

**Fédération Aéronautique Internationale
Lausanne**

**Report of the Statutory Auditors
to the General Conference
on the Financial Statements 2009**

24 June 2010/9/DDA/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, 2009.

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

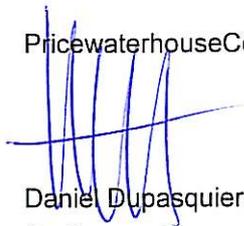
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material 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, 2009 comply with Swiss law and the statutes.

PricewaterhouseCoopers SA



Daniel Dupasquier
Audit expert
Auditor in charge



Didier Bridy
Audit expert

Lausanne, 24 June 2010

Enclosures:

Financial statements consisting of	Pages
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(in Swiss Francs)

	Notes	2009	2008
Assets			
Current assets			
Cash and cash equivalents		3'256'736	2'802'712
Marketable securities			
- shares (market value CHF 314'522.77)		10'816	10'816
Accounts receivable, net of provision of CHF 196'753 in 2009, CHF 0 in 2008		214'106	66'926
Prepaid expenses and other receivables		24'269	61'515
Inventory		17'677	20'072
		<u>3'523'604</u>	<u>2'962'040</u>
Fixed assets (net)			
Tangible fixed assets	2	3'835	7'068
Financial fixed assets - advance deposits		13'802	13'759
		<u>17'636</u>	<u>20'826</u>
Total assets		<u><u>3'541'240</u></u>	<u><u>2'982'867</u></u>
Liabilities and funds			
Current liabilities			
Accounts payable		33'707	10'451
Accrued expenses and provisions	5	386'894	343'201
		<u>420'601</u>	<u>353'652</u>
Funds			
Special reserves	3	1'416'917	1'428'390
Attribution to project "acquisition" MSI		460'000	0
Development and Innovation Fund	4	541'213	540'185
Operating funds, as per statement of income and expenditure		702'508	660'640
		<u>3'120'637</u>	<u>2'629'215</u>
Total liabilities and funds		<u><u>3'541'240</u></u>	<u><u>2'982'867</u></u>

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

	Notes	2009	2008
Income			
Annual subscriptions			
from National Federations:			
FAI		1 002 925	949 014
Europe Airports		199 119	205 882
Financial net	6	41 896	0
Income from sponsorship		649 819	204 846
Safety supervision RBAR		71 291	91 569
Release of provision for unpaid subscriptions		0	11 598
Other income	7	34 926	40 162
		1 999 975	1 503 070
Expenditure			
Staff charges (and special provision)	8	781 927	804 972
General conference		10 707	19 188
Executive Board expenses		33 937	22 579
Travel expenses		24 802	33 103
Representation		11 773	13 513
Meetings		28 907	19 946
Office premises expenses		77 476	84 479
Correspondence, PR, Communications	9	45 393	38 628
Office supplies		12 327	12 689
Equipment maintenance		1 493	931
Insurance		40 587	47 148
Miscellaneous		11 106	9 978
Professional fees		105 481	30 638
Stock purchase		7 246	11 776
Transfer of subscriptions to Europe Airports		199 119	205 882
Depreciation	2	3 233	8 673
Financial net	6	0	68 983
Provision for unpaid subscriptions		12 825	0
Safety supervision RBAR		82 760	91 369
VAT non recoverable		5 879	3 556
Doping programme		100	0
		1'497'078	1 528 031
Excess of income over expenditure for the year		502'896	(24 961)
LESS : Attribution to project "acquisition" MSI		460'000	0
Transfer to Development and Innovation Fund	4	1'028	(32 800)
		41'868	7'839
Balance at disposal over operating fund for the year		41'868	7'839
ADD: Operating fund balances at beginning of year		660'640	652'801
Operating fund balances at end of year		702'508	660'640

Year ended December 31, 2009

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, 2009

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, 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>180 688</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>
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>

The fire insurance value amounts to CHF 292'996 (CHF 275'000 in 2008).

Year ended December 31, 2009

Notes to the financial statements

3. Statement of changes in special reserves

The movements during the years 2008 and 2009, in special reserves, are summarised as follows :

	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
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

Fédération Aéronautique Internationale, Lausanne

Year ended December 31, 2009

Notes to the financial statements

	Balance at January 1, 2009	Funds received	Amounts paid out	Net Difference	Balance at December 31, 2009
	CHF	CHF	CHF	CHF	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
	<u>1 017 221</u>	<u>411 025</u>	<u>(484 834)</u>	<u>(73 809)</u>	<u>943 413</u>
 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	<u>1 428 390</u>	<u>633 666</u>	<u>(645 138)</u>	<u>(11 473)</u>	<u>1 416 917</u>

Year ended December 31, 2009

Notes to the financial statements

4. Statement of Changes in Development and Innovation Fund (DIF)	2009	2008
	CHF	CHF
Fund balances at beginning of year	540 185	572 385
Net investment (from operating funds)	1 028	(32 800)
Investment from FAI reserves	0	599
DIF fund balances at end of year	<u>541 213</u>	<u>540 185</u>
5. Accrued Expenses and Provisions	2009	2008
	CHF	CHF
Accrued expenses	190 894	167 201
Provisions	196 000	176 000
	<u>386 894</u>	<u>343 201</u>
6. Financial - net	2009	2008
	CHF	CHF
Interest / dividend income	33 236	114 316
Interest from bank accounts; late payment penalties	5 436	12 308
Gain on foreign exchange	12 152	0
	<u>50 824</u>	<u>126 625</u>
Bank and brokerage charges	8 928	5 573
Loss on marketable securities / exchange loss	0	190 035
	<u>8 928</u>	<u>195 608</u>
Financial - net income	<u>41 896</u>	<u>(68 983)</u>
7. Other income	2009	2008
	CHF	CHF
Sales of medals, badges, etc...	10 052	16 580
Sales of High Flyers books	23	213
Records homologation	17 500	20 800
Miscellaneous, incl. unused provisions	7 351	2 569
	<u>34 926</u>	<u>40 162</u>
8. Staff charges	2009	2008
	CHF	CHF
Staff charges	651 549	667 757
Social charges	110 378	113 022
Other personnel costs - provision for staff benefits	20 000	24 193
	<u>781 927</u>	<u>804 972</u>

Year ended December 31, 2009

Notes to the financial statements

9. Correspondence, PR, Communication	2009	2008
	CHF	CHF
Correspondence	26 837	22 938
Communications Strategy	140	729
Visual image - new logo	0	1 853
Internet	18 415	13 107
	<u>45 393</u>	<u>38 628</u>