



**Fédération Aéronautique Internationale
Lausanne**

**Report of the Statutory Auditors
to the General Conference
on the Financial Statements 2006**

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

As statutory auditors, we have audited the accounting records and the financial statements of Fédération Aéronautique Internationale for the year ended December 31, 2006.


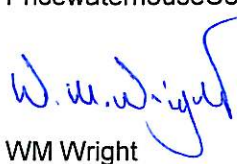
These financial statements are the responsibility of the Executive Board. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements comply with Swiss law and the statutes.

We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers SA



WM Wright
Auditor in charge

D Bridy

Lausanne, June 2, 2007

Enclosures:

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Fédération Aéronautique Internationale, Lausanne

**Balance sheet at December 31
(in Swiss Francs)**

| | Notes | 2006 | 2005 |
|--|-------|------------------|------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 1 807 346 | 1 619 057 |
| Marketable securities | | | |
| - shares (market value CHF 402'136) | | 10 816 | 10 816 |
| - bonds (market value CHF 481'028) | | 481 093 | 568 912 |
| Accounts receivable, net of provision of CHF 15'472 in 2006, CHF 13'590 in 2005 | | 52 789 | 69 728 |
| Prepaid expenses and other receivables | | 33 040 | 39 178 |
| Inventory | | 5 190 | 6 870 |
| | | <u>2 390 274</u> | <u>2 314 561</u> |
| Fixed assets (net) | | | |
| Tangible fixed assets | 2 | 23 911 | 38 723 |
| Financial fixed assets - advance deposits | | 13 670 | 14 112 |
| | | <u>37 581</u> | <u>52 835</u> |
| Total assets | | <u>2 427 855</u> | <u>2 367 396</u> |
| Liabilities and funds | | | |
| Current liabilities | | | |
| Accounts payable | | 30 075 | 36 980 |
| Accrued expenses and provisions | 5 | 283 560 | 254 443 |
| | | <u>313 635</u> | <u>291 423</u> |
| Funds | | | |
| Special reserves | 3 | 1 081 730 | 1 053 319 |
| Development and Innovation Fund | 4 | 407 160 | 402 453 |
| Operating funds, as per statement of income and expenditure | | 625 330 | 620 201 |
| | | <u>2 114 220</u> | <u>2 075 973</u> |
| Total liabilities and funds | | <u>2 427 855</u> | <u>2 367 396</u> |

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

| | Notes | 2006 | 2005 |
|---|-------|-----------------------|-----------------------|
| Income | | | |
| Annual subscriptions | | | |
| from National Federations: | | | |
| FAI | | 995 400 | 1 000 100 |
| Europe Airports | | 176 880 | 142 871 |
| Financial net | 6 | 62 548 | 41 994 |
| Other income | 7 | 103 500 | 189 367 |
| | | <u>1 338 328</u> | <u>1 374 332</u> |
| Expenditure | | | |
| Staff charges (and special provision) | 8 | 657 867 | 673 671 |
| General conference | | 16 056 | 31 779 |
| Executive Board expenses | | 32 121 | 27 080 |
| Travel expenses | | 27 846 | 22 748 |
| Representation | | 17 221 | 11 860 |
| Meetings | | 18 918 | 13 485 |
| Office premises expenses | | 78 469 | 79 163 |
| Correspondence, PR, Communications | 9 | 61 258 | 40 917 |
| Office supplies | | 17 756 | 16 013 |
| Equipment maintenance | | 3 622 | 1 914 |
| Insurance | | 52 148 | 56 498 |
| Miscellaneous & unforeseen | | 9 921 | 11 628 |
| Professional fees | | 38 344 | 30 143 |
| Stock purchase | | 61 618 | 58 366 |
| Transfer of subscriptions to Europe Airports | | 176 880 | 142 871 |
| Depreciation | 2 | 15 844 | 15 167 |
| Provision for unpaid subscriptions | | 15 472 | 13 590 |
| Provision miscellaneous | | 12 015 | 0 |
| 100th FAI anniversary | | 0 | 18 783 |
| Centenary books - High Flyers | | 15 116 | 102 034 |
| | | <u>1 328 492</u> | <u>1 367 711</u> |
| Excess of income over expenditure for the year | | 9 836 | 6 620 |
| ADD: Operating fund balances at beginning of year | | 620 201 | 629 470 |
| | | <u>630 037</u> | <u>636 090</u> |
| LESS: Transfer to Development and Innovation Fund | 4 | 4 707 | 15 889 |
| Operating fund balances at end of year | | <u><u>625 330</u></u> | <u><u>620 201</u></u> |

Year ended December 31, 2006

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

(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, 2006

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, 2005 | 47 550 | 122 390 | 20 583 | 190 523 |
| Additions in year | 2 780 | 6 295 | 0 | 9 075 |
| Disposals in year | 0 | (6 323) | 0 | (6 323) |
| As at December 31, 2005 | <u>50 330</u> | <u>122 362</u> | <u>20 583</u> | <u>193 275</u> |
| Depreciation | | | | |
| As at January 1, 2005 | 26 633 | 104 008 | 15 067 | 145 708 |
| Disposals in year | 0 | (6 323) | 0 | (6 323) |
| Charge for the year | 4 801 | 9 170 | 1 196 | 15 167 |
| As at December 31, 2005 | <u>31 434</u> | <u>106 855</u> | <u>16 263</u> | <u>154 552</u> |
| Net book value | | | | |
| As at December 31, 2005 | <u>18 896</u> | <u>15 507</u> | <u>4 320</u> | <u>38 723</u> |
| Cost | | | | |
| As at January 1, 2006 | 50 330 | 122 362 | 20 583 | 193 275 |
| Additions in year | 0 | 1 033 | 0 | 1 033 |
| Disposals in year | 0 | (6 855) | 0 | (6 855) |
| As at December 31, 2006 | <u>50 330</u> | <u>116 540</u> | <u>20 583</u> | <u>187 453</u> |
| Depreciation | | | | |
| As at January 1, 2006 | 31 434 | 106 855 | 16 263 | 154 552 |
| Disposals in year | 0 | (6 855) | 0 | (6 855) |
| Charge for the year | 5 033 | 9 615 | 1 197 | 15 845 |
| As at December 31, 2006 | <u>36 467</u> | <u>109 615</u> | <u>17 460</u> | <u>163 542</u> |
| Net book value | | | | |
| As at December 31, 2006 | <u>13 863</u> | <u>6 925</u> | <u>3 123</u> | <u>23 911</u> |

The fire insurance value amounts to CHF 275'000 (CHF 275'000 in 2005).

Year ended December 31, 2006

Notes to the financial statements

3. Statement of changes in special reserves

The movements during the years 2005 and 2006, in special reserves, are summarised as follows :

| | Balance at January 1, 2005 CHF | Funds received CHF | Amounts paid out CHF | Net Difference CHF | Balance at December 31, 2005 CHF |
|--|---|--------------------------|----------------------------|--------------------------|---|
| Commissions : | | | | | |
| - Hang Gliding (CIVL) | 206 377 | 51 937 | (87 011) | (35 074) | 171 303 |
| - Aeromodelling (CIAM) | 63 119 | 38 700 | (24 334) | 14 366 | 77 485 |
| - Ballooning (CIA) | 81 379 | 31 488 | (35 213) | (3 725) | 77 654 |
| - Microlight (CIMA) | 21 909 | 9 603 | (2 080) | 7 523 | 29 432 |
| - Gliding (IGC) | 69 348 | 18 523 | (10 134) | 8 389 | 77 737 |
| - Aerobatics (CIVA) | 91 294 | 20 748 | (72 585) | (51 837) | 39 457 |
| - General aviation (GAC) | 36 630 | 6 895 | (3 447) | 3 448 | 40 078 |
| - Rotorcraft (CIG) | 8 578 | 12 660 | (6 477) | 6 183 | 14 761 |
| - Parachuting (IPC) | 197 024 | 107 650 | (76 654) | 30 996 | 228 020 |
| - Amateur built & experimental aircraft (CIACA) | 1 064 | 0 | 0 | 0 | 1 064 |
| | 776 722 | 298 204 | (317 935) | (19 731) | 756 991 |
| Great Balloon Race | (8 816) | 0 | 0 | 0 | (8 816) |
| World Air Games | 129 404 | 0 | (5 000) | (5 000) | 124 404 |
| Olympic Movement Fund | 88 718 | 48 560 | (49 730) | (1 170) | 87 548 |
| World Grand Prix of Aviation | 90 857 | 5 178 | (2 843) | 2 335 | 93 192 |
| TOTAL | 1 076 885 | 351 942 | (375 508) | (23 566) | 1 053 319 |

Year ended December 31, 2006

Notes to the financial statements

| | Balance at January 1, 2006 CHF | Funds received CHF | Amounts paid out CHF | Net Difference CHF | Balance at December 31, 2006 CHF |
|--|---|--------------------------|----------------------------|--------------------------|---|
| Commissions : | | | | | |
| - Hang Gliding (CIVL) | 171 303 | 131 694 | (120 622) | 11 072 | 182 375 |
| - Aeromodelling (CIAM) | 77 485 | 44 097 | (39 430) | 4 666 | 82 151 |
| - Ballooning (CIA) | 77 654 | 19 170 | (15 692) | 3 478 | 81 132 |
| - Microlight (CIMA) | 29 432 | 4 517 | (8 285) | (3 769) | 25 663 |
| - Gliding (IGC) | 77 737 | 29 504 | (16 002) | 13 503 | 91 240 |
| - Aerobatics (CIVA) | 39 457 | 25 022 | (23 632) | 1 389 | 40 846 |
| - General aviation (GAC) | 40 078 | 10 654 | (1 695) | 8 959 | 49 037 |
| - Rotorcraft (CIG) | 14 761 | 1 250 | (2 261) | (1 011) | 13 750 |
| - Parachuting (IPC) | 228 020 | 109 403 | (83 809) | 25 594 | 253 614 |
| - Amateur built & experimental aircraft (CIACA) | 1 064 | 0 | 0 | 0 | 1 064 |
| - Environmental | 0 | 3 115 | (3 115) | 0 | 0 |
| | 756 991 | 378 426 | (314 543) | 63 881 | 820 872 |
| ATMOS Project | 0 | 40 139 | (12 947) | 27 192 | 27 192 |
| Great Balloon Race | (8 816) | 0 | 0 | 0 | (8 816) |
| World Air Games | 124 404 | 0 | (71 730) | (71 730) | 52 674 |
| Olympic Movement Fund | 87 548 | 18 135 | (16 429) | 1 706 | 89 254 |
| World Grand Prix of Aviation | 93 192 | 10 266 | (2 904) | 7 362 | 100 554 |
| TOTAL | 1 053 319 | 446 966 | (418 553) | 28 411 | 1 081 730 |

Year ended December 31, 2006

Notes to the financial statements

| | | |
|---|-------------|-------------|
| 4. Statement of Changes in Development and Innovation Fund (DIF) | 2006 | 2005 |
| | CHF | CHF |
| Fund balances at beginning of year | 402 453 | 386 564 |
| Net investment return (from operating funds) | 4 707 | 15 889 |
| DIF fund balances at end of year | 407 160 | 402 453 |
| 5. Accrued Expenses and Provisions | 2006 | 2005 |
| | CHF | CHF |
| Accrued expenses | 84 113 | 105 443 |
| Provisions | 129 000 | 106 000 |
| Deferred unrealised exchange gains | 70 447 | 43 000 |
| | 283 560 | 254 443 |
| 6. Financial - net | 2006 | 2005 |
| | CHF | CHF |
| Interest / dividend income | 64 484 | 43 485 |
| Interest from bank accounts; late payment penalties | 5 426 | 10 985 |
| Gain on foreign exchange | 0 | 61 |
| | 69 910 | 54 531 |
| Bank and brokerage charges | 6 319 | 8 831 |
| Loss on marketable securities | 1 043 | 3 706 |
| | 7 362 | 12 537 |
| Financial - net income | 62 548 | 41 994 |
| 7. Other income | 2006 | 2005 |
| | CHF | CHF |
| Sales of medals, badges, etc... | 66 952 | 41 016 |
| Sales of High Flyers books | 12 848 | 40 433 |
| Records homologation | 19 100 | 16 700 |
| Miscellaneous, incl. unused provisions | 4 099 | 2 217 |
| Sponsoring - centenary | 500 | 89 000 |
| | 103 500 | 189 367 |
| 8. Staff charges | 2006 | 2005 |
| | CHF | CHF |
| Staff charges | 553 242 | 545 249 |
| Social charges | 89 625 | 86 162 |
| World Games contribution for secretariat services | 0 | (17 740) |
| Other personnel costs - provision for staff benefits | 15 000 | 60 000 |
| | 657 867 | 673 671 |

Year ended December 31, 2006

Notes to the financial statements

9. Correspondence, PR, Communication

| | 2006 | 2005 |
|-------------------------|---------------|---------------|
| | CHF | CHF |
| Correspondence | 24 073 | 22 565 |
| Communications Strategy | 3 556 | 3 902 |
| Visual image - new logo | 10 873 | 0 |
| Internet | 22 756 | 14 450 |
| | <u>61 258</u> | <u>40 917</u> |