

26 September 2008

# LANDKOM INTERNATIONAL PLC

## 115,000 hectares land bank secured; first crop harvested

Landkom International PLC (AIM: LKI, "Landkom" or the "Group"), the Ukrainian producer of high-value oilseed rape and wheat, has today published its interim results for the six months to 30 June 2008.

### Highlights

- Harvesting successfully completed for OSR – wheat nearing completion
- Planting well under way for 2009
- Land Bank now totals 115,000 hectares, the target set for the end of 2008
- Operational and management structure for the enlarged operation in place
- Net cash position at 30 June 2008 \$34.5 million

**Richard Spinks**, Landkom Chief Executive, commented:

*"We have now completed an intense period of investment and rapid growth which has positioned us as one of the largest farms in Ukraine, both in terms of land bank and operational capability. Our first crops have now largely been harvested and we are on course to become one of the most profitable farming operations in the region with western technology and superior agronomic expertise."*

*"We are now adjusting our focus to concentrate more of our resources on rapidly increasing our planting programme and the experience we gained during 2008, our first full year, will ensure we are more efficient and effective. We aim to continue to exceed our targets in 2009 as we have done in 2008."*

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### Overview

Landkom has made very good progress during the first six months of the financial year. This has continued during the summer months and Landkom has attained or exceeded the targets established when the Group successfully completed its admission to AIM in November 2007.

The last 18 months have seen a rapid development of the Group into a very substantial farming entity. The Board has invested heavily in land, people, infrastructure and equipment as well as securing the first harvest.

The Board will continue to maintain the Group's rapid rate of growth. However, it will focus more on delivering revenues, cash flow and profits by exploiting the economies of scale and benefiting from the improvement in management's operational expertise and from operational gearing.

Throughout the year the Group continued to expand its Land Bank and today controls 115,000 hectares (ha), the target set to be achieved by the end of 2008.

As part of the land acquisition programme, Landkom secured land of which 5,000 ha had already been planted by the previous incumbent, although to much lower standards. This brought the total land for harvest in 2008 to approximately 19,000 ha.

As published in late August, Landkom harvested over 22,100 tonnes of OSR from 6,200 ha. The wheat harvest from around 8,000 ha is now nearly complete after one of the wettest harvest periods for many years across Europe and western Ukraine. The Board remains confident about the tonnage from the wheat harvest although there may be degradation in quality if weather continues to hamper our efforts.

One of the key priorities for the management during 2008 has been to develop the Group's infrastructure to support its rapid growth. The Board has focussed on recruiting, training and developing a successful operations team centred on the Biily Kamen farm base situated outside L'viv, in Western Ukraine. The scale of the Group's operations and its Land Bank today makes it one of the largest farming entities in Ukraine; capable in good weather of planting in excess of 1,000 ha per day.

## **Operational review**

### 2008 crops

Since the period end the Group has harvested over 22,100 tonnes of OSR from 6,200 ha. 18,532 tonnes of this harvest was high quality OSR from 5,003 ha. This represents an average yield of 3.704 tonnes per hectare. 3,600 tonnes of the harvest was lower quality OSR from 1,200 ha which Landkom is using to manufacture approximately 3 million litres of bio diesel for use by its own agricultural and logistics fleet.

The Group expects to publish in October 2008 the details about the harvest, which nears completion, of some 8,000 ha of wheat and 5,000 ha of mixed crops.

### Planting for 2009

Landkom has already started the winter crop planting programme but regularly reviews its planting strategy given the rapid increases in the Land Bank and other factors such as weather and crop prices. Currently the Board is planning to plant at least 40,000 ha this autumn and next spring of which 19,000 ha was farmed in 2008 and will therefore be easier and cheaper to plant.

### Logistics and equipment

The management has developed the farm base at Biily Kamen, which is one of its 12 freehold bases, into a high quality logistics centre. One of the key factors in maintaining equipment and manpower efficiencies is tracking of machinery and the mapping of the Group's land to ensure minimised travel and downtime. Tracking technology has been introduced to monitor all truck, combine and tractor movements. The Group now has over 40 trucks, 19 combines and 68 tractors, most of which are high quality western models. In addition the Group has one of the largest fleets of ancillary equipment in the Western Ukraine, including 30 seed drills and over 100 other pieces of cultivation equipment. Over the next months, the Group intends to modify the make up of its vehicle fleet and ancillary equipment to standardise on one type of machinery for each function and reduce the number of ancillary types to meet its growing requirements.

Fuel usage is monitored electronically, via satellite, back at the Operations Centre in Bilyi Kamen. Approximately 60% of land under the Group's control, including all land earmarked for planting during 2008/2009, has been electronically mapped with a GPS mapping system. This provides very tight control of planted assets and allows the Group to see that all operations are taking place correctly within its land area.

The maintenance centre also at Bilyi Kamen, now provides services and support for the entire planting area for 2008/2009. It is one of the largest in Ukraine and runs on an around-the-clock basis with no down time. It is supplemented by 10 mobile service units which provide quick response teams for in-field repairs for all but the most major breakdowns.

#### Crop storage

Progress has been made in securing storage and drying for Landkom's future needs. At the Krasne storage silo in Busk Region, 40kms from L'viv, the foundations have been completed and building of one of the largest grain handling facilities in Ukraine is well under way. It will continue during the winter and is expected to be ready during H1 2009. The Krasne drying and storage facility will have a permanent storage capacity of 40,000 tonnes and will be able to process and load over 300,000 tonnes per annum. It is connected to the Ukrainian rail system.

In addition, during the course of the year Landkom completed the construction of two flat storage units with an area of 2,500 sq m each for OSR and wheat during harvest; and fertilizer and chemicals or equipment during the winter season. The Group is continuing to look to expand its grain storage and drying facilities to facilitate future harvests.

#### Weather

Weather is the single largest risk to the business. Superior agronomic expertise is the most cost effective insurance against adverse weather conditions. The winter audit carried out by Scottish Agricultural College ("SAC") last year revealed a 'crop affected' rate of under 3% which is indicative of the agronomic expertise employed by the business.

Western Ukraine experienced some of its worst ever rainfall and flooding in 2008 which has delayed some of the harvest but has not caused any significant crop damage. The late crops will experience a certain level of quality erosion, though the Group remains confident of achieving its sale price expectations for this year's wheat harvest.

#### Bio diesel and briquette production

The Group has secured a site and is currently investing in developing the capability to produce bio diesel from its own OSR production and briquettes for use in the energy sector from bio products from its crops. The first production of briquettes are expected to be delivered to Polish clients in October 2008 and over 6,500 OSR straw bales are at the factory now awaiting transformation.

#### Employees and Corporate Social Responsibility

During the year the Group has continued to rapidly expand its work force. A considerable amount of management resources has gone into training and establishing western work practices and this will continue. It has also implemented a professional health and safety strategy which also included providing health cover for all its employees. Due to a lack of suitable healthcare facilities in the regions where the Group operates, it is also completing two medical units where staff may be treated and tested as per Ukrainian law; to EU standards. They make up part of the Landkom social programme and are available to local residents.

As part of the Group's CSR programme which is focussed on supporting local communities, the Group makes its advanced ambulance fleet and medical facilities available to local regions in off peak times. The Group also supports local communities affected by the flooding in certain parts of Transcarpathia, which is one of the key growth areas of Land Bank for the Group; albeit far from the mountain areas affected by

the disaster. In addition, utilities have been connected to large remote communities who have signed over land to Landkom. The Group also continued its proactive programme of social support to local communities.

### **Land Acquisition**

Today Landkom controls leases to land totalling 115,000 ha. During the first half of 2008, Landkom has also acquired the freehold to a number of farm bases across its sphere of operations bringing the total to 12 with one more earmarked for acquisition, to complete the Group's base infrastructure requirements for the next three years.

Landkom holds freehold ownership of its farm bases as they are not designated as agricultural land. The Group now controls land in seven oblasts (counties) mostly in western Ukraine apart from one farm in Crimea.

The focus of the Land Team until the end of the year will be on consolidating land in the areas already acquired, finalising registration, already well advanced, and assisting the Operations team in getting as high a percentage as possible prepared for planting in 2009.

### **Financial performance**

The Group's first harvest has taken place in the second half of this year and accordingly its revenues are not reflected in these interim results. In the six months to 30 June 2008, the Group reported revenue of \$384,000, which relates to sales of surplus inputs.

As a farming business, Landkom is required to analyse and report on the fair value of biological assets due to IFRS 41, full details are laid out in note 6. Although the value of biological assets as reported on the balance sheet increased to \$13.8 million at 30 June 2008, a negative fair value adjustment of \$0.8 million has been reported in the profit and loss statement and reflects the substitution of actual costs and revenues for estimated costs and revenues in the biological asset calculation at 31 December 2007. As the Group develops, gains more experience and establishes a track record in the annual planting and harvesting cycle, the Board expects that the variations in biological assets values reported will be reduced.

As Landkom controls leases over land which have no value on the balance sheet, it is not possible to capitalise land preparation and improvement costs which are all allocated to direct costs. Other direct costs are incurred due to the growth phase of the business and the internal resource required to achieve this growth. The Group expects this to be reduced in due course.

The management team will continue to monitor costs and strengthen the Group's cash flow position by implementing improved planning and internal control. Direct costs (excluding direct costs included as additions in the biological assets calculation required by IFRS 41) were \$11.2 million. These direct costs reflect the high growth phase of the business. Other costs including distribution and administration were \$7.2 million.

After interest income of \$1.4 million, the Group reported a pre tax loss of \$19.2 million and a loss per share of \$0.10.

A significant proportion of the planned 2009 capital expenditure has been brought forward to 2008 to secure equipment and to ensure operational targets for both 2008 and 2009 can be met. Total capital expenditure during the first six months was \$37.3 million. Capital expenditure has been focussed on farm equipment, storage and grain handling/elevator capacity and farm base acquisitions and refurbishments.

This expenditure plus the spend in 2007, makes Landkom the most powerful agricultural business in the area of operation and its grain handling facility will be the largest privately owned facility west of Kiev. In addition, Landkom has invested in putting in place inventory controls and software to ensure the accurate monitoring of field inputs, tracking of vehicles and the maintenance of security over crop and valuable inputs.

The Group raised gross proceeds of \$21.7 million in March 2008 from an equity placing. To date, the Group has financed all expenditure from equity sourced finance. However, with the first harvest completed, the Board is reviewing the potential use of debt and debt linked instruments to ensure the lowest cost of capital.

The Group's net cash position was \$34.5 million as at 30 June 2008.

Since the period end, revenues from the OSR harvest and wheat harvest have been received. A majority of revenues have come from major global grain traders who without exception have paid promptly.

Crop prices have fallen since their August peaks, as anticipated by the management, but Landkom signed off-take agreements in June 2008 for around 50% of its 2008 harvest at the higher prices. The Group will continue to use pre sales as a means of securing revenue at pre agreed prices. Landkom expects that wheat stored for a number of months will bring the benefit of price increases during the winter period.

The Board is also reviewing a number of options with regard to non-core activities such as logistics, grain storage and its bio diesel and briquette plant in order to maximise cash flow, operational efficiencies and ensure the Group is focussed on its core competencies of bringing as much of its land asset into production as possible in any given year to maximise revenues.

### **Current trading and outlook**

The Group will continue to increase its Land Bank although selectively and at a reduced rate but is now more focused on bringing a higher percentage of its land holdings into production, faster. Planting has started for the 2009 crop and the Group expects 40,000 ha to be planted this season for harvest in 2009. Another key focus will be on completing the storage and drying facilities at Krasne.

Strategically after a period of rapid growth and investment, the Board is realigning the management's focus now in order to exploit the Group's operational and land bank economies of scale as well as financial gearing whilst continuing to grow the business by maintaining an ambitious planting programme.

**Consolidated income statement**  
**For the 6 month period ended 30 June 2008**

	Notes	Unaudited 6 months ended 30 June 2008 \$000	Unaudited 2 months ended 30 June 2007 \$000	Audited 8 months ended 31 December 2007 \$000
<b>Continuing Operations</b>				
Revenue		384	41	1,567
(Loss) / gain arising from changes in value of biological assets		(818)	-	5,063
		(434)	41	6,630
Direct costs		(11,224)	(100)	(2,277)
<b>Gross (loss) / profit</b>		<b>(11,658)</b>	<b>(59)</b>	<b>4,353</b>
Distribution costs		(104)	(89)	(144)
Administrative expenses		(7,123)	(1,374)	(5,836)
Other losses		(1,974)	(45)	(286)
<b>Operating loss</b>		<b>(20,859)</b>	<b>(1,567)</b>	<b>(1,913)</b>
Other income		398	-	-
Finance income		1,420	61	606
Finance costs		(122)	-	(17)
Loss before income tax		(19,163)	(1,506)	(1,324)
Income tax expense		-	-	-
<b>Loss for period</b>		<b>(19,163)</b>	<b>(1,506)</b>	<b>(1,324)</b>
Attributable to:				
Equity holders of the Company		(19,163)	(1,506)	(1,324)
<b>Loss per share (expressed in US\$ per share)</b>				
Basic loss per ordinary share – cents	3	(9.83)	(1.76)	(1.3)
Converted to £ per share (calculated at average rate) - pence	3	(4.9)	(0.9)	(0.6)
Fully diluted loss per ordinary share – cents	3	(9.83)	(1.76)	(1.31)
Converted to £ per share (calculated at average rate) - pence	3	(4.97)	(0.89)	(0.66)

**Consolidated balance sheet**  
**As at 30 June 2008**

	Notes	Unaudited 30 June 2008 \$000	Unaudited 30 June 2007 \$000	Audited 31 Dec 2007 \$000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5	49,040	3,656	13,346
Intangible assets		200	2	169
Goodwill	11	233	-	-
Investments	4	117	-	-
		<b>49,590</b>	<b>3,658</b>	<b>13,515</b>
<b>Current assets</b>				
Biological assets	6	13,777	-	7,302
Inventories	8	10,696	365	1,271
Trade and other receivables	7	18,991	1,029	7,070
Derivative financial instruments		6	-	34
Cash and cash equivalents		34,541	7,264	87,646
		<b>78,011</b>	<b>8,658</b>	<b>103,323</b>
<b>Total Assets</b>		<b>127,601</b>	<b>12,316</b>	<b>116,838</b>
<b>Equity</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share Capital	9	411	171	389
Share premium		137,814	12,885	116,998
Retained loss		(20,487)	(1,506)	(1,324)
Share based payments reserve		1,812	-	335
Foreign exchange reserve		(839)	(49)	(3,315)
<b>Total equity</b>		<b>118,711</b>	<b>11,501</b>	<b>113,083</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Other financial liabilities	10	1,133	-	125
		<b>1,133</b>	<b>-</b>	<b>125</b>
<b>Current liabilities</b>				
Trade and other payables		6,105	815	3,567
Current income tax liabilities		-	-	-
Other financial liabilities	10	1,652	-	63
		<b>7,757</b>	<b>815</b>	<b>3,630</b>
<b>Total liabilities</b>		<b>8,890</b>	<b>815</b>	<b>3,755</b>
<b>Total liabilities and shareholders equity</b>		<b>127,601</b>	<b>12,316</b>	<b>116,838</b>

**Consolidated cash flow statement**  
**For the 6 month period ended 30 June 2008**

	Notes	Unaudited	Unaudited	Audited
		6 months ended 30 June 2008 \$000	2 months ended 30 June 2007 \$000	8 months ended 31 December 2007 \$000
<b>Cash flow from operating activities</b>				
Loss before tax		(19,163)	(1,506)	(1,324)
Adjustments for:				
Depreciation and amortisation		1,584	2	487
Additions to biological assets		(6,788)	-	(2,239)
Fair value adjustment recognised in income statement		313	-	(5,063)
Finance income recognised in income statement		(1,420)	(61)	(606)
Finance costs recognised in income statement		122	-	17
Share based payment charge		1,477	-	335
Loss on disposal of fixed assets		13	-	-
Movements in working capital				
Increase in inventories		(9,425)	(365)	(1,271)
Increase in receivables		(15,248)	(1,000)	(7,070)
Increase in trade and other payables		8,232	815	3,755
Decrease / (Increase) in derivatives		28	-	(34)
<b>Net cash used in operations</b>		<b>(40,275)</b>	<b>(2,115)</b>	<b>(13,013)</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant, and equipment		(37,324)	(3,658)	(14,317)
Purchases of intangible assets		-	(2)	(170)
Purchase of investments		(117)	-	-
Interest received		1,420	61	606
Finance costs		(122)	-	(17)
<b>Net cash used in investing activities</b>		<b>(36,143)</b>	<b>(3,599)</b>	<b>(13,898)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of ordinary shares		21,697	13,027	125,315
Payment of transaction costs		(860)	-	(7,928)
<b>Net cash received from financing activities</b>		<b>20,837</b>	<b>13,027</b>	<b>117,387</b>
<b>Net increase in cash and cash equivalents</b>		<b>(55,581)</b>	<b>7,313</b>	<b>90,476</b>
Cash and cash equivalents at beginning of period		87,646	-	-
Effect of foreign exchange variances		2,476	(49)	(2,830)
<b>Cash and cash equivalents at end of period</b>		<b>34,541</b>	<b>7,264</b>	<b>87,646</b>

**Consolidated statement of changes in equity**  
**For the 6 month period ended 30 June 2008**

	Share capital \$000	Share premium \$000	Translati on reserve \$000	Share based payments reserve \$000	Retained earnings \$000	Total equity \$000
<b>Balance at 10 April 2007</b>						
Loss for the period	-	-	-	-	(1,506)	(1,506)
Currency translation differences	-	-	(49)	-	-	(49)
Total recognised income / (expense)	-	-	(49)	-	(1,506)	(1,555)
Proceeds from shares issue	171	-	-	-	-	171
Premium from shares issued	-	12,885	-	-	-	12,885
<b>Balance at 30 June 2007 (unaudited)</b>	<b>171</b>	<b>12,885</b>	<b>(49)</b>	<b>-</b>	<b>(1,506)</b>	<b>11,501</b>
Profit for period	-	-	-	-	182	182
Currency translation differences	-	-	(3,266)	-	-	(3,266)
Total recognised income / (expense)	-	-	(3,266)	-	182	(3,084)
Proceeds from shares issue	218	-	-	-	-	218
Premium from shares issued	-	112,041	-	-	-	112,041
Share based payments charge	-	-	-	335	-	335
Share issue costs	-	(7,928)	-	-	-	(7,928)
<b>Balance at 31 December 2007 (audited)</b>	<b>389</b>	<b>116,998</b>	<b>(3,315)</b>	<b>335</b>	<b>(1,324)</b>	<b>113,083</b>
Loss for period	-	-	-	-	(19,163)	(19,163)
Currency translation differences	-	-	2,476	-	-	2,476
Total recognised income / (expense)	-	-	2,476	-	(19,163)	(16,687)
Proceeds from shares issue	22	-	-	-	-	22
Premium from shares issued	-	21,676	-	-	-	21,676
Share based payments charge	-	-	-	1,477	-	1,477
Share issue costs	-	(860)	-	-	-	(860)
<b>Balance at 30 June 2008 (unaudited)</b>	<b>411</b>	<b>137,814</b>	<b>(839)</b>	<b>1,812</b>	<b>(20,487)</b>	<b>118,711</b>

## **Notes to the consolidated interim financial statements**

### **1. Basis of preparation of financial statements**

This report was approved by the directors on 25 September 2008.

The figures for the period ended 31 December 2007 have been extracted from the audited accounts. The auditors' report for the 2007 accounts was unqualified.

The figures for the period ended 30 June 2007 are unaudited, and have been extracted from the Group's admission document and represent the two months from the date of incorporation.

The interim financial information set out on pages 1 to 9 have been prepared on the same basis and using the same accounting policies as were applied in drawing up the Group's statutory financial statements for the 8 month period ended 31 December 2007 and using those which will be applied for the year ending 31 December 2008. They have not been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements for the period ended 31 December 2007. The financial information is presented in United States Dollars.

The financial information for the six months ended 30 June 2008 is unaudited. In the opinion of the directors the financial information for this period presents fairly the financial position, results of operations and cash flows for the period in accordance with the recognition and measurement principles of the International Financial Reporting Standards ('IFRS') as adopted by the EU.

### **Associates**

An associate is an entity over which the Company, either directly or indirectly, is in a position to exercise significant influence by participating in, but not controlling or jointly controlling, the financial and operating policies of the entity. Associates are accounted for using the equity method.

These investments are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets less any impairment in value. The income statement reflects the share of results of operations of these investments after tax. Where there has been a change recognised directly in the investee's equity, the Group recognises its share of any changes and discloses this when applicable in the statement of changes in equity.

Any goodwill arising on the acquisition of an associate, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the associate and is not amortised. To the extent that the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised and added to the Group's share of the associate's profit or loss in the period in which the investment is acquired.

### **Goodwill**

Business combinations are accounted for under IFRS3 using the purchase method.

Goodwill arises on the acquisition of subsidiaries and represents any excess of the cost of the acquired entity over the Group's interest in the fair value of the entity's identifiable assets, liabilities and contingent liabilities determined at the date of acquisition. Goodwill in respect of an acquired subsidiary is recognised as an intangible asset. Goodwill is tested at least annually for impairment and carried at cost less any recognised impairment losses.

Where the fair value of the interest acquired in an entity's assets, liabilities and contingent liabilities exceeds the consideration paid, the excess is recognised immediately as a gain in the income statement.

## 2. Segment reporting

As at 30 June 2008, 30 June 2007 and 31 December 2007 the Group's operations are principally the growing of arable crops in Ukraine for both the biofuels and food markets. Accordingly the Directors consider that the Group operates in one business segment and one geographical segment.

## 3. Loss per ordinary share

Adjusted basic and fully diluted loss per share have been calculated on the loss after taxation for the period and the weighted average number of ordinary shares in issue during the period.

Adjusted loss per share before amortisation of intangible assets and share based payments charge has been presented in addition to the basic loss per share since, in the opinion of the Directors, this provides shareholders with more appropriate representation, of the underlying loss derived from the Group's business.

	30 June 2008	30 June 2007	31 Dec 2007
	<b>Number of shares</b>		
<b>Weighted average number of shares in issue</b>	194,846,151	85,362,500	101,037,387
	<b>\$000</b>		
<b>Loss after taxation on ordinary activities</b>	(19,163)	(1,506)	(1,324)
<b>Adjustments:</b>			
Amortisation of intangible assets	6	-	1
Share based payments charge	1,477	-	335
<b>Adjusted earnings</b>	(17,680)	(1,506)	(988)
<b>Basic and fully diluted loss per ordinary share (US\$ per share)</b>	(0.098)	(0.018)	(0.013)
<b>Adjusted basic loss per ordinary share (US\$ per share)</b>	(0.091)	(0.018)	(0.010)

## 4. Investments

During the period the company acquired 37% of Nadbyzansky Teplychnui Kombinat PLC ('Nadbyzansky ') for US\$117,059. Nadbyzansky is currently dormant and made a loss of US\$8,000 in the 6 months to 30 June 2008. Post 30 June 2008 the Group increased its holding in Nadbyzansky to above 50% and aims to achieve 100% control in the future. The Director's consider the share of Nadbyzansky's earnings immaterial and have not accounted for this investment under the equity method.

## 5. Property, plant and equipment

	Land & Buildings \$'000	Vehicles & machinery \$'000	Furniture, fittings & equipment \$'000	Total \$'000
Additions	-	3,589	69	3,658
<b>Cost at 30 June 2007</b>	<b>-</b>	<b>3,589</b>	<b>69</b>	<b>3,658</b>
Additions	67	10,063	45	10,175
<b>Cost at 31 December 2007</b>	<b>67</b>	<b>13,652</b>	<b>114</b>	<b>13,833</b>
Additions	8,195	28,215	877	37,287
Disposals	-	(106)	-	(106)
<b>Cost at 30 June 2008</b>	<b>8,262</b>	<b>41,761</b>	<b>991</b>	<b>51,014</b>
Opening depreciation	-	-	-	-
Charge in period	-	-	(2)	(2)
<b>Accumulated depreciation at 30 June 2007</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>(2)</b>
Charge in period	(3)	(395)	(87)	(485)
<b>Accumulated depreciation at 31 December 2007</b>	<b>(3)</b>	<b>(395)</b>	<b>(89)</b>	<b>(487)</b>
Charge in period	(217)	(1,327)	(33)	(1,577)
Disposals	-	90	-	90
<b>Accumulated Depreciation at 30 June 2008</b>	<b>(220)</b>	<b>(1,632)</b>	<b>(122)</b>	<b>(1,974)</b>
<b>Net book value at 30 June 2007</b>	<b>-</b>	<b>3,589</b>	<b>67</b>	<b>3,656</b>
<b>Net book value at 31 December 2007</b>	<b>64</b>	<b>13,257</b>	<b>25</b>	<b>13,346</b>
<b>Net book value at 30 June 2008</b>	<b>8,042</b>	<b>40,129</b>	<b>869</b>	<b>49,040</b>

## 6. Biological Assets

The Group's interests in biological assets are held in its Ukraine subsidiaries.

The Group's biological assets are made up of consumable winter crops and spring crops. The winter crops have been planted during the autumn of 2007 and were harvested in July and August 2008. The spring crops were planted in the spring of 2008 and are being harvested in September and October 2008. Crops are accounted for at fair value less estimated point of sale costs.

The fair value of biological assets at each reporting date is determined based on the area planted and market prices at the reporting date, and based on the crops location and condition which includes estimates of biological transformation and yield potential.

Fair value is estimated on the basis of the present value of expected net cash flows, discounted at an appropriate risk adjusted pre-tax discount rate. Changes in any estimates could lead to recognition of significant fair value changes in the income statement.

	Winter crop \$'000	Spring crop \$'000	Total \$'000
<b>Carrying value at 30 June 2007</b>	-	-	-
Additions	2,239	-	2,239
Fair value adjustment	5,063	-	5,063
<b>Carrying value at 31 December 2007</b>	<b>7,302</b>	<b>-</b>	<b>7,302</b>
Additions	4,837	1,951	6,788
Fair value adjustment – impact of biological growth	2,416	505	2,921
Fair value adjustment – impact of other factors	(3,739)	-	(3,739)
Exchange differences	505	-	505
<b>Carrying value at 30 June 2008</b>	<b>11,321</b>	<b>2,456</b>	<b>13,777</b>

## 7. Trade and other receivables

	30 June 2008 \$000	30 June 2007 \$000	31 Dec 2007 \$000
Trade receivables	135	-	2
Prepayments & accrued income	213	32	149
Receivables from related parties	-	136	1,787
Advance payments to suppliers	5,580	-	2,602
VAT recoverable	12,881	-	1,944
Other receivables	182	861	586
	18,991	1,029	7,070

## 8. Inventories

	30 June 2008 \$000	30 June 2007 \$000	31 Dec 2007 \$000
Fuel	689	-	-
Chemicals	1,684	-	-
Seeds	194	-	-
Mechanical spare parts	1,924	-	-
Fertilisers	5,214	-	-
Building materials	495	-	-
Work in progress	53	85	18
Other materials	443	280	1,253
	10,696	365	1,271

## 9. Called up share capital

The total authorised share capital of the company as at 30 June 2007, 31 December 2007 and 30 June 2008 is as follows:

	<b>Ordinary shares</b>
Number of shares of £0.001 each	500,000,000

The total allotted and fully paid shares of the company is as follows:

	<b>\$000</b>
30 June 2008	411
31 December 2007	389
30 June 2007	171

The issued share capital has been increased as follows:

Date	Class	Number of shares	Issue price
20 April 2007	A	50,862,500	0.1p
20 April 2007	B	34,500,000	20.0p
<b>Total issued shares at 30 June 2007</b>		<b>85,362,500</b>	
22 November 2007		103,846,129	52.0p
<b>Total issued shares at 31 December 2007</b>		<b>189,208,629</b>	
28 March 2008		10,800,306	100.0p
<b>Total issued shares at 30 June 2008</b>		<b>200,008,935</b>	

Upon listing the A and B class shares were converted to ordinary shares

## 10. Other financial liabilities

	30 June 2008 \$000	30 June 2007 \$000	31 Dec 2007 \$000
Present value of the finance lease liabilities:			
Within one year	1,652	-	63
Between two and five years	1,133	-	125
	2,785	-	188

## 11. Business combinations

The subsidiaries included in these consolidated financial statements are as follows:

	Country of incorporation	Activity	Date acquired	% of ownership
Charmaine Investments Limited	Cyprus	Holding company	2 May 2007	100.00%
LK Ukraine Group Limited	Ukraine	Farm operations	18 May 2007	99.99%
Landkom UA Limited	Ukraine	Land ownership	18 May 2007	99.99%
Landkom Services Limited	England & Wales	Admin services	5 September 2007	100.00%
Landkom Krym LLC	Ukraine	Land ownership	17 April 2008	99.99%
Landkom Ukraine PP	Ukraine	Land ownership	11 January 2008	99.99%
Nazalezhnist PP	Ukraine	Land ownership	26 February 2008	99.99%
Dobrosyn LLC	Ukraine	Land ownership	27 March 2008	99.99%
Romaniv Agro Limited	Ukraine	Land ownership	2 July 2008	99.99%
Bio Invest LLC	Ukraine	Land ownership	11 February 2008	90.00%
Radalan Land LLC	Ukraine	Land ownership	18 June 2008	90.00%
Velych LLC	Ukraine	Land ownership	14 February 2008	80.00%
Kozatsky Kurin LK LLC	Ukraine	Land ownership	20 February 2008	80.00%
Druzhba LLC	Ukraine	Land ownership	29 December 2007	99.60%

Management are still establishing the fair value of the assets and liabilities of companies acquired during the period. As a result no fair value adjustments have been made. Acquisitions will be fair valued in the next set of annual financial statements.

The entire share capital Landkom Krym LLC was acquired for par in cash for US\$329,470 (UAH 1,597,930) at the time of its incorporation. Landkom Krym LLC revenue and loss, after interest and tax, from the date of incorporation to 30 June 2008 was US\$0 (UAH 0) and US\$40,263 (UAH 201,985)

The Group acquired 99.99% of Landkom Ukraine PP for UAH 1 on 11 January 2008. The book value of Landkom Ukraine PP net assets was US\$222,870 upon acquisition. The negative goodwill generated on the acquisition was taken to the income statement.

The entire share capital Nazalezhnist PP was acquired for US\$70,000 (UAH 350,735) on 26 February 2008. The company is still assessing the fair value of Nazalezhnist PP's net assets. The investment has been taken to the balance sheet as goodwill.

The entire share capital Dobrosyn LLC was acquired for US\$402,666 (UAH 2,020,000) on 27 March 2008. The book value of Dobrosyn net assets was US\$ 259,480 upon acquisition. The goodwill generated on the acquisition has been recognised on the balance sheet.

The entire share capital Romaniv Agro Limited was acquired for US\$7,216 at the time of its incorporation. Romaniv Agro revenue and loss, after interest and tax, from the date of incorporation to 30 June 2008 was US\$0 (UAH 0) and US\$0 (UAH 0)

The Group acquired 90% of Bio Invest LLC for UAH 1 on 11 February 2008. The book value of Bio Invest LLC net assets was US\$9,138 upon acquisition. The negative goodwill generated on the acquisition was taken to the income statement.

The entire share capital Radalan Land LLC was acquired for UAH 1 on 18 April 2008 by Bio Invest LLC. The book value of Radalan Land LLC net liabilities was US\$17,347 upon acquisition. The goodwill generated on the acquisition has been recognised on the balance sheet.

The Group acquired 80% of Velych LLC for UAH 1 on 14 February 2008. The book value of Velych net assets upon acquisition was US\$77 (UAH 390). The negative goodwill generated upon the acquisition was taken to the income statement.

The entire share capital Kozatskyy Kurin LK LLC was acquired for UAH 1 on 20 February 2008 by Velych LLC. The book value of the net liabilities of Kozatskyy Kurin LK LLC was US\$5,182 upon acquisition. The goodwill generated on the acquisition has been recognised on the balance sheet.

## **12. Taxation**

No deferred tax losses have been provided in the financial statements as the management do not believe such an asset will be recoverable in the foreseeable future.

## **13. Related party transactions**

The Group acquired 100% of Landkom Ukraine PP on 11 January 2008, an entity controlled by key management personnel (Landkom Ukraine PP – under the control of Richard Spinks) for nominal consideration of UAH 1. In the opinion of the Directors the fair value of the assets acquired was greater than the purchase consideration.