

FEDERATION AERONAUTIQUE INTERNATIONALE

REPORT BY R. E.CLIPSHAM Executive Director Finance FAI 101st ANNUAL GENERAL CONFERENCE 12 October 2007 held in Rhodes, Greece

Dear Delegates, Mr. President,

I am reporting to the 101st Annual General Conference under FAI Statutes 4.2.3 and 6.2.1.4. and for the Executive Board under Statute 4.2.2.4 and 4.2.2.5 This report covers the following three items appearing as Agenda item 5 :

- 5.1) The 2006 Balance Sheet and the Report by the Auditors, Annex 1 and the Financial results of the Commissions, Annex 2
- 5.2) The Financial Situation at 30 September 2007
- 5.3) Scale of Subscriptions 2008, and the Draft Budget for 2008 - Income and Expenditure, and the Commission Budgets 2007.

A summary of the significant accounting policies are laid down on page 4 in the FAI's Report of the Statutory Auditors 2006 prepared by PricewaterhouseCoopers as required by Statute 7.5.1.

5.1) 2006 BALANCE-SHEET AND AUDITORS REPORT

2006 Financial Statement

The report of the Statutory Auditors, dated 2nd June 2007, including the Balance Sheet and the Statement of income and expenditure for the year ending 31 December 2006 are available in the Conference documents, Annex 1.

1. Operational Result

The income is over budget, same for the expenses by approximately CHF 25, 000; we have an excess of income over expenditure of CHF 9 836

1.1. Income

1.1.1. 2006 Subscriptions

Realized subscriptions for 2006 were CHF 995 400 (CHF 1 00 100 in 2005).

1.1.2. Financial - net

The increased amount in 2006 of CHF 62 548 from CHF 41 994 in 2005 reflects the gains from higher interest rates as set out in Note 6. The total of income is CHF 1 338 328 including payments for Europe Air Sports. A CHF 27,447 provision has been set up to provide for future currency fluctuations.

1.1.3 **The decrease in Other Income reflects the end of the Sponsoring of the Centenary activities.**

1.2. **Expenses**

The expenses are grouped and provide a comparison to 2005.

1.2.1. **Salaries and charges**

The reduction in 2006 to CHF 657 867 reflects a provision of CHF 15 000 for future staff charges.

1.2.2. With reference to Europe Airports, the FAI only collects the payments of the Subscription Fees for Europe Airports Members. These funds are then directly paid into a Europe Airports account. The FAI bears no other financial responsibility towards Europe Airports

The total expenses are **CHF 1 328 492 in 2006 with an excess of income over expenditure for the year of CHF 9 836**

The income in the Development and Innovation Fund (DIF) remains in the DIF for 2006. The Operating fund balance at the end of the year is CHF 625 330.

1.3. **FAI 2006 Special Reserves**

The Special Reserves include: Sanction fees of the FAI Air Sport Commissions, World Air Games, Olympic Games (Fund) and World Grand Prix of Aerobatics.

1.3.1. **Sanction Fees of FAI Air Sport Commissions**

These funds are kept – and are available in – either Swiss Francs (Ballooning, Microlights, Amateur built & experimental aircraft and Environmental) or in US Dollars (Aerobatics), or in Euros (Aeromodelling, General Aviation, Hang Gliding & Paragliding, Rotorcraft, Gliding and Parachuting). For the US Dollar and Euros accounts, the relevant exchange differences are shown in CHF. Freedom is given to the commissions to hold their accounts in CHF, Euro or USD.

For the individual balances at January 1 and December 31 and the relevant movements during the years 2005, 2006, reference is made to pages 6/7 of FAI's auditors report.

The balance of the Commission Reserves at 31 December 2006 is CHF 820 872, which is an ~~increase~~ over the 31 December 2005 balance of CHF 756 991 FAI accounting policy - changes in foreign exchange are carried entirely by the operating funds of FAI.

The Executive Board in 2006 reviewed the debate held during the General Conference 2005 in Paris on how the reserves held by FAI in the name of the Air Sport Commissions (ASC) were used, and how ASC finances were reported to the Conference. In order to improve overall transparency and to provide a clearer framework for FAI's operations, the Executive Board made the recommendation that the financial reporting system to the Conference should be expanded to

incorporate the budgets and actual income and expenditure of the ASCs in a standardized format. I wish to thank the ASC in their cooperation in this matter and the FAI office in establishing a standardised format and presenting the information received from the Commissions on their Incomes and Expenditures and in 2007 the Commission budgets.

Shown in Annex 2 are the movements in the funds for the individual Commissions in 2006.

1.3.2. **World Air Games**

The balance in WAG reserve is **CHF 52 674** at the end of 2006.

1.3.3. **Olympic Movement Fund**

The balance in the fund is **CHF 89 254** at the end of 2006.

1.3.4. **World Grand Prix of Aviation**

During 2006 funds were received. The balance at the end of the year shows **CHF 100 554**

1.4 **FAI Airsport Commission – 2006 Financial Report**

The incomes are grouped

The expenditures are grouped

1.5 **Balance sheet**

The Balance sheet at December 31, 2006 is shown on page 2 of the FAI's Auditors report.

1.5.1 **Assets**

The Current cash assets (**CHF 1 807 346**) are held in bank accounts as suited for FAI's operation. The current assets are CHF 2 390 274, which include the Marketable Securities at market value.

Total current and fixed assets are CHF 2 427 855

1.5.2 **Liabilities and funds**

The current liabilities and funds including the Special Reserves, Development and Innovation Fund and the Operating funds are adequately provided for in the Assets. The Development and Innovation Fund is CHF 407 160, an increase over 2005.

Mr. President

In concluding my report on the 2006 Financial Statement, I note that the Financial Statements have been reviewed by the Executive Board, may I ask you, Mr. President, to submit the Accounts of 2006 to the General Conference for approval, as set out in Statute 3.4.1.3.

5.2 THE FINANCIAL SITUATION AT 30 SEPTEMBER 2007

The Financial Situation at 30 September 2007 gives an indication about the result for the year 2007.

2.1. Income

At the end of August, 95 % of the subscription fees were paid, including arrears. Donations and sponsorship is over budget by approximately CHF 200.00

2.2. Expenditure

The expenses to 30 September 2007 are comparable to the budget. The expected surplus will be managed by the Executive Board by December 31. Close of the final financial statement and will be reported in the 2007 auditors report.

2.3. Special reserve :

2.3.1 Accrued Sanction Fees

CHF 850 970 is a 4.0 % increase over January 2007

2.3.2 World Air Games

An increase of USD 140'000 from WAG 2009

2.3.3 Olympic Games

An increase of USD 20'000 from IOC

2.3.4 Development and Innovation Fund is CHF 417 900, a slight increase from January 2007.

The anticipated result of 31 December 2007 may be a modest surplus of CHF 8 000 to CHF 10 000.

Notes

The costs for the development of the World Air Games for TSE Consulting, the Brochure and the events May 31 to June 1 to award the World Air Games have been covered from the World Air Games Reserve.

Notes

The secretariat has implemented a very functional system with the banks for electronic signature by the signing officers which has provided increased efficiency in managing the many transactions.

5.3) **BUDGET 2008**

The budget was prepared in collaboration with the Secretary General and has been reviewed by the Executive Board, and is based on realistic facts and figures. The draft budget was previously submitted to you.

3.1.1. **Scale of Subscriptions**

The 2008 Scale of Subscriptions and Votes has previously been circulated. It is the same as the 2007 Scale. The subscriptions total will be revised to include the decisions taken in this Conference on Memberships.

3.2. **Income**

Taking into consideration that global Members Subscriptions remain at their present level with some minor adjustments a total income of Members Subscriptions of CHF 996 200 *may be realized. Other income can be expected on the same level as 2006 including donation, sponsors, partnership and service fees.* A total of **Operational Income** of **CHF 1 513 200** is budgeted.

3.3 **Expenditures**

The expenditures proposed for 2008 have been set out considering the known and proposed activities. The total is CHF 1 465 250 which indicates a surplus of CHF 47 950

The budgeted increase in staff cost of CHF 132'000 will be offset by the expected income from donations, sponsors, partnership and service fees.

Notes

Any additional matters approved by GC that have financial implications will be incorporated into the approved budget.

As stated by the President, a one time 5% rebate will be applied to the 2008 subscriptions.

5.4 **FAI Airport Commission Budgets 2007 – Slide 18**

These budgets are set by the Commission at their annual plenary meetings. The 2008 budget will be set at their next meeting.

Please note, as stated by President Portman, that we have a contract with Red Bull that provides income under donation, sponsorship, partnership and service fees, which contains specific non-disclosure clauses and significant contract penalty clauses for any disclosures of contract details beyond FAI persons, who may need specific information to manage the contract matters.

May I ask you, Mr. President, to submit the draft Budget 2008 and Scale of Subscriptions for 2008 to the General Conference, for approval, as set out in Statute 3.4.1.4

Mr. President; I thank the NACs and the ASCs for carrying out their respective tasks. I wish to give special thanks to the FAI office staff in their work on

financial matters and in particular to Mrs. Cosette Mast, who, under the direction of Max Bishop, carried out the financial management.

Robert Clipsham
FAI Executive Director Finance