

**Fédération Aéronautique Internationale
Lausanne**

**Report of the Statutory Auditors
to the General Conference
on the Financial Statements 2007**

May 19, 2008/9/WRW/BDY0.0123587.001

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, 2007.

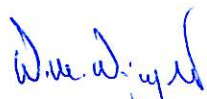
These financial statements are the responsibility of the Executive Board. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

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.

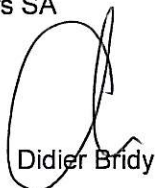
In our opinion, the accounting records and financial statements comply with Swiss law and the statutes.

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

PricewaterhouseCoopers SA



William M Wright
Auditor in charge



Didier Bridy

Lausanne, May 19, 2008

Enclosures:

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Balance sheet at December 31
(in Swiss Francs)

	Notes	2007	2006
Assets			
Current assets			
Cash and cash equivalents		2'332'640	1'807'346
Marketable securities			
- shares (market value CHF 452'283)		10'816	10'816
- bonds (market value CHF 332'051)		321'452	481'093
Accounts receivable, net of provision of CHF 3'000 in 2007, CHF 15'472 in 2006		68'658	52'789
Prepaid expenses and other receivables		69'079	33'040
Inventory		4'278	5'190
		<u>2'806'923</u>	<u>2'390'274</u>
Fixed assets (net)			
Tangible fixed assets	2	13'493	23'911
Financial fixed assets - advance deposits		13'714	13'670
		<u>27'207</u>	<u>37'581</u>
Total assets		<u>2'834'130</u>	<u>2'427'855</u>
Liabilities and funds			
Current liabilities			
Accounts payable		27'457	30'075
Accrued expenses and provisions	5	414'119	283'560
		<u>441'576</u>	<u>313'635</u>
Funds			
Special reserves	3	1'167'368	1'081'730
Development and Innovation Fund	4	572'385	407'160
Operating funds, as per statement of income and expenditure		652'801	625'330
		<u>2'392'554</u>	<u>2'114'220</u>
Total liabilities and funds		<u>2'834'130</u>	<u>2'427'855</u>

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

	Notes	2007	2006
Income			
Annual subscriptions			
from National Federations:			
FAI		998 800	995 400
Europe Airports		179 280	176 880
Financial net	6	76 459	62 548
Income from sponsorship		215 103	0
Safety supervision RBAR		107 588	0
Other income	7	50 866	103 500
		<u>1 628 096</u>	<u>1 338 328</u>
Expenditure			
Staff charges (and special provision)	8	696 356	657 867
General conference		14 073	16 056
Executive Board expenses		29 038	32 121
Travel expenses		27 500	27 846
Representation		22 506	17 221
Meetings		18 409	18 918
Office premises expenses		78 982	78 469
Correspondence, PR, Communications	9	63 214	61 258
Office supplies		12 744	17 756
Equipment maintenance		3 714	3 622
Insurance		51 067	52 148
Miscellaneous & unforeseen		11 104	9 921
Professional fees		36 351	38 344
Stock purchase		26 645	61 618
Transfer of subscriptions to Europe Airports		179 280	176 880
Depreciation	2	10 418	15 844
Provision for unpaid subscriptions		19 798	15 472
Provision miscellaneous		5 000	12 014
Safety supervision RBAR		112 944	0
VAT non recoveable		7 441	0
Great Balloon race - reserve deleted		8 816	0
Centenary books - High Flyers		0	15 116
		<u>1 435 400</u>	<u>1 328 492</u>
Excess of income over expenditure for the year		<u>192 696</u>	<u>9 836</u>
ADD: Operating fund balances at beginning of year		<u>625 330</u>	<u>620 201</u>
		<u>818 026</u>	<u>630 037</u>
LESS: Transfer to Development and Innovation Fund	4	<u>165 225</u>	<u>4 707</u>
Operating fund balances at end of year		<u><u>652 801</u></u>	<u><u>625 330</u></u>

Year ended December 31, 2007

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, 2007

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, 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>
Cost				
As at January 1, 2007	50 330	116 540	20 583	187 453
Additions in year	0	(4 045)	0	(4 045)
Disposals in year	0	(4 045)	0	(4 045)
As at December 31, 2007	<u>50 330</u>	<u>112 495</u>	<u>20 583</u>	<u>183 408</u>
Depreciation				
As at January 1, 2007	36 467	109 615	17 460	163 542
Disposals in year	0	(4 045)	0	(4 045)
Charge for the year	5 033	4 189	1 196	10 418
As at December 31, 2007	<u>41 500</u>	<u>109 759</u>	<u>18 656</u>	<u>169 915</u>
Net book value				
As at December 31, 2007	<u>8 830</u>	<u>2 736</u>	<u>1 927</u>	<u>13 494</u>

The fire insurance value amounts to CHF 275'000 (CHF 275'000 in 2006).

Year ended December 31, 2007

Notes to the financial statements

3. Statement of changes in special reserves

The movements during the years 2006 and 2007, in special reserves, are summarised as follows :

	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
	<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	<u>93 192</u>	<u>10 266</u>	<u>(2 904)</u>	<u>7 362</u>	<u>100 554</u>
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, 2007

Notes to the financial statements

	Balance at January 1, 2007 CHF	Funds received CHF	Amounts paid out CHF	Net Difference CHF	Balance at December 31, 2007 CHF
Commissions :					
- Hang Gliding (CIVL)	182 375	81 333	(74 867)	6 466	188 841
- Aeromodelling (CIAM)	82 151	41 786	(50 751)	(8 965)	73 186
- Ballooning (CIA)	81 132	23 840	(35 008)	(11 168)	69 964
- Microlight (CIMA)	25 663	10 737	(7 953)	2 785	28 448
- Gliding (IGC)	91 240	35 372	(31 908)	3 464	94 704
- Aerobatics (CIVA)	40 846	53 699	(15 607)	38 092	78 938
- General aviation (GAC)	49 037	0	(360)	(360)	48 677
- Rotorcraft (CIG)	13 750	3 084	(1 765)	1 319	15 069
- Parachuting (IPC)	253 614	175 081	(194 721)	(19 640)	233 974
- Amateur built & experimental aircraft (CIACA)	1 064	2 000	(294)	1 706	2 770
- Environmental	0	0	0	0	0
	<u>820 872</u>	<u>426 932</u>	<u>(413 233)</u>	<u>13 699</u>	<u>834 571</u>
ATMOS Project	27 192	0	(18 047)	(18 047)	9 145
Great Balloon Race	(8 816)	8 816	0	8 816	0
World Air Games	52 674	172 545	(98 827)	73 717	126 391
Olympic Movement Fund	89 254	24 141	(9 114)	15 027	104 281
World Grand Prix of Aviation	100 554	9 440	(17 014)	(7 574)	92 980
TOTAL	<u><u>1 081 730</u></u>	<u><u>641 874</u></u>	<u><u>(556 235)</u></u>	<u><u>85 638</u></u>	<u><u>1 167 368</u></u>

Year ended December 31, 2007

Notes to the financial statements

4. Statement of Changes in Development and Innovation Fund (DIF)	2007	2006
	CHF	CHF
Fund balances at beginning of year	407 160	402 453
Net investment return (from operating funds)	7 225	4 707
Refund sporting licence database	8 000	0
Investment from FAI reserves	150 000	0
DIF fund balances at end of year	<u>572 385</u>	<u>407 160</u>
5. Accrued Expenses and Provisions	2007	2006
	CHF	CHF
Accrued expenses	178 624	84 113
Provisions	141 000	129 000
Deferred unrealised exchange gains	94 495	70 447
	<u>414 119</u>	<u>283 560</u>
6. Financial - net	2007	2006
	CHF	CHF
Interest / dividend income	71 169	64 484
Interest from bank accounts; late payment penalties	13 596	5 426
	<u>84 765</u>	<u>69 910</u>
Bank and brokerage charges	8 306	6 319
Loss on marketable securities	0	1 043
	<u>8 306</u>	<u>7 362</u>
Financial - net income	<u>76 459</u>	<u>62 548</u>
7. Other income	2007	2006
	CHF	CHF
Sales of medals, badges, etc...	20 204	66 951
Sales of High Flyers books	969	12 848
Records homologation	24 400	19 100
Miscellaneous, incl. unused provisions	5 227	4 099
Sponsoring - centenary	66	500
	<u>50 866</u>	<u>103 500</u>
8. Staff charges	2007	2006
	CHF	CHF
Staff charges	579 123	553 242
Social charges	96 648	89 625
Other personnel costs - provision for staff benefits	20 585	15 000
	<u>696 356</u>	<u>657 867</u>

Year ended December 31, 2007

Notes to the financial statements

9. Correspondence, PR, Communication	2007	2006
	CHF	CHF
Correspondence	22 786	24 073
Communications Strategy	1 171	3 556
Visual image - new logo	25 332	10 873
Internet	13 926	22 756
	<u>63 214</u>	<u>61 258</u>