

**Fédération Aéronautique Internationale, Lausanne**

**Report of auditors  
to the General Assembly**

**Financial statements 2004**

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

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As auditors, we have audited the accounting records and the financial statements of Fédération Aéronautique Internationale for the year ended December 31, 2004.

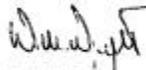
These financial statements are the responsibility of the Executive Board. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

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

  
J Malik

Lausanne, July 11, 2005

Enclosures:

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**Fédération Aéronautique Internationale, Lausanne**

**Year ended December 31**  
**(in Swiss Francs)**

	Notes	2004	2003
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1 662 114	1 409 368
Marketable securities			
- shares (market value CHF 301'340)		10 816	10 816
- bonds (market value CHF 464'932)		461 912	572 272
Accounts receivable, net of provision of CHF 42'350 in 2004, CHF 39'070 in 2003		34 808	61 419
Prepaid expenses and other receivables		112 293	48 468
Inventory		8 453	7 425
		<u>2 290 396</u>	<u>2 109 768</u>
<b>Fixed assets (net)</b>			
Tangible fixed assets	2	44 815	54 154
Financial fixed assets - advance deposits		14 077	14 038
		<u>58 892</u>	<u>68 192</u>
<b>Total assets</b>		<u><u>2 349 288</u></u>	<u><u>2 177 960</u></u>
<b>Liabilities and funds</b>			
<b>Current liabilities</b>			
Accounts payable		24 642	16 162
Accrued expenses and provisions		231 727	229 584
		<u>256 369</u>	<u>245 746</u>
<b>Funds</b>			
Special reserves	3	1 076 885	929 944
Development and innovation fund (Ex - International fund)		386 564	386 564
Operating funds, as per statement of changes in operating fund balances		629 470	615 706
		<u>2 092 919</u>	<u>1 932 214</u>
<b>Total liabilities and funds</b>		<u><u>2 349 288</u></u>	<u><u>2 177 960</u></u>

**Fédération Aéronautique Internationale, Lausanne**

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

	Notes	2004	2003
<b>Income</b>			
Annual subscriptions			
from National Federations:			
FAI		987 520	987 200
Europe Airsports		55 941	52 855
Financial net	4	8 359	31 986
Other income	5	91 119	82 800
		<u>1 142 939</u>	<u>1 154 841</u>
<b>Expenditure</b>			
Staff charges	6	599 996	585 100
General conference		12 893	13 281
Executive Board expenses		30 658	30 301
Travel expenses		10 558	22 014
Representation		8 870	10 930
Meetings (Comm., etc...)		10 676	7 758
Office premises expenses		77 732	78 969
Correspondence + PR, communications	7	52 543	73 041
Office supplies		19 806	16 932
Equipment maintenance		1 118	780
Insurance		52 349	48 952
Miscellaneous & unforeseen		9 834	9 918
Professional fees		29 130	37 706
Stock purchase		70 479	37 762
Transfer of subscriptions to Europe airsports		55 941	52 855
Depreciation	2	22 987	19 011
Provision for unpaid subscriptions		37 630	34 350
Provision miscellaneous		15 000	25 000
100th FAI anniversary		10 975	35 967
		<u>1 129 175</u>	<u>1 140 627</u>
<b>Excess of income over expenditure for the year</b>		<u>13 764</u>	<u>14 214</u>

**Fédération Aéronautique Internationale, Lausanne**

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**Statement of changes in operating fund  
balances for the year ended December 31  
(in Swiss Francs)**

	<b>Notes</b>	<b>2004</b>	<b>2003</b>
Excess of income for the year		13 764	14 214
Operating fund balances at beginning of year		615 706	601 492
<b>Operating fund balances at end of year</b>		<b>629 470</b>	<b>615 706</b>

**Year ended December 31**

**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.

**(d) Inventory**

Inventory is stated at cost, determined on an individual basis, provision being made for any impairment.

**(e) Development and innovation fund**

Development and Innovation Fund, used to promote, develop and support the objectives of the FAI, and especially to fund innovative projects, is represented by designated cash and marketable securities. Normally, fifty percent of any income from these assets is reinvested in the Fund and the remainder is attributed to the Operating funds of the FAI.

However, in 2004, since exchange rate losses exceeded interest received, the net result for the year was fully allocated to the Operating funds.

**(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. 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%

## Fédération Aéronautique Internationale, Lausanne

Year ended December 31

### Notes to the financial statements

#### 1. Activity

The "Fédération Aéronautique Internationale" (FAI) 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
<b>Cost</b>				
As at January 1, 2003	47 550	140 054	20 583	208 187
Additions in year	-	12 032	-	12 032
Disposals in year	-	( 43 344)	-	( 43 344)
As at December 31, 2003	<u>47 550</u>	<u>108 742</u>	<u>20 583</u>	<u>176 875</u>
<b>Depreciation</b>				
As at January 1, 2003	17 123	120 736	9 195	147 054
Disposals in year	-	( 43 344)	-	( 43 344)
Charge for the year	4 755	12 480	1 776	19 011
As at December 31, 2003	<u>21 878</u>	<u>89 872</u>	<u>10 971</u>	<u>122 721</u>
<b>Net book value</b>				
As at December 31, 2003	<u>25 672</u>	<u>18 870</u>	<u>9 612</u>	<u>54 154</u>
<b>Cost</b>				
As at January 1, 2004	47 550	108 742	20 583	176 875
Additions in year	-	13 648	-	13 648
Disposals in year	-	-	-	-
As at December 31, 2004	<u>47 550</u>	<u>122 390</u>	<u>20 583</u>	<u>190 523</u>
<b>Depreciation</b>				
As at January 1, 2004	21 878	89 872	10 971	122 721
Disposals in year	-	-	-	-
Charge for the year	4 755	14 136	4 096	22 987
As at December 31, 2004	<u>26 633</u>	<u>104 008</u>	<u>15 067</u>	<u>145 708</u>
<b>Net book value</b>				
As at December 31, 2004	<u>20 917</u>	<u>18 382</u>	<u>5 516</u>	<u>44 815</u>

The fire insurance value amounts to CHF 275'000 ( CHF 275'000 in 2003).

**Year ended December 31**

**Notes to the financial statements**

**3. Statement of changes in special reserves**

The movements during the years 2003 and 2004, in special reserves, are summarised as follows :

	Balance at January 1, 2003 CHF	Funds received CHF	Amounts paid out CHF	Net Difference CHF	Balance at December 31 2003 CHF
Commissions :					
- Hang Gliding (CIVL)	129 978	65 089	( 31 267)	33 822	163 800
- Aeromodelling (CIAM)	51 118	36 880	( 21 655)	15 225	66 343
- Ballooning (CIA)	56 443	22 530	( 16 186)	6 344	62 787
- Microlight (CIMA)	21 146	7 997	( 8 681)	( 684)	20 462
- Gliding (IGC)	49 856	14 086	( 3 691)	10 395	60 251
- Aerobatics (CIVA)	100 026	46 518	( 46 350)	168	100 194
- General aviation (GAC)	25 809	8 512	( 2 784)	5 728	31 537
- Rotorcraft (CIG)	10 959	0	( 2 171)	( 2 171)	8 788
- Parachuting (IPC)	69 034	88 758	( 22 568)	66 190	135 224
- Amateur built & experimental aircraft (CIACA)	1 064	-	-	-	1 064
	<u>515 433</u>	<u>290 370</u>	<u>( 155 353)</u>	<u>135 017</u>	<u>650 450</u>
WAG - IPC retained entry fees	63 023	-	( 63 023)	( 63 023)	-
Great Balloon Race	( 8 816)	-	-	-	( 8 816)
World Air Games	94 526	37 569	( 2 691)	34 878	129 404
Olympic Movement Fund	59 074	17 278	-	17 278	76 352
World Grand Prix of Aviation	91 302	-	( 8 748)	( 8 748)	82 554
<b>TOTAL</b>	<b><u>814 542</u></b>	<b><u>345 217</u></b>	<b><u>( 229 815)</u></b>	<b><u>115 402</u></b>	<b><u>929 944</u></b>

**Fédération Aéronautique Internationale, Lausanne**

**Year ended December 31**

**Notes to the financial statements**

	Balance at January 1, 2004 CHF	Funds received CHF	Amounts paid out CHF	Net Difference CHF	Balance at December 31 2004 CHF
Commissions :					
- Hang Gliding (CIVL)	163 800	101 279	( 58 702)	42 577	206 377
- Aeromodelling (CIAM)	66 343	37 558	( 40 782)	( 3 224)	63 119
- Ballooning (CIA)	62 787	24 234	( 5 642)	18 592	81 379
- Microlight (CIMA)	20 462	9 753	( 8 306)	1 447	21 909
- Gliding (IGC)	60 251	17 722	( 8 625)	9 097	69 348
- Aerobatics (CIVA)	100 194	16 526	( 25 426)	( 8 900)	91 294
- General aviation (GAC)	31 537	8 253	( 3 160)	5 093	36 630
- Rotorcraft (CIG)	8 788	-	( 210)	( 210)	8 578
- Parachuting (IPC)	135 224	87 351	( 25 551)	61 800	197 024
- Amateur built & experimental aircraft (CIACA)	1 064	-	-	-	1 064
	650 450	302 676	( 176 404)	126 272	776 722
Great Balloon Race	( 8 816)	-	-	-	( 8 816)
World Air Games	129 404	-	-	-	129 404
Olympic Movement Fund	76 352	12 661	( 295)	12 366	88 718
World Grand Prix of Aviation	82 554	15 303	( 7 000)	8 303	90 857
<b>TOTAL</b>	<b>929 944</b>	<b>330 640</b>	<b>( 183 699)</b>	<b>146 941</b>	<b>1 076 885</b>

**Year ended December 31**

**Notes to the financial statements**

<b>4. Financial - net</b>	<b>2004</b>	<b>2003</b>
	<b>CHF</b>	<b>CHF</b>
Interest / dividend income	45 600	39 715
Penalty interest on subscriptions late payments	5 651	5 285
	<u>51 251</u>	<u>45 000</u>
Bank and brokerage charges	6 603	8 754
Loss on foreign exchange	36 289	4 260
	<u>42 892</u>	<u>13 014</u>
Financial - net income	<u><u>8 359</u></u>	<u><u>31 986</u></u>
<b>5. Other income</b>	<b>2004</b>	<b>2003</b>
	<b>CHF</b>	<b>CHF</b>
Sales of medals, badges, etc...	48 044	27 376
Records homologation	25 598	20 600
Miscellaneous, incl. unused provisions	17 477	34 824
	<u>91 119</u>	<u>82 800</u>
<b>6. Staff charges</b>	<b>2004</b>	<b>2003</b>
	<b>CHF</b>	<b>CHF</b>
Staff charges	517 584	498 667
Social charges	82 412	81 909
Other personnel costs	-	4 525
	<u>599 996</u>	<u>585 100</u>
<b>7. Correspondence, PR, Communication</b>	<b>2004</b>	<b>2003</b>
	<b>CHF</b>	<b>CHF</b>
Correspondence	20 813	21 195
Communications Strategy	2 623	15 063
Visual image - new logo	12 993	16 130
Corporate Patrons	-	5 400
Internet	16 114	14 638
Public Relations	-	615
	<u>52 543</u>	<u>73 041</u>