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To the General Meeting of
Fédération Aéronautique Internationale
Lausanne

**Report of the Auditor
on the Financial Statements for the year 2017**

(for the year ended 31.12.2017)

24 August 2018
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RMB/VHA/pvr

REPORT OF THE STATUTORY AUDITOR

To the General Meeting of Fédération Aéronautique Internationale, Lausanne

Report of the Auditor on the Financial Statements

On your instructions, we have audited the financial statements of Fédération Aéronautique Internationale, which comprise the balance sheet, the income statement and notes for the year ended 31 December 2017.

Board' Responsibility

The Board is responsible for the preparation of these financial statements in accordance with the requirements of Swiss law. 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 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 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 31 December 2017 comply with Swiss law.

Other Information

The prior year corresponding figures were audited by another auditor who issued an unmodified opinion.

Lausanne, 24 August 2018

BDO Ltd

René-Marc Blaser
Licensed Audit Expert

pp Valmir Haxhosaj
Licensed Audit Expert
Auditor in Charge

Enclosures

Financial statements (balance sheet, income statement and notes)

(in Swiss Francs)

	Notes	2017	2016
Assets			
Current assets			
Cash and cash equivalents		1 569 224	1 577 662
Marketable securities			
- shares (market value CHF 445'902 in 2017; CHF 373'055 in 2016)		10 816	10 816
Accounts receivables due from members, net of provision of CHF 19'309 in 2017; CHF 19'957 in 2016		55 695	51 792
Other receivables from third parties		24 167	25 458
Inventories		30 258	39 836
Accrued income and prepaid expenses		90 160	49 704
Total current assets		1 780 319	1 755 267
Non-current assets			
Financial assets - FAME&IPETA	8	69 139	72 862
Property, plant and equipment	2	1 827 027	1 869 957
Intangible fixed assets	3	203 959	163 306
Total non-current assets		2 100 125	2 106 126
Total assets		3 880 444	3 861 393
Liabilities			
Short-term liabilities			
Accounts payable due to third parties		39 928	5 708
Other short term liabilities		85 958	87 466
Accrued expenses		338 328	256 955
Short-term provisions	7	92 391	80 862
Total short term liabilities		556 605	430 991
Long term liabilities			
Long-term interest-bearing liabilities due to third party		1 110 115	1 128 153
Equity			
Special reserves	4	1 608 158	1 330 725
Reserve MSI		190 000	230 000
Development and Innovation Fund	6	39 110	239 297
Operating fund balances at end of year		376 456	502 227
Total Equity		2 213 724	2 302 249
Total liabilities	12	3 880 444	3 861 393

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

	Notes	2017 Actual	2016
Membership Revenues - Subscriptions	5	990 219	1 031 232
Commercial Revenues		458 989	393 003
Marketing / Communication Expenses		(392 032)	(603 907)
Operating Expenses		(517 296)	(360 576)
Administration Expenses		(1 498 351)	(1 423 857)
Salaries & Social Charges	11	(1 026 762)	(992 854)
General Administration		(217 791)	(202 984)
Management Fees		(96 908)	(65 301)
Depreciation & impairment on assets	2	(112 441)	(95 713)
Special Projects		(44 449)	(67 005)
RESULT OF FAI's ACTIVITIES		(958 471)	(964 104)
Competition Revenues		593 608	486 492
Operating Expenses related to Competition revenues		(242 902)	(246 146)
(Allocation) / dissolution to/from Special Reserves Commissions	4	(41 567)	(100 928)
RESULT OF FAI's COMPETITIONS (*)		309 139	139 418
Financial Income	9	37 073	7 689
Financial Costs	9	(50 224)	(54 776)
Other Income	10	215 370	87 707
Exceptional Charges / Revenues		(19 315)	(50 461)
RESULT OF FAI's OTHER ACTIVITIES		182 904	(9 842)
Dissolution Special Reserves			
WAG Reserve		100 000	134 000
Olympic Movement Fund		62 000	25 000
Dissolution Reserve MSI			
MSI Reserve		40 000	40 000

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

	Notes	2017 Actual	2016
Dissolution Development and Innovation Fund	6	200 000	300 000
		187	133
Allocation to WAG Reserve		(100 000)	
Dissolution Provision - Sport Development		28 471	21 529
Dissolution Other Provisions			
Other provision		10 000	186 504
Foreing Exchange reserve		0	9 631
NET RESULT FOR THE YEAR		(125 771)	(117 731)
(*) HQ operating costs are not included in these costs			
Statement of change in operating fund balance		2017	2016
Operating fund balances at beginning of year		502 227	619 958
Allocation / dissolution to operating fund for the year		(125 771)	(117 731)
Operating fund balances at end of year		376 456	502 227

Year ended December 31, 2017

Summary of significant accounting policies

(a) Basis of accounting

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO, effective since 1 January 2013). Significant balance sheet items are accounted for as follows. For comparative purposes, prior year figures have been reclassified. These changes have no impact on income and equity for the comparative period

(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) 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.

(f) Taxation

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

(g) 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%
Intangible fixed assets :	10% or 33%

Year ended December 31, 2017

Summary of significant accounting policies

(h) 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, 2017

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, drones, 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

2017

	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, 2017	69 843	203 062	42 029	2 072 149	2 387 082
Additions in year	0	7 367	0	0	7 367
Disposals in year	0	0	0	0	0
As at December 31, 2017	69 843	210 429	42 029	2 072 149	2 394 449
Depreciation					
As at January 1, 2017	60 521	193 152	33 452	230 000	517 124
Disposals in year	0	0	0	0	0
Charge for the year	1 951	6 202	2 145	40 000	50 298
	62 472	199 354	35 596	270 000	567 422
Net book value					
As at December 31, 2017	7 371	11 075	6 433	1 802 149	1 827 027

2016

	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, 2016	69 843	199 114	42 029	2 072 149	2 383 134
Additions in year	0	3 948	0	0	3 948
Disposals in year	0	0	0	0	0
As at December 31, 2016	69 843	203 062	42 029	2 072 149	2 387 081
Depreciation					
As at January 1, 2016	58 570	183 973	31 307	190 000	463 849
Disposals in year	0	0	0	0	0
Charge for the year	1 951	9 179	2 145	40 000	53 275
As at December 31, 2016	60 521	193 152	33 452	230 000	517 124
Net book value					
As at December 31, 2016	9 322	9 910	8 577	1 842 149	1 869 958

Year ended December 31, 2017

Notes to the financial statements

3. Intangible fixed assets

2017

	IT Software Data	Website & video prod.	Activation Guide	Trade- marks	Total
	CHF	CHF	CHF	CHF	CHF
Cost					
As at January 1, 2017	179 500	0	0	58 070	237 570
Additions in year	4 785	84 455	0	9 833	99 073
Disposals in year	0	0	0	0	0
As at December 31, 2017	184 285	84 455	0	67 903	336 643
Depreciation					
As at January 1, 2017	71 800	0	0	2 464	74 264
Disposals in year	0	0	0	0	0
Charge for the year	35 900	14 076	0	8 445	58 421
As at December 31, 2017	107 700	14 076	0	10 909	132 684
Net book value					
As at December 31, 2017	76 585	70 379	0	56 994	203 959

2016

	IT Software Data	Website	Activation Guide	Trade- marks	Total
	CHF	CHF	CHF	CHF	CHF
Cost					
As at January 1, 2016	179 500	0	10 000	0	189 500
Additions in year	0	0	0	58 070	58 070
Disposals in year	0	0	(10 000)	0	(10 000)
As at December 31, 2016	179 500	0	0	58 070	237 570
Depreciation					
As at January 1, 2016	35 900	0	10 000	0	45 900
Disposals in year	0	0	(10 000)	0	(10 000)
Charge for the year	35 900	0	0	2 464	38 364
As at December 31, 2016	71 800	0	0	2 464	74 264
Net book value					
As at December 31, 2016	107 700	0	0	55 606	163 306

Year ended December 31, 2017

Notes to the financial statements

4. Statement of changes in special reserves

The movements during the years 2016 and 2017 in special reserves, are summarised as follows :

<u>2017</u>	Balance at				Balance at
	January 1, 2 017	Funds received	Amounts paid out	Net Difference	December 31, 2 017
	CHF	CHF	CHF	CHF	CHF
Commissions :					
- Hang Gliding (CIVL)	264 554	72 558	(61 685)	10 873	275 428
- Aeromodelling (CIAM)	86 955	47 269	(38 742)	8 527	95 482
- Ballooning (CIA)	173 120	30 629	(11 458)	19 170	192 290
- Microlight (CIMA)	66 657	13 572	(12 266)	1 307	67 964
- Gliding (IGC)	131 079	50 672	(41 317)	9 354	140 433
- Aerobatics (CIVA)	102 847	37 674	(48 339)	(10 665)	92 182
- General aviation (GAC)	58 538	7 630	(1 674)	5 956	64 494
- Rotorcraft (CIG)	22 035	725	(2 660)	(1 935)	20 101
- Parachuting (IPC)	216 460	99 003	(95 327)	3 676	220 135
- Amateur built & experimental aircraft (CIACA)	(5 380)	0	(2 043)	(2 043)	(7 423)
- Airspace and Navigation					
- Medical (CIMP)	(15 167)	0	(2 654)	(2 654)	(17 821)
-General Airports (CASI)	1 501			0	1 501
	<u>1 103 199</u>	<u>359 731</u>	<u>(318 164)</u>	<u>41 567</u>	<u>1 144 766</u>
Alvaro de Orleans Borbon Fund	0	297 865	0	297 865	297 865
World Air Games	22 016	100 000	(100 000)	0	22 016
Olympic Movement Fund	104 579	0	(62 000)	(62 000)	42 579
World Grand Prix of Aviation	100 931	0	0	0	100 931
TOTAL	<u>1 330 725</u>	<u>757 596</u>	<u>(480 164)</u>	<u>277 432</u>	<u>1 608 157</u>

<u>2016</u>	Balance at				Balance at
	January 1, 2 016	Funds received	Amounts paid out	Net Difference	December 31, 2 016
	CHF	CHF	CHF	CHF	CHF
Commissions :					
- Hang Gliding (CIVL)	231 912	68 149	(35 506)	32 643	264 554
- Aeromodelling (CIAM)	79 978	61 491	(54 514)	6 977	86 955
- Ballooning (CIA)	143 355	48 638	(18 873)	29 765	173 120
- Microlight (CIMA)	54 629	23 421	(11 393)	12 028	66 657
- Gliding (IGC)	140 021	38 097	(47 039)	(8 942)	131 079
- Aerobatics (CIVA)	96 763	40 802	(34 718)	6 084	102 847
- General aviation (GAC)	57 292	12 818	(11 572)	1 246	58 538
- Rotorcraft (CIG)	24 787	7 350	(10 102)	(2 752)	22 035
- Parachuting (IPC)	194 505	144 147	(122 192)	21 955	216 460
- Amateur built & experimental aircraft (CIACA)	(8 329)	7 000	(4 051)	2 949	(5 380)
- Airspace and Navigation					
- Medical (CIMP)	(14 142)	0	(1 025)	(1 025)	(15 167)
-General Airports (CASI)	1 501		0	0	1 501
	<u>1 002 271</u>	<u>451 913</u>	<u>(350 985)</u>	<u>100 928</u>	<u>1 103 199</u>
World Air Games	156 016	0	(134 000)	(134 000)	22 016
Olympic Movement Fund	129 579	0	(25 000)	(25 000)	104 579
World Grand Prix of Aviation	100 931	0	0	0	100 931
TOTAL	<u>1 388 797</u>	<u>451 913</u>	<u>(509 985)</u>	<u>(58 072)</u>	<u>1 330 725</u>

Fédération Aéronautique Internationale, Lausanne

Year ended December 31, 2017

Notes to the financial statements

5. Membership Revenues - Subscriptions	2017	2016
	CHF	CHF
Total Subscriptions	1 006 491	1 048 107
Loss on Members Debtors	(30 092)	(24 626)
Allocation provision sur débiteurs	0	0
Dissolution provisions sur débiteurs	6 120	7 752
Total Membership Revenues	982 519	1 031 232
6. Statement of Changes in Development and Innovation Fund (DIF)	2017	2016
	CHF	CHF
Fund balances at beginning of year	239 297	539 430
Net investment (from operating funds)	(187)	(133)
Dissolution reserve	(200 000)	(300 000)
DIF fund balances at end of year	39 110	239 297
7. Short term provisions	2017	2016
	CHF	CHF
Staff benefit	25 468	25 468
	10 200	10 200
Air Sport Development	0	28 471
Partnership	50 000	0
Printing sport descriptions	0	10 000
Unrealized foreign exchange difference	6 723	6 723
	92 391	80 862
8. FAME /IPETA	2017	2016
	CHF	CHF
Investment of 100% in FAI Air Sports Marketing & Events SA, Lausanne (Share capital: KCHF 100)	86 700	86 700
./. Provision	(47 500)	(45 000)
Loan to FAME Ltd	0	0
Investment of 100% IPETA Ltd	5	5
Loan to IPETA Ltd	54 132	54 132
./. Provision	(24 198)	(22 975)
	69 139	72 862
9. Financial - net	2017	2016
	CHF	CHF
Interest / dividend income	5 884	5 576
Interest from bank accounts; late payment penalties	1 598	1 154
Gain on foreign exchange	29 592	958
	37 073	7 689
Bank and brokerage charges	6 159	5 818
Interest on mortgage loan	37 863	38 369
Exchange loss	6 202	10 590
	50 224	54 776
Financial - net result	(13 151)	(47 088)
10. Other income	2017	2016
	CHF	CHF
Records homologation	31 881	35 038
Office rental	39 840	39 840
CIA settling loss on CIA planary cost of 2007 taken from WAG incomes	0	19 451
Miscellaneous	143 649	(6 622)
	215 370	87 707

Year ended December 31, 2017

Notes to the financial statements

11. Staff charges	2017	2016
	CHF	CHF
Staff charges	879 396	851 929
Social charges	142 844	140 761
Other personnel costs - provision for staff benefits	4 522	165
	<u>1 026 762</u>	<u>992 854</u>
Number of employees	31.12.2017	31.12.2016
Number of FTEs	9.8	8.8
12. Assets pledged as guarantee for the debts of the company	2017	2016
	CHF	CHF
Cash blocked for ATA carnet guarantee	7 600	7 600
13. Other information required by law :		
No other compulsory information is required in accordance with article 959 from Swiss code of Obligations.		