



***Fédération Aéronautique Internationale
Lausanne***

***Report of the statutory auditor
to the general conference
on the financial statements 2011***



Report of the statutory auditor
to the general conference of
Fédération Aéronautique Internationale
Lausanne

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Fédération Aéronautique Internationale, which comprise the balance sheet, statement of income and expenditure, summary of significant accounting policies and notes, for the year ended December 31, 2011.

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 law and 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, 2011 comply with Swiss law and the statutes.

PricewaterhouseCoopers SA

A large, stylized blue ink signature of Dominique Lustenberger, written over the company name.

Dominique Lustenberger
Audit expert
Auditor in charge

A smaller, stylized blue ink signature of Stacha Bamat.

Stacha Bamat
Audit expert

Lausanne, August 24, 2012

Enclosures:

Financial statements consisting of

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

Fédération Aéronautique Internationale, Lausanne

**Report of auditors
to the General Assembly**

Financial statements 2011

(in Swiss Francs)

	Notes	2011	2010
Assets			
Current assets			
Cash and cash equivalents		2 206 816	2 637 985
Marketable securities			
- shares (market value CHF 391'470 in 2011; CHF 318'697 in 2010)		10 816	10 816
Accounts receivable, net of provision of CHF 10'271 in 2011; CHF 9'000 in 2010		36 227	131 764
Prepaid expenses and other receivables		225 478	21 014
Inventory		10 726	14 315
		2 490 063	2 815 894
Fixed assets (net)			
Tangible fixed assets	2	2 148 033	880 556
Financial assets - advance deposits		0	13 836
		2 148 033	894 392
Total assets		4 638 096	3 710 286
Liabilities and funds			
Current liabilities			
Accounts payable		20 174	24 547
Other debts - EA		2 308	0
Accrued expenses and provisions	5	300 149	338 334
		322 630	362 881
Long term liabilities			
Mortgage loan		1 194 000	0
Funds			
Special reserves	3	1 539 039	1 557 737
Reserve MSI		430 000	460 000
Development and Innovation Fund	4	541 469	541 442
Operating funds, as per statement of income and expenditure		610 959	788 226
		3 121 466	3 347 405
Total liabilities and funds		4 638 096	3 710 286

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

Notes	2011			2010
	Sports Operations	HO Operations	FAI	
TOTAL INCOME	323 859	1 290 218	1 614 077	1 670 572
Membership Revenues	0	1 163 273	1 163 273	1 007 892
Subscriptions	0	1 006 774	1 006 774	1 007 892
EA Subscriptions	0	156 499	156 499	139 793
Competition Revenues	290 194	3 228	293 422	60 508
Sanction Fee - WAG	0	2 970	2 970	0
Sanction Fee - World Champ	51 630	0	51 630	0
Sanction Fee - Continental Champ	97 475	0	97 475	0
Sanction Fee - ASC Challenge / Cat 2 Events	91 232	258	91 491	0
Sale of Championship Medals	28 864	0	28 864	60 508
Other: Protest Fees, Online Contest	20 992	0	20 992	0
Commercial Revenues	33 083	38 448	71 531	563 900
Merchandising (Textile, badges, pin's etc ...)	29 107	6 435	35 542	2 425
Sponsors (Incl Value-In-Kind - VIK)	0	25 984	25 984	552 711
TV / Media Rights	0	5 830	5 830	8 698
Licensing - Royalties (Incl Equipment)	3 084	200	3 284	0
Donations	893	0	893	67
Financial Income	6	0	9 406	20 830
Other Income	7	582	75 862	17 442
TOTAL EXPENDITURE	314 725	1 467 459	1 782 184	1 584 626
Administration Expenses	29 439	1 070 365	1 099 804	1 106 634
Salaries & Social Charges	8	0	839 161	758 288
Staff Expenses	8	0	1 542	15 000
General Administration		1 376	158 162	248 727
Management Fees		22 503	30 546	59 145
Depreciation	2	5 051	39 489	3 865
Special Projects		509	1 465	21 609
Operating Expenses	272 503	102 931	375 434	229 033
General Conference + NAC Meeting		6 597	16 233	22 831
Executive Board + ASCP		15 538	40 675	56 213
ASC Plenaries, Meetings & WGs		59 530	41 128	100 657
Expert Groups		2 433	482	2 915
Other FAI Bodies (SWG, FRTF, ...)		143	132	275
WAG - World Air Games		1 710	205	1 915
World Games & other Multi-Sports Events		0	1 651	1 651
FAI - World Championships		71 238	0	71 238
FAI - Continental Championships		91 432	1 168	92 600
FAI - World Series		94	0	94
FAI - ASC Challenges		6 918	773	7 691
Other Events		0	483	483
Development Programs		16 871	0	16 871

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

	Notes	2011			2010
		Sports Operations	HO Operations	FAI	
Marketing / Communication		4 477	60 686	65 163	135 754
Merchandising		1 013	5 887	6 900	23 367
Performance Awards & Diplomas		1 036	3 693	4 729	0
Subscriptions to Associations		0	8 679	8 679	7 259
Printing / Advertising / News		1 818	8 732	10 550	25 098
Graphic Design		0	20 454	20 454	75 000
Public Relations		0	7 500	7 500	2 720
TV Production		610	5 742	6 352	2 310
Financial Costs	6	4 210	25 220	29 430	9 342
Bank Charges		4 210	3 874	8 084	8 394
Investment Management Charges		0	1 066	1 066	948
Interest on Bank Loan (MSI Office)		0	20 280	20 280	0
Others		4 096	208 256	212 352	103 863
Exceptional Charges		4 096	31 430	35 526	11 136
Provision for unpaid subscription		0	4 271	4 271	4 150
Foreign exchange	6	0	16 056	16 056	88 577
EA Subscriptions		0	156 499	156 499	139 793
EXCESS OF INCOME OVER EXPENDITURE		9 134	(177 240)	(168 107)	85 947
LESS: transfer to the special reserves		(9 134)	0	(9 134)	0
LESS: transfer to Development and Innovation Fund	4	0	27	27	230
Balance at disposal over operating fund for the year		0	(177 267)	(177 267)	85 717
ADD: operating fund balances at beginning of year				788 226	702 509
Operating fund balances at end of year				610'959	788'226

Year ended December 31, 2011

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, 2011

(i) Building "MSI"

FAI bought its administrative offices building in 2011 for a gross amount of CHF 2.1mio. Depreciation is calculated at the rate of 2% per annum on the gross book value. FAI took out a mortgage of 1.2mio to finance this purchase.

Decision taken to dissolve the reserve MSI over a period, until the reserve is CHF 100'000. This amount will then be kept as a Renovation fund.

Fédération Aéronautique Internationale, Lausanne

Year ended December 31, 2011

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. Tangible fixed Assets

	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, 2011	50 330	196 334	20 583	800 000	1 067 247
Additions in year	14 011	42 691	21 446	1 272 149	1 350 297
Disposals in year	0	0	0	0	0
As at December 31, 2011	<u>64 341</u>	<u>239 025</u>	<u>42 029</u>	<u>2 072 149</u>	<u>2 417 544</u>
Depreciation					
As at January 1, 2011	50 330	115 779	20 582	0	186 691
Disposals in year	0	0	0	0	0
Charge for the year	1 401	49 274	2 145	30 000	82 820 *
As at December 31, 2011	<u>51 731</u>	<u>165 053</u>	<u>22 727</u>	<u>30 000</u>	<u>269 511</u>
Net book value					
As at December 31, 2011	<u>12 610</u>	<u>73 972</u>	<u>19 302</u>	<u>2 042 149</u>	<u>2 148 033</u>

The fire insurance value, without the building that is assumed by the PPE, amounts to CHF 292'996 (CHF 292'996 in 2010).

* CHF 38'280.00 of the CHF 79'764 is supported by WAG reserve

	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	0	118 865	0	800 000	918 865
Disposals in year	0	0	0	0	0
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	0	144 546
Disposals in year					
Charge for the year	1 622	40 083	440	0	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, 2011

Notes to the financial statements

3. Statement of changes in special reserves

The movements during the years 2010 and 2011 in special reserves, are summarised as follows :

	Balance at January 1, 2011 CHF	Funds received CHF	Amounts paid out CHF	Net Difference CHF	Balance at December 31, 2011 CHF
Commissions :					
- Hang Gliding (CIVL)	251 457	73 979	(54 972)	19 008	270 465
- Aeromodelling (CIAM)	68 971	44 183	(45 932)	(1 749)	67 222
- Ballooning (CIA)	74 699	26 240	(6 473)	19 767	94 465
- Microlight (CIMA)	37 175	0	(4 812)	(4 812)	32 363
- Gliding (IGC)	170 909	48 630	(44 239)	4 392	175 301
- Aerobatics (CIVA)	121 239	44 958	(55 556)	(10 598)	110 641
- General aviation (GAC)	61 252	7 464	(5 849)	1 615	62 867
- Rotorcraft (CIG)	14 885	540	(3 574)	(3 034)	11 851
- Parachuting (IPC)	195 115	77 864	(101 490)	(23 626)	171 489
- Amateur built & experimental aircraft (CIACA)	1 916	0	0	0	1 916
- Airspace and Navigation System (CANS)	0		(245)	(245)	(245)
-Aviation and Space Education (CIEA)	0		(464)	(464)	(464)
- Medical (CIMP)	0	531	(2 202)	(1 671)	(1 671)
-General Airports (CASI)	2 000	0	0	0	2 000
	999 617	324 390	(325 807)	(1 417)	998 201
World Air Games	319 565	0	(38 280)	(38 280)	281 285
Olympic Movement Fund	137 624	21 492	(494)	20 998	158 622
World Grand Prix of Aviation	100 931	0	0	0	100 931
TOTAL	1 557 737	345 882	(364 581)	(18 699)	1 539 039

Year ended December 31, 2011

Notes to the financial statements

	Balance at January 1, 2010	Funds received	Amounts paid out	Net Difference	Balance at December 31, 2010
	CHF	CHF	CHF	CHF	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
	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, 2011

Notes to the financial statements

4. Statement of Changes in Development and Innovation Fund (DIF)	2011 CHF	2010 CHF
Fund balances at beginning of year	541 442	541 213
Net investment (from operating funds)	27	229
DIF fund balances at end of year	<u>541 469</u>	<u>541 442</u>

5. Accrued Expenses and Provisions	2011 CHF	2010 CHF
Accrued expenses	244 253	95 899
Provisions	55 895	242 435
	<u>300 148</u>	<u>338 334</u>

6. Financial - net	2011 CHF	2010 CHF
Interest / dividend income	6 477	14 599
Interest from bank accounts; late payment penalties	2 929	6 231
Gain on foreign exchange	0	0
	<u>9 406</u>	<u>20 830</u>
Bank and brokerage charges	9 150	9 341
Interest on mortgage loan	20 280	0
Exchange loss	16 056	88 577
	<u>45 486</u>	<u>97 918</u>
Financial - net income	<u>(36 080)</u>	<u>(77 088)</u>

7. Other income	2011 CHF	2010 CHF
Records homologation	11 900	15 493
Release of MSI provision	30 000	0
Office rental	29 689	0
Miscellaneous, incl. unused provisions	4 856	1 949
	<u>76 445</u>	<u>17 442</u>

8. Staff charges	2011 CHF	2010 CHF
Staff charges	724 220	662 054
Social charges	114 941	96 234
Other personnel costs - provision for staff benefits	1 542	15 000
	<u>840 703</u>	<u>773 287</u>

9. Other information

For comparative purposes, the 2010 figures of the Statement of income have been restated. There is no impact on the result 2010.