

FEDERATION AERONAUTIQUE INTERNATIONALE

REPORT BY ROBERT CLIPSHAM Executive Director Finance FAI 103rd ANNUAL GENERAL CONFERENCE, 9th October 2009 held in Incheon, Korea

Dear Delegates, Mr. President, Ladies and Gentlemen,

I am reporting on financial matters to the 103rd Annual General Conference under FAI Statutes 4.2.3 and 6.2.1.4 as Executive Director Finance and for the Executive Board under Statute 4.2.2.4 and 4.2.2.5 which is jointly responsible to General Conference for all decisions made and financial and accountancy matters taken between General Conferences. This report covers the following four items appearing as Agenda item 5:

- 5.1) The 2008 Balance Sheet and the Report by the Auditors, Annex A and the Financial results of the Commissions.
- 5.2) The Financial Situation at 31 August 2009
- 5.3) Scale of Subscriptions 2010, and the Budget for 2010 - Income and Expenditure, and the Commission Budgets 2009.
- 5.4) Approval of Auditors for 2010.

A summary of the significant accounting policies are laid down on page 4 in the FAI's Report of the Statutory Auditors 2008 prepared by PricewaterhouseCoopers as required by Statute 7.5.1.

5.1) 2008 BALANCE-SHEET AND AUDITORS REPORT

2008 Financial Statement (hold up Blue Report)

The report of the Statutory Auditors, dated 17th June 2009, including the Balance Sheet and the Statement of income and expenditure for the year ending 31 December 2008 are available in the Conference documents, Annex A. The FAI operations are denominated in CHF.

1. Operational Result

The income is on budget considering the onetime 5% rebate on Subscriptions, the expenses are over budget by approximately CHF 63,000.

We have an excess of expenditure over income of CHF 24 961

1.1. Income

1.1.1. 2008 Subscriptions

Realized subscriptions for 2008 were CHF 949 014 (CHF 998 800 in 2007).

1.1.2. Financial net

The financial net, as set out in note 6, reflects increased interest and dividend income and an exchange loss in October 2008 of 190,035CHF net of the deferred unrealized exchange gains, from prior years, of CHF 94,495.

- 1.1.3 The income from Sponsorship and for Safety Supervision of RBAR is a total of CHF 296 415.

The total income is CHF 1 503 070 including payments for Europe Air Sports

1.2. **Expenses**

The expenses are grouped and provide a comparison to 2007.

1.2.1. **Salaries and charges**

The increase in 2008 to CHF 804 972 reflects the employment of an additional staff member (General project Manager) and a provision of CHF 15 000 for future staff benefits.

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

- 1.2.3. The Financial net as set out in note 6 is an expense of CHF 68,983

- 1.2.4. The Safety and Supervision for RBAR is CHF 91 369

The total expenses are **CHF 1 528 031 in 2008 with an excess of expenditure over income for the year of CHF 24 961**

The exchange rate loss in the Development and Innovation Fund (DIF) of CHF 32,800 remains in the DIF for 2008 as set out in note 4.

The Operating fund balance at the end of the year is CHF 660 640 a small increase over 2007.

1.3. **FAI 2008 Reserves**

The Special Reserves include: Sanction fees of the FAI Air Sport Commissions, ATMOS project, World Air Games, Olympic Movement Fund and World Grand Prix of Aviation.

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

These funds are kept – and are available in – either Swiss Francs (Ballooning, Microlights, Rotorcraft, Amateur built & experimental aircraft and Environmental) or in US Dollars (Aerobatics), or in Euros (Aeromodelling, General Aviation, Hang Gliding & Paragliding, Gliding and Parachuting). For the US Dollar and Euro accounts, the relevant exchange rate 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 2007, 2008, reference is made to pages 7/8 of FAI's auditors report.

The balance of the Commission Reserves at 31 December 2008 is CHF 1 017 221, which is an increase of CHF 182,650 over the 31 December 2007 balance of CHF 834 571.

In accordance with FAI accounting policy – gains or losses due to changes in foreign exchange rates are carried entirely by the operating funds of FAI.

1.3.2. **World Air Games**

The balance in WAG reserve is **CHF 205 165** at the end of 2008.

1.3.3. **Olympic Movement Fund**

The balance in the fund is **CHF 105 073** at the end of 2008, reflecting the USD 20'000 payment from IOC and expenditures for the World Games 2009 in Kaohsiung.

1.3.4. **World Grand Prix of Aviation**

During 2008 funds were received. The balance at the end of the year shows **CHF 100 931**, including an expense of CHF 11'000 for the Ballooning project development

1.4 **FAI Airport Commission – 2008 Financial Report**

The incomes are grouped

The expenditures are grouped

1.5 **Balance sheet**

The Balance sheet at December 31, 2008 is shown on page 3 of the FAI's Auditors report.

1.5.1 **Assets**

The Current cash assets of **CHF 2 802 712**, were held in Credit Swiss, in accounts as suited for FAI's operations.

The current assets are CHF 2 962 040, which include the Marketable Securities at market value.

Total current and fixed assets are CHF 2 982 867

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 540 185, as set out in note 4.

Mr. President

In concluding my report on the 2008 Financial Statement, I note that the Financial Statements have been reviewed by the Executive Board, I ask you, Mr. President, to submit the Accounts of 2008 to the General Conference for approval, as set out in Statute 3.4.1.3.

Seconded:

Vote:

5.2 THE FINANCIAL SITUATION AT 30 September 2009

The Financial Situation at 30 September 2009 gives an indication of the expected result for the year ending December 31, 2009:

2.1. Income

At the end of August, 95% of the subscription fees were paid, including arrears.

2.2. Expenditure

The expenses to 31 August 2009 are comparable to the budget, the salary budget is under spent due to a one-half year position vacancy.

2.3. Special reserves :

2.3.1 Accrued Air Sport Commission Sanction Fees

The balance at September 30 is CHF 934,319 which is a reduction of approximately CHF 83,000 from the January 1 2009 amount of CHF 1,017, 221

2.3.2 World Air Games

Income of CHF 0 , and expenditure of CHF 84,646.

There is an unpaid amount of USD 300,000 and Euro 30,000 as set out in the LOC WAG 2009 contract

2.3.3 Olympic Movement Fund

Incomes of CHF 21 812 from IOC

Expenditures of CHF 23 030

2.3.4 Development and Innovation Fund is CHF 541 757, a slight increase from January 2009 due to fluctuating foreign exchange rates.

2.3.5 FINANCIAL POLICY

The deposits and placements are now held in two banks since March 2009, with 55% remaining in Credit Swiss and 45 now held in Bank Canton Veau which is controlled by the local government.

The portion of assets held in USD was substantially reduced in previous years and is now 4%, the portion of assets held in Euros was substantially reduced to 24% last November and the amount now held in CHF is 72%.

These measures were taken to reduce the FAI exposure to gains/losses that may result from fluctuations in foreign exchange rates.

Despite the difficult economic times and considering the world financial situation, we do not anticipate problems and expect to remain in a secure financial position at December 31, 2009.

5.3) **BUDGET 2010**

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 has been submitted to you.

3.1.1. **Scale of Subscriptions**

The 2010 Scale of Subscriptions and Votes has previously been circulated. It is the same as the 2009 Scale with adjustments for changes in FAI membership. The subscriptions total will be revised to include the decisions taken in this Conference on Memberships.

The scale of subscriptions has not been increased from the 2003 levels approved at the General Conference in Krakow.

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 1,006,000 *may be realized. Other income can be expected including donation, sponsorship, partnership and service fees.* A total **Operational Income** of **CHF 1 548 010** is budgeted.

The final budget will be prepared considering the approved subscription amounts and any other financial matters that may come before this Conference.

3.3 **Expenditures**

The expenditures proposed for 2010 have been set out considering the known and proposed activities. The staff costs are set at the 2008 levels.

The total is CHF 1 469 050, giving an excess of income over expenditure of CHF 78,960.

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

FAI Airport Commission Budgets 2009

These budgets are set by the Commission at their annual plenary meetings.

The 2010 budgets will be set at their next meetings.

May I ask you, Mr. President, to submit the Budget for 2010 and the Scale of Subscriptions and Votes for 2010 to the General Conference, for approval, as set out in Statute 3.4.1.4.

Seconder:

Vote:

5.4 Appointment of Auditors for 2010

Mr. President I have a motion for the appointment of the Auditors for 2010 as required by Statute 7.5.1

That Price Waterhouse Coopers be appointed the auditors for 2010 and that the Executive Board is authorized to set the remuneration.

Sconder:

Vote:

Mr. President; I wish to give special thanks to the FAI office staff in their work on financial matters and in particular to Ms. Cosette Mast, who, under the direction of Max Bishop, carried out the financial management.

Robert Clipsham

FAI Executive Director Finance

October 9, 2009. Revision RC v1October 8, 2009