

FEDERATION AERONAUTIQUE INTERNATIONALE

REPORT BY R. E. CLIPSHAM Executive Director Finance FAI 100th ANNUAL GENERAL CONFERENCE 26 October 2006 held in Santiago, Chile

Mr. President,

I am reporting to the 100th 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 2005 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 2006
- 5.3) Scale of Subscriptions 2007, Annex 3 and the Draft Budget for 2007 - Income and Expenditure, Annex 4

A summary of the significant accounting policies are laid down on page 4 in the FAI's Report of the Statutory Auditors 2005 prepared by PricewaterhouseCoopers as required by Statute 7.5.1.

5.1) 2005 BALANCE-SHEET AND AUDITORS REPORT

2005 Financial Statement

The report of the Statutory Auditors, dated 2nd May 2006, including the Balance Sheet and the Statement of income and expenditure for the year ending 31 December 2005 are available in the Conference documents, Annex 1.

1. Operational Result

The income is over budget, same for the expenses; we have an excess of income over expenditure of CHF 6 620.

1.1. Income

1.1.1. 2005 Subscriptions

Realized subscriptions for 2005 were CHF 1 00 100 (CHF 987 520 in 2004).

1.1.2. Financial - net

The increased amount in 2005 of CHF 41 994 from CHF 8 359 in 2004 reflects the reduced loss on foreign exchange as set out in Note 6. The total of income is CHF

1 374 332. A CHF 43 000 provision has been set up to provide for future currency fluctuations.

1.1.3 The increase in Other Income includes the CHF 89 000 result of the Sponsoring of the Centenary

1.2. Expenses

The expenses are grouped and provide a comparison to 2004.

1.2.1. **Salaries and charges**

The increase in 2005 to CHF 673 671 reflects a provision of CHF 60 000 for future staff charges.

1.2.2. Executive Board expenses are below budget by 10 %. This is due to the special circumstances of several members and may not always be available,

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

1.2.3 The Provision for unpaid subscriptions is substantially decreased in comparison to 2004.

1.2.4 The expenses for the 100th FAI Anniversary and the Centenary Book are CHF 120 000 which is equivalent to the Centenary Provision.

The total expenses are **CHF 1 367 711 in 2005 with an excess of income over expenditure for the year of CHF 6 620.**

The income in the DIF remains in the DIF for 2005. The Operating fund balance at the end of the year is CHF 620 201.

1.3. 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 (Aeromodelling, Ballooning, Microlights, Amateur built & experimental aircraft and Environmental) or in US Dollars (Aerobatics), or in Euros (General Aviation, Hang Gliding, 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 of 2004 and the relevant movements during the year 2005, reference is made to pages 6/7 of FAI's auditors report.

The balance of the reserves at 31 December 2005 is CHF 756 991, which is a decrease over the 31 December 2004 balance of CHF 776 722. FAI accounting policy - changes in foreign exchange are carried entirely by the operating funds of FAI.

The Executive Board 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 Treasurers and Presidents 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.

Within the individual Commissions in 2005 you will find Funds received in Annex 2 and Amounts paid out, also in Annex 2.

1.3.2. **World Air Games**

The balance in WAG reserve is CHF 124 404 at the end of 2005.

1.3.3. **Olympic Movement Fund**

The balance in the fund is **CHF 87 548**

1.3.4. **World Grand Prix of Aviation**

During 2005 funds were received. The balance at the end of the year shows **CHF 93 192.**

1.3.5 The expenditures for the 100th Celebration and the High Flyers Book were CHF 240 817 being CHF 8 616 less than the revenue of CHF 89 000 received from Sponsoring, revenue of CHF 40 433 received from Sales of Books and the Provision of CHF 120 000 which totaled CHF 249 433.

1.4 **Balance sheet**

The Balance sheet at December 31, 2005 is shown on page 2 of the FAI's Auditors report.

1.4.1. **Assets**

The Current cash assets (**CHF 1 619 057**) are held in bank accounts as suited for FAI's operation. The current and fixed assets are CHF 2 367 396, which include the Marketable Securities at market value.

Total current assets are CHF 2 314 561.

1.4 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 402 453, an increase over 2004.

Mr. President

In concluding my report on the 2005 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 2005 to the General Conference for approval, as set out in Statute 3.4.1.3.

5.20 THE FINANCIAL SITUATION AT 30 SEPTEMBER

The Financial Situation at 30 September 2006 gives an indication about the result for the year 2006.

2.1. Income

At the end of August, 92 % of the subscription fees were paid, including arrears.

2.2. Expenditure

The expenses to 30 September 2006 are comparable to the budget.

2.3. Special reserve : Accrued Sanction Fees

CHF 783 495 a 3.0 % increase over January 2006.

2.4 Development and Innovation Fund is CHF 405 809, a slight increase from January 2006.

The anticipated result of 31 December 2006 will be a modest surplus of CHF 8 000 to CHF 10 000.

The costs for the development of the World Air Games for TSE Consulting, the Brochure and travel to Santiago have been covered from the World AirGames Reserve.

5.3) BUDGET 2007

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

and taking into account a potential rise of living costs factor in the range of 1,5 to 2 %. The draft budget was previously submitted to you, being Annex 4.

3.1. **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 997 900 *may be realized. Other income can be expected on the same level as 2006.* A total of **Ordinary Operational Income of CHF 1 187 900** is budgeted.

3.2. **Scale of Subscriptions**

The 2007 scale of subscriptions and votes is in Annex 3. The subscriptions total will be revised to include the decisions taken in this Conference on Memberships.

Expenditures

3.3 The expenditures proposed for 2007 have been set out considering the known and proposed activities. The total is CHF 1 199 800 which indicates a deficit of CHF 11 900.

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

Concerning the Contract with Naviter for the Internet Based Decentralised Contest, - the Budget was reviewed by the Executive Board at its meeting October 23 and it now has an income line which is balanced with an expense line at CHF 70 000. This will be funded with an anomous loan of 100k euro 80% and 20% from FAI, which will be funded by the Olympic Reserve 10% and DIF 10%.

The services and expenses for 2007 have been based on the Subscription levels which were set at the General Conference in 2003. The accumulated cost of living increases over the years 2004, 2005 and 2006 have placed severe restrictions on the budget. I would appreciate consideration by General Conference for an increase in the 2008 Subscriptions to ensure that FAI can continue to provide an adequate level of services into the near future.

May I ask you, Mr. President, to submit the draft budget 2007 and scale of subscriptions to the General Conference, for approval, as set out in Statute 3.4.1.4

Mr. President; I thank the NACes 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.