLASH, including postage and (4) Income taxes and (5) rent. You will notice that we spend less in Year 2012, 2014 and 2015. Why? Let's look at how much we spent on the 5 items:

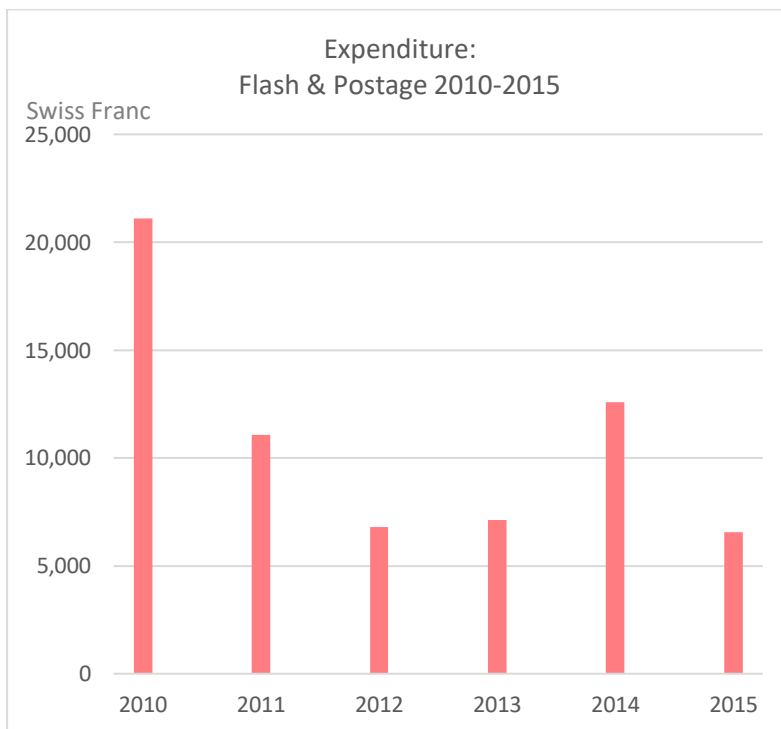
Slide 2a)



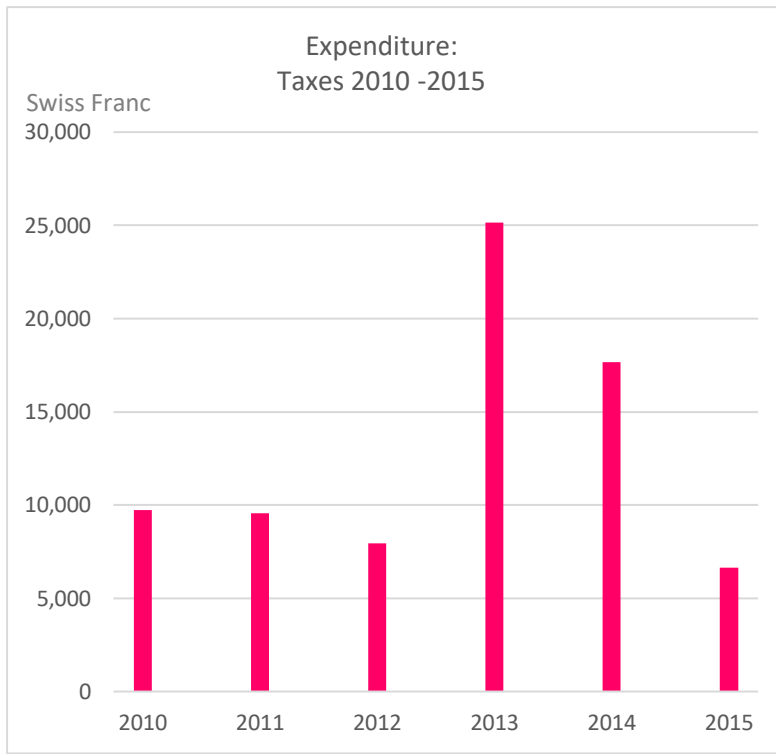
Slide 2b)



Slide 2c)



Slide 2d)



Slide 2e)

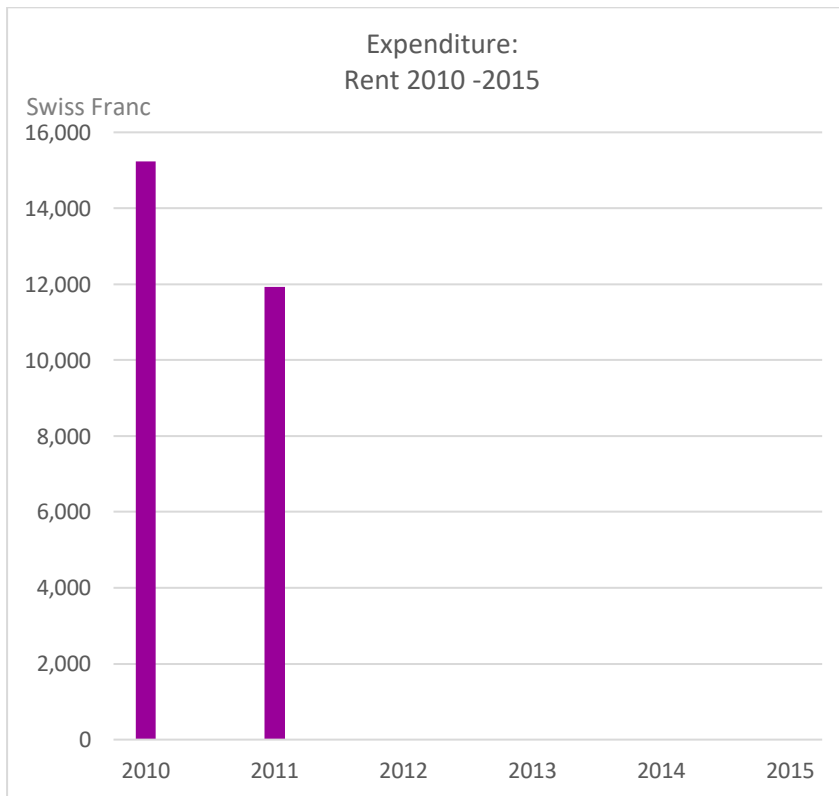


Table 2 Expenditure analysis of the 5 main expense items (in Swiss Franc)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Salary/Admin | 65,550 | 52,533 | 41,106 | 42,000 | 41,472 | 36,514 |
| Board Meetings | 43,067 | 56,541 | 23,726 | 14,097 | 35,972 | 30,912 |
| Flash & Postage | 21,092 | 11,060 | 6,811 | 7,136 | 12,580 | 6,561 |
| Taxes | 9,743 | 9,574 | 7,943 | 25,149 | 17,665 | 6,646 |
| Rent | 15,234 | 11,927 | 0 | 0 | 0 | 0 |
| Subtotal | 154,686 | 141,635 | 79,586 | 88,382 | 107,689 | 80,633 |
| Expenditure Total | 231,100 | 177,000 | 120,000 | 188,000 | 149,000 | 111,000 |
| % Subtotal over Expenditure Total | 67% | 80% | 66% | 47% | 72% | 73% |

Salary/Administration:

This is mainly to pay the salary and to cover office administration expenses. Just to refresh your memory, prior to 2010, FIP has to spend more than 120,000 CHF per year on this category, which is equivalent to our one year's collection of membership fees. We are spending TODAY some 35% only at an average of 42,000 CHF per year, ever since 5 years ago when I took over as FIP President and am in-charge of finance.

Board Meetings:

We usually hold 3 to 4 times of board meetings a year. By traditional practice, meetings are held when there are exhibitions, where the Organising Committee invite us and cover our travelling costs (such as economy air fare and lodging for 5 days). At times of necessity, we may have to call meetings at FIP's expense. This expense accounts for 20% of the total expenditure. I must take this opportunity to thank some Board members who attended the meetings absorbing the airfare and all Board members who did travel on the cheapest fares that they could find. Just imagine, on an average of 34,000 CHF spent a year on Board meetings, divided by 8 persons (7 Board Members + 1 Secretary General) gives 4256 CHF per person per year, or 1,400 CHF per person per meeting in a year (working on 3 meetings per year on FIP's budget) which covers the airfare and lodging.

Office Rent:

You will notice that we do not pay any more office rent since 2012. Why? How do we manage it?

I have looked through the financial status of FIP for the last 18 years. I noted that FIP has a rented office in Zurich which we paid around 36,000 CHF per year since Year 2000, then we paid around 16,000 CHF from 2008 to 2011, because we sub rent half of the space to the

Swiss Federation. When my Board and I took office in October 2010, we examined the whole situation and as we do not use the office at all and we do not see an immediate future need of an office in Zurich, we decided to stop renting the office. Of course, by doing so, we save 36,000 CHF a year on rental.

I would now like to present our investment scenario:

Slide 3 Investment

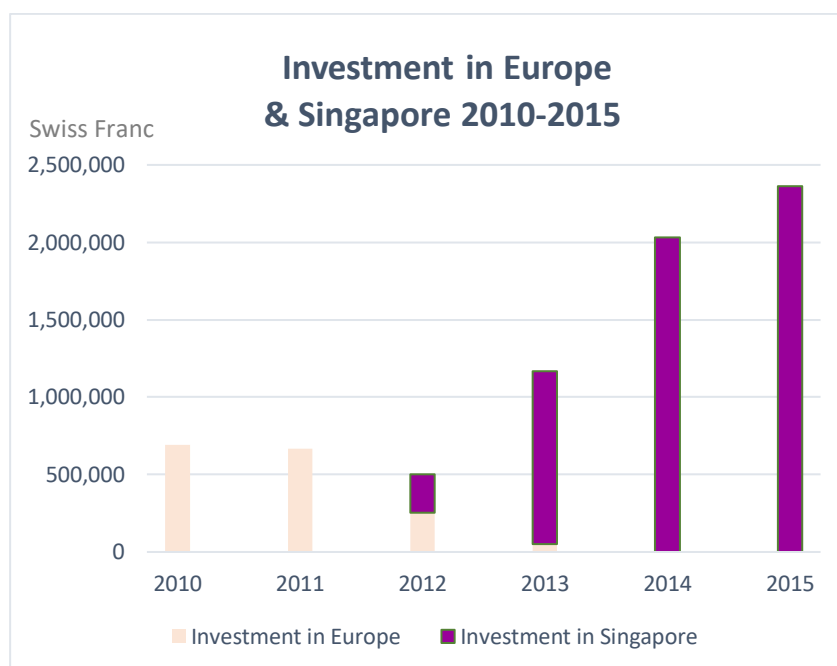


Table 3 Investment

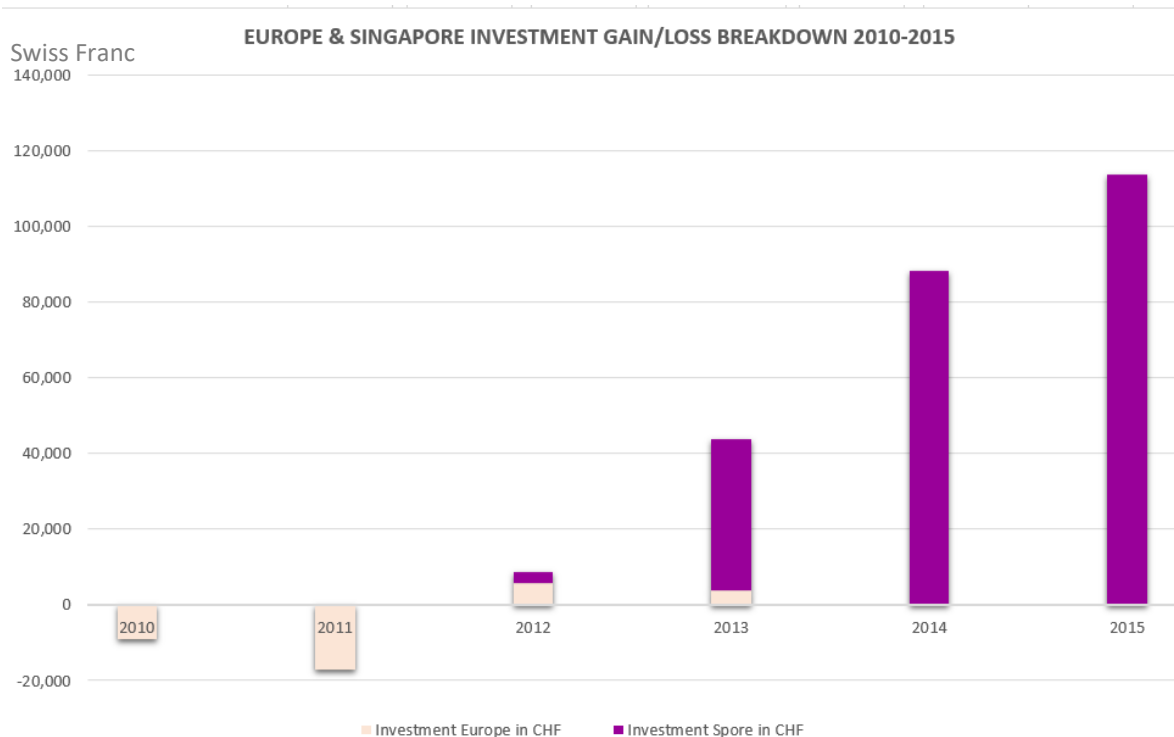
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------------------|----------------|----------------|----------------|------------------|------------------|------------------|
| Total investment in Europe (CHF) | 691,475 | 666,777 | 252,077 | 50,045 | 0 | 0 |
| Total investment in Singapore (CHF) | 0 | 0 | 251,656 | 1,117,004 | 2,033,334 | 2,363,411 |
| Total FIP Investment (CHF) | 691,475 | 666,777 | 503,733 | 1,167,049 | 2,033,334 | 2,363,411 |

Table 4 Investment gain/loss

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---------------|---------------|-------------|-------------|-------------|-------------|
| Investment gain/loss in Europe (CHF) | -8,928 | -17,086 | 5,809 | 3,799 | 0 | 0 |
| Investment gain/loss in Spore (CHF) | 0 | 0 | 2,817 | 39,958 | 88,134 | 113,806 |
| Total Investment gain/loss (CHF) | -8,928 | -17,086 | 8,626 | 43,757 | 88,134 | 113,806 |
| % Investment Yield (CHF) | -1.29% | -2.56% | 1.7% | 3.8% | 4.3% | 4.8% |
| Contributed by Singapore Investments | 0% | 0% | 33% | 91% | 100% | 100% |

During our Board meetings in 2010 and 2011, we studied our finance, and we realized that we were in a very tight financial situation. Our main income at that time depended on membership subscription and Patronage/Recognition fees. We were determined not to increase the membership fees for as long as we could, at least during my term as the FIP President. So we have to find a third main source of income, not only to improve our profitability and cash flow, but also to help us to maintain our goodwill to our members by not increasing their membership fees unnecessarily. This other income we could think of was naturally to the investment opportunity in the stock market. It was very discouraging to learn that we had incurred continuous capital loss in the European stock market: in 2007 (-8000 CHF), 2008 (-127,000 CHF), 2010 (-8,900 CHF) and 2011 (-17,000 CHF). As I had some experience in the stock market in Singapore, I was confident that we could achieve a consistent yield of 3.5% per annum or more with the right investment strategy. I sold the idea to my Board members, who gave me the 'go ahead' green light. Let me now go into the analysis of our investment gain/loss from 2010 – 2015:

Slide 4 Investment gain/loss 2010 -2015 Analysis



Slide 4 tells you our gain/loss in the investment. The beige boxes show the performance of our European market investments, with losses in 2010, 2011. The Singapore investment started around June 2012, with a modest gain, but climbed up significantly from Year 2013.

Table 5 Total Revenue (includes dividends and interests earned)

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---------|---------|---------|---------|---------|---------|
| Total Revenue (Swiss Franc) | 301,072 | 272,914 | 196,626 | 379,757 | 324,134 | 320,806 |
| Traditional Revenue | 310,000 | 290,000 | 188,000 | 336,000 | 236,000 | 207,000 |
| Dividends & interests earned from our Investment Policy | -8,928 | -17,086 | 8,626 | 43,757 | 88,134 | 113,806 |
| Percentage % | | | | | | |
| Dividends, etc over total revenue | -3% | -6% | 4% | 12% | 27% | 36% |

Conclusion:

Slide 5 Total Revenue (including investment gain/loss) vs Total Expenditure and Nett Profit 2010 -2015

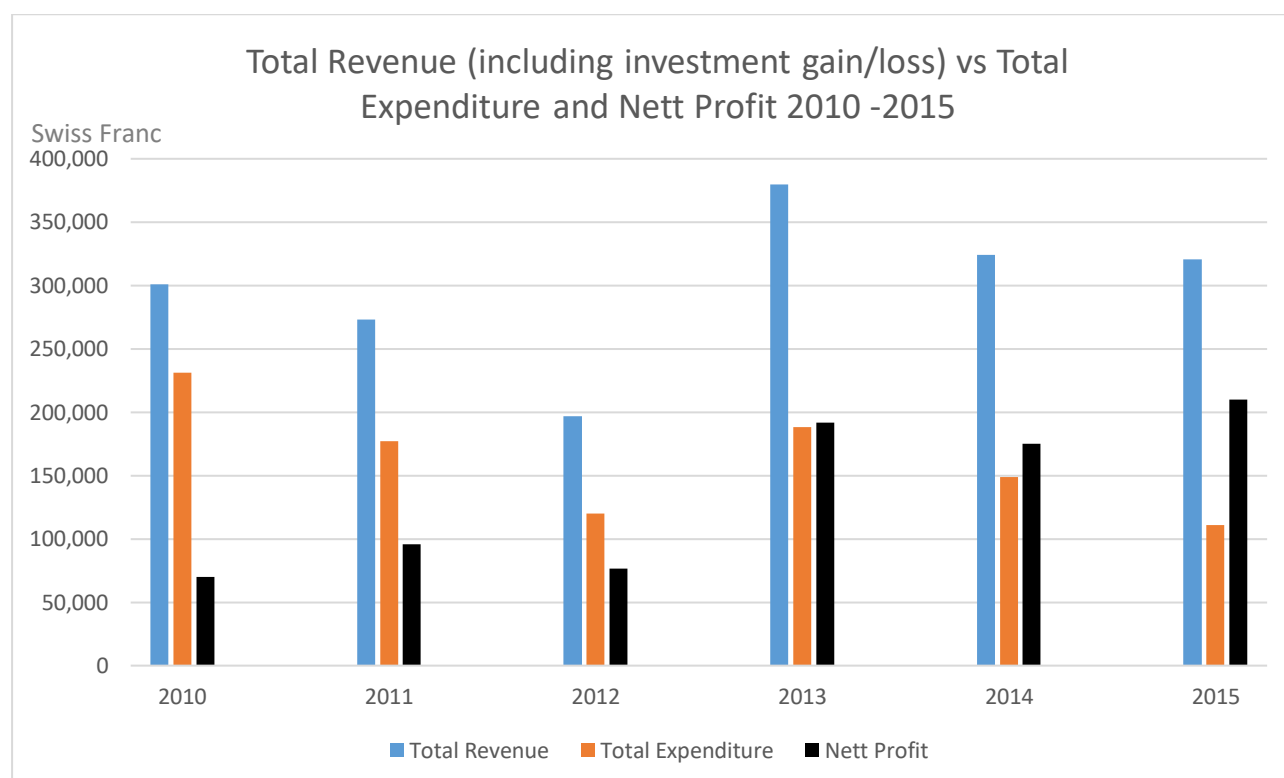


Table 6 Total Revenue (including investment gain/loss) vs Total Expenditure 2010 -2015

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------------------------|---------|---------|---------|---------|---------|---------|
| Total Revenue (CHF) | 301,072 | 272,914 | 196,626 | 379,757 | 324,134 | 320,806 |
| Total Expenditure (CHF) | 231,100 | 177,000 | 120,000 | 188,000 | 149,000 | 111,000 |
| Nett Profit (CHF) | 69,972 | 95,914 | 76,626 | 191,757 | 175,134 | 209,806 |
| % Nett Profit over Total Revenue | 23% | 35% | 39% | 50% | 54% | 65% |

1. You will see that FIP is in a very healthy financial state. We are profitable, yet at the same time, we are very conscious on our spending. We are consistently making a profit for the past 6 years. Our investment gain (that is, the dividends and interests earned) has given us an average yield of 4.5% per year since year 2013 (over our invested sum).
2. It is heartening to note that in the Year 2013 our nett profit (191,000 CHF) has exceeded the expenditure by some 2%, and last year, the margin gap raises to 89%.
3. The total nett profit achieved for the last 6 years amounting to a staggering figure of 820,000 CHF.
4. With such outstanding result, my Board of Directors and I are therefore very pleased to announce that your membership subscription remains unchanged for the next 2 years until Year 2018.
5. Furthermore, we have encouraging and good news for some of our member federations who are paying 625 CHF per annum to enjoy a better rate of 200 CHF, if they fulfil the following criteria:
 - a) They are currently paying 625 CHF.
 - b) They have no more than 4 exhibits receiving FIP vermeil or higher medals at FIP exhibitions with FIP patronage.
 - c) This special reduction rate will be applicable and valid for 3 years only.
 - d) The FIP board shall review this special reduced membership subscription rate at the close of the third year.
 - e) The said members shall have no voting rights in the FIP Congress.
6. I am sure you would like to know how we fare this year, financially. Well for January to September, the first 9 months, we have an income (including investment gain) of 345,000CHF (which is more than that of Year 2015 [320,000 CHF] by 7.5%), while we spent 107,000 CHF, that gives us a nett profit of 238,000 CHF which exceeds the Year 2015 figure of 209,806 CHF by 13%!
7. Finally, my Board of Directors and I would like to dedicate this rich financial bonus as a gift to FIP in celebration of its 90th birthday (1926 – 2016).

Thank you for your kind attention!

Presented by
Tay Peng Hian
President, FIP

October 26, 2016