

**Fédération Aéronautique Internationale
Lausanne**

**Report of the Statutory Auditors
to the General Conference
on the Financial Statements 2010**

8 August 2011/9/LDO/BDY55018259

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, 2010.

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

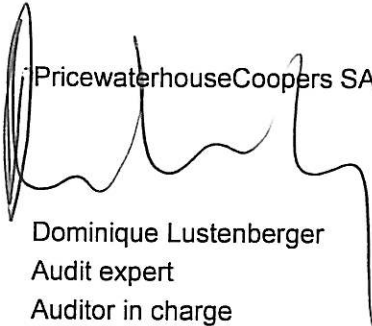
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material 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, 2010 comply with Swiss law and the statutes.

PricewaterhouseCoopers SA



Dominique Lustenberger
Audit expert
Auditor in charge



Didier Bridy
Audit expert

Lausanne, 8 August 2011

Enclosures:

Financial statements consisting of

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

Pages

2

3

4

5-9

(in Swiss Francs)

	Notes	2010	2009
Assets			
Current assets			
Cash and cash equivalents		2'637'985	3'256'736
Marketable securities			
- shares (market value CHF 318'697)		10'816	10'816
Accounts receivable, net of provision of CHF 9000 in 2010, CHF 196'753 in 2009		131'764	214'106
Prepaid expenses and other receivables		21'014	24'269
Inventory		14'315	17'677
		<u>2'815'894</u>	<u>3'523'604</u>
Fixed assets (net)			
Tangible fixed assets	2	880'556	3'835
Financial fixed assets - advance deposits		13'836	13'802
		<u>894'392</u>	<u>17'636</u>
Total assets		<u>3'710'286</u>	<u>3'541'240</u>
Liabilities and funds			
Current liabilities			
Accounts payable		24'547	33'707
Accrued expenses and provisions	5	338'334	386'894
		<u>362'880</u>	<u>420'601</u>
Funds			
Special reserves	3	1'557'737	1'416'917
Reserve MSI		460'000	460'000
Development and Innovation Fund	4	541'442	541'213
Operating funds, as per statement of income and expenditure		788'226	702'508
		<u>3'347'405</u>	<u>3'120'638</u>
Total liabilities and funds		<u>3'710'286</u>	<u>3'541'240</u>

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

	Notes	2010	2009
Income			
Annual subscriptions			
from National Federations:			
FAI		1 007 892	1 002 925
Europe Airports		139 793	199 119
Financial net	6	0	41 896
Income from sponsorship		495 699	649 819
Safety supervision RBAR		57 012	71 291
Release of provision for unpaid subscriptions		5 850	0
Other income	7	89 139	34 926
		<u>1 795 385</u>	<u>1 999 975</u>
Expenditure			
Staff charges (and special provision)	8	773 287	781 927
General conference		13 338	10 707
Executive Board expenses		46 980	33 937
Travel expenses		35 929	24 802
Representation		12 490	11 773
Meetings		40 382	28 907
Office premises expenses		79 955	77 476
Correspondence, PR, Communications	9	109 665	45 393
Office supplies		31 088	12 327
Equipment maintenance		11 571	1 493
Insurance		40 611	40 587
Miscellaneous		15 471	11 106
Moving costs		30 000	0
Professional fees		59 145	105 481
Litigation costs (TAS)		2 924	0
Stock purchase		78 505	7 246
Transfer of subscriptions to Europe Airports		139 793	199 119
Depreciation :	2	3 865	3 233
Financial net	6	77 088	0
Provision for unpaid subscriptions		10 000	12 825
Safety supervision RBAR		75 461	82 760
VAT non recoverable		282	5 879
Doping programme		0	100
IT/ Database		21 609	0
		<u>1'709'438</u>	<u>1'497'078</u>
Excess of income over expenditure for the year		85'947	502'896
LESS : Attribution to project "acquisition" MSI		0	460'000
Transfer to Development and Innovation Fund	4	229	1'028
Balance at disposal over operating fund for the year		85'717	41'868
ADD: Operating fund balances at beginning of year		702'508	660'640
Operating fund balances at end of year		788'226	702'508

Year ended December 31, 2010

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 operations 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, 2010

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	Office and data processing equipment	Fixtures and fittings	Total
	CHF	CHF	CHF	CHF
Cost				
As at January 1, 2009	50 330	108 967	21 391	180 688
Additions in year		808		808
Disposals in year		(32 307)	(808)	(33 115)
As at December 31, 2009	<u>50 330</u>	<u>77 468</u>	<u>20 583</u>	<u>148 382</u>

Depreciation

As at January 1, 2009	46 533	107 235	19 852	173 620
Disposals in year		(32 307)		(32 307)
Charge for the year	2 175	768	290	3 233
As at December 31, 2009	<u>48 708</u>	<u>75 696</u>	<u>20 142</u>	<u>144 546</u>

Net book value

As at December 31, 2009	<u>1 622</u>	<u>1 772</u>	<u>441</u>	<u>3 835</u>
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	Furniture and equipment	Office and data processing equipment	Fixtures and fittings	Building "MSI" Total	Total
	CHF	CHF	CHF	CHF	CHF
Cost					
As at January 1, 2010	50 330	77 468	20 583	0	148 382
Additions in year		118 865		800 000	918 865
Disposals in year					
As at December 31, 2010	<u>50 330</u>	<u>196 333</u>	<u>20 583</u>	<u>800 000</u>	<u>1 067 247</u>
Depreciation					
As at January 1, 2010	48 708	75 696	20 142		144 546
Disposals in year					
Charge for the year	1 622	40 083	440		42 144 *
As at December 31, 2010	<u>50 330</u>	<u>115 779</u>	<u>20 582</u>	<u>0</u>	<u>186 690</u>
Net book value					
As at December 31, 2010	<u>0</u>	<u>80 555</u>	<u>1</u>	<u>800 000</u>	<u>880 556</u>

The fire insurance value amounts to CHF 292'996 (CHF 292'996 in 2009).

* CHF 38'280.00 of the CHF 42'144 is supported by WAG reserve

Year ended December 31, 2010

Notes to the financial statements

3. Statement of changes in special reserves

The movements during the years 2009 and 2010, in special reserves, are summarised as follows :

	Balance at January 1, 2009 CHF	Funds received CHF	Amounts paid out CHF	Net Difference CHF	Balance at December 31, 2009 CHF
Commissions :					
- Hang Gliding (CIVL)	224 156	81 463	(74 938)	6 525	230 681
- Aeromodelling (CIAM)	70 317	43 540	(41 778)	1 762	72 079
- Ballooning (CIA)	83 609	16 320	(41 279)	(24 959)	58 650
- Microlight (CIMA)	27 841	15 693	(8 353)	7 340	35 181
- Gliding (IGC)	106 369	67 593	(30 203)	37 390	143 759
- Aerobatics (CIVA)	115 318	49 224	(39 933)	9 291	124 609
- General aviation (GAC)	57 722	7 891	(9 517)	(1 626)	56 096
- Rotorcraft (CIG)	16 908	6 009	(5 134)	875	17 783
- Parachuting (IPC)	310 210	123 292	(232 982)	(109 690)	200 520
- Amateur built & experimental aircraft (CIACA)	2 770	0	(717)	(717)	2 053
-General Airsports (CASI)	2 000	0	0	0	2 000
- Environmental	0	0	0	0	0
	1 017 221	411 025	(484 834)	(73 809)	943 413
World Air Games	205 165	163 850	(112 903)	50 947	256 112
Olympic Movement Fund	105 073	58 791	(47 401)	11 389	116 462
World Grand Prix of Aviation	100 931	0	0	0	100 931
TOTAL	1 428 390	633 666	(645 138)	(11 473)	1 416 917

Year ended December 31, 2010

Notes to the financial statements

	Balance at January 1, 2010 CHF	Funds received CHF	Amounts paid out CHF	Net Difference CHF	Balance at December 31, 2010 CHF
Commissions :					
- Hang Gliding (CIVL)	230 681	107 250	(86 474)	20 776	251 457
- Aeromodelling (CIAM)	72 079	45 232	(48 340)	(3 108)	68 971
- Ballooning (CIA)	58 650	55 816	(39 767)	16 049	74 699
- Microlight (CIMA)	35 181	5 416	(3 421)	1 994	37 175
- Gliding (IGC)	143 759	71 653	(44 503)	27 150	170 909
- Aerobatics (CIVA)	124 609	32 385	(35 755)	(3 370)	121 239
- General aviation (GAC)	56 096	6 831	(1 675)	5 156	61 252
- Rotorcraft (CIG)	17 783	700	(3 598)	(2 898)	14 885
- Parachuting (IPC)	200 520	176 735	(182 140)	(5 405)	195 115
- Amateur built & experimental aircraft (CIACA)	2 053	0	(138)	(138)	1 916
-General Airports (CASI)	2 000	0	0	0	2 000
- Environmental	0	0	0	0	0
	943 413	502 017	(445 811)	56 206	999 617
World Air Games	256 112	106 574	(43 121)	63 453	319 565
Olympic Movement Fund	116 462	21 162	0	21 162	137 624
World Grand Prix of Aviation	100 931	0	0	0	100 931
TOTAL	1 416 917	629 753	(488 932)	140 821	1 557 737

Year ended December 31, 2010

Notes to the financial statements

4. Statement of Changes in Development and Innovation Fund (DIF)	2010	2009
	CHF	CHF
Fund balances at beginning of year	541 213	540 185
Net investment (from operating funds)	229	1 028
Investment from FAI reserves	0	0
DIF fund balances at end of year	541 442	541 213
5. Accrued Expenses and Provisions	2010	2009
	CHF	CHF
Accrued expenses	95 899	190 894
Provisions	242 435	196 000
	338 334	386 894
6. Financial - net	2010	2009
	CHF	CHF
Interest / dividend income	14 599	33 236
Interest from bank accounts; late payment penalties	6 231	5 436
Gain on foreign exchange	0	12 152
	20 830	50 824
Bank and brokerage charges	9 341	8 928
Exchange loss	88 577	0
	97 918	8 928
Financial - net income	(77 088)	41 896
7. Other income	2010	2009
	CHF	CHF
Sales of medals, badges, etc...	60 508	10 052
Sales of High Flyers books	15	23
Records homologation	15 493	17 500
Miscellaneous, incl. unused provisions	13 123	7 351
	89 139	34 926
8. Staff charges	2010	2009
	CHF	CHF
Staff charges	662 054	651 549
Social charges	96 234	110 378
Other personnel costs - provision for staff benefits	15 000	20 000
	773 287	781 927

Year ended December 31, 2010

Notes to the financial statements

9. Correspondence, PR, Communication

	2010	2009
	CHF	CHF
Correspondence	18 012	26 837
Communications Strategy	77 310	140
Internet	14 343	18 415
	<u>109 665</u>	<u>45 393</u>