

**Fédération Aéronautique Internationale
Lausanne**

**Report of the Statutory Auditors
to the General Conference
on the Financial Statements 2008**

17 June 2009/9/DDA/BDY0.0641680.001

Report of the statutory auditors
to the General Conference of
Fédération Aéronautique Internationale
Lausanne

As statutory auditor, we have audited the accompanying financial statements of the Fédération Aéronautique Internationale, which comprise the balance sheet, statement of income and expenditure, summary of significant accounting policies and notes to the financial statements for the year ended December 31, 2008.

Executive Board's Responsibility

The Executive Board is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the statutes. 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 Executive Board 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 December 31, 2008 comply with Swiss law and the statutes.

PricewaterhouseCoopers SA



Daniel Dupasquier
Audit expert
Auditor in charge



Didier Bridy
Audit expert

Lausanne, 17 June 2009

Enclosures:

Financial statements consisting of

- Balance sheet
- Statement of income and expenditure
- Summary of significant accounting policies
- Notes to the financial statements

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Balance sheet at December 31
(in Swiss Francs)

	Notes	2008	2007
Assets			
Current assets			
Cash and cash equivalents		2'802'712	2'332'640
Marketable securities			
- shares (market value CHF 269'125)		10'816	10'816
- bonds		0	321'452
Accounts receivable, net of provision of CHF 0 in 2008, CHF 3'000 in 2007		66'926	68'658
Prepaid expenses and other receivables		61'515	69'079
Inventory		20'072	4'278
		<u>2'962'040</u>	<u>2'806'923</u>
Fixed assets (net)			
Tangible fixed assets	2	7'068	13'493
Financial fixed assets - advance deposits		13'759	13'714
		<u>20'826</u>	<u>27'207</u>
Total assets		<u><u>2'982'867</u></u>	<u><u>2'834'130</u></u>
Liabilities and funds			
Current liabilities			
Accounts payable		10'451	27'457
Accrued expenses and provisions	5	343'201	414'119
		<u>353'652</u>	<u>441'576</u>
Funds			
Special reserves	3	1'428'390	1'167'368
Development and Innovation Fund	4	540'185	572'385
Operating funds, as per statement of income and expenditure		660'640	652'801
		<u>2'629'214</u>	<u>2'392'554</u>
Total liabilities and funds		<u><u>2'982'867</u></u>	<u><u>2'834'130</u></u>

**Statement of income and expenditure
for the year ended December 31
(in Swiss Francs)**

	Notes	2008	2007
Income			
Annual subscriptions			
from National Federations:			
FAI		949 014	998 800
Europe Airports		205 882	179 280
Financial net	6	0	76 459
Income from sponsorship		204 846	215 103
Safety supervision RBAR		91 569	107 588
Release of provision for unpaid subscriptions		11 598	0
Other income	7	40 162	50 866
		<u>1 503 070</u>	<u>1 628 096</u>
Expenditure			
Staff charges (and special provision)	8	804 972	696 356
General conference		19 188	14 073
Executive Board expenses		22 579	29 038
Travel expenses		33 103	27 500
Representation		13 513	22 506
Meetings		19 946	18 409
Office premises expenses		84 479	78 982
Correspondence, PR, Communications	9	38 628	63 214
Office supplies		12 689	12 744
Equipment maintenance		931	3 714
Insurance		47 148	51 067
Miscellaneous & unforeseen		9 978	11 104
Professional fees		30 638	36 351
Stock purchase		11 776	26 645
Transfer of subscriptions to Europe Airports		205 882	179 280
Depreciation	2	8 673	10 419
Financial net	6	68 983	0
Provision for unpaid subscriptions		0	19 798
Provision miscellaneous		0	5 000
Safety supervision RBAR		91 369	112 944
VAT non recoverable		3 556	7 440
Great Balloon race - reserve deleted		0	8 816
		<u>1 528 031</u>	<u>1 435 400</u>
Excess of income over expenditure for the year		<u>(24 961)</u>	<u>192 696</u>
ADD: Operating fund balances at beginning of year		<u>652 801</u>	<u>625 330</u>
		627 840	818 026
LESS: Transfer to Development and Innovation Fund	4	<u>(32 800)</u>	<u>165 225</u>
Operating fund balances at end of year		<u><u>660 640</u></u>	<u><u>652 801</u></u>

Year ended December 31, 2008

Summary of significant accounting policies

(a) Basis of accounting

FAI uses the accruals basis of accounting.

(b) Recognition of revenue and expenses

Expenses and revenues from subscriptions and calendar events are recognised during the year to which they relate.

Income from inventory sales is recognised at the date of sale.

(c) Marketable securities

Shares are stated at the lower of cost and market value, determined on an individual basis. Bonds which are to be held to maturity are recorded at the lower of historical cost and maturity value; exchange gains or losses arising from the revaluation of bonds denominated in foreign currencies to exchange rates ruling at the balance sheet date are taken to the statement of income. Unrealised exchange gains are deferred.

(d) Inventory

Inventory is stated at cost, determined on an individual basis, provision being made for any impairment.

(e) Development and Innovation Fund

The Development and Innovation Fund (DIF) was created in 2003 with a sum of CHF 386'564 transferred to FAI from the independent "International Fund". The Fund is used to promote, develop and support the objectives of the FAI, and especially to fund innovative projects, and is represented by designated cash and marketable securities. Each year the FAI Executive Board decides how to use the Fund and any proceeds therefrom.

(f) Foreign currency translation

The accounts are maintained in Swiss Francs. Transactions in other currencies are recorded at the average monthly rate. Monetary assets and liabilities held in other currencies are translated at year-end rates. Realised exchange gains and losses are taken to income and expenditure; unrealised exchange gains are deferred. Exchange gains and losses on the assets of the commissions are borne entirely by the operating funds of the FAI.

(g) Taxation

FAI has been granted exoneration from Swiss taxation on its income and net assets.

(h) Depreciation

The following rates, according to the straight line basis, are being used:

Furniture and equipment	10%
Office and data processing equipment	33%
Fixtures and fittings	10%

Year ended December 31, 2008

Notes to the financial statements

1. Activity

The "Fédération Aéronautique Internationale" (FAI - the World Air Sports Federation) is an institution established in Switzerland under the Swiss Civil Code. Its main aims include ballooning, power flying, gliding, helicopter flight, parachuting, aeromodelling, aerobatics, hang gliding, microlight flying, amateur building of aircraft, manpowered flying, paragliding and all other aeronautic sporting activities. They are conducted under the FAI Sporting Code.

2. Fixed Assets

	Furniture and equipment CHF	Office and data processing equipment CHF	Fixtures and fittings CHF	Total CHF
Cost				
As at January 1, 2007	50 330	116 540	20 583	187 453
Additions in year		(4 045)		(4 045)
Disposals in year				
As at December 31, 2007	<u>50 330</u>	<u>112 495</u>	<u>20 583</u>	<u>183 408</u>
Depreciation				
As at January 1, 2007	36 467	109 615	17 460	163 542
Disposals in year		(4 045)		(4 045)
Charge for the year	5 033	4 189	1 196	10 418
As at December 31, 2007	<u>41 500</u>	<u>109 759</u>	<u>18 656</u>	<u>169 915</u>
Net book value				
As at December 31, 2007	<u>8 830</u>	<u>2 736</u>	<u>1 927</u>	<u>13 493</u>
Cost				
As at January 1, 2008	50 330	112 495	20 583	183 408
Additions in year		1 440	808	2 248
Disposals in year		(4 968)		(4 968)
As at December 31, 2008	<u>50 330</u>	<u>108 967</u>	<u>21 391</u>	<u>180 689</u>
Depreciation				
As at January 1, 2008	41 500	109 759	18 656	169 915
Disposals in year		(4 968)		(4 968)
Charge for the year	5 033	2 444	1 196	8 673
As at December 31, 2008	<u>46 533</u>	<u>107 235</u>	<u>19 852</u>	<u>173 620</u>
Net book value				
As at December 31, 2008	<u>3 797</u>	<u>1 732</u>	<u>1 539</u>	<u>7 068</u>

The fire insurance value amounts to CHF 275'000 (CHF 275'000 in 2007).

Year ended December 31, 2008

Notes to the financial statements

3. Statement of changes in special reserves

The movements during the years 2007 and 2008, in special reserves, are summarised as follows :

	Balance at January 1, 2007 CHF	Funds received CHF	Amounts paid out CHF	Net Difference CHF	Balance at December 31, 2007 CHF
Commissions :					
- Hang Gliding (CIVL)	182 375	81 333	(74 867)	6 466	188 841
- Aeromodelling (CIAM)	82 151	41 786	(50 751)	(8 965)	73 186
- Ballooning (CIA)	81 132	23 840	(35 008)	(11 168)	69 964
- Microlight (CIMA)	25 663	10 737	(7 953)	2 785	28 448
- Gliding (IGC)	91 240	35 372	(31 908)	3 464	94 704
- Aerobatics (CIVA)	40 846	53 699	(15 607)	38 092	78 938
- General aviation (GAC)	49 037	0	(360)	(360)	48 677
- Rotorcraft (CIG)	13 750	3 084	(1 765)	1 319	15 069
- Parachuting (IPC)	253 614	175 081	(194 721)	(19 640)	233 974
- Amateur built & experimental aircraft (CIACA)	1 064	2 000	(294)	1 706	2 770
- Environmental	0	0	0	0	0
	820 872	426 932	(413 233)	13 699	834 571
ATMOS Project	27 192	0	(18 047)	(18 047)	9 145
Great Balloon Race	(8 816)	8 816	0	8 816	0
World Air Games	52 674	172 545	(98 827)	73 717	126 391
Olympic Movement Fund	89 254	24 141	(9 114)	15 027	104 281
World Grand Prix of Aviation	100 554	9 440	(17 014)	(7 574)	92 980
TOTAL	1 081 730	641 874	(556 235)	85 638	1 167 368

Year ended December 31, 2008

Notes to the financial statements

	Balance at January 1, 2008 CHF	Funds received CHF	Amounts paid out CHF	Net Difference CHF	Balance at December 31, 2008 CHF
Commissions :					
- Hang Gliding (CIVL)	188 841	137 923	(102 609)	35 315	224 156
- Aeromodelling (CIAM)	73 186	43 375	(46 244)	(2 869)	70 317
- Ballooning (CIA)	69 964	24 959	(11 314)	13 645	83 609
- Microlight (CIMA)	28 448	4 321	(4 928)	(607)	27 841
- Gliding (IGC)	94 704	45 938	(34 273)	11 665	106 369
- Aerobatics (CIVA)	78 938	58 405	(22 025)	36 380	115 318
- General aviation (GAC)	48 677	13 543	(4 498)	9 045	57 722
- Rotorcraft (CIG)	15 069	7 215	(5 376)	1 839	16 908
- Parachuting (IPC)	233 974	240 919	(164 683)	76 236	310 210
- Amateur built & experimental aircraft (CIACA)	2 770	0	0	0	2 770
-General Airsports (CASI)	0	2 000	0	2 000	2 000
- Environmental	0	0	0	0	0
	834 571	578 598	(395 949)	182 650	1 017 221
ATMOS Project	9 145	0	(9 145)	(9 145)	0
World Air Games	126 391	109 398	(30 624)	78 774	205 165
					0
Olympic Movement Fund	104 281	28 707	(27 915)	792	105 073
World Grand Prix of Aviation	92 980	20 187	(12 236)	7 951	100 931
TOTAL	1 167 368	736 890	(475 869)	261 022	1 428 390

Year ended December 31, 2008

Notes to the financial statements

4. Statement of Changes in Development and Innovation Fund (DIF)	2008	2007
	CHF	CHF
Fund balances at beginning of year	572 385	407 160
Net investment (from operating funds)	(32 800)	7 225
Refund sporting licence database	0	8 000
Investment from FAI reserves	599	150 000
DIF fund balances at end of year	<u>540 185</u>	<u>572 385</u>
5. Accrued Expenses and Provisions	2008	2007
	CHF	CHF
Accrued expenses	167 201	178 624
Provisions	176 000	141 000
Deferred unrealised exchange gains	0	94 495
	<u>343 201</u>	<u>414 119</u>
6. Financial - net	2008	2007
	CHF	CHF
Interest / dividend income	114 316	71 169
Interest from bank accounts; late payment penalties	12 308	13 596
	<u>126 625</u>	<u>84 765</u>
Bank and brokerage charges	5 573	8 306
Loss on marketable securities / exchange loss	190 035	0
	<u>195 608</u>	<u>8 306</u>
Financial - net income	<u>(68 983)</u>	<u>76 459</u>
7. Other income	2008	2007
	CHF	CHF
Sales of medals, badges, etc...	16 580	20 204
Sales of High Flyers books	213	969
Records homologation	20 800	24 400
Miscellaneous, incl. unused provisions	2 569	5 227
Sponsoring - centenary	0	66
	<u>40 162</u>	<u>50 866</u>
8. Staff charges	2008	2007
	CHF	CHF
Staff charges	667 757	579 123
Social charges	113 022	96 648
Other personnel costs - provision for staff benefits	24 193	20 585
	<u>804 972</u>	<u>696 356</u>

Year ended December 31, 2008

Notes to the financial statements

9. Correspondence, PR, Communication	2008 CHF	2007 CHF
Correspondence	22 938	22 786
Communications Strategy	729	1 171
Visual image - new logo	1 853	25 332
Internet	13 107	13 926
	<u>38 628</u>	<u>63 214</u>