

**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.

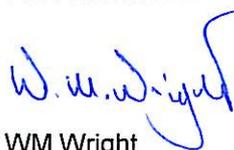
These financial statements are the responsibility of the Executive Board. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

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><u>2 427 855</u></u>	<u><u>2 367 396</u></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><u>2 427 855</u></u>	<u><u>2 367 396</u></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 Airsports		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 Airsports		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
	<u>776 722</u>	<u>298 204</u>	<u>(317 935)</u>	<u>(19 731)</u>	<u>756 991</u>
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	<u>1 076 885</u>	<u>351 942</u>	<u>(375 508)</u>	<u>(23 566)</u>	<u>1 053 319</u>

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Year ended December 31, 2006

Notes to the financial statements

	Balance at January 1, 2006	Funds received	Amounts paid out	Net Difference	Balance at December 31, 2006
	CHF	CHF	CHF	CHF	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
	<u>756 991</u>	<u>378 426</u>	<u>(314 543)</u>	<u>63 881</u>	<u>820 872</u>
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	<u>1 053 319</u>	<u>446 966</u>	<u>(418 553)</u>	<u>28 411</u>	<u>1 081 730</u>

Year ended December 31, 2006

Notes to the financial statements

4. Statement of Changes in Development and Innovation Fund (DIF)	2006 CHF	2005 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	<u>407 160</u>	<u>402 453</u>
5. Accrued Expenses and Provisions	2006 CHF	2005 CHF
Accrued expenses	84 113	105 443
Provisions	129 000	106 000
Deferred unrealised exchange gains	70 447	43 000
	<u>283 560</u>	<u>254 443</u>
6. Financial - net	2006 CHF	2005 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
	<u>69 910</u>	<u>54 531</u>
Bank and brokerage charges	6 319	8 831
Loss on marketable securities	1 043	3 706
	<u>7 362</u>	<u>12 537</u>
Financial - net income	<u>62 548</u>	<u>41 994</u>
7. Other income	2006 CHF	2005 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
	<u>103 500</u>	<u>189 367</u>
8. Staff charges	2006 CHF	2005 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
	<u>657 867</u>	<u>673 671</u>

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>