

1 March 2010

Landkom International Plc

Full year results

Landkom International PLC (AIM: LKI, "Landkom" or "the Group"), the Ukrainian producer of agricultural commodities, announces its results for the 10 month period ending 31 October 2009.

Highlights

- Harvested land up 65% to 29,062 hectares (2008: 17,582 hectares)
 - Yields comparable to 2008 despite the prolonged countrywide drought
 - Direct operating costs per hectare down approximately 19 per cent
- 21,383 hectares of winter crop were planted during 2009
- Management and operational team substantially rationalised and enhanced
 - Current year cost base now in line with peers – down 35 per cent from 2009
- Spring planting to be increased to 18,000 hectares from 8,000 hectares originally planned
 - To include maize, spring wheat, soya and sunflower
- Total expected hectareage for harvest in 2010 now approximately 39,500 hectares, up 36 per cent on 2009
- Land bank of 74,220 hectares - 53,948 hectares registered, remainder to be registered in 2010
- Since the period end, the Group raised \$16.1 million – funds crop management and 2010 spring planting

Vitaliy Skotsyik, Landkom Chief Executive, commented

"We have implemented a number of material operational and managerial changes over the last six months which means that our cost base is now in line with our peers and that we are able to increase significantly our spring planting programme."

"Further cost savings are expected, driven by land usage efficiencies, improving the mix of agricultural equipment and purchasing process, exploiting economies of scale and working towards precision based farming techniques. Our business has high operational gearing so any rise in crop prices will be directly reflected in our bottom line."

"I am confident that we now have the land, management team, assets and the operational experience to efficiently farm in some of the best agricultural land in world and to meet the needs of a growing world population."

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Strategy overview

The Group's long term objective remains unchanged: to become a profitable major agricultural commodity producer for the global foodstuff and biofuel markets by developing a substantial enterprise, using western farming techniques and technologies, in an underdeveloped part of Europe and with the highest standards of corporate governance.

Landkom operates in attractive growth markets whilst also providing a positive contribution to world food issues. The fundamentals remain the same: the world's population continues to grow and food and energy security issues are key business drivers.

Ukrainian black earth soil is amongst the best in the world for arable farming, costs remain lower than EU counterparts and demand for agricultural produce shows no indication of decreasing. The Group has a valuable land-bank of over 74,000 hectares with the potential to increase this to over 100,000 in the short term.

This land is now benefitting from being farmed for a number of years after an extended period of lying fallow, which will further enhance yields and returns. Together with the new management team which has an excellent track record in Ukraine, the Board is confident that the Group is well positioned to grow strongly and to take advantage of the opportunities in the Ukrainian agricultural market.

The harvest of 2009 demonstrated the operational progress made by the Group, particularly as yields were comparable to 2008 despite the prolonged countrywide drought. Harvested land was up significantly to 29,062 hectares from the 2008 total of 17,582 hectares, a rise of 65%. At the same time direct operating costs per hectare, on a like for like basis, were down approximately 19 per cent.

Despite widespread financial constraints within the market, 21,383 hectares of winter crop were drilled into moist seedbeds which avoided the pre-winter drought related crop losses incurred by many other farming groups located further to the east of Ukraine. Winter crops were heavily concentrated on rapeseed with the balance being wheat and barley. Rapeseed has been the best performing crop in the Group's operations to date.

Since the period end, the Group raised \$16.1 million. In addition to providing funds for crop management and 2010 spring planting, it has put the Group on a firmer financial footing.

The Group's management in Ukraine has been extensively replaced following the appointment of Vitaliy Skotsyk as Chief Executive together with a number of other key appointments from within Ukraine and the agriculture industry. This has permitted a speedy implementation of management and operational restructuring.

Due to the increased efficiencies which have been achieved during the last five months, the Group intends to increase its spring planting target from 8,000 hectares to approximately 18,000 hectares. This will bring the total hectareage available for harvest up to approximately 39,500 hectares, which would represent an increase of 36 per cent on 2009.

Landkom is also increasing the variety of crops being cultivated to de-risk the Group's cash-flows to movements in price of any one crop as well as to extend the use of existing machinery through a longer, more diversified farming season.

Landkom now has the land, the management team, the assets and the operational experience to carry out efficient arable farming in Ukraine. In addition to the strategic fundamentals, Landkom combines high operational gearing with a now competitive cost of production which means any rise in crop prices will be directly reflected in the bottom line.

Operational review

Management

Although the Group has continued to realign its cost base during the period, significant additional impetus has been given in the last quarter of 2009 with the arrival of Vitaliy Skotsyk. Widespread management changes have been implemented across almost all key positions, resulting in more experienced local Ukrainian managers and a further reduction in employee costs. The move to Ukrainian managers ensures that local knowledge and expertise can be fully exploited.

The expertise of the team has enabled the Board to develop a budget for 2010 which puts Landkom's operational costs in line with peers, with like for like operating expenses down around 35 per cent from 2009 without any expected impact on yields. Further cost savings are expected going forward, driven by land usage efficiencies, improving the mix of agricultural equipment and purchasing process, exploiting economies of scale and working towards precision based farming techniques.

Vitaliy Skotsyk and a number of the new management team previously worked at Amaco one of the largest suppliers of agricultural machinery and inputs in the CIS. Vitaliy has retained a non-executive Board position with Amaco, which secures a strong, important business relationship for Landkom.

Harvest 2009

Significant progress was made in the 2009 harvest, although in terms of profitability this was outweighed by a poor crop sales process. In the time-critical rapeseed harvest window 2.75 times more hectares were harvested and harvest was completed two weeks earlier than the previous year. Yields across Ukraine were down compared to 2008 owing to the particularly dry spring growing season. Landkom achieved a rapeseed yield of 2.7 tonnes per hectare (2008: 2.8 tonnes per hectare).

The winter wheat harvest achieved an average yield across high input crops in the West and low input crops in central and southern areas of 3.3 tonnes per hectare (2008: 2.6 tonnes per hectare). Across high input areas in the west, the yield was 4.1 tonnes per hectare for winter wheat.

Other crops harvested included smaller amounts of winter barley yielding 3.6 tonnes per hectare, oil radish (0.5 tonnes per hectare), mustard and other forage crops. The Group aims to at least maintain yields for 2010.

Winter Planting 2009

Planting operations started in August 2009 with 15,136 hectares of rapeseed being planted in the western regions. Additionally 4,005 hectares of winter wheat was planted by the end of September also in the west. When added to 2,242 hectares of wheat and barley which was planted in Crimea, the Group had 21,383 hectares of crop in the ground over the winter.

An additional 10,000 hectares of land had been prepared for spring planting by the end of December 2009. The remaining 8,000 hectares of land preparation will be completed in February and March 2010.

Despite cold conditions over the winter, snow cover to date has been good. A full audit on the condition of the crop will be published at the end of the winter.

Spring planting 2010

Total spring planting will amount to approximately 18,000 hectares made up of maize (41%), spring wheat (20%), soya (17%), sunflower (17%) and others (5%). The new management team has extensive experience in these additional crops. Including spring crops, total harvest for 2010 will increase to approximately 39,500 hectares which amounts to an increase of approximately 36 per cent on 2009.

An increased capacity in spring planting will allow mitigation of any reduction in yield of winter crops due for example to winter kill or to reduced autumn planting. It also facilitates Landkom's strategy to reduce risk by increasing the type of crops in the rotation, as well as aiding working capital management and increasing fixed asset utilisation through the extension of seeding and harvesting windows.

Storage and logistics

Throughout 2009, the team has been working on ensuring the Krasne storage site is fully certified and operational. The Krasne site has 20,000 tonnes of storage capacity through two 10,000 tonne silos. Landkom expects the Krasne facility to be fully certified and available to assist with third party storage prior to the commencement of harvest in the west of Ukraine this year.

Landkom is currently in the process of reviewing its medium term plans for drying and storage. In 2007, the Group purchased additional storage equipment which equals the size of the Krasne facility. The construction is earmarked for Ternopil region in western Ukraine and will be part of the Group's medium term storage strategy.

Land Bank

The Group's land-bank is one of its most valuable assets, albeit an asset that does not appear on the balance sheet. The future growth potential of the business exists in the land-bank. The land-bank currently stands at 74,220 hectares. Of this 74,220 hectares, 53,948 hectares is fully registered with the remaining having registration in process. This registration process is likely to be completed during 2010 leaving all lands available for cultivation. Land leases contained in the land bank are either contracts with individuals or contracts with local authorities. Land leases with individuals which form the core of the land-bank tend to run for 10 to 15 years, whereas land leases with local authorities tend to run for less than five years.

In addition to land in the land-bank, the Group has "Joint Co-operation Agreements" over an additional 16,773 hectares of land, a majority of which is in Crimea.

During 2009, the Group rationalised its least attractive land holdings and is now adding opportunistically to its land-bank where it will lead to an improvement in operating efficiencies. The Group envisages the land-bank to show moderate growth in the coming 12 months for little cost.

As announced in 28 August 2009, the Group disclosed that there existed certain irregularities regarding land lease ownership within subsidiaries. The Group is continuing to seek to regularise dealings with one entity which has a claim to approximately 5,353 hectares of land previously considered Group leases. Of these 5,353 hectares, the Group has planted rapeseed and wheat on 3,053 hectares which are not now included in the total winter planted hectareage. Although these planted hectares have been excluded from current land-bank and biological asset figures, the Group hopes to come to agreement and reinstate the lands to Group cultivated area.

Assets

As part of the internal drive to maximise the value and cashflows from Group assets, the Group has initiated a programme to rent excess equipment to third parties. This includes the truck fleet and agricultural machinery and will include the storage facility when applicable. To date the revenues from this initiative have not been material but once its storage facilities have been certificated, the Group expects this to increase.

Over the course of the coming year, the Group will review its machinery base to establish if it has the optimal mix of machinery to provide operating efficiencies. This review will be integrated into a machinery replacement strategy which will see the Group moving towards a more cost effective agricultural fleet.

Financial review

As announced in May 2009, the financial reporting date was brought forward to 31 October from 31 December in order to better match the cropping cycle with the financial reporting cycle, The financial results for 2009 are therefore based on a 10 month period. The impact on the reported profit or loss for the 10 months to 31 October 2009, as a result of this change in reporting date is principally limited to a reduction in administrative costs and depreciation charges. This is because the Group matches operating costs to revenues. The income statement has been presented before and after the biological asset fair value adjustment, to show the impact of these adjustments separately from direct farming costs.

Revenues for the 10 month period to 31 October 2009 were \$14.6 million (12 months to 31 December 2008: \$10.6 million). This was lower than expected due to the lack of success in timing the 2009 crop sales. On a

per hectare basis revenue was down from \$605 per hectare to \$501 per hectare due in part to low selling prices achieved. Direct costs were \$30.3 million (2008: \$37.7 million). On a like for like per hectare basis operating costs fell 19 per cent to \$1,017 per hectare.

In addition, at the period end, the Group had harvested crop held for sale worth approximately \$1.5 million which is recognised as inventory on the balance sheet. Most has now been sold for approximately the carrying value.

Due to market conditions and realised yields, the fair value of biological assets at the point of harvest fell below the production cost resulting in a negative fair value adjustment. Biological assets in the ground at 31 October 2009 have been recognised at cost on the balance sheet with no fair value gain or loss recognised in the income statement.

Depreciation and amortisation was \$6.4 million (2008: \$4.9 million) for the ten month period, with the increase reflecting the depreciation of assets purchased in the first half of 2008. EBITDA losses, before exceptional items, were reduced to \$21.1 million from \$52.4 million.

Administrative expenses, including share option plan charges, fell significantly to \$4.6 million from \$15.8 million, which on a 10 month pro rata basis reflects a reduction of 65 per cent; well ahead of the targeted one third reduction. Excluding share options, administrative expenses fell to \$4.2 million from \$13.3 million. This equates to a 10 month pro rata fall of 62 per cent. The table below shows the costs for the 2009 and 2008 harvests.

Landkom expects to reduce operating costs per hectare by a further 35 per cent in the 2010 harvest for comparable crops (rapeseed and winter wheat) in the current year. In this period and subsequently, the Group will report costs on a crop by crop basis reflecting the increased mix of crops and the balance between spring and winter cropping.

	2008 Harvest Average	2009 Harvest Average	Saving	2009 Harvest rapeseed	2009 Harvest winter wheat
Number of hectares	11,430	26,074		14,630	11,444
Seed Chemical & Fertiliser	434	539	(24%)	621	435
Fuel	206	82	60%	91	70
Labour	219	148	32%	169	120
Harvest/Logistics	154	64	58%	65	62
Maintenance	187	117	37%	134	95
Land and other	26	26	0%	26	26
Other	31	41	(32%)	47	34
Total	1,257	1,017	19%	1,153	842

Total staff costs, which are allocated to both direct costs and administrative expenses, excluding non-cash share based payments, totaled \$5.9 million (2008: \$9.8 million), a reduction of 40 per cent.

Reducing costs has continued to be a key focus in order to reduce the Group's breakeven point. Costs have continued to fall since the period end.

At the period end, within the arable side of the business following the assumed spring planting, Landkom had 15.8 employees per thousand hectares, this is down from 25.5 in 2008. From November 2009 to January 2010 this number was further reduced to 10.4 employees per thousand hectares demonstrating the cost structure of the business is now in line with other arable operations.

Exceptional items relate principally to a \$10.2 million write-down of the Ukrainian VAT receivable which the Group had held on its balance since the importation of a majority of its property plant and equipment in the investment phase of the business in late 2007 and early 2008. Although the Group intends to continue to seek reimbursement of the VAT, given the financial and political situation in the country, prudence dictates that there is a write-down of this receivable. The Group's main Ukrainian subsidiary is now on a special agricultural VAT scheme which allows it to recognise the net of purchase and sales VAT in the income statement. \$1.2 million of other income relates to this scheme.

Before the exceptional items, pre-tax losses (excluding share option charges) were \$27.2 million (2008: loss \$53.3 million).

During the period, the Group carried out a placing of new shares for cash which raised \$6.6 million for working capital purposes. Since the period end, the Group completed an additional placing of new shares for cash which raised \$16.1 million.

Discretionary expenditure was stopped during 2009 and cash spent on purchase of property plant and equipment was less than \$1 million. Biological assets are reduced compared to 2008 in part due to the small reduction in winter cropping but also due to reduced investment thanks to lower operating costs and the earlier period end. Inventories have been reduced, with non-crop inventory such as spare parts and surplus fertilizer and chemicals reduced to \$3.7 million (2008: \$5.6 million).

The Group will continue to seek to monetise capital tied up in inventory to assist working capital and expand the area of land under cultivation. In contrast to 2008, net \$9.1 million was spent on operations (2008: \$64.5 million).

At the period end, the Group had \$0.9 million of finance leases liabilities, most of which have subsequently been paid down. Trade payables were largely paid down following the placing in November 2009.

As and when appropriate, the Board uses financial instruments such as forward off-take contracts or financial derivatives to hedge commodity prices. The purpose of the Group's hedging strategy is to hedge and reduce business risk rather than to speculate. Due to local legislation, the Group continues to be unable to hedge against the Ukrainian Hryvnya although over the period stability returned to the US\$ UAH exchange rate stabilising at around 8 UAH to 1 US\$.

Current trading and outlook

The Group has restructured and significantly enhanced its management which has completed a thorough review of all aspects of the business and operations. Further significant steps have been made to reduce operating costs to achieve lower breakeven levels whilst land quality and productivity is improving as the Group completes each crop cycle.

The goal now is to plant an ever increasing proportion of the valuable land bank on a profitable basis. Despite the uncertainties of the ongoing Ukrainian economic environment, the Board believes EBITDA profitability is an attainable target for the current financial year, assuming the input plans deliver the expected results and the crops harvested can be successfully sold.

The Board believes that the right team is in place, farming the right crops on the right land to deliver positive returns to shareholders and looks forward to delivering this over the next few years.

**Consolidated Statement of Comprehensive Income
For the period ended 31 October 2009**

	10 Month period ended 31 October 2009			Year ended 31 December 2008		
	Result before biological assets \$000	Biological asset adjustment \$000	Total \$000	Result before biological assets \$000	Biological asset adjustment \$000	Total \$000
Continuing operations						
Revenue	14,553	-	14,553	10,645	-	10,645
Losses arising from changes in value of biological assets	-	(8,509)	(8,509)	-	(11,036)	(11,036)
Direct costs	(30,332)	8,441	(21,891)	(37,680)	6,041	(31,639)
Depreciation on farming property plant and equipment	(6,213)	-	(6,213)	(4,679)	-	(4,679)
Gross (loss)/ profit	(21,992)	(68)	(22,060)	(31,714)	(4,995)	(36,709)
Distribution costs	(6)	-	(6)	(34)	-	(34)
Administrative expenses	(4,590)	-	(4,590)	(15,750)	-	(15,750)
Other operating income	1,237	-	1,237	-	-	-
Net foreign exchange losses	(2,026)	-	(2,026)	(4,578)	-	(4,578)
Operating loss	(27,377)	(68)	(27,445)	(52,076)	(4,995)	(57,071)
Exceptional items	(14,505)	-	(14,505)	-	-	-
Finance income	8	-	8	1,875	-	1,875
Finance costs	(66)	-	(66)	(347)	-	(347)
Share of loss from associate	(98)	-	(98)	(197)	-	(197)
Loss before income tax	(42,038)	(68)	(42,106)	(50,745)	(4,995)	(55,740)
Income tax expense	(20)	-	(20)	(236)	-	(236)
Loss for period	(42,058)	(68)	(42,126)	(50,981)	(4,995)	(55,976)
Other comprehensive income, net of tax						
Currency translation difference	1,718	-	1,718	(4,579)	-	(4,579)
Total comprehensive loss for the period	(40,340)	(68)	(40,408)	(55,560)	(4,995)	(60,555)
Loss for the period attributable to:						
Equity holders of the Company	(41,986)	(68)	(42,054)	(50,753)	(4,995)	(55,748)
Non controlling interests	(72)	-	(72)	(228)	-	(228)
Total comprehensive loss for the period attributable to:						
Equity holders of the company	(40,268)	(68)	(40,336)	(55,332)	(4,995)	(60,327)
Non controlling interests	(72)	-	(72)	(228)	-	(228)
Loss per share (expressed in cents per share)						
Basic loss per ordinary share			(18.2)c			(28.2)c
Restated in pence per share			(11.0)p			(19.5)p
Fully diluted loss per ordinary share			(18.2)c			(28.2)c
Restated in pence per share			(11.0)p			(19.5)p

**Consolidated Statement of Financial Position
As at 31 October 2009**

	31 October 2009 \$000	31 December 2008 \$000
Assets		
Non-current assets		
Property, plant & equipment	40,519	48,337
Intangible assets	27	280
Investment in associates	-	95
Available for sale investments	-	117
	40,546	48,829
Current assets		
Biological assets	4,098	13,358
Inventories	5,166	7,267
Trade and other receivables	685	11,124
Cash and cash equivalents	222	4,230
	10,171	35,979
Total assets	50,717	84,808
Capital & reserves attributable to equity holders of the Company		
Share capital	466	411
Share premium	144,349	137,814
Retained loss	(97,754)	(57,072)
Share based payments reserve	1,776	2,754
Foreign exchange reserve	(6,176)	(7,894)
Total equity attributable to equity holders	42,661	76,013
Equity attributable to non controlling interests	169	77
Total equity	42,830	76,090
Liabilities		
Non-current liabilities		
Non current payables	284	-
Other financial liabilities	66	156
	350	156
Current liabilities		
Trade and other payables	6,665	7,716
Other financial liabilities	872	846
	7,537	8,562
Total liabilities	7,887	8,718
Total liabilities and shareholders' equity	50,717	84,808

Consolidated Cash Flow Statement
For the period ended 31 October 2009

	10 month period ended 31 October 2009 \$000	Year ended 31 December 2008 \$000
Cash flows from operating activities		
Loss before tax	(42,106)	(55,740)
Adjustment for:		
Depreciation and amortisation	6,428	4,916
Impairment of property, plant and equipment	2,117	-
Impairment of intangible assets	202	-
Loss on disposal of property, plant and equipment	126	127
Share based payment charge	394	2,419
Impairment of VAT receivable	10,179	-
Provision on receivable	309	153
Impairment of goodwill and investments	647	-
Impairment of associate loan	649	-
Impairment of biological asset	519	-
Share of loss in associate	98	197
Effect of foreign exchange variances	-	(2,916)
Fair value adjustment recognised in the statement of comprehensive income:		
Biological asset	8,509	11,036
Commodity derivatives	-	34
Non operating activity income/expense in the statement of comprehensive income		
Finance income	(8)	(1,875)
Finance costs	921	176
Loss on realisation of currency options	-	42
Movements in working capital:		
Decrease / (Increase) in inventories	2,101	(5,996)
Increase in trade and other receivables	357	(3,856)
(Decrease) / Increase in trade and other payables	(797)	4,148
Income tax expense	(20)	(236)
Net additions to biological assets	233	(17,094)
Net cash used in operations	(9,142)	(64,465)
Cash flows from investing activities		
Purchase of property, plant and equipment	(967)	(39,227)
Purchase of intangible assets	-	(201)
Proceeds from disposal of property, plant and equipment	527	-
Interest received	8	1,875
Cost of currency options	-	(42)
Loans to associated companies	(261)	(172)
Investment in associated companies	-	(293)
Purchase of available for sale investments	-	(117)
Net cash used in investing activities	(693)	(38,177)

Cash flows from financing activities		
Proceeds from issue of ordinary shares	6,630	21,698
Payment of transaction costs	(40)	(860)
Finance costs	(921)	(176)
Non controlling interest investment into Group	308	127
Net cash received from financing activities	5,977	20,789
Net decrease in cash and cash equivalents	(3,858)	(81,853)
Cash & cash equivalent at beginning of period	4,230	87,646
Effect of foreign exchange variances	(150)	(1,563)
Cash and cash equivalents at end of period	222	4,230

Consolidated statement of changes in equity

	Share Capital	Share Premium	Foreign exchange reserve	Share based payments reserve	Retained earnings	Total equity attributable to shareholders of the parent	Non controlling interest	Total Equity
Balance at 1 January 2008	389	116,998	(3,315)	335	(1,324)	113,083	-	113,083
Loss for the period	-	-	-	-	(55,748)	(55,748)	(228)	(55,976)
Currency translation differences	-	-	(4,579)	-	-	(4,579)	-	(4,579)
Total recognised income and expense	-	-	(4,579)	-	(55,748)	(60,327)	(228)	(60,555)
Non controlling interest on asset acquisition	-	-	-	-	-	-	25	25
Non controlling interest share of shares issued in subsidiary	-	-	-	-	-	-	280	280
Proceeds from shares issued	22	-	-	-	-	22	-	22
Premium from shares issued	-	21,676	-	-	-	21,676	-	21,676
Share based payments charge	-	-	-	2,419	-	2,419	-	2,419
Share issue costs	-	(860)	-	-	-	(860)	-	(860)
Balance at 31 December 2008	411	137,814	(7,894)	2,754	(57,072)	76,013	77	76,090
Loss for the period	-	-	-	-	(42,054)	(42,054)	(72)	(42,126)
Currency translation differences	-	-	1,718	-	-	1,718	-	1,718
Total recognised income and expense	-	-	1,718	-	(42,054)	(40,336)	(72)	(40,408)
Non controlling interest on business combinations	-	-	-	-	-	-	(143)	(143)
Non controlling interest share of shares issued in subsidiary	-	-	-	-	-	-	307	307
Proceeds from shares issued	55	-	-	-	-	55	-	55
Premium from shares issued	-	6,575	-	-	-	6,575	-	6,575
Share based payments charge	-	-	-	394	-	394	-	394
Cancellation of share options	-	-	-	(1,372)	1,372	-	-	-
Share issue costs	-	(40)	-	-	-	(40)	-	(40)
Balance at 31 October 2009	466	144,349	(6,176)	1,776	(97,754)	42,661	169	42,830

BASIS OF PREPARATION OF THE PRELIMINARY ANNOUNCEMENT

This preliminary announcement for the 10 month period ended 31 October 2009 contains extracted financial information from the Company's audited non-statutory financial statements. This announcement does not constitute the Company's non-statutory financial statements. This preliminary announcement was approved by the Board on 26 February 2010.

The non-statutory financial statements for the 10 month period ended 31 October 2009 have been reported on by the Company's auditor and contain an unqualified audit report with an emphasis of matter in regard to going concern. They will be circulated to the shareholders in March 2010 and the Annual General Meeting is arranged to take place in April 2010.

The financial statements have been prepared on the Going Concern basis. Management have carried out a detailed analysis of the Group's cash requirements until the point at which harvest revenues are expected to be realised. Management consider that the working capital resources available at the reporting date combined with the \$16.1 million gross proceeds from the share placing in November 2009, are sufficient to allow the Group to continue as a Going Concern until harvest 2010. Management have a full expectation that revenues from crops harvested during 2010 will be sufficient to allow the Group to continue as a Going Concern for the foreseeable future. Should the Group be affected by destruction or severe damage to the crop through adverse weather, natural disaster or any other means, then the Going Concern basis may not be appropriate. This forms the basis on which the emphasis of matter in regard to going concern is described in the unqualified audit report.

The comparative results for the year ended 31 December 2008 contained an unqualified audit report with an emphasis of matter in regard to going concern.

The non-statutory financial statements for the period ended 31 October 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS) in issue and as adopted by the European Union (EU) that were effective at 31 October 2009.

The accounting policies are consistent with those used in the 2008 financial statements except that the following new and revised standards have been adopted in 2009.

IAS 1 (revised), "Presentation of financial statements". The revised standard has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

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 Group has elected to present one statement: a statement of comprehensive income.

IFRS 8, 'Operating segments'. The Group has adopted IFRS 8 "Operating segments" during the period. The standard supersedes IAS 14, 'Segment reporting' and is effective for the period ended 31 October 2009. IFRS 8 provides segmental information for the Group on the basis of information reported internally to the chief operating decision-maker for decision-making purposes. The Group considers that the role of chief operating decision-maker is performed by the Group board of directors. IAS 14 required segmental information to be reported for business segments and

geographical segments based on assets and operations that provided products or services subject to different risks and returns. The adoption of IFRS 8 has not had any impact on the performance or position of the Group or on the presentation of these financial statements as internal reporting is based upon one geographical and operating segment.

REVENUE

	10 months ended 31 October 2009 \$000	Year ended 31 December 2008 \$000
Rapeseed sales	10,854	8,868
Wheat sales	2,962	1,120
Barley sales	159	35
Chemical and fertiliser sales	314	-
Other income	264	622
	14,553	10,645

DIRECT COSTS

	10 months ended 31 October 2009 \$000	Year ended 31 December 2008 \$000
NUMBER OF HECTARES OF LAND HARVESTED	29,062	16,689
Direct crop inputs (Seed, Fertiliser & Chemicals)	14,483	13,683
Agricultural produce purchased for resale	339	941
Fuel	2,274	3,028
Staff costs	3,988	5,520
Harvest, drying and storage	1,424	1,662
Maintenance	3,243	4,157
Land rental on cultivated land	756	434
Other land costs	2,210	2,024
Transportation	765	2,671
Agronomy	188	371
Security	226	68
Other direct costs	603	4,801
Movement in inventory	(167)	(1,680)
	30,332	37,680
Biological asset adjustment	(8,441)	(6,041)
	21,891	31,639

ADMINISTRATIVE EXPENSES

	10 months ended 31 October 2009	Year ended 31 December 2008
	\$000	\$000
Staff costs		
Wages, salaries and fees	1,675	4,087
Severance	-	495
Social security	202	950
Share based payments	394	2,419
Other staff costs	78	142
Travel and entertainment	325	1,597
Advertising and public relations	170	862
Communication	99	345
Office costs	209	1,524
Depreciation	215	237
IT	1	271
Legal	165	367
Auditor's remuneration – see below	252	331
Other professional	350	371
Bank charges	87	340
Unrecoverable VAT	107	1,195
Loss / (gain) on disposal of assets	126	(3)
Fines and penalties	(61)	170
Loss / (gain) on realisation of commodity put option	43	(223)
Other administrative expenses	153	231
Loss on currency option	-	42
	4,590	15,750

EXCEPTIONAL ITEMS

	10 months ended 31 October 2009	Year ended 31 December 2008
	\$000	\$000
Impairment of Ukrainian VAT receivable	10,179	-
Impairment of Podilia Kolodno	530	-
Provision against receivable from non controlling interest	309	-
Provision against receivable from associate	649	-
Impairment of biological asset	519	-
Impairment of software intangibles	202	-
Impairment of property, plant and equipment	2,117	-
	14,505	-

EARNINGS PER ORDINARY SHARE

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 software intangible assets and share based payments charge has been presented in addition to the basic earnings per share since, in the opinion of the Directors, this provides shareholders with a more appropriate representation of the underlying earnings derived from the Group's businesses.

	2009 Number of shares	2008 Number of shares
Weighted average number of shares in issue	230,798,412	197,736,743
	10 months ended 31 October 2009 \$000	Year ended 31 December 2008 \$000
Loss after tax	(42,054)	(55,748)
Adjustments:		
Amortisation of software intangible assets	80	50
Share based payments charge	394	2,419
Adjusted loss	(41,580)	(53,279)
Basic & fully diluted loss per ordinary share (US\$)	(0.182)	(0.282)
Adjusted basic loss per ordinary share (US\$)	(0.180)	(0.269)

BIOLOGICAL ASSETS

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

The majority of the Group's biological assets are consumable winter crops that have been planted during the autumn and will be harvested during the following summer. 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. Where little biological transformation has taken place the Group uses cost as an approximation for fair value.

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 profit or loss.

The Group's livestock biological asset, which were acquired through asset acquisitions, mainly consist of beef cattle and dairy cows. Livestock are accounted for at fair value less estimated point of sale costs. The fair value of cattle is determined by the size of the herd and market prices at the reporting date. Where little biological transformation has taken place the Group uses cost as an approximation for fair value.

	Livestock	Crops	Total
	\$000	\$000	\$000
Carrying value at 1 January 2008	-	7,302	7,302
Biological assets acquired through asset acquisitions	12	-	12
Other biological asset additions	37	-	37
Cultivation costs relating to 2007/2008 crops	-	17,644	17,644
Net change in fair value due to price, yield, maturity and cost changes	-	(11,104)	(11,104)
Total 2007/2008 crop Biological asset	49	13,842	13,891
Harvest of biological assets and transfer to inventory	-	(13,842)	(13,842)
Cultivation costs relating to 2008/2009 crops	-	13,241	13,241
Fair value adjustment	-	68	68
Carrying value at 31 December 2008	49	13,309	13,358
Other biological asset additions	85	-	85
Cultivation costs relating to 2008/2009 crops	-	13,693	13,693
Net change in fair value due to price, yield, maturity and cost changes	-	(8,509)	(8,509)
Total 2008/2009 crop Biological asset	134	18,493	18,627
Harvest of biological assets and transfer to inventory	-	(18,493)	(18,493)
Cultivation costs relating to 2009/2010 crops	-	4,483	4,483
Impairment charge	-	(519)	(519)
Fair value adjustment	-	-	-
Carrying value at 31 October 2009	134	3,964	4,098
Net change in fair value of biological assets for the period ended			
- 31 October 2009	-	(8,509)	(8,509)
- 31 December 2008	-	(11,036)	(11,036)

Fair value adjustments recognised for each harvested crop:

	Crop harvested during 10 months ended 31 October 2009 \$000	Crop harvested during year ended 31 December 2008 \$000
Fair value adjustment recognised in prior period	68	5,063
Fair value adjustment recognised in current period	(8,509)	(11,104)
Total fair value adjustment relating to harvested crop	(8,441)	(6,041)

The Group harvested the following produce:

10 months to 31 October 2009:

	Winter Wheat	Rapeseed	Barley
Saleable quantity of produce / MT	37,736	39,437	2,160
Area of land harvested (hectares)	11,445	14,630	600
Yield – MT/hectare	3.3	2.7	3.6

12 months to 31 December 2008:

	Winter Wheat	Rapeseed	Spring wheat
Saleable quantity of produce / MT	16,575	15,185	5,974
Area of land harvested (hectares)	6,335	5,354	5,893
Yield – MT/hectare	2.6	2.8	1.0

During 2009, the Group planted 3,053 hectares of land which it subsequently established it does not have a legal right to cultivate. Due to the uncertainty over the ownership of this biological asset an impairment charge of \$519,000 has been included within exceptional items. Whilst the impairment charge writes the disputed biological asset to nil carrying value, the Group is continuing to work with the lease holder to agree cultivation rights and normalise the relationship.

TRADE AND OTHER RECEIVABLES

	2009 \$000	2008 \$000
Trade receivables	401	390
Prepayments	191	850
VAT recoverable	19	8,951
Other receivables	74	933
	685	11,124

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2009 \$000	2008 \$000
Pounds Sterling	132	556
Ukrainian Hryvnya	553	10,568
	685	11,124

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

The Directors consider that the carrying amount of trade receivables approximates to their fair values and no provision for trade receivables has been made at either year end. Trade receivables at 31 October 2009 and 31 December 2008 are mainly aged less than 90 days

CALLED UP SHARE CAPITAL

The total authorised share capital of the Company as at the reporting date is as follows:

	2009	2008
	Ordinary	Ordinary
	shares	shares
Number of shares of £0.001 each:		
Authorised	500,000,000	500,000,000
Allotted and fully paid	240,008,935	200,008,935
	\$000	\$000
Allotted and fully paid ordinary shares of £0.001 each	466	411

The issued share capital has been increased as follows:

Date	Number of	Issue price	Share capital
	shares		\$000
At 1 January 2008	189,208,629		389
18 March 2008	10,800,306	100.0p	22
At 31 December 2008	200,008,935		411
11 March 2009	40,000,000	12.0p	55
At 31 October 2009	240,008,935		466

SHARE PREMIUM ACCOUNT

	2009	2008
	\$000	\$000
At start of period	137,814	116,998
Premium on shares issued during the period	6,575	21,676
Share issue costs	(40)	(860)
	144,349	137,814