

FEDERATION AERONAUTIQUE INTERNATIONALE

REPORT BY R. CLIPSHAM Executive Director Finance FAI 98th ANNUAL GENERAL CONFERENCE 14 October 2005 held in Paris, FRANCE

Mr. President,

I am reporting to the 98th 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 It covers the following items appearing as Agenda item 14 :

- a) The 2004 Balance Sheet and the Report by the Auditors
- b) The Financial Situation at 30 September 2005
- c) The Draft Budget for 2006 - Income and Expenditure

A summary of significant accounting policies are laid down in the FAI's Financial Report 2004; prepared by PricewaterhouseCoopers, as required by Statute 7.5.1.

a) 2004 BALANCE-SHEET AND AUDITORS REPORT

2004 Financial Statement

The report of the Statutory Auditors, dated 11th July 2005, including the Balance Sheet and the Statement of income and expenditure for the year ending 31 December 2004 are available in the Conference documents, Annex 2.

1. Operational Result

The income is over budget, same for the expenses; we have an excess of income over expenditure of CHF 13'764.

1.1. Income

1.1.1. 2004 Subscriptions

Realized subscriptions for 2004 were CHF 987 520 (CHF 987 200 in 2003).

1.1.2. Financial products

Due to the low interest rates and the weakness of the USD, we have a net financial income of CHF 8 359.

The total of income is : CHF 1 142 939

1.2. Expenses

The expenses are grouped and provide a comparison to 2003.

1.2.1. Salaries and charges

The increase is due to some individual increases and adjustments. 2004: CHF 599 905 (2003 : CHF 585 100)

- 1.2.2. Executive Board expenses are similar to 2003 and are, below budget by 20 %. This is due to the special circumstances of several members and may not always be available,
- 1.2.3 Provision for unpaid subscriptions and receivable write-off, small increase in comparison to 2003.

The total of the expenses come to **CHF 1 129 175 in 2004.**

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.

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.

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

These funds are kept – and are available in – either Swiss Francs (Hang Gliding, Aeromodelling, Ballooning, Microlights, Rotorcraft and Amateur built & experimental aircraft) or in US Dollars (Aerobatics and Parachuting), or in Euros (General Aviation and Gliding). 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 2003 and the relevant movements during the year 2004 reference is made to pages 7/8 of FAI's auditors report. Within the individual movements 2004 you will find Funds received and Amounts paid out.

The balance at 31 December 2004 is CHF 776 722, which is an increase over the 31 December 2003 balance of CHF 650 450.

Accounting policy: changes in foreign exchange are carried entirely by the operating funds of FAI

1.3.2. **World Air Games**

The balance in WAG reserve is CHF 129 404 at the end of 2004. No change

1.3.3. **Olympic Games Fund**

Received funds of CHF 12 661 resulted in the special reserve Olympic Games positive balance of **CHF 88 718 .**

1.3.4. **World Grand Prix of Aerobatics**

During 2004, funds were received. The balance at the end of the year shows **CHF 90 857.**

1.4 **Balance sheet**

The Balance sheet at December 31, 2004 is shown at page 2 of the FAI's Auditors report. The Development and Innovation Fund is CHF 386 564, as received in March 2003.

1.4.1. **Assets**

The Current cash assets (**CHF 1 662 114**) are held in bank accounts as suited for FAI's operation.

Total current assets CHF 2 290 396.

Mr. President

In concluding my report on the 2004 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 2004 to the General Conference for approval, as set out in Statute 3.4.1.3.

b) **THE FINANCIAL SITUATION AT 30 SEPTEMBER 2005**

The Financial Situation at 30 September 2005 gives an indication about the result for the year 2005.

2.1. **Income**

At the end of August, 93 % of the subscription fees were paid, including arrears.

2.2. **Expenditure**

The expenses to 30 September 2005 are comparable to the budget with 3 items to be noted; FAI 100th Anniversary, and book and the exhibition stand:

2.3. **Special reserve : Accrued Sanction Fees**

CHF 756 555.

2.6% reduction 2005

2.4 **Development and Innovation Fund** is CHF 399 059; a slight increase from January 2005.

The anticipated result of 31 December 2005 will be a modest surplus of CHF 15 000 to CHF 20 000. The Consideration of the 100th Anniversary activities and reserves may reduce this surplus.

Paris, 14 October 2005RCcm

c) **BUDGET 2005**

The budget was worked out, by the President, in collaboration with the Secretary General and 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.

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 1 001 800 may be realized. Other income can be expected on the same level as 2005. A total of **Ordinary Operational Income** of **CHF 1 127 240** is budgeted.

3.2. **Scale of Subscriptions**

The 2006 scale of subscriptions is in Annex 3. Max Bishop noted that the subscriptions will be revised to include the decisions taken October 13th on Memberships.

3.3 **Expenditures**

The expenditures proposed for 2006 have been set out considering the known and proposed activities. The total is CHF 1 123 200 which indicates a small surplus of CHF 4 040.

May I ask you, Mr. President, to submit the draft budget 2006 and scale of subscriptions to the General Conference, for approval, as set out in Statute 3.4.1.4

Mr. President; I thank the Nacs 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.