

AI Airports International Limited
Company Registered Number 93803
Consolidated Financial Statements
31 December 2009

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Company Information

Directors

James Shinehouse (*Managing Director*)
Richard Boléat (*Non-executive*)
George Baird (*Non-executive*)
Murdoch McKillop (*Non-executive*)

Legal Advisors

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as to Austrian Law

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AI Airports International Limited

Registered Office

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Independent Auditors

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Vienna Stock Exchange Market-Maker

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Germany

Investment Bankers

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The Directors are pleased to present their Annual Report and financial statements for the year ended 31 December 2009 for AI Airports International Limited ("AI" or the "Company" and, together with its subsidiaries, the "Group").

Incorporation and organisation

The Company was incorporated with limited liability on 21 June 2006, with the name Meinel Airports International Limited, and changed its name to AI Airports International Limited on 30 April 2009. AI is a closed-ended investment company incorporated under the laws of Jersey.

AI has entered into arrangements whereby its shares support an Austrian Depositary Certificate ("ADC") program, and these ADCs are listed and traded on the tertiary market of the Vienna Stock Exchange on the basis of 1 share per ADC. The Company's ticker symbol is AIN and its ISIN number is AT0000A053N4.

Investment objective and policy

Since the EGM of the Company on 22 April 2009, the investment objectives of the Company have been to sell or otherwise dispose of all or any assets of the Company and the Board of Directors was prohibited from making investments in new projects without certificate holders' approval. In addition, the Board was authorised to distribute to certificate holders proceeds of the sale of the Company's assets. Accordingly, the Company is continuing to pursue the disposal of its portfolio of investments and this is considered further below.

The resolutions passed by the EGM formally established the legal framework required for payouts to certificate holders which resulted in repayments of capital on 2 June 2009 and 30 October 2009 totalling EUR 2.95 per certificate held.

Results, activities and future developments

The results of operations are set out on page 8. This reveals a consolidated loss before tax for the year of MEUR 1.4 after amortisation, depreciation and impairment charges of MEUR 4.4 and a gain of MEUR 19.2 on disposal of the Company's shareholding in TAV Havalimanlari Holding AS ("TAV") for proceeds of MEUR 63.1.

As stated above, the Board has been actively engaged in disposing of its asset portfolio and returning capital to investors. The Board has continued to seek credible buyers for each of the Company's airport and consultancy investments but, as at the date of this report, this has only been achievable in respect of Bydgoszcz, the regional Polish airport where a sale has been agreed. The reasons identified by interested parties for not progressing to make offers were the general economic environment, the limited quality and potential for the assets and the fact that many of the stakes were minority positions with complex ownership structures. As a result, alternative exit plans have been developed to mitigate the Company's obligations to its investment companies. For instance, where practical and permitted, investment commitments have been reduced, consultancy contracts have been terminated and overall monitoring costs restricted. In particular, the Company is party to an agreement in respect of Parma Airport which AI's co-shareholders are contending require significant investments by the Company. In order to mitigate this risk, the Company is negotiating an immediate fixed investment in return for release from all other obligations.

In line with the strategy for exiting the Company's investments and despite no change to the trading structure of the group during the year, the Group's operating costs reduced by MEUR 11.2, primarily as a result of the Company's expenses reducing to MEUR 17.2 (2008: MEUR 31.0), due in part to the termination of contracts with Meinel Bank associated companies. The Board is highly focussed on cost containment and continually reviews overhead and consultancy costs in order to minimise cash absorption.

Litigation and Arbitration matters

The Company's various litigation claims against Meinl Bank companies remain ongoing. As previously announced, in October 2009 the Company entered into a non-binding term sheet with Meinl Bank to settle all litigation and arbitration matters together with Meinl Bank acquiring certain of AI's investments. Since that time, Meinl Bank has undertaken due diligence in respect of the assets proposed to be acquired and negotiations have continued regarding both the sale of assets and the settlement of all the outstanding litigation involving Meinl Bank AG and its subsidiaries. As at the date of this report, this term sheet remains in place but the settlements it contemplated have not been concluded and so the litigation proceedings remain unresolved whilst the Board continues discussions with representatives of Meinl Bank. In order to protect AI's position with particular regard to the Austrian Arbitration proceedings, AI has provided notice to Meinl Bank AG with regard to the non-binding term sheet to reactivate the Arbitration proceedings.

It would be inappropriate because of confidentiality obligations, and detrimental to the Company's position to disclose details of the Board's strategy and expectations in respect of these proceedings. However, to the extent the Board is not otherwise precluded, further updates will be given to certificate holders at the upcoming AGM and via the Company's website when they are available.

The Company is party to litigation with a former Director, Björn Pirrwitz, who is claiming a payment on termination of his engagement as a Director of the Company of TEUR 600 which the Company is continuing to vigorously contest.

Directors, Directors' interests and emoluments

The current Board of Directors was appointed at various times between 28 July 2008 and 22 April 2009. Those Directors acting during the year under review and up to the date of this report were / are as follows :

- Björn Pirrwitz (not re-elected by ADC holders on 22 April 2009)
- Fred Duswald (resigned on 22 April 2009)
- Hans-Peter Dohr (resigned on 22 April 2009)
- David Pascall (not re-elected by ADC holders on 22 April 2009)
- Wolfgang Vilsmeier (re-elected by ADC holders on 22 April 2009, resigned on 11 September 2009)
- George Baird (re-elected by ADC holders on 22 April 2009 and 7 October 2009)
- Richard Boléat (re-elected by ADC holders on 22 April 2009 and 7 October 2009)
- James Shinehouse (appointed 19 March 2009, re-elected by ADC holders on 22 April 2009 and 7 October 2009)
- Murdoch McKillop (elected by ADC holders on 22 April 2009 and re-elected on 7 October 2009)

The Board of Directors currently consists of James Shinehouse, Murdoch McKillop, Richard Boléat and George Baird. With the exception of Mr Shinehouse, who has assumed the position of Managing Director, all the members of the Board of Directors are and will continue to be "non-executive". This means they have assumed supervisory responsibilities, but are available to support the Managing Director in day-to-day business operations. Directors' emoluments are disclosed in note 32.

Dividend policy

The Directors have absolute discretion as to the payment of dividends. There were no dividends proposed or paid for the year ended 31 December 2009.

Distribution policy

On 2 June 2009, an initial repayment of capital in the sum of EUR 2.25 per ADC/share was made. A second repayment of capital in the sum of EUR 0.70 per ADC/share was made on 30 October 2009. Further repayments of capital are envisaged as assets are realised and liabilities discharged, subject to the Company's obligations to maintain solvency as required by the Companies (Jersey) Law 1991 as amended.

The attached financial statements reveal a consolidated net asset value per ADC/share of EUR 2.77 at 31 December 2009. This is not necessarily reflective of the likely future distribution to ADC/share holders (in addition to the EUR 2.95 paid during 2009) due to, inter alia, matters arising in 2010 and beyond and the related costs that will be incurred in concluding the disposal process. The Board will continue to provide guidance to ADC/share holders as appropriate as the disposal process progresses.

Finally, the Board would like to restate one important fact. The Company will continue to exist as long as assets remain in its portfolio and as long as legal proceedings have not come to a conclusion. The winding-up of the Company will be proposed only when all shareholdings and assets in the project portfolio have been commercially realised, all lawsuits have been resolved and all liabilities have been settled. The ultimate decision to wind-up the Company lies in the hands of the ADC/share holders and must be presented by the Board for approval by the Company's ADC/share holders within the context of a general meeting. There is no definitive timescale when this may happen due to the uncertainty regarding the finalisation of the sales process and settlement of all liabilities.

By Order of the Board

Director

28 May 2010

The Directors are responsible for preparing the consolidated financial statements in accordance with applicable Jersey law and generally accepted accounting principles.

The Companies (Jersey) Law 1991 requires the Directors to prepare consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They have general responsibility for safeguarding the assets of the Group and Company and taking such steps as are reasonably open to them to prevent and detect fraud, error and other irregularity.

The Directors have taken all steps that they ought to have taken to make themselves aware of the information needed by the Group's auditors for the purpose of their audit and to ensure that the auditors are aware of that information. The Directors are not aware of any relevant information of which the auditors are unaware.

By Order of the Board

Director

28 May 2010

To the Members of AI Airports International Limited

We have audited the consolidated financial statements (the 'financial statements') of AI Airports International Limited (the 'Company') for the year ended 31 December 2009 which comprise the Consolidated statement of Comprehensive Income, the Statement of Comprehensive Income Parent company, Consolidated balance sheet, Balance sheet Parent company, Consolidated cash flow statement, Consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is Companies (Jersey) Law 1991 and International Financial Reporting Standards.

This report is made solely to the Company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards; and
- have been prepared in accordance with Companies (Jersey) Law 1991.

Emphasis of matter – possible outcome of lawsuits and future commitments

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of disclosures made in notes 26, 31 and 33.1 to the financial statements.

Notes 26 and 33.1 concern the possible outcome of lawsuits, alleging wrongful termination of certain management and service contracts where the Company is the defendant. The Company has filed counter actions. The ultimate outcome of these matters cannot presently be determined, and whilst legal costs have been provided for no provision for any other liability that may result has been made in the financial statements on the grounds of probability.

Note 31 concerns the commitments made by the Company to group entities, in particular Parma, whether an open ended funding commitment has been given, the quantum of which cannot be ascertained with certainty and no provision for any liability that may result has been made in the financial statements.

Report on other legal and regulatory requirements

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

**Philip Braun ACA
For and on behalf of BDO Alto Limited
Chartered Accountants
Jersey, Channel Islands**

Date: 28 May 2010

Note:

The maintenance and integrity of the AI Airports International Limited web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that occur to the financial statements or financial information due to their posting on the web site.

Consolidated statement of comprehensive income:

€ in thousands	Note	Year ended 31 December	
		2009	2008
Revenue		5,450	4,796
Other operating income		465	611
Direct cost of sale		(3,206)	(2,489)
Staff costs		(3,275)	(2,623)
Amortisation of intangible assets and depreciation of property, plant and equipment		(1,491)	(1,139)
Impairment	2.8,2.9,6	(2,922)	(141,181)
Other operating expenses	7	(20,427)	(31,638)
Gains from selling investments	8	19,155	-
Profit / (loss) on revaluation of financial assets and liabilities		2,932	(21,548)
Loss from operations		(3,319)	(195,211)
(Loss)/income from associates		(312)	540
Finance income	9	2,772	17,485
Finance expense	9	(585)	(9,102)
Net finance result		2,187	8,383
Loss before taxation		(1,444)	(186,288)
Taxation credit/(charge)	10	256	(251)
Loss for the year		(1,188)	(186,539)
Other comprehensive income			
Exchange differences on translation of foreign operation		(99)	(1,659)
Other comprehensive loss for the year		(99)	(1,659)
Total comprehensive loss for the year		(1,287)	(188,198)
Profit / (loss) attributable to:			
Equity holders of the parent		887	(181,248)
Minority interest		(2,075)	(5,291)
Total comprehensive profit / (loss) attributable to:			
Equity holders of the parent		788	(182,884)
Minority Interest		(2,075)	(5,314)
Basic and diluted profit / (loss) per share/certificate (EUR per share)	11	0.01	(2.67)

Statement of comprehensive income Parent Company:

€ in thousands	Note	Year ended 31 December	
		2009	2008
Other operating income		81	258
Impairment	2.8,2.9,6	(2,282)	(145,161)
Other operating expenses	7	(17,160)	(31,015)
Gains from selling investments	8	19,155	-
Profit / (Losses) on revaluation of financial assets and liabilities		2,932	(21,548)
Profit / (loss) from operations		2,726	(197,466)
Finance income	9	2,723	17,210
Finance expense	9	(555)	(8,700)
Net finance result		2,168	8,510
Income/(loss) before taxation		4,894	(188,956)
Taxation (charge)/credit	10	-	-
Income/(loss) for the year		4,894	(188,956)
Total comprehensive income/(loss) for the year		4,894	(188,956)

II. Balance sheet

AI Airports International Limited

Consolidated Balance Sheet:

€ in thousands

	Note	At 31 December	
		2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment	2.6,13	2,659	2,723
Intangible assets	2.7,14	-	-
Available-for-sale financial assets	2.9,15,20	2	38,023
Investment in associates	16	776	2,540
Financial assets at FVTPL	2.9,18,20	3,504	1,560
Derivative financial instruments	2.10,19,20	-	443
Deferred Tax	2.16,27	-	-
		6,941	45,289
Current assets			
Inventories	2.11, 2.12,20,21	195	204
Trade and other receivables	21	3,715	6,579
Cash and cash equivalents	2.13,22	199,895	369,260
		203,805	376,043
Total assets		210,746	421,332
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	2.14,23	452,298	652,363
Certificates held	23	(19,431)	(19,431)
Translation reserve		(1,735)	(1,636)
Retained earnings		(244,451)	(63,202)
Result for the year		887	(181,248)
Total shareholders' equity		187,568	386,846
Minority interests		260	2,335
Total equity		187,828	389,181
Non-current liabilities			
Provisions	2.17,26	259	253
Deferred tax liabilities	2.16,27	-	284
Financial liabilities	20,24	3,340	3,246
		3,599	3,783
Current liabilities			
Trade payables	2.15,20,25	6,809	10,919
Payables to associated companies	20,25	-	23
Provisions	2.17,25,26	4,565	4,005
Other liabilities	2.15,20,25	7,914	13,305
Current tax liabilities	2.16,25	31	116
		19,319	28,368
Total equity and liabilities		210,746	421,332

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 May 2010:

James P. Shinehouse, Managing Director

Richard M. Boléat, Chairman of the Audit & Risk Committee

II. Balance sheet

AI Airports International Limited

Balance Sheet Parent Company:

€ in thousands

		At 31 December	
	Note	2009	2008
ASSETS			
Non-current assets			
Available-for-sale financial assets	2.9,15,20	-	38,021
Investment in associates	16	776	3,062
Investment in subsidiaries	17	-	-
Financial assets at FVTPL	2.9,18,20	3,500	1,500
Derivative financial instruments	2.10,19,20	-	443
		4,276	43,026
Current assets			
Trade and other receivables	2.12,20,21	898	1,930
Receivables intercompany	2.12,21	2,278	2,294
Cash and cash equivalents	2.13,22	193,321	353,317
		196,497	357,541
Total assets		200,773	400,567
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	2.14,23	452,298	652,363
Certificates held	23	(19,431)	(19,431)
Retained earnings		(250,905)	(61,949)
Result for the year		4,894	(188,956)
Total equity		186,856	382,027
Non-current liabilities			
Financial liabilities	20,24	2,221	3,039
Current liabilities			
Trade payables	2.15,20,25	414	3,167
Payables to associated companies	20,25	-	23
Provisions	2.17,25,26	4,542	3,998
Other liabilities	2.15,20,25	6,740	8,313
		11,696	15,501
Total equity and liabilities		200,773	400,567

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 May 2010

James P. Shinehouse, Managing Director

Richard M. Boléat, Chairman of the Audit & Risk Committee

III. Consolidated cash flow statement

AI Airports International Limited

€ in thousands

	Notes	At 31 December	
		2009	2008
Cash generated from operations			
Profit / (loss) for the year		887	(181,248)
Minority interest		(2,075)	(5,291)
Income tax (credit) / charge	10	(256)	251
(Profit) / loss on revaluation of assets at FVTPL		(2,932)	21,548
Net finance income and expense	9	(2,187)	(8,383)
Gains from selling investment	8	(19,155)	-
Share of post tax profits of associates		312	(540)
Amortisation of intangible assets and depreciation of property, plant, equipment		1,491	1,139
Impairment	6	2,922	141,181
Non-cash foreign currency transaction gains and other non-cash income		(362)	508
Provision for doubtful debt		346	2,099
Change in inventories		9	(50)
Change in trade and other receivables		2,864	(3,300)
Change in trade and other payables		(8,650)	(10,347)
Change in provisions		560	4,005
Cash absorbed in operations		(26,226)	(38,428)
Interest and finance expenses paid		(30)	(173)
Taxation (paid)/received		(85)	(210)
Net cash used in operating activities		(26,341)	(38,811)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		-	(1,562)
Payments to acquire property, plant and equipment	13	(617)	(1,495)
Payments to acquire intangible assets	14	(2,290)	(3,625)
Payments to acquire available-for-sale investments	15	(5,880)	-
Payments to acquire associates		-	(2,182)
Payments to acquire other non-current assets		-	(22,815)
Proceeds from the sale of property, plant and equipment		-	243
Proceeds from the sale of available-for-sale investments	8	63,056	1
Interest received	9	2,772	15,905
Net cash generated from/(absorbed in) investing activities		57,041	(15,530)
Cash flows from financing activities			
Repayment of Capital	23	(200,065)	-
Change in borrowings		-	(2,306)
Cash flows from financing activities - net		(200,065)	(2,306)
Net (decrease)/increase in cash and cash equivalents			
		(169,365)	(56,647)
Cash and cash equivalents at beginning of the year		369,260	425,882
Effects from changes in exchange rates on cash and cash equivalents		-	25
Cash and cash equivalents at the end of the year	22	199,895	369,260

IV. Consolidated statement of changes in equity

AI Airports International Limited

€ in thousands	Note	Share capital 23	ADCs held 23	Translation reserve	Retained earnings	Total shareholders' equity	Minority interests	Total equity
Balance at 31 December 2007		652,363	(19,431)	-	(63,202)	569,730	(246)	569,484
Loss for the period		-	-	-	(181,248)	(181,248)	(5,291)	(186,539)
Translation reserve		-	-	(1,636)	-	(1,636)	(23)	(1,659)
Total comprehensive income for the year		-	-	(1,636)	(181,248)	(182,884)	(5,314)	(188,198)
Minority interests – subsidiaries		-	-	-	-	-	7,895	7,895
Balance at 31 December 2008		652,363	(19,431)	(1,636)	(244,450)	386,846	2,335	389,181
Profit / (loss) for the period		-	-	-	887	887	(2,075)	(1,188)
Translation reserve		-	-	(99)	-	(99)	-	(99)
Total comprehensive income for the year		-	-	(99)	887	788	(2,075)	(1,287)
Repayment of Capital		(200,065)	-	-	-	(200,065)	-	(200,065)
Balance at 31 December 2009		452,298	(19,431)	(1,735)	(243,564)	187,568	260	187,828

1 General information

In April 2007 the Company completed an Initial Public Offering on the Tertiary Market of the Vienna Stock Exchange. The offering number of the issued shares/certificates was 70 million which resulted in gross proceeds of MEUR 700 being raised (note 23). The Company's name was changed to AI Airports International Limited (formerly Meinel Airports International Limited) by a resolution of the shareholders on 22 April 2009.

At the year end, the Company held interests in the following companies:

Name	Country of incorporation	31 December 2009	31 December 2008
Subsidiaries			
Farnall Holdings Limited ("Farnall")	Cyprus	100.00%	100.00%
Lake Baikal Airport OJSC ("Ulan Ude") ⁽¹⁾	Russia	100.00%	100.00%
ACV Management Services s.r.o. ("ACV") ⁽²⁾	Slovakia	76.00%	76.00%
SO.GE.A.P. S.p.A. ("Parma")	Italy	67.94%	67.94%
Associates			
Airport Design Management GmbH ("ADM")	Austria	49.00%	49.00%
Port Lotniczy Sochaczew Sp. Z o.o. ("Sochaczew")	Poland	40.00%	40.00%
Fair Value through Profit and Loss			
Port Lotniczy Bydgoszcz Spółka Akcyjna ("Bydgoszcz")	Poland	48.98%	48.98%
Listed equity securities			
TAV Havalimanlari Holding AS ("TAV")	Turkey	-%	10.10%

⁽¹⁾ Ulan Ude is a 100% subsidiary of Farnall

⁽²⁾ The Group owns 51% and has an option over an additional 25% (note 24).

2 Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Statement of compliance and basis of preparation

The consolidated financial statements of AI have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as issued by the International Accounting Standards Board. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

In accordance with Companies (Jersey) Law 1991, as amended, AI also prepared its separate (unconsolidated) financial statements together with additional information. Significant accounting policies of the Company are the same as for the Group as described in this section of the notes.

2.2 Adoption of new and revised standards

(a) Standards and Interpretations effective in the current year

In the current year, the following new or revised standards became effective and had to be adopted (if applicable):

- IAS 1 (Amendment), 'Presentation of financial statements';
- IFRS 7 (Amendment), 'Financial Instruments: Disclosures';
- IFRS 8 – 'Operating segments' (has been early adopted in previous period).

The Group applies revised IAS 1 which became effective as of 1 January 2009. As a result, the Group presents in the statement of changes of equity all owner changes in equity, whereas all non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Company has applied IAS 1 (revised) from 1 January 2009, and has elected to present solely a statement of comprehensive income. The adoption of this revised standard has not resulted in a significant change to the presentation of the Company's performance statement, as the Company has no elements of other comprehensive income apart from translation reserve. Comparative information has been re-presented so it is in conformity with the revised standard.

The amendment to IFRS 7 requires the analysis of each class of financial asset and financial liability that is measured at fair value in the Balance Sheet into a three level fair value measurement hierarchy. It requires additional disclosures in respect of those financial instruments classified as Level Three (namely those that are measured using a valuation technique which uses inputs that are not based on observable data). It also implements some changes to the definition of and disclosures associated with liquidity risk. Comparative information has not been presented as it is not required.

The following interpretations to published standards are effective for the current period but are not relevant to the Group's operations:

- IAS 23 (Amendment), 'Borrowing costs';
- IAS 32 (Amendment), 'Financial Instruments: Presentation';
- IFRIC 15 – 'Agreements for the Construction of Real Estate';
- IFRIC 16 – 'Hedges of a Net Investment in a Foreign Operation';
- IFRS 1 and IAS 27 (Amendment), 'Cost of an investment on first time adoption';
- IFRS 2 (Amendment), 'Share-based Payment'.

(b) Early adoption of Standards

In previous periods, the Group elected to early adopt IFRS 8, 'Operating segments' in advance of its effective date of periods beginning 1 January 2009. IFRS 8 supersedes IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported consistently with the internal reporting provided to the chief operating decision maker.

(c) Standards and Interpretations in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the following Standards or their amendments and interpretations have been published and are mandatory

(if applicable) for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IAS 24 (Amendment), 'Related Party Disclosures';
- IAS 27, IAS 28, IAS 31 (Amendments), 'Consequential amendments arising from amendments to IFRS 3';
- IAS 32 (Amendment), 'Financial Instruments: Presentation — Amendments relating to classification of rights issues';
- IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement — Amendments for eligible hedged items and for embedded derivatives when reclassifying financial instruments';
- IFRIC 17 – 'Distributions of Non-cash Assets to Owners';
- IFRIC 18 – 'Transfers of Assets from Customers';
- IFRIC 19 – 'Extinguishing Financial Liabilities with Equity Instruments';
- IFRS 1 (Amendment), 'Additional exemption for first time adopters';
- IFRS 2 (Amendment), 'Share-based Payment — Amendments relating to group cash-settled share-based payment transactions';
- IFRS 3 (Revised) – 'Business Combinations';
- IFRS 9, 'Financial Instruments — Classification and Measurement'.

The IASB has issued annual improvements to several IFRS standards. The improvements include changes in presentation, recognition and measurement, plus terminology and editorial changes. Most of the amendments are effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010. No material changes to accounting policies are expected as a result of these changes.

2.3 Consolidation

(a) Business Combinations (subsidiaries)

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are capitalised when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest (minority interest). The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income. When preparation of financial statements as at acquisition date is impracticable and the related differences are not significant, financial statements as at a date different from an acquisition date are used in accounting for business combinations.

Where a put or call option exists, the option is valued by reference to the present value of its expected exercise price. If it is considered that the option gives the Group, in substance,

present ownership in the shares, the option is considered to be contingent consideration to be paid and the corresponding minority interest will be derecognised. Where this is not the case, the option is treated as a financial liability with subsequent fair value movements being taken to the statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company Balance Sheet, subsidiaries are accounted for at the contractual purchase consideration paid on acquisition including costs directly attributable to the acquisition which are capitalised when incurred. The carrying value is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment losses are recognised directly in the statement of comprehensive income.

(b) Transactions and non-controlling interests (minority interests)

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated statement of comprehensive income.

As AI operates as a venture capital organisation it uses the scope exemption of IAS 28 *Investment in Associates* and designates upon initial recognition some investments that would otherwise be equity accounted as investments at fair value through profit or loss with subsequent changes in fair value recognised in the statement of comprehensive income in the period of the change.

In the Company Balance Sheet, associates are accounted for at the contractual purchase consideration paid on acquisition including costs directly attributable to the acquisition which are capitalised when incurred. The carrying value is reviewed annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment losses are recognised directly in the statement of comprehensive income.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors. These figures are measured in a manner consistent with that of the consolidated financial statements.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in EURO, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss arising on revaluation of that item. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Balance Sheet presented are translated at the closing rate at balance sheet date;
- income and expenses for each statement of comprehensive income are translated at the average exchange rate for the year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity (the translation reserve).

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in the translation reserve.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

– Buildings	50 years
– Machinery, vehicles, furniture, fittings and equipment	5-15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition.

Goodwill, calculated at value in use, is subject to impairment testing on an annual basis and for indications of impairment. To perform an impairment test, goodwill is attributed to cash-generating units. The Group defines the respective legal entity as the cash-generating unit. A legal entity's impairment requirement is determined by comparing the carrying amount recognized at amortized cost (including the attributed goodwill) with the shareholder value of the cash-generating unit (the "computed amount"). The computed amount is determined by the net present value method based on the free cash flows (discounted cash flow) whereby a perpetuity (terminal value) is stated at the end of the observed period. Long-term corporate planning, in which the future profits are planned by taking into account volume and price increases, serves as basis for the data. In addition, where the Group has available to it market data on the potential proceeds from a disposal of assets or cash-generating units, the computed amount may be amended to reflect these potential proceeds.

In the event that the computed amount does not exceed the carrying amount after considering the net assets at year end, an unscheduled amortization in the amount of the difference is to be made primarily on goodwill. Any additional need for amortization/depreciation is to be allocated to the remaining assets of the cash-generating unit in relation to the carrying value. When the reasons for unscheduled depreciation no longer exist, appropriate appreciations will be made. According to IFRS 3, goodwill that has already been amortized once due to impairment can no longer be appreciated (see note 2.8).

(b) Licenses, usage rights and concessions

Licenses, usage rights and concessions are valued at fair value at the acquisition date when acquired through business combination or at acquisition costs when purchased. They are

amortised over the period in which the related investment is depreciated on a straight line basis. Acquired computer software licences are capitalised on the basis of the costs to acquire and bring to use the specific software. These costs are amortized on a straight line basis over their estimated useful lives, as follows:

– Licences	2 years
– Concessions	20 years
– Software	3 years

Licenses, usage rights and concessions are tested for impairment if indications of impairment exist.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life such as goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial instruments

The Group classifies its financial instruments in the following categories: financial assets and financial liabilities at fair value through profit or loss; loans and receivables; held to maturity; available-for-sale and other financial liabilities. The classification depends on the nature of the financial assets. Management determines the classification required by IFRS of financial assets at initial recognition.

The Group recognises a financial asset or a financial liability when and only when it becomes a party to the contractual provisions of the instrument.

The purchase or sale of financial assets is recognised using trade date accounting, whereby all financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

(a) Financial assets and financial liabilities at fair value through profit or loss

These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price.

Financial assets and financial liabilities carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income.

The category of financial assets and financial liabilities at fair value through the profit or loss is sub-divided into:

Financial assets and liabilities held for trading: All derivatives and liabilities from short sales of financial instruments are classified as held for trading. Derivative financial instruments

entered into by the Group do not meet the hedge accounting criteria as defined by IAS 39. Consequently, hedge accounting is not applied by the Group.

Financial instruments designated as at fair value through profit or loss upon initial recognition: These include equity instruments that are not held for trading. These financial assets are designated on the basis that they are part of a Group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Group.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These have been classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the Balance Sheet.

Loans and receivables are carried at amortised cost using the effective interest method. See note 2.12 for 'Trade and other receivables'.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of financial expense/financial income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

(d) Other financial liabilities

This category includes all financial liabilities, other than those classified as 'at fair value through profit or loss'.

(e) Derecognition of a financial asset

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that, in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

The Group derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

(f) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or Group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced, through the use of an allowance account. The amount of the loss shall be recognised in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financing difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice or agreement. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, has been incurred, the amount of the loss is measured as the difference between

the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its fair value is transferred from equity to the statement of comprehensive income.

Reversals of impairment losses on debt instruments are reversed through the statement of comprehensive income, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the statement of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the statement of comprehensive income.

2.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Trading derivatives are classified as a current asset or liability. Changes in the fair value of derivative instruments are recognised immediately in the statement of comprehensive income within finance expense/finance income.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amount. An allowance account is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is uncollectible. The amount of the allowance made is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'other operating expense'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating expense' in the statement of comprehensive income.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (or ADCs), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares/ADCs are cancelled or reissued. Where such shares/ADCs are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects is included in equity attributable to the Company's equity holders.

2.15 Trade payables and other payables

Trade payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.17 Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance expense.

2.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known to management.

Interest income from a financial asset excluding financial assets at fair value through profit or loss is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

2.19 Leases

Leases in which substantially all the risks and rewards incidental to ownership are transferred to the lessee are classified as finance leases. At the commencement of a lease term the Group recognises finance leases as assets and liabilities in the Balance Sheet at amounts equal to fair value of the lease property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. For the calculation of the present value of the minimum lease payments the interest rate implicit in the lease shall be used as discount rate. If this interest rate cannot be determined in practice, the lessee's incremental borrowing rate of interest shall be used.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.21 Borrowing costs

Borrowing costs are interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period incurred.

2.22 Defined benefit plans

One of the Group's subsidiaries (Parma) provides an arrangement under which that subsidiary provides post-employment benefits to one or more employees. The subsidiary has

a direct or indirect obligation to pay certain benefits committed based on a benefit formula. The related obligation is recognised as a liability.

2.23 Government grants

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction in arriving at the carrying amount of the asset. The grant is recognised as income over the life of the depreciable asset by way of a reduced depreciation charge. Grants are recognised when there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received.

Repayment of a grant to an asset is recorded by increasing the carrying amount of the asset. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is immediately recognised as an expense.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

The Group's investments and the related facilities are significantly exposed to market-price and other market-related risks, for instance aircraft movements, aircraft type and size, passenger and cargo volumes, economic factors, competition from other modes of transport and lower utilisation rates of the airport car parks for non-aeronautical revenues as well as general economic conditions and changes in the regulatory environment.

In addition as the Group's focus is on, but not limited to, Central and Eastern Europe in particular, outright acquisitions of or acquisitions of equity stakes in airports or parts of airports, the Company's investments may be subject to higher risks than those in more developed markets, for instance higher legal, economic and political risks.

(i) Foreign exchange risk

The foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the RUB and PLN. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

In the prior year, the Group and Company held Financial Assets available for sale totalling TEUR 38,023 (TRY 81.7 million). A 10% fluctuation in the EUR:TRY exchange rate would have a TEUR 3,456 effect on prior year net assets of the Group and Company. However, during 2009 this investment was sold and therefore the Group and Company is no longer exposed to this exchange rate risk.

The Board of Directors evaluates and manages those risks on a case-by-case basis.

(ii) Price risk

The Group and the Parent Company are exposed to equity securities price risk because of investments held and classified on the Balance Sheet either as available-for-sale, at fair value through profit or loss or derivative financial instruments. The amount exposed for the Group amounts to EUR Nil (2008: TEUR 49,675) and for the parent Company amounts to EUR Nil (2008: TEUR 49,271).

A decrease of the listed stock price at year end of 5 percentage points would have no impact (2008: TEUR 1,923) on the post tax results since this investment was sold during 2009.

The Board of Directors evaluates and manages those risks on a case-by-case basis.

(iii) Cash flow and fair value interest rate risk

As the Group and Parent Company have significant interest-bearing cash balances, the Group's income and operating cash flows are substantially dependent on changes in market interest rates. Except for cash, no other material financial assets or liabilities are interest bearing. The Board of Directors evaluates and manages those risks on a case-by-case basis.

At 31 December 2009, AI had an invested cash amount of MEUR 40 (2008: MEUR 65) for 29 days period at a fixed interest rate of 0.35% and MEUR 20 for 46 days period at a fixed interest rate of 0.40%. Cash in amount of MEUR 130 (2008: MEUR 285.5) was placed on overnight accounts at variable interest rates.

The impact on post tax profit of a 10 basis point decrease in variable interest rates for the corresponding cash balances at year end would result in a maximum decrease in interest income of TEUR 130 (2008: TEUR 286).

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A-2' are accepted. For customers their credit quality is assessed, taking into account their financial position, past experience and other factors. Management does not expect any losses from non-performance by these counterparties.

The carrying amount of financial assets and trade receivables recorded in the financial statements represents the Group's maximum exposure to credit risk.

V. Notes to the consolidated financial statements AI Airports International Limited

The table below shows the balance of the major counterparties at the balance sheet date.

Group:

€ in thousands	S&P Rating	Year ended 31 December	
		2009	2008
Meinl Bank AG		5	5
ING Bank N.V.	A+/A-1	133,284	353,313
Deutsche Bank	A+/A-1	60,032	-
Banca Monte Parma		729	8,125
Banca Popolare Emilia Romagna	A-/A-2	423	5,742
Cassa di Risparmio di Parma e Piacenza (Credit Agricole SA)	AA-/A-1+	5,235	-
Other banks		186	2,075
Trade and other receivables		3,715	6,579
		203,609	375,839

Parent Company:

€ in thousands	S&P Rating	Year ended 31 December	
		2009	2008
ING Bank N.V.	A+/A-1	133,284	353,313
Meinl Bank AG		5	4
Deutsche Bank	A+/A-1	60,032	-
Trade and other receivables		898	1,930
Intercompany receivables		2,278	2,294
		196,497	357,541

(c) Liquidity risk

Liquidity risk is the risk that the Group or Company will not be able to meet its financial obligations as they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Board of Directors evaluates and manages those risks on a case-by-case basis.

The table below analyses the Group and Company's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Group:

€ in thousands	At 31 December 2009			
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Trade payables and other liabilities	14,723	791	2,649	328
Provisions	4,565	259	-	-
€ in thousands	At 31 December 2008			
Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	
Trade payables and other liabilities	24,247	-	-	3,920
Provisions	4,005	253	-	-

Parent Company:

€ in thousands	At 31 December 2009			
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Trade payables and other liabilities	7,154	-	2,575	-
Provisions	4,542	-	-	-

€ in thousands	At 31 December 2008			
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years
Trade payables and other liabilities	11,503	-	-	3,713
Provisions	3,998	-	-	-

Since the Group and Company held cash balances at 31 December 2009 in excess of MEUR 193, the Board of Directors considers liquidity risk to be minimal.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. As the Group does not have any external borrowing and is in the process of disposing of its investments, the Group's capital is largely represented by cash balances and therefore the Board of Directors considers capital risk to be minimal.

3.3 Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the share price at the balance sheet date.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 in respect of disclosures about the degree of reliability of fair value measurements. This requires the Group to classify for disclosure purposes fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

V. Notes to the consolidated financial statements AI Airports International Limited

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety should be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Group. The Group considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Group's financial instruments (by class) measured at fair value at 31 December 2009:

€ in thousands	Year ended 31 December		
	Level 1	Level 2	Level 3
Financial Assets			
Equity investments	-	-	3,504
Financial Liabilities			
Other financial liabilities	-	-	(2,221)
	<u>-</u>	<u>-</u>	<u>1,283</u>
Movement in year			
Opening balance	-	-	(1,479)
Fair Value adjustment	-	-	2,932
Disposals	-	-	(56)
Influence of discounting (interest rate)	-	-	(114)
Closing balance	<u>-</u>	<u>-</u>	<u>1,283</u>

Financial instruments classified within level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Group has used discounted cash flow valuation techniques to derive the fair value. Level 3 instruments include the fair value of the ACV earn out liability based on the discounted price formula included in the share purchase agreement.

There were no transfers between levels for the year ended 31 December 2009.

The table above presents the movement for the year ended 31 December 2009 by class of financial instrument. For other financial liabilities valued using the discounted pricing model, if the current share price used in the valuation model were increased or decreased by 20%, this would have no impact on the minimum undiscounted amount of TEUR 2,575 (see note 24) which would be payable. For the sensitivity in the discount rate used refer to note 4.1 (b)

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated impairment of Cash Generating Units

The Group tests annually whether goodwill and intangible assets with an indefinite useful life have suffered any impairment in accordance with the accounting policy stated in note 2.8. Goodwill and intangible assets were fully impaired in the previous year. The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell and value-in-use calculations. These calculations require the use of estimates (see note 2.7). Since the recoverable amounts of certain Cash Generating Units were below their carrying value, certain Property, Plant and Equipment was also impaired.

Future cash flows are assumed to grow at a rate of 2.5% and are then subject to a discount to present value using discount rates appropriate for the industry and country in which the operations take place, generally between 11.0% and 18.0%. The weighted average cost of capital, as calculated using a capital asset pricing model, is used as the discount rate.

These calculations are based on financial budgets prepared by local management with operating margin budgeted on past performance and expectations of future market development. The weighted average growth rates used are consistent with the forecasts included in industry reports for the applicable peer group.

Sensitivity Analysis – Impairment Test ACV, ADM and Sochaczew

As the investment in ACV was conservatively written down to nil and the investments in ADM and Sochaczew were written down to the amount of AI's stake in their respective net asset values, no sensitivity analysis was prepared.

Sensitivity Analysis – Impairment Test Cash Generating Units Ulan Ude

If the estimated after-tax discount rate applied to the discounted cash flows for Ulan Ude had been 1 percentage point lower than management's estimates (for example, 17.0% instead of 18.0%), the value in use would have increased by TEUR 800 (2008: TEUR 800). Value in use of the Cash Generating Unit Ulan Ude is estimated to be TEUR 2,278 (2008: TEUR 2,294)

Sensitivity Analysis – Impairment Test Cash Generating Units Parma

If the estimated after-tax discount rate applied to the discounted cash flows for Parma had been 1 percentage point lower than management's estimates (for example, 10.0% instead of 11.0%), the value in use would have increased by TEUR 2,100 (2008: TEUR 2,100). Value in use of the Cash Generating Unit Parma is estimated to be EUR Nil (2008: EUR Nil)

(b) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using measurement methods customary in the market. The Group uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date. The Group has used discounted cash flow methods and option pricing models for various derivatives and other financial instruments that are not traded in active markets.

Sensitivity Analysis – Purchase Price ACV

The fair value of the earn-out amount on ACV would be an estimated 5% (TEUR 116) lower or 6% (TEUR 124) higher if the risk free rate was increased or decreased by 2% from management's estimates respectively. In the previous year the calculation was as follows: The fair value of the earn-out amount on ACV would be an estimated 8% (TEUR 161) lower or 7% (TEUR 147) higher if the risk free rate was increased or decreased by 2% from management's estimates respectively. The fair value of the call/put price on ACV would be an estimated 8% (TEUR 8) lower or 7% (TEUR 8) higher if the risk free rate was increased or decreased by 2% from management's estimates respectively.

Sensitivity Analysis – Purchase Price ADM

As the fair values of the call / put option are equal, these options have not been accounted for.

4.2 Critical judgments in applying the entity's accounting policies

Impairment of available-for-sale financial asset

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. Since the Group's only available-for-sale financial asset was its investment in TAV, which was listed on the Istanbul Stock Exchange, its value and impairment was assessed by reference to the market price of shares publicly traded on the exchange, but during the year was sold.

5 Segment reporting

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board considers the business from a product perspective.

The reportable operating segments derive their revenue primarily from the airport operations (Ulan Ude and Parma) and consulting services in respect of the development of airports, holding company services and consulting services (AI, ACV and Farnall).

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The segment information provided to the Board of Directors for the reportable segments is as follows:

€ in thousands	Year ended 31 December					
	2009			2008		
	Airport Operations	Holding / Consulting Services	Total	Airport Operations	Holding / Consulting Services	Total
Revenue from external customers	5,020	430	5,450	3,590	1,206	4,796
Impairment	(2,922)	-	(2,922)	(26,241)	(114,940)	(141,181)
Gains from selling investment	-	19,155	19,155	-	-	-
EBITDA	(6,219)	4,079	(2,140)	(26,993)	(166,539)	(193,532)
Depreciation and amortisation	(1,466)	(25)	(1,491)	(1,131)	(8)	(1,139)
Finance income	195	2,577	2,772	170	17,315	17,485
Finance expense	(28)	(557)	(585)	(177)	(8,925)	(9,102)
Loss before taxation	(7,519)	6,075	(1,444)	(28,131)	(158,157)	(186,288)
Income tax credit	318	(61)	256	(106)	(145)	(251)
Interest in the profit or (loss) of associates accounted for by the equity method	(19)	(293)	(312)	(75)	615	540
Total assets	11,054	199,691	210,745	23,613	397,719	421,332
<i>Total assets include:</i>						
Investments in associates	545	231	776	1,866	674	2,540
Additions to non-current assets (other than financial instruments and deferred tax assets) & investments in associates	3,125	10	3,135	23,329	263	23,592
thereof acquired in a business combination	-	-	-	18,472	-	18,472
Total liabilities	7,534	15,384	22,918	12,088	20,063	32,151

The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the statement of comprehensive income.

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the consolidated financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The amounts provided to the Board of Directors with respect to total liabilities are measured in a manner consistent with that of the consolidated financial statements. These liabilities are allocated based on the operations of the segment.

The entity is domiciled in Jersey. No revenue was generated from external customers in Jersey in either year. The total of revenue from external customers from other countries is TEUR 5,450 (2008: TEUR 4,796). The breakdown of the major component of the total of revenue from external customers from other countries is disclosed as follows:

Airport Operations:

€ in thousands	Year ended 31 December	
	2009	2008
Airlines Siberia	-	722
Windjet	1,064	523
Buriatia Airlines	371	348
Ryan Air	374	151
Alitalia	-	124
Globus	653	-
Air alps	325	-
Other	2,233	1,722
	5,020	3,590

Holding and Consulting Services:

€ in thousands	Year ended 31 December	
	2009	2008
Meinl Airport Managers Limited	131	789
Airport Consulting Services GmbH	-	231
Airport Consulting Vienna	102	-
Airport Design Management	59	-
Other	138	186
	430	1,206

6 Impairment

In accordance with the Group's accounting policies as set out above and in conjunction with an assessment of independent professional advice, the Directors have determined the appropriate level of impairment of the Group's assets as set out below.

Group:

€ in thousands	Year ended 31 December	
	2009	2008
TAV shares	-	112,860
Investments	1,322	2,081
Goodwill	-	8,888
Licences	-	-
Concessions	1,391	13,379
Property, Plant and Equipment	203	3,474
Other non-current assets	6	499
	2,922	141,181

Parent Company:

€ in thousands	Year ended 31 December	
	2009	2008
TAV shares	-	112,860
Investments	2,282	23,579
Receivables	-	8,722
	2,282	145,161

7 Other operating expenses

Group:

€ in thousands	Year ended 31 December	
	2009	2008
Management fees (see note 33)	-	5,981
Licence fees (see note 33)	-	1,529
Market-Maker fee (see note 33)	48	1,961
Projects	463	2,537
Allowance for doubtful accounts	654	2,099
Court fees	842	-
Legal, consulting and auditing fees	9,423	11,434
Financial Adviser fees – sale process	2,098	1,330
Directors' fees and expenses	1,866	1,216
Marketing and meeting costs	1,657	1,066
Airport consulting – associated companies (ADM)	878	1,035
Other	2,498	1,450
	20,427	31,638

Parent Company:

€ in thousands	Year ended 31 December	
	2009	2008
Management fees (see note 33)	-	5,981
Licence fees (see note 33)	-	1,529
Market-Maker fee (see note 33)	48	1,961
Projects	463	2,537
Allowance for doubtful accounts	433	2,099
Court fees	842	-
Legal, consulting and auditing fees	9,175	11,275
Financial Adviser fees – sale process	2,098	1,330
Directors' fees and expenses	1,579	1,216
Marketing and meeting costs	388	293
Airport consulting – associated companies (ADM)	878	1,035
Other	1,256	1,759
	17,160	31,015

Group and Parent Company:

The board's decision to terminate the various agreements with Meinl Bank Group (see note 33) resulted in a substantial reduction in overhead costs. As the Group's focus has moved from investment acquisition and management to divestment, legal and consulting costs have reduced despite the costs of prosecuting litigation matters. However, the divestment process necessitates the financial adviser costs which have been incurred during the year.

8 Gains from selling investments

Group and Parent Company:

€ in thousands	Year ended 31 December	
	2009	2008
Proceeds from the sale of TAV shares	63,056	-
Carrying value of TAV shares at 1 January 2009	(38,021)	-
Cost of Rights Issue TAV shares	(5,880)	-
Gains from selling investments	19,155	-

9 Net finance result

Group:

€ in thousands	Year ended 31 December	
	2009	2008
Finance income		
– Interest income from bank deposits	2,633	17,114
– Gains on maturity of short term bonds	139	-
– Revaluation ACV earn-out	-	181
– Revaluation ACV put-call option	-	190
	2,772	17,485
Finance expense		
– Interest expense and bank charges	(30)	(402)
– TAV option expensed	(443)	-
– Valuation long term derivative (TAV options)	-	(8,700)
– Revaluation ACV earn-out	(112)	-
	(585)	(9,102)
Net finance result	2,187	8,383

Parent Company:

€ in thousands	Year ended 31 December	
	2009	2008
Finance income		
– Interest income from bank deposits	2,574	16,839
– Dividends received (net of withholding tax)	149	-
– Revaluation ACV earn-out	-	181
– Revaluation ACV put-call option	-	190
	2,723	17,210
Finance expense		
– TAV option expensed	(443)	-
– Valuation long term derivative (TAV options)	-	(8,700)
– Revaluation ACV earn-out	(112)	-
	(555)	(8,700)
Net finance result	2,168	8,510

10 Taxation credit

Group:

Income tax credit relates to the deferred income tax of Ulan Ude and ACV. The individual entities' reconciliations – prepared on the basis of the tax rates applicable in each country and while taking consolidation procedures into account – have been summarised in the reconciliation below. The estimated tax charge is reconciled to the effective tax charge disclosed.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

€ in thousands	Year ended 31 December	
	2009	2008
Loss before taxation	(1,444)	(186,288)
Consolidated (profit) / loss under Jersey exempt status	(3,785)	185,636
Taxable profit/(loss)	(5,229)	(652)
Taxation (19% - 31.4%)	(1,536)	(349)
Non-deductible expenses	125	51
Other tax credits	163	-
Tax loss for which no deferred tax asset recognised	1,440	549
Prior year adjustment	(448)	-
Taxation (credit) / charge	(256)	251

See note 27 for details regarding the deferred tax of the Group.

Parent Company:

The Jersey taxation regime imposes a general corporate income tax rate of 0%; 10% rate applies to certain regulated financial services companies and 20% rate applies to utilities and income from Jersey land. The effect of the new regime is to change the status of the company from exempt to liable to Jersey income tax at 0%.

11 Loss per share / certificate

Basic and diluted

Basic and diluted loss per share/ADC is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares/ADC in issue during the year excluding certificates purchased by Meindl Bank AG according to the Market-Maker agreement and held for the account of the Company (see note 33).

	<u>Year ended 31 December</u>	
	<u>2009</u>	<u>2008</u>
Profit / (loss) attributable to equity holders of the parent (€ in thousands)	887	(181,248)
Weighted average number of ordinary shares/ADCs in issue (thousands)	67,819	67,819
Basic and diluted profit / (loss) per share/ADC (€ per share)	0.01	(2.67)

12 Dividends per share/certificate

No dividends were paid in 2009 (2008: EUR Nil).

13 Property, plant and equipment

Group:

€ in thousands	<u>Land and buildings</u>	<u>Vehicles and machinery</u>	<u>Furniture, fittings and equipment</u>	<u>Total</u>
At 31 December 2009				
Cost	4,105	2,043	1,111	7,259
Accumulated depreciation	(2,144)	(1,817)	(639)	(4,600)
Net book value	1,961	226	472	2,659
Year ended 31 December 2009				
Opening net book value	2,163	242	318	2,723
Additions	36	529	280	845
Disposals	(10)	(8)	-	(18)
Depreciation charge	(148)	(325)	(125)	(598)
Impairments	-	(203)	-	(203)
Foreign exchange rate differences	(80)	(9)	(1)	(90)
Closing net book value	1,961	226	472	2,659
At 31 December 2008				
Cost	5,052	1,660	902	7,614
Accumulated depreciation	(2,889)	(1,418)	(584)	(4,891)
Net book value	2,163	242	318	2,723
Year ended 31 December 2008				
Opening net book value	4,234	663	1	4,898
Acquisitions through business combinations	-	998	322	1,320
Additions	707	31	757	1,495
Disposals	-	(105)	(138)	(243)
Depreciation charge	(202)	(153)	(52)	(407)
Impairments	(1,868)	(1,139)	(467)	(3,474)
Reclassifications	24	29	(53)	-
Foreign exchange differences	(732)	(82)	(52)	(866)
Closing net book value	2,163	242	318	2,723

V. Notes to the consolidated financial statements AI Airports International Limited

Included in the above are property, plant and equipment to the value of EUR Nil pledged as security for finance leases (see note 28). During the current year, additions of TEUR 228 (2008: EUR Nil) were purchased by way of finance leases.

Parent Company:

The Parent Company holds no property, plant and equipment.

14 Intangible assets

Group:

€ in thousands	Goodwill	Licenses	Software and Concessions	Total
At 31 December 2009				
Acquisition cost	18,721	8,400	16,021	43,142
Accumulated amortization	(18,721)	(8,400)	(16,021)	(43,142)
Net book value	-	-	-	-
Year ended 31 December 2009				
Opening net book value	-	-	-	-
Additions	-	-	2,290	2,290
Amortisation	-	-	(899)	(899)
Impairment	-	-	(1,391)	(1,391)
Closing net book value	-	-	-	-
At 31 December 2008				
Acquisition cost	18,721	8,400	13,731	40,852
Accumulated amortization	(18,721)	(8,400)	(13,731)	(40,852)
Net book value	-	-	-	-
Year ended 31 December 2008				
Opening net book value	4,664	400	-	5,064
Acquisitions through business combinations	5,008	-	10,106	15,114
Additions	-	-	3,625	3,625
Amortization charge	-	(379)	(353)	(732)
Impairments	(8,888)	-	(13,379)	(22,267)
Foreign exchange differences	(784)	(21)	1	(804)
Closing net book value	-	-	-	-

The increase in "Software & Concessions" of TEUR 2,290 relates to improvements to the concession agreement between Parma and ENAC (the Italian Governmental Body regulating the aeronautic sector). Airports operate under service concession arrangements under the terms of which Parma initially received from the government land and infrastructure to deliver services to customers. All fixed assets received from the government and the improvements made directly to the airport have to be returned to the government at the end of the arrangement without receiving any compensation.

In assessing the potential impairment of intangible assets, the Group follows the policies disclosed at notes 2.7 and 2.8 above. All intangible assets were fully impaired in the prior year and additions of this year were fully impaired this year. The recoverable amount of the concession was valued as part of the Parma Cash Generating Unit as disclosed in note 4.

Parent Company:

The Parent Company holds no intangible assets.

Impairment tests for goodwill with an indefinite useful life

The impairment of goodwill is disclosed at note 6 above.

15 Available-for-sale financial assets

Group:

€ in thousands	Year ended 31 December	
	2009	2008
Beginning of the year	38,023	150,883
Additions (Rights Issue)	5,880	-
Impairment	-	(112,860)
Disposals	(43,901)	-
End of the year	2	38,023

During the year, the Company sold all of its investments in TAV (see note 8) and therefore, available-for-sale financial assets only include the following:

€ in thousands	Year ended 31 December	
	2009	2008
Listed Securities – Equity		
- TAV	-	38,021
Non-listed securities – Equity		
- Aviation Management Consulting Limited ("AMC")	2	2
	2	38,023

Parent Company:

€ in thousands	Year ended 31 December	
	2009	2008
Listed Equity Securities – TAV	-	150,880
Impairments	-	(112,859)
	-	38,021

General:

Assets acquired through the acquisition of ACV included a 26% investment in AMC in Romania. This has not been accounted for as an associate undertaking as the investment is considered to be insignificant.

Available-for-sale financial assets are denominated in the following currencies:

€ in thousands	Year ended 31 December	
	2009	2008
Turkish Lira	-	38,021
Romanian Lei	2	2
	2	38,023

The Group has not pledged available-for-sale financial assets as collateral for liabilities or contingent liabilities.

16 Investment in associates

Group:

€ in thousands	Year ended 31 December	
	2009	2008
Sochaczew	545	1,865
ADM	231	675
	<u>776</u>	<u>2,540</u>

The investments in Sochaczew and ADM were written down to the amount of AI's stake in their respective net asset values as indicated below.

16.1 Sochaczew

In 2008 the Company acquired interests in Port Lotniczy Sochaczew Sp. Z o.o., Poland ("Sochaczew") which is seeking to develop a low cost airport for the Warsaw region in Sochaczew. The Company is exercising significant influence and is accounting for the investment using the equity method. The 40% shareholding was acquired on 30 January 2008, the total acquisition costs amounted to TEUR 2,038 and goodwill to TEUR 1,307.

The following table shows the development of the book value of the investment in Sochaczew:

€ in thousands	Year ended 31 December	
	2009	2008
Beginning of the year	1,865	-
Acquisition costs	-	2,038
Net loss for the year	(19)	(75)
Translation difference	6	(98)
Impairment	(1,307)	-
End of the year	<u>545</u>	<u>1,865</u>

The Group's share of the results of Sochaczew, which is unlisted, and its aggregated assets (including goodwill) and liabilities are as follows:

€ in thousands	Assets	Liabilities	Revenues	Loss
Sochaczew	597	52	-	(19)

16.2 ADM

The carrying amount of ADM as at 31 December 2009 is TEUR 231 representing 49% in ADM's net assets. The following table shows the development of the book value of the investment in ADM:

€ in thousands	Year ended 31 December	
	2009	2008
Beginning of the year	675	2,096
Acquisition costs	-	45
(Loss) / income in the year	(74)	615
Decrease of Equity because of dividend paid	(370)	-
Impairment	-	(2,081)
End of the year	<u>231</u>	<u>675</u>

On 20 June 2007, an agreement was entered into with the 51% shareholders of ADM whereby the Company has agreed put and call options allowing the Group to acquire the remaining 51% shareholding in ADM or the 51% to put their shareholding to the Company

V. Notes to the consolidated financial statements AI Airports International Limited

within the period 30 June 2012 to 31 July 2012. These put and call options are not considered to give the Group present ownership of the shares and as a result, have not been treated as giving rise to a further investment. As a result, the put and call options represent a financial asset and a financial liability of the Group. As the fair value of the asset and liability are equal they have not been accounted for in the financial statements (see note 31).

The Group's share of the result of ADM, which is unlisted, and its aggregated assets (including goodwill) and liabilities are as follows:

€ in thousands	<u>Assets</u>	<u>Liabilities</u>	<u>Revenues</u>	<u>Loss</u>
ADM	805	574	701	(74)

Trading with ADM during the year consisted of purchases of TEUR 878 (2008: TEUR 1,035) and sales of TEUR Nil.

Parent Company:

The Company initially recognises investments in associates at cost. After initial recognition investments in associates are tested for impairment annually. An impairment loss is deducted from the net book value of the investment.

€ in thousands	<u>Year ended 31 December</u>	
	<u>2009</u>	<u>2008</u>
Beginning of the year	3,062	2,026
Additions	-	2,433
Impairment	(2,286)	(1,397)
End of the year	<u>776</u>	<u>3,062</u>

As at 31 December 2009, payables to associated companies (ADM) amounted to EUR Nil (2008: TEUR 23). Receivables from MAM amounted to TEUR 360, but it is fully impaired (2008: TEUR 360).

There are no restrictions on the associates' ability to transfer funds to AI in the form of dividends.

17 Investment in subsidiaries

Parent Company:

€ in thousands	<u>Year ended 31 December</u>	
	<u>2009</u>	<u>2008</u>
Beginning of the year	-	-
Additions	-	22,183
Impairment	-	(22,183)
End of the year	<u>-</u>	<u>-</u>

There are no restrictions on the subsidiaries' ability to transfer funds to AI in the form of dividends.

18 Financial assets at fair value through profit or loss

Group:

€ in thousands	Year ended 31 December	
	2009	2008
Bydgoszcz	3,500	1,500
Other	4	60
	<u>3,504</u>	<u>1,560</u>

Parent Company:

€ in thousands	Year ended 31 December	
	2009	2008
Bydgoszcz	<u>3,500</u>	<u>1,500</u>

On 29 February 2008, AI acquired a 48.9816% stake in Port Lotniczy Bydgoszcz Spółka Akcyjna ("Bydgoszcz"), Poland, for a purchase price of TEUR 23,048. According to the accounting policies of the Group, Bydgoszcz was designated as an investment at fair value through profit or loss. During 2008, a fair value adjustment in an amount of TEUR 21,548 was accounted for in respect of the investment in Bydgoszcz, of which MEUR 2.0 was reversed during 2009.

19 Derivative financial instruments

Group and Parent Company:

€ in thousands	Year ended 31 December	
	2009	2008
TAV call option	<u>-</u>	<u>443</u>

AI purchased 9,789,789 European call options on shares of TAV exercisable on 24 July 2009. The options expired unexercised on 24 July 2009.

20 Financial instruments by category

The accounting policies for financial instruments under the scope of IFRS 7 have been applied to the line items below.

Group:

2009						
Amounts recognised in Balance Sheet according to IAS 39						
€ in thousands	Category in accordance with IAS 39	Carrying amount at 31 December 2009	Amortised cost	Fair value recognised in equity	Fair value recognised in profit or loss	Fair value at 31 December 2009
Assets						
Available-for-Sale Financial Assets	Available for Sale	2	-	2	-	2
Trade and other receivables	Loans and Receivables	3,715	3,715	-	-	3,715
Financial assets	At fair value through profit or loss	3,504	-	-	3,504	3,504
Cash and cash equivalents	Loans and Receivables	199,895	199,895	-	-	199,895
Liabilities						
Financial liabilities, long-term and provisions	Other financial liabilities	(3,599)	(3,599)	-	-	(3,599)
Financial liabilities, short-term and other liabilities, trade payables and provisions	Other financial liabilities	(19,288)	(19,288)	-	-	(19,288)
<i>Thereof aggregated by category according to IAS 39:</i>						
	Loans and Receivables	203,610	203,610	-	-	203,610
	Available-for-Sale Financial Assets	2	-	2	-	2
	Fair value through profit and loss	3,504	-	-	3,504	3,504
	Other financial liabilities	(22,887)	(22,887)	-	-	(22,887)

2008						
Amounts recognised in Balance Sheet according to IAS 39						
€ in thousands	Category in accordance with IAS 39	Carrying amount at 31 December 2008	Amortised cost	Fair value recognised in equity	Fair value recognised in profit or loss	Fair value at 31 December 2008
Assets						
Available-for-Sale Financial Assets	Available for Sale	38,023	-	38,023	-	38,023
Long-term derivatives	Held For Trading	443	-	-	443	443
Trade and other receivables	Loans and Receivables	6,579	6,579	-	-	6,579
Financial assets	At fair value through profit or loss	1,560	-	-	1,560	1,560
Cash and cash equivalents	Loans and Receivables	369,260	369,260	-	-	369,260
Liabilities						
Financial liabilities, long-term and provisions	Other financial liabilities	(3,499)	(3,499)	-	-	(3,499)
Financial liabilities, short-term and other liabilities, trade payables and provisions	Other financial liabilities	(28,252)	(28,252)	-	-	(28,252)
<i>Thereof aggregated by category according to IAS 39:</i>						
	Loans and Receivables	375,839	375,839	-	-	375,839
	Available-for-Sale Financial Assets	38,023	-	38,023	-	38,023
	Financial Assets Held for Trading	443	-	-	443	443
	Fair value through profit and loss	1,560	-	-	1,560	1,560
	Other financial liabilities	(31,751)	(31,751)	-	-	(31,751)

Parent Company:

2009						
€ in thousands	Category in accordance with IAS 39	Carrying amount at 31 December 2009	Amounts recognised in Balance Sheet according to IAS 39			Fair value at 31 December 2009
			Amortised cost	Fair value recognised in equity	Fair value recognised in profit or loss	
Assets						
Trade and other receivables	Loans and Receivables	898	898	-	-	898
Intercompany receivables	Loans and Receivables	2,278	2,278	-	-	2,278
Financial assets	At fair value through profit or loss	3,500	-	-	3,500	3,500
Cash and cash equivalents	Loans and Receivables	193,321	193,321	-	-	193,321
Liabilities						
Financial liabilities, long-term and provisions	Other financial liabilities	(2,221)	(2,221)	-	-	(2,221)
Financial liabilities, short-term and other liabilities, trade payables and provisions	Other financial liabilities	(11,696)	(11,696)	-	-	(11,696)
<i>Thereof aggregated by category according to IAS 39:</i>						
Loans and Receivables		196,497	196,497	-	-	196,497
Fair value through profit and loss		3,500	-	-	3,500	3,500
Other financial liabilities		(13,917)	(13,917)	-	-	(13,917)
2008						
€ in thousands	Category in accordance with IAS 39	Carrying amount at 31 December 2008	Amounts recognised in Balance Sheet according to IAS 39			Fair value at 31 December 2008
			Amortised cost	Fair value recognised in equity	Fair value recognised in profit or loss	
Assets						
Available-for-Sale Financial Assets	Available for Sale	38,021	-	38,021	-	38,021
Long-term derivatives	Held For Trading	443	-	-	443	443
Trade and other receivables	Loans and Receivables	1,930	1,930	-	-	1,930
Intercompany receivables	Loans and Receivables	2,294	2,294	-	-	2,294
Financial assets	At fair value through profit or loss	1,500	-	-	1,500	1,500
Cash and cash equivalents	Loans and Receivables	353,317	353,317	-	-	353,317
Liabilities						
Financial liabilities, long-term and provisions	Other financial liabilities	(3,039)	(3,039)	-	-	(3,039)
Financial liabilities, short-term and other liabilities, trade payables and provisions	Other financial liabilities	(15,501)	(15,501)	-	-	(15,501)
<i>Thereof aggregated by category according to IAS 39:</i>						
Loans and Receivables		357,541	357,541	-	-	357,541
Available-for-Sale Financial Assets		38,021	-	38,021	-	38,021
Financial Assets Held for Trading		443	-	-	443	443
Fair value through profit and loss		1,500	-	-	1,500	1,500
Other financial liabilities		(18,540)	(18,540)	-	-	(18,540)

V. Notes to the consolidated financial statements AI Airports International Limited

Disclosure of material income, expenses, gains and losses resulting from financial assets and financial liabilities:

Group:

€ in thousands	Year ended 31 December 2009			
	Loans and Receivables	Financial liabilities at amortised cost	Available for sale financial assets	Fair value through profit or loss
Net gain/(loss)		932	-	2,000
Gains from selling investments	-	-	19,155	-
Interest income	2,772	-	-	-
Interest expense	(30)	(112)	-	(443)
Impairment loss	(346)	-	-	-
Net result for the year	2,396	820	19,155	1,557

€ in thousands	Year ended 31 December 2008			
	Loans and Receivables	Financial liabilities at amortised cost	Available for sale financial assets	Fair value through profit or loss
Net gain/(loss)	-	-	-	(21,548)
Interest income	17,114	371	-	-
Interest expense	(402)	-	-	-
Impairment loss	-	-	(112,860)	(8,700)
Net result for the year	16,712	371	(112,860)	(30,248)

Parent Company:

€ in thousands	Year ended 31 December 2009			
	Loans and Receivables	Financial liabilities at amortised cost	Available for sale financial assets	Fair value through profit or loss
Net gain/(loss)	-	932	-	2,000
Gains from selling investments	-	-	19,155	-
Interest income	2,722	-	-	-
Interest expense	-	(112)	-	(443)
Impairment loss	(443)	-	-	-
Net result for the year	2,279	820	19,155	1,557

€ in thousands	Year ended 31 December 2008			
	Loans and Receivables	Financial liabilities at amortised cost	Available for sale financial assets	Fair value through profit or loss
Net gain/(loss)	-	-	-	(21,548)
Interest income	16,839	371	-	-
Interest expense	-	-	-	-
Impairment loss	(8,722)	-	(112,860)	(8,700)
Net result for the year	8,117	371	(112,860)	(30,248)

21 Trade and other receivables

Group:

€ in thousands	Year ended 31 December	
	2009	2008
Trade receivables	2,314	3,512
Receivables from related parties	2,656	2,459
Prepayments	873	489
Allowance for doubtful accounts	(2,973)	(2,145)
Other receivables	845	2,264
	3,715	6,579

Reconciliation of allowance for doubtful accounts:

€ in thousands	Carrying amount 1 January 2009	Impairment- losses recognised on receivables	Used / reversed unused	Year ended 31 December	
				2009	2008
Trade receivables	46	300	(29)	317	46
Receivables MAM	2,099	557	-	2,656	2,099
	2,145	857	(29)	2,973	2,145

Parent Company:

€ in thousands	Year ended 31 December	
	2009	2008
Trade receivables	73	73
Receivables from subsidiaries	18,519	18,536
Receivables from related parties	2,459	2,458
Prepayments	841	385
Other receivables	57	1,112
Allowance for doubtful accounts – subsidiaries	(16,241)	(16,241)
Allowance for doubtful accounts – related parties	(2,459)	(2,099)
Allowance for doubtful accounts – third parties	(73)	-
	3,176	4,224

Reconciliation of allowance for doubtful accounts:

€ in thousands	Carrying amount 1 January 2009	Impairment- losses recognised on receivables	Used / reversed unused	Year ended 31 December	
				2009	2008
Receivables Farnall	16,241	-	-	16,241	16,241
Receivables MAM	2,099	360	-	2,459	2,099
Trade receivables	-	73	-	73	-
	18,340	433	-	18,773	18,340

The Group has not pledged trade or other receivables as collateral for liabilities or contingent liabilities.

V. Notes to the consolidated financial statements AI Airports International Limited

Ageing of trade receivables which are past due but not impaired:

Group:

€ in thousands	At 31 December	
	2009	2008
61-90 days	183	687
91-120 days	1,257	90
	<u>1,440</u>	<u>777</u>

Parent Company:

The Parent Company does not have trade receivables which are past due but not impaired.

22 Cash and cash equivalents

Group:

€ in thousands	Year ended 31 December	
	2009	2008
Cash at bank	9,660	18,755
Bank account restricted – Meinl Bank AG	5	5
Short-term bank deposits	190,230	350,500
	<u>199,895</u>	<u>369,260</u>

Parent Company:

€ in thousands	Year ended 31 December	
	2009	2008
Cash at bank	3,316	2,812
Bank account restricted – Meinl Bank AG	5	5
Short-term bank deposits	190,000	350,500
	<u>193,321</u>	<u>353,317</u>

The Group has not pledged cash or cash equivalents as collateral for liabilities or contingent liabilities. Cash at bank in the amount of TEUR 5 is restricted due to the Market-Maker Agreement with Meinl Bank AG as described in note 33.

23 Share capital and certificates held

Units	Shares	ADCs	Shares and ADCs
Balance as at 21 June 2006 and at 31 December 2006	100,000	-	100,000
Shares issued on initial public offering	69,900,000	-	69,900,000
Purchase of ADCs	-	2,181,232	(2,181,232)
Balance as at 31 December 2007, 2008 and 2009	70,000,000	2,181,232	67,818,768

€ in thousands	Share Capital paid in	Book value ADCs	Total Share Capital
Balance as at 21 June 2006 and at 31 December 2006	1,000	-	1,000
Shares issued on initial public offering	699,000	-	699,000
Purchase of ADCs	-	(19,431)	(19,431)
Subtotal	700,000	(19,431)	680,569
Costs in relation to initial public offering	(47,637)	-	(47,637)
Balance as at 31 December 2007 and 2008	652,363	(19,431)	632,932
Repayment of Capital	(200,065)	-	(200,065)
Balance as at 31 December 2009	452,298	(19,431)	432,867

The Company's authorised share capital is divided into 300,000,000 ordinary shares with a nominal value of EUR 10 per share. At the initial public offering in April 2007, 69,900,000 shares represented by 69,900,000 Offer Certificates ("Austrian Depository Certificates" or "ADCs") were issued at an offer price of EUR 10 per ADC. Immediately following the IPO, a total of 70,000,000 issued shares were represented by the ADCs representing the Company's total issued share capital. Transaction costs relating to the issue of shares in a total amount of TEUR 47,637 are presented as a deduction from shareholders' equity.

In 2007, under the Market-Maker Agreement, Meindl Bank AG bought and sold ADCs for the account of the Company. As at balance sheet date Meindl Bank AG holds 2,181,232 (2008: 2,181,232) ADCs for the account of the Company. The acquisition costs of these own ADCs were TEUR 19,431. The value of the own ADCs as at 31 December 2009 is TEUR 4,362 (2008: TEUR 11,997). Purchases of own ADCs are presented as a deduction from shareholders' equity at the cost they were acquired for.

Following a resolution of shareholders on 22 April 2009, the Company was converted to a non-par company to enable the repayment of capital. During 2009, the Company repaid capital of EUR 2.95 per share/ADC other than the owned ADCs, a total repayment of capital of MEUR 200.1.

24 Financial liabilities

Group:

€ in thousands	Year ended 31 December 2009		Year ended 31 December 2008	
	Discounted	Undiscounted	Discounted	Undiscounted
	Contingent consideration acquisition ACV	2,221	2,575	2,107
Put-Call Option ACV	-	-	932	1,138
Other	1,119	1,119	207	207
	3,340	3,694	3,246	3,920

Parent Company:

€ in thousands	Year ended 31 December 2009		Year ended 31 December 2008	
	Discounted	Undiscounted	Discounted	Undiscounted
	Contingent consideration acquisition ACV	2,221	2,575	2,107
Put-Call Option ACV	-	-	932	1,138
	2,221	2,575	3,039	3,713

General:

The discount rate used to identify the present value of financial liabilities is 5.35% (2008: 5.35%). The ACV put-call option and the contingent consideration are expected to fall due in 2012.

The ACV contingent consideration represents an amount payable of at least TEUR 2,575 on 2 November 2012 which will be adjusted (upwards only) based upon AI's average share price just prior to the payment compared to the average share price at the date of the initial acquisition. In the absence of AI's shares being listed, the later price will be determined as the average net asset value per share in issue at the time.

On 18 December 2007, an agreement was also entered into with the 51% shareholders of ACV. Under this agreement the Company has agreed to put and call options allowing the Group to acquire a further 25% shareholding or the minority to put 25% of the total issued share capital of ACV to the Company. The ACV put and call options are considered to give

the Group present ownership of the 25% shareholding and as a result have been treated as contingent consideration resulting in the derecognition of the 25% minority interest.

The value of the options is determined on a similar formula to that for the contingent consideration of TEUR 2,575, but without a minimum amount. The Directors consider that all of the Company's assets will have been sold by November 2012 and all cash balances used to repay capital, resulting in a share price or net asset value of EUR Nil. As a result, the value of the option would also be EUR Nil.

25 Current liabilities

Group:

€ in thousands	Year ended 31 December	
	2009	2008
Trade payables	6,809	10,919
Payables to associated companies - ADM	-	23
Other payables	5,713	9,671
Accruals	2,201	3,634
Provisions	4,565	4,005
Current tax liabilities	31	116
	19,319	28,368

Parent Company:

€ in thousands	Year ended 31 December	
	2009	2008
Trade payables	414	3,167
Payables to associated companies – ADM	-	23
Other payables	4,544	5,506
Accruals	2,196	2,807
Provisions	4,542	3,998
	11,696	15,501

Group and Parent Company:

Other Payables include MEUR 4.6 of disputed balances related to Meindl Bank companies and other parties. Until the litigation matters with Meindl Bank are concluded, no further amounts will be paid in respect of these items.

26 Provisions

Group:

€ in thousands	Carrying amount 1 January 2009	Additional provisions/ Increase to existing provisions	Used/ Reversed unused	Carrying amount
				31 December 2009
Current provisions				
Legal	3,700	-	-	3,700
Lawsuit	-	842	-	842
Other	305	23	305	23
Current provisions	4,005	865	305	4,565
Non-current provisions	253	44	38	259

Parent Company:

€ in thousands	Additional provisions/			Carrying amount 31 December 2009
	Carrying amount 1 January 2009	Increase to existing provisions	Used/ Reversed unused	
Current provisions				
Legal	3,700	-	-	3,700
Lawsuit	-	842	-	842
Other	298	-	298	-
Current provisions	3,998	842	298	4,542

Group and Parent Company:

The Company is currently the defendant and plaintiff in several legal actions which are described more fully in note 33 below. The Directors consider the Company's claims and defences to be strong and, as such, considers the risk of loss to be, at best, only possible. Accordingly, no provision for losses has been accrued with the exception of the potential legal costs of these actions. Given the wide range of claims by and against the Company, it is very difficult to quantify what the possible gain or loss, if any, would be. Further, it would be highly prejudicial to the Company's case if any such estimates were given. Accordingly, the Company has not estimated any possible gain or loss – see note 33 for full details of the legal actions.

27 Deferred tax liabilities

Group:

€ in thousands	Year ended 31 December	
	2009	2008
Acquired through business combination	-	-
Revaluation net of depreciation	-	358
Differences with tax depreciation	(90)	2
Allowance for doubtful debts	(83)	(93)
Other tax credits	163	-
Other items	10	17
	-	284

The gross movements in the deferred tax liability is as follows:

€ in thousands	Year ended 31 December	
	2009	2008
Opening balance	284	302
Revaluation and differences with tax depreciation	(450)	58
Allowance for doubtful debts	10	(93)
Other	(7)	17
Other tax credits	163	-
	-	284

The Group did not have any deferred tax liabilities at 31 December 2009 (2008: TEUR 284). Unused tax losses of Ulan Ude amount to TEUR 197 (2008: TEUR 197), of Parma amount to TEUR 20,226 (2008: TEUR 17,136) and of ACV amount to TEUR 558 (2008: EUR nil). Deferred tax assets due to temporary differences in Ulan Ude and ACV totalling TEUR 163 have not been recognised due to the uncertainty of future taxable income to utilise these losses against.

Parent Company:

Since AI is subject to zero rate taxation (see note 10), no deferred taxes have been calculated.

28 Leases

All finance lease agreements relate to technical equipment, machinery and other property, plant and equipment of Parma. Following impairment, the net carrying amount of property, plant and equipment under finance leases according to IAS amounts to EUR Nil (2008: EUR Nil). The present value of minimum lease payments amount to TEUR 397 (2008: TEUR 315).

Lease payments (operating lease) that have been accounted for in expenses in the reporting period 2009 amount to TEUR 248 (2008: TEUR 337).

29 Government grants

Airports operate under service concession arrangements under which they initially receive rights to use land and other property, plant and equipment (infrastructure) to provide services to customers. According to service concession agreements, all assets received as well as improvements made directly by Parma have to be returned to the government at the end of the arrangement without any compensation. All new investments relating to the maintenance and improvements of the infrastructure are accounted for as intangible assets ("investment in concession"). Amortization is calculated according to the duration of service concession agreements.

The net carrying amount of Parma's investment in concessions (after impairment) amounts to EUR Nil (2008: EUR Nil) (see note 14).

In addition Parma received government grants relating to assets (improvements mentioned above) which are accounted for as a deduction from the cost of the assets.

30 Contingencies

The Company is party to litigation with a former Director, Björn Pirrwitz, who is claiming a payment on termination of his engagement as a Director of the Company of TEUR 600 which the Company is continuing to vigorously contest.

The Group and Company also have contingent gains and losses due to the various legal actions with Meinel Bank Group described at note 33 below.

31 Commitments

The Group had the following commitments at 31 December 2009 (2008: MEUR 130.2):

€ in thousands	2009	2008	Comments
Ulan Ude:			
Line of credit	1,000	8,000	AI previously committed to grant a line of credit via Farnall to Ulan Ude in the amount of MEUR 8. However, this was amended during the year to MEUR 1. As at 31 December 2009 an amount of TEUR 778 has been drawn under this facility.
Bydgoszcz			
Future capital injection	752	752	As disclosed at note 34, the Company's shareholding in this investment has been sold and therefore this commitment has ceased after the year end.
ACV			
Additional purchase price	2,575	2,575	See note 24. The discounted amount of TEUR 2,221 has already been provided for.
Put Option	-	1,138	See note 24
ADM			
Put option	-	4,727	The 51% shareholders of ADM are entitled to sell their remaining shares to AI between 30 June 2012 and 31 July 2012 according to a corresponding put option. The purchase price depends on the projected EBIT of ADM for 2012 to 2014 and, given the losses sustained by ADM in 2009, was valued at EUR Nil at 31 December 2009.
Parma:			
Financing of investments in fixed assets	17,000	112,970	See below
	21,327	130,162	

As disclosed in 2008, under the terms of the "Investment Agreement" dated 17 July 2008, AI undertook, subject to certain conditions, to provide or obtain for Parma all the financial resources which should become necessary to realize the multi-annual economic plan agreed upon by Parma and AI in 2008 ("multi-annual economic plan"). According to the multi-annual economic plan agreed upon at that time, investments in fixed assets totalling MEUR 293 were planned during the period from 2008 through to 2027. Based on further due diligence, and financial and legal analysis, the Board of AI considers that the commitment to provide funding to Parma is conditional on *inter alia*, the achievement of certain objectives, as well as the underlying financial viability of the multi-annual economic plan.

The Board of AI believes the limit of AI's commitment pursuant to the terms of the Investment Agreement is to provide a shareholders' loan of MEUR 17. On 21 December 2009, the co-shareholders in Parma formally requested AI to provide the financial resources to realize the multi-annual economic plan and have stated that they consider AI's commitment to exceed MEUR 112. The Board of AI believes that the Company's obligation only extends to seeking to procure funding and not to providing funding, over and above the MEUR 17 shareholder's loan facility. In order to resolve this uncertainty, the Board has entered into negotiations with the co-shareholders of Parma to agree a fixed, unconditional level of investment. At the date of approval of these financial statements, these negotiations had not been concluded. Consequently, as there is uncertainty over the quantum and timescale, no provision has been made for any commitment which may result from this obligation or these negotiations.

32 Related-party transactions

32.1 Key management compensation

Those directors who served during the year are as follows:

- Björn Pirrwitz (not re-elected by ADC holders on 22 April 2009)
- Fred Duswald (resigned on 22 April 2009)
- Hans-Peter Dohr (resigned on 22 April 2009)
- David Pascall (not re-elected by ADC holders on 22 April 2009)
- Wolfgang Vilsmeier (re-elected by ADC holders on 22 April 2009, resigned on 11 September 2009)
- George Baird (re-elected by ADC holders on 22 April 2009 and 7 October 2009)
- Richard Boléat (re-elected by ADC holders on 22 April 2009 and 7 October 2009)
- James Shinehouse (appointed 19 March 2009, re-elected by ADC holders on 22 April 2009 and 7 October 2009)
- Murdoch McKillop (elected by ADC holders on 22 April 2009 and re-elected on 7 October 2009)

The remuneration of all Directors serving during 2009 amounted to TEUR 1,579 (2008: TEUR 1,216). Other key management roles are fulfilled by consultants, in particular William Pike (Chief Operations Officer – Corporate) and Neil Robson (Group Chief Financial Officer). Fees for the services of Mr Pike and Mr Robson are paid to Atlantic Financial Advisory Partners LLC and Talbot Hughes McKillop LLP respectively and are included in the amounts disclosed at note 32.2.

32.2 Consultancy agreements

Atlantic Financial Advisory Partners LLC, a company in which Mr Shinehouse has a controlling interest, provides consultancy services to the Company under the terms of a contract dated 7 July 2009. Fees for services (other than for Mr Shinehouse's services as a Director which are included in Directors' remuneration at note 32.1) totalling TEUR 642 were paid to Atlantic Financial Advisory Partners LLC in 2009 (2008: EUR Nil).

Talbot Hughes McKillop LLP, a partnership in which Mr McKillop is a member, provides consultancy services to the Company under the terms of a contract dated 7 July 2009. Fees for services (other than for Mr McKillop's services as a Director which are included in Directors' remuneration at note 32.1) totalling TEUR 339 were paid to Talbot Hughes McKillop LLP in 2009 (2008: EUR Nil).

Governance Partners LP, a partnership in which Mr Boléat is a member, provides company secretarial services to the Company under the terms of a contract dated 23 November 2009. Fees for services (other than for Mr Boléat's services as a Director which are included in Directors' remuneration at note 32.1) totalling TEUR 62 were paid to Governance Partners LP in 2009 (2008: EUR Nil).

Following their resignation or removal from the Board of Directors, consultancy contracts were provided by Mr Dohr, Mr Duswald and Mr Pascall under which they received payments for consultancy services of TEUR 121, TEUR 24 and TEUR 33 respectively.

33 Status of matters with Meinl Bank Group

33.1 Background

(a) Management Agreement

Under the terms of an Investment Management Agreement between MAM and the Group dated 23 March 2007, AI delegated, to a large extent, the management, determination and execution of the Company's investments to the Investment Manager. The Investment Manager is a fully owned subsidiary of Meinl Bank AG. The notice period for termination in the absence of breach was six years. The agreement was terminated for breach by the Company on 28 October 2008. MAM denied the breach and asserted the agreement was repudiated by the Company. The Company has not provided for any payments under this agreement beyond its assumed termination date. Under the terms of the Management Agreement the Company was obliged to pay an annual base fee between 1% and 1.5% dependent on the average asset value and an annual performance fee of 20% on the excess performance of the asset values over a benchmark (defined as EURIBOR plus 1%). No fees have been paid in 2009 (2008: TEUR 5,981).

MAM has filed various lawsuits against AI claiming unspecified damages as high as EUR 72 million for AI's alleged repudiation of the Investment Management Agreement. AI has filed a counter-claim against MAM with the Royal Court of the Island of Jersey alleging that MAM has committed numerous and serious violations of its contractual obligations in connection with the Management Agreement, which are stated in the counter-claim to have caused approximately MEUR 211 loss and damage to AI. The current status of this litigation is disclosed at note 33.2.

(b) Licensing Agreement

The Group concluded an agreement dated 23 March 2007 with Meinl Bank AG as licensor and owner of the trademark concerning the use of the name and logo "MEINL" by the Group. The agreement was rescinded by the Company on 24 September 2008, although Meinl Bank AG has denied the Company had the right to rescind and has alleged repudiatory breach against the Company. If the Management Agreement with MAM is terminated, the Licensing Agreement also terminated. The Company has not provided for any payments under this agreement beyond its assumed termination date. For the Group to use the name and logos, it had to pay a quarterly fee of 0.075% of the aggregate amount appearing in its consolidated Balance Sheet in its last published quarterly interim report of issued share capital and share premium and long term consolidated Group debt to the licensor. No fees have been paid in 2009 (2008: TEUR 1,529).

Following the rescission of the Licence Agreement, Meinl Bank AG has filed a claim for damages against AI amounting to a total of EUR 11.4 million with the English High Court of Justice in London, being six years' licence fees and certain other unpaid past fees. This lawsuit is being contested by AI, which responded with a Defence and Counterclaim totalling MEUR 1.2. The current status of this litigation is disclosed at note 33.2.

(c) Placement Agreement and Market-Maker Agreement

The Company and Meinl Bank AG entered into a Placement and Market-Maker Agreement dated 23 March 2007 under which Meinl Bank AG was appointed by the Company to place the Offer Certificates and to manage the securities in the role of a market-maker. These agreements were terminated by the Company on 29 August 2008, to be effective from 30 September 2008. The Company has not provided for any payments under this agreement beyond its assumed termination date. For the placement of the securities, Meinl Bank AG received from the Company a placement fee of 6.0% of the Group's gross proceeds from the issuance of the securities and a guarantee and listing fee of 0.75% of the Group's gross

proceeds from the placement of the securities and for the underwriting of the offering. The Company also appointed Meinl Bank AG to act as market-maker. For the performance of its role as market-maker, Meinl Bank AG received from the Company a maintenance fee amounting to 0.7% p.a. of the market value of the outstanding securities placed by Meinl Bank AG. No fees have been paid in 2009 (2008: TEUR 1,961).

AI has filed a lawsuit with the International Arbitration Court at the Austrian Federal Economic Chamber in Vienna against Meinl Bank AG demanding a refund of MEUR 32.3 in excessive fees which were invoiced to AI by Meinl Bank AG. This lawsuit is contested by Meinl Bank AG which filed a counterclaim with the Arbitration Court for outstanding fees in the amount of approximately TEUR 617. The current status of this litigation is disclosed at note 33.2.

Furthermore, AI has filed a claim with the Commercial Court of Vienna designed to compel Meinl Bank AG to surrender 2,181,232 AI certificates in its possession. The Vienna Commercial Court awarded a preliminary injunction at the request of AI, pursuant to which Meinl Bank AG is prohibited from selling these certificates or taking action in any other way which could obstruct or significantly impede the right of AI to receive those certificates.

33.2 Current Status

As announced, in October 2009, AI and Meinl Bank AG entered into a non-binding term sheet with a view to settling all the outstanding litigation and arbitration matters described in note 33.1, together with Meinl Bank AG acquiring certain of AI's investments. Since that time, Meinl Bank AG has undertaken due diligence in respect of the assets proposed to be acquired and negotiations regarding both the sale of assets and settlement of all the outstanding litigation involving Meinl Bank AG and its subsidiaries. As at the date of these Financial Statements, this term sheet remains in place but the settlements it contemplated have not been concluded and so the litigation proceedings remain unresolved whilst the Board continues discussions with representatives of Meinl Bank AG. In order to protect AI's position with particular regard to the Austrian Arbitration proceedings, AI has provided notice to Meinl Bank AG with regard to the non-binding term sheet to reactivate the Arbitration proceedings.

It would be inappropriate because of confidentiality obligations, and detrimental to the Company's position, to disclose details of the Board's strategy and expectations in respect of these proceedings. However, to the extent the Board is not otherwise precluded, further updates will be given to ADC holders via the Company's website when they are available.

34 Events after the balance sheet date

On 20 May 2010, contracts for the sale of the Company's shareholding in Bydgoszcz were exchanged at a sale price of MPLN 16.5 (approximately MEUR 3.9) which compares with a carrying value of MEUR 3.5. The completion of the disposal is subject to several minor conditions which are expected to be completed during June 2010. In the meantime, the sale proceeds are being held in escrow pending completion.

35 Ultimate controlling party

Certificates issued under the Company's ADC programme are bearer securities which means there is no register of certificate holders. According to the registration list at the AGM held on 7 October 2009, the largest single registered holding was 14,156,514 ADCs (36% of total ADCs in issue) of the overall 39,868,451 (57%) registered to vote. Therefore, as far as the Directors are aware, there is no ultimate controlling party.