

LANDKOM INTERNATIONAL PLC



Placing and Admission to trading on AIM

Libertas Capital

Nominated Adviser & Broker

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or the action you should take, you should consult your stockbroker, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") who specialises in advising on the acquisition of shares and other securities in the UK (or if you are a person outside the UK, otherwise duly qualified in your jurisdiction). This document, which comprises an admission document for the purposes of the AIM Rules for Companies ("AIM Rules") published by the London Stock Exchange plc ("London Stock Exchange") governing admission to, and the operation of, the AIM market of the London Stock Exchange ("AIM"), has been prepared in connection with the proposed application for admission and trading on AIM of the entire issued ordinary share capital of Landkom International Plc (the "Company") (the "Ordinary Shares"). This document is an admission document drawn up in accordance with the AIM Rules and does not constitute a prospectus for the purposes of section 85(1) of FSMA. This document does not constitute an offer of transferable securities to the public within the meaning of FSMA or otherwise. A copy of this document has been delivered to the London Stock Exchange as an admission document in respect of the Ordinary Shares but has not and will not be delivered to the Financial Services Authority for filing or approving.

No regulatory authority in the Isle of Man has passed comment upon or approved the accuracy or adequacy of this admission document.

Application will be made for the whole of the Company's issued and to be issued Ordinary Shares to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The AIM Rules are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares in the capital of the Company to the Official List. London Stock Exchange has not itself examined or approved the contents of this document. The Ordinary Shares are not listed and dealt on any other recognised investment exchange.

The whole of this document should be read and, in particular, your attention is drawn to the section entitled "Risk Factors" in Part II of this document.



Landkom International Plc

(Incorporated in the Isle of Man with Company Number: 000737V)

Placing of up to 103,846,129 Ordinary Shares of £0.001 par value at 52p per share

Admission to trading on AIM



Libertas Capital Corporate Finance Limited

Nominated Adviser and Broker

Libertas Capital Corporate Finance Limited, which is regulated by the Financial Services Authority, is acting as nominated adviser to the Company for the purposes of the AIM Rules for Companies and the AIM Rules for Nominated Advisers. It will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of any part of this document. The responsibilities of Libertas Capital Corporate Finance Limited as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange and are not owed to the Company or any director or shareholder or to any other person, in respect of any decision to acquire Ordinary Shares in reliance on any part of this document or otherwise. Libertas Capital Corporate Finance Limited is not making any representation or warranty, express or implied, as to the contents of this document and, accordingly, without limiting the statutory rights of any recipient of this document, no liability is accepted by it for the accuracy of any information or opinion contained in this document or for the omission of any material information for which it is not responsible.

Libertas Capital Securities Limited, which is regulated by the Financial Services Authority, is acting as broker to the Company. It will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of any parts of this document. The responsibilities of Libertas Capital Securities Limited, as the Company's broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any director or shareholder thereof or to any other person, in respect of any decision to acquire Ordinary Shares in reliance on any part of this document or otherwise. Libertas Capital Securities Limited is not making any representation or warranty, express or implied, as to the contents of this document and, accordingly, without limiting the statutory rights of any recipient of this document, no liability is accepted by it for the accuracy of any information or opinion contained in this document or for the omission of any material information, for which it is not responsible.

The Company is not registered with the US Securities Exchange Commission under the US Investment Companies Act of 1940, as amended (the "1940 Act"). In addition, the Ordinary Shares are not and will not be registered under the US Securities Act of 1933, as amended (the "1933 Act"). Therefore, the Ordinary Shares may not be publicly offered or sold in the US or directly or indirectly to or for the benefit of a "US Person" as defined herein. A "US Person" as used herein means a "US Person" as defined under Regulation S of the 1933 Act, as well as the following: (1) a citizen or resident of the United States of America, its territories and possessions ("US"); (2) a partnership or corporation organised or incorporated under the laws of any state, territory or possession of the US; (3) any estate or trust, other than an estate or trust which is not subject to US income tax on its income derived from sources outside the US and not effectively connected with the conduct of a trade or business within the US; or (4) any estate or trust which has a US person as its executor, administrator, or trustee. Ordinary Shares will not be offered or sold within the US except to Qualified Purchasers, as defined under the 1940 Act.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such an offer or solicitation is unlawful. In particular, neither this document nor any copy of it may be distributed, directly or indirectly, in or into Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa or the US or to any resident, national or citizen of such countries. The Ordinary Shares have not been, and will not be registered under the applicable securities laws of Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa or the US.

The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe such restrictions. Any failure to comply with those restrictions may constitute a violation of the securities laws of any jurisdiction. Your attention is drawn to the information contained on pages 2-5 of this document under the heading "Notice of Securities Laws".

This document contains forward looking statements, including, without limitation, statements containing the words "believes", "anticipates", "expects", "estimates", "intends", "may", "plan", "will" and similar expressions (including the negative of such expressions). Such forward looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Company and its subsidiaries ("Group"), or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Part II "Risk Factors". Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. These forward-looking statements speak only as at the date of this document and the Group and the directors disclaim any obligation to update any such forward looking statements in this document to reflect future events or developments.

Prospective investors are advised to read, in particular, Part I "Information on the Group" and Part II "Risk Factors" of this document, for a more complete discussion of the factors that could affect the Groups future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur. Information or other statements presented in this document regarding market growth, market size, development of the market and other industry data pertaining to the biofuel feedstock market and the Group's business consists of estimates based on data and reports compiled by industry professionals or organisations and analysts and the Group's knowledge of its sales and markets. Copies of this document will be available during normal business hours on any day (except Saturdays, Sundays, bank and public holidays) free of charge to the public at the offices of DLA Piper UK LLP, 3 Noble Street, London EC2V 7EE, for at least one month from the date of Admission.

NOTICE OF SECURITIES LAWS

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law.

Persons who receive this document should inform themselves as to: (a) the legal requirements of their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or other related matters concerning the Company and their investment therein. Statements made in this document are based on the law and practice currently in force in the jurisdictions set out below and are subject to change.

United Arab Emirates

The Ordinary Shares have not been, and are not being, publicly offered, sold, promoted or advertised to any person whom it is unlawful to make the offer, sale, promotion or advertisement or in respect of which there may be a legal requirement to obtain prior approval for this document from the regulatory authorities and/or to appoint a local broker in the United Arab Emirates (“UAE”) other than in compliance with the laws of the United Arab Emirates. Prospective Investors in the Dubai International Financial Centre should have regard to the specific notice to prospective investors in the Dubai International Financial Centre set out below. The information contained in this document does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 of the UAE, as amended) or otherwise and is not intended to be a public offer. The Company does not represent that this document is lawfully distributed nor that it has not been approved by or filed with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or the Dubai Financial Services Authority. Nor does the Company represent that the Ordinary Shares may be lawfully offered, in compliance with any applicable registration or other requirements or pursuant to an exemption available thereunder, nor does it assume any responsibility for any such distribution or offering. No transaction relating to the Ordinary Shares will be concluded in the UAE. If you do not understand the contents of this document you should consult an authorised financial adviser. This document is provided for the benefit of the recipient only, and should not be delivered to, or relied on by, any other person.

This statement relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This statement is intended for distribution only to persons of a type specified in those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The securities to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this document you should consult an authorised financial adviser. For the avoidance of doubt, the Ordinary Shares are not interests in a Fund or Collective Investment Scheme within the meaning of either the Collective Investment Law (DIFC Law No. 1 of 2006) or the Collective Investment Rules Module of the Dubai Financial Services Authority Rulebook.

Finland

This document has not been reviewed or approved by the Finnish Financial Supervision Authority (*Rahoitustarkastus*) (“FIN-FSA”) or by any other competent authority of another member state of the European Economic Area. The Ordinary Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in Finland. According to the Decree 452/2005 issued by the Ministry of Finance, offerings of securities are exempted from the prospectus requirements of the Securities Markets Act (26.5.1989/495, as amended (“SMA”) where securities are offered i.e.:

- solely to experienced investors as defined in Chapter 1, Section 4, Paragraph 5 in the SMA (“Experienced Investors”); or
- to less than 100 investors in Finland not being Experienced Investors.

Since the offering of the Ordinary Shares will be made solely to Experienced Investors, the offering of the Ordinary Shares is exempt from the obligation to publish a prospectus within the meaning of the SMA.

Accordingly prospective investors must acknowledge that this document is not a prospectus within the meaning set forth in the SMA. The FIN-FSA has not authorised any public offering, marketing, distributing, issuing of the Ordinary Shares in Finland, and accordingly the Ordinary Shares may not be offered or sold in Finland or to residents in Finland except as permitted by Finnish law. This document has been prepared for private information purposes only and it may not be used for, and shall not be deemed, a public offering of the Ordinary Shares in Finland. This document may not be passed on to or relied upon by third parties or otherwise distributed publicly in Finland.

France

Neither this document nor any other offering material relating to the Ordinary Shares described in this document has been submitted to the clearance procedures of the Autorité des Marchés Financiers or by the competent authority of another member state of the European Economic Area and notified to the Autorité des Marchés Financiers. The Ordinary Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this document nor any other offering material relating to the Ordinary Shares has been or will be:

- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the Ordinary Shares to the public in France.

The offering of the Ordinary Shares will be made in France only:

- to qualified investors (*investisseurs qualifiés*) investing for their own account as defined in, and in accordance with, Article L.411-2, D.411-1, D.411-2, D. 411-3, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier; or
- to investment services providers authorised to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-18-or-28-or 38 of the French Code monétaire et financier and article 211-2 of the General Regulations (*Règlement Général*) of the Autorité des Marchés Financiers, does not constitute a public offer (*appel public à l'épargne*).

The Ordinary Shares may be resold directly or indirectly, only in compliance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code monétaire et financier.

Germany

This document does not constitute a sales prospectus (*Verkaufsprospekt*) neither under the German Securities Prospectus Act (*Wertpapierprospektgesetz*) nor the German Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*), and has not been filed with and approved by the German Federal Supervisory Authority for Financial Services (*Bundesanstalt für Finanzdienstleistungsaufsicht*) or any other competent German governmental authority under relevant laws. The Ordinary Shares may not be offered or sold and copies of this document or any document relating to the Ordinary Shares may not be distributed, directly or indirectly, in Germany except to Qualified Investors, as defined under Section 2 lit. 6 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or to less than 100 individuals only. Any person who is in possession of this document should be aware of the fact that no action has been or will be taken which would constitute a public offering (*öffentliches Angebot*) of the Ordinary Shares in Germany and that no sales prospectus (*Verkaufsprospekt*) has been or will be published with respect to the Ordinary Shares. Any subsequent offer or sale of the Ordinary Shares has to comply with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and any other securities laws and legal and regulatory requirements applicable in Germany with respect to the issue, sale and offering of foreign securities. Neither this document nor any copy hereof may be taken, transmitted or distributed in Germany by the recipient to any other persons other than those persons, if any, retained to advise such recipient with respect to the offer. The distribution of this document in Germany may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of securities laws in Germany or any securities laws of other jurisdictions. Any investment decision with respect to the Ordinary Shares must be made on the basis of this document only.

Italy

The Ordinary Shares may not be offered or sold, directly or indirectly, in the Republic of Italy other than to professional investors as defined in article 100, paragraph 1, lett. a) of legislative decree no. 58 of 24 February 1998 (“professional investors”) or under any other exemption provided for by art. 100 of legislative decree no. 58 of 24 February 1998, and in compliance with the forms and procedures provided therein. Under no circumstances should this offering circular circulate among, or be distributed in Italy to, any member of the general public in Italy or to individuals or entities falling outside the categories of professional investors or outside the scope of the exemptions provided for by art. 100 of legislative decree no. 58 of 24 February 1998. Any offer or sale of the shares, any distribution of this document or the rendering of any advice in respect of investment in the Ordinary Shares, regardless of the existence of any of the abovementioned exemptions within Italy in connection with the international offering, must be carried out either by registered securities dealing firms (*società di intermediazione mobiliare*) or by authorised intermediaries, as described in legislative decree no. 58 of 24 February 1998.

This admission document has not been submitted to the Commissione Nazionale per le Società e la Borsa (“Consob”). Each initial purchaser has severally represented and agreed that no action has or will be taken by it which would allow an offering (or a “*offerta al pubblico di prodotti finanziari*”) of shares to the public in the Republic of Italy even under art. 100-bis of legislative decree no. 58 of 24 February 1998, and that sales of shares to any persons in the Republic of Italy shall be effected in accordance with Italian securities, tax and other applicable laws and regulations. Each initial purchaser has severally represented that it has not offered, sold or delivered and will not offer, sell or deliver any shares or distribute or make available any shares or copies of this document or any other offering material relating to the shares in the Republic of Italy except:

- (i) to professional investors (*operatori qualificati*), as defined in article 100, paragraph 1, lett. a) of legislative decree no. 58 of 24 February 1998;
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to article 100 and 100-bis of legislative decree no. 58 of 24 February 1998 (the “financial services act”) and article 33, first paragraph, of Consob regulation no. 11971 of 14 May 1999, as amended.

Any offer, sale or delivery of shares or distribution of copies of this document or any other document relating to any shares in Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the financial services act and legislative decree no. 385 of 1 September 1993 (“Banking act”), as amended;
- (b) in compliance with article 129 of the Banking act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in Italy may need to be followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in Italy and their characteristics; and
- (c) in compliance with any other applicable notification, requirement or limitation which may be imposed, from time to time, by Consob or the Bank of Italy.

In any case, Ordinary Shares cannot be offered or sold to any individuals in Italy.

Insofar as the requirements above are based on laws which are superseded at any time pursuant to directive 2003/71/ce (“Prospectus Directive”), such requirements shall be replaced by the applicable requirements under the Prospectus Directive or the relevant implementing laws/regulations.

Switzerland

The Ordinary Shares will not be publicly offered, distributed or redistributed in or from Switzerland. They will be offered in Switzerland only to a limited number of institutional investors without any public offering (*Öffentliche Werbung; Appel au public*). This document may not be communicated or distributed in Switzerland in a manner that could constitute a public offering within the meaning of Article 652a of the Swiss Code of Obligations. It is not a prospectus within the meaning of this provision and may not comply with the information standards required by it. The Company will not apply for a listing of its shares on the Swiss Stock Exchange and this document may not comply with the information standards required by the Swiss listing regulations. Likewise, the Ordinary Shares have not been authorised for public distribution as a foreign collective investment scheme by the Swiss Federal Banking Commission pursuant to Article 120 of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 (“CISA”), and are not subject to supervision by the Swiss Federal Banking Commission. Therefore, investors cannot avail themselves of the

protection afforded by the CISA. The Ordinary Shares will not be registered with any Swiss authority for any purpose whatsoever.

United Kingdom

For the purposes of UK legislation, this document is directed only at and may only be communicated to the following types of persons: (i) persons outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments who fall within the definition of investment professionals in Article 19(5) Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (“FPO”), (iii) persons who fall within Article 49(2)(a) to (d) FPO (high net worth companies, unincorporated associations etc.), (iv) persons who fall within Article 50 of the FPO (sophisticated investors), (v) where this document is communicated by an authorised person within the meaning of Section 31 of the FSMA, to persons who are market counterparties or intermediate customers of that authorised person in accordance with the FSA Handbook of Rules and Guidance and (viii) any other persons to whom it may otherwise lawfully be communicated (together, ‘Relevant Persons’). Therefore, this document is exempt from the general restriction (in section 21 of FSMA on the communication of invitations or inducements to engage in investment activity on the grounds that it is a communication made to such Relevant Persons and therefore has not been approved by an authorised person, as would otherwise be required by section 21 FSMA. Reliance on this promotion for the purpose of engaging in any investment activity may expose an individual to a significant risk of losing all of the property invested. The contents of this document must not be acted on or relied upon by any persons who are not Relevant Persons. Any investment or investment activity to which the document relates is available only to Relevant Persons, and will be engaged in only with Relevant Persons. In particular, if you are a certified sophisticated investor within the meaning of article 50 of the Order, you must have: (a) a current certificate, signed by a person authorised for the purposes of FSMA, to the effect that you are sufficiently knowledgeable to understand the risks associated with the type of investment described in this document; and (b) signed a statement (within the last 12 months) in the terms set out in article 50(1)(b) of the Order.

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DIRECTORS, SECRETARY AND ADVISERS

Directors

Neil Roxburgh Balfour (*Non-Executive Chairman*)
Richard George Spinks (*Chief Executive Officer*)
Dr Keith Paul Dawson (*Agronomy Director*)
Konrad Leszek Nowicki (*Land Director*)
James Gerald Douglas Howarth (*Non-Executive Director*)
David Walter Mackie (*Non-Executive Director*)
David Jack Guest (*Company Secretary*)*

*From Admission

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Isle of Man

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Ukraine

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United Kingdom

Broker

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United Kingdom

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United Kingdom

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As to Ukrainian Law:
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As to Isle of Man Law:

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Isle of Man

Legal Adviser to the Nominated Adviser & Broker

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Senator House
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Public Relations

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London, SE1 9BG
United Kingdom

Registrars

Capita Registrars (IOM) Limited
3rd Floor, Exchange House
54-62 Athol Street
Douglas, IM1 1JD
Isle of Man

DEFINITIONS AND GLOSSARY OF TERMS

In this document, unless the context requires otherwise, the words and expressions set out below shall bear the following meanings:

“Act”	the Companies Act 2006, Isle of Man
“Admission”	the admission of all of the Ordinary Shares, issued and to be issued, to trading on AIM and such admission becoming effective in accordance with Rule 6 of the AIM Rules
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules”	the AIM rules for companies published by the London Stock Exchange from time to time
“AIM Rules for Nominated Advisers”	the AIM rules for nominated advisers published by the London Stock Exchange from time to time
“Acquisition Pre-emption Right”	means where a Landowner wishes to sell the land which is the subject of a Land Lease with LK2 the pre-emptive right of LK2 to acquire such land from the Landowner subject to it offering to the Landowner terms no less favourable than those offered by a third party
“Articles of Association” or “Articles”	the articles of association of the Company to be adopted upon Admission
“authorised shares”	the maximum number of Ordinary Shares which the Company is authorised to issue
“A Shares”	A shares of £0.001 each in the capital of the Company which will convert into Ordinary Shares upon Admission
“biodiesel”	replacement for petroleum diesel made from the processing of biomass, such as vegetable oils
“Biodiesel Directive”	Directive 2003/30/EC of the European Parliament and of the Council of 8 May 2003 on the promotion of the use of biofuels or other renewable fuels for transport
“biofuel”	fuel consisting or deriving from biomass
“Board”, “Board of Directors” or “Directors”	the board of directors of the Company whose names are set out on page 7 of this document
“Broker”	Libertas Capital Securities Limited
“B Shares”	B shares of £0.001 each in the capital of the Company which will convert into Ordinary Shares upon Admission
“cif”	carriage insurance and freight
“City Code”	the City Code on Takeovers and Mergers
“Company” or “Landkom”	Landkom International Plc, company number 000737V whose registered office is at 11 Hope Street, Douglas, IM1 1AQ, Isle of Man and, as the context requires, its Subsidiaries
“Co-operation Agreement”	the agreement dated 9 November 2007 the details of which are set out in paragraph 9.1.4 of Part V of this document
“Cultivation Agreements”	means together the Rape Raise Agreements and the Services Agreements as defined in and the details of which are set out in paragraph 9.1.2 of Part V of this document
“CREST”	the system for the paperless settlement of trades in listed securities, of which Euroclear is the operator
“Dead Souls”	persons who have died and an heir has not come forward to claim the inheritance

“EN 14214”	a European standard that describes the minimum requirements for biodiesel
“Enlarged Issued Shares”	the Ordinary Shares in issue immediately following Admission
“EU”	the European Union
“Existing Ordinary Shares”	the A Shares and the B Shares in issue at the date of this document
“Fatty acid mono ester”	a chemical species made by the reaction of a long chain (typically from 12-18 carbon length) fatty acid, such as Oleic acid, and a mono alcohol, such as methanol. Chemically, biodiesel is a fatty acid mono ester
“fob”	free on board
“Founders”	Richard Spinks, Konrad Nowicki and Glenn Tempany
“FSA” or “Financial Services Authority”	the United Kingdom Financial Services Authority, the single statutory regulator under FSMA
“FSMA”	the Financial Services and Markets Act 2000, as amended, including any regulations made pursuant thereto
“Group”	the Company and its Subsidiaries
“Ha.” or “hectares”	hectares, 1 ha. = 0.01 km ² = 10,000 m ²
“Land Bank”	land which is the subject of a Land Lease which has been entered into by either Landkom PP or LK2 whether or not such Land Leases have yet been registered
“Land Lease”	a lease of agricultural land entered into by Landkom PP or LK2 with a Landowner
“Landowner”	the person or authority who owns any land and has granted a Land Lease in respect thereof to LK2 or Landkom PP
“Landkom PP”	Private Enterprise “Landkom Ukraine” which is not part of the Group but which is a company wholly owned by, or by parties connected with, Richard Spinks, one of the directors of the Company
“Lessee”	the company to which land is leased under a Land Lease
“Libertas Capital”	Libertas Capital Corporate Finance Limited and/or Libertas Capital Securities Limited, as the context requires
“LK1”	Limited Liability Company “LK Group Ukraine”, a member of the Group
“LK2”	Limited Liability Company “Landkom UA”, a member of the Group which is a wholly owned subsidiary of LK1
“London Stock Exchange”	London Stock Exchange plc
“Management”	Richard Spinks, Keith Dawson, Konrad Nowicki, Glenn Tempany and Warwick Smith
“Memorandum”	the memorandum of association of the Company which will be in force from Admission
“National Land Register”	the state land register of Ukraine in which Land Leases must be registered in order to be valid
“Nominated Adviser”	Libertas Capital Corporate Finance Limited
“Oblast”	the Ukrainian term for a local land region, of which there are 25 in Ukraine
“Oleic acid”	a monounsaturated omega-9 fatty acid found in various animal and vegetable sources
“Ordinary Shares”	ordinary shares of £0.001 each in the capital of the Company

“OSR”	oil seed rape
“Placing Price”	52 pence per Placing Share
“Placing”	the placing by Libertas Capital on behalf of the Company of the Placing Shares at the Placing Price pursuant to the terms and subject to the conditions of the Placing Agreement
“Placing Agreement”	the conditional agreement dated 15 November 2007 between the Company, the Directors, Warwick Smith, Glenn Tempny and Libertas Capital, a summary of the terms of which is set out in paragraph 15 of Part V of this document
“Placing Shares”	the 103,846,129 Ordinary Shares which are the subject of the Placing
“Pound” or “£”	the official currency in the United Kingdom
“Prospectus Rules”	the Prospectus Rules of the UK Listing Authority
“QCA Guidelines”	the Corporate Governance Guidelines for AIM companies published by the Quoted Companies Alliance
“Registered Lease”	a Land Lease which has been registered on the National Land Register
“Renewal Pre-emption Right”	means where on the expiry of the term of a Land Lease a Landowner is willing to grant a new lease over the land, the pre-emptive right of the Lessee to be granted such new Land Lease subject to the Lessee offering to the Landowner terms no less favourable than those offered by a third party
“SAC”	Scottish Agricultural College
“Shareholder”	a holder of Ordinary Shares
“Share Scheme”	the Landkom Unapproved Company Share Option Plan details of which are set out in paragraph 6 of Part V of this document
“Signed Lease”	a Land Lease which has been signed by the lessor but has not been registered on the National Land Register
“Subsidiary” or “Subsidiaries”	a subsidiary (within the meaning of the Act)
“UAH”	Ukrainian Hryvnia, the legal currency of Ukraine
“Uncertificated Regulations”	the Uncertificated Securities Regulations 2006
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the Financial Securities Authority acting in that capacity
“US\$”	the lawful currency of the United States of America

PLACING AND ADMISSION STATISTICS

Placing Price per Ordinary Share	52p
Number of Existing Ordinary Shares	85,362,500
Number of Placing Shares	103,846,129
Number of Ordinary Shares in issue immediately following the Placing	189,208,629
Placing Shares as a percentage of the Enlarged Issued Shares	54.9 per cent.
Gross proceeds of the Placing	£54.0 million
Estimated net proceeds of the Placing receivable by the Company	£50.1 million
Market capitalisation of the Company at the Placing Price immediately following Admission	£98.4 million
ISIN	IMOOB28QLQ61
AIM Symbol	LKI

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	15 November 2007
Admission effective and dealings commence in Ordinary Shares on AIM	8.00 a.m. 22 November 2007
CREST accounts credited	by 22 November 2007
Expected date of despatch of definitive share certificates (where applicable)	by 7 December 2007

All future dates referred to in this document are subject to change at the discretion of the Company and Libertas Capital. All times are London times unless otherwise stated.

The following illustrative exchange rates as at 16 October 2007 are set out to assist in the understanding of this document. However these rates may fluctuate.

£1: US\$2.03

US\$: UAH5.05

€1: US\$1.42

£1: UAH10.25

PART I

INFORMATION ON THE GROUP

Introduction

Landkom International Plc, which is incorporated in the Isle of Man, was established in 2007 with the intention of becoming a large-scale producer of high-value agricultural feedstocks including oil seed rape (“OSR”) for supply to the European biodiesel market and wheat for the food industry.

The Group currently operates in western Ukraine (the “Region”), in the prime, fertile lands within close proximity to the border with Poland and the EU. The Region was previously a supplier of agricultural produce to the former Soviet Union.

The executive members of the Board and the senior management team have strong local knowledge, commitment to the Region and, over time, have managed to develop relationships with authorities on a local and regional basis which has been important in establishing the Group’s business.

The Management have implemented and intend to continue to implement, western style agronomy practices using modern agricultural equipment to carry out large-scale farming techniques that are more efficient than those used previously and which, they believe, will result in generating more attractive returns from the land located in the Region. In the process, the Group expects to increase levels of employment in the Region and investment into the local economy. The Land Bank comprises agricultural land which typically was used as farm land but has in many instances been left to pasture since Ukraine gained independence in 1991.

To date, the Group has a Land Bank amounting to approximately 30,650 hectares and is currently entering into Land Leases at a rate of approximately 5,000 hectares per month. As at 16 October 2007, planting of the first commercial crop of 10,000 hectares was approximately 90 per cent. complete and is set to be concluded by the end of 2007. The Directors believe that there is the potential for the Group to grow its Land Bank to at least 350,000 hectares.

The principal crops of the Group are OSR and wheat. OSR is a brassica crop grown primarily for its seed and which yields about 40 per cent. oil with much of the balance of the crop being used as high-protein animal feed. OSR is the vegetable oil feedstock forming the basis of the EU biodiesel standard EN14214, owing to its cold climate suitability and has become a primary feedstock for biodiesel production in Europe. The EU has set a target of 5.75 per cent. biofuel content for transport fuels to be achieved by 2010, rising to 10 per cent. by 2020.

In order to maintain the fertility of the land and to help to prevent disease, the Group also intends to grow other crops in rotation in keeping with best agronomic practice. These crops will be sold to both the Ukrainian domestic and European export market. With the production of wheat in particular, the Group also expects to benefit from the current, relatively high agricultural commodity prices.

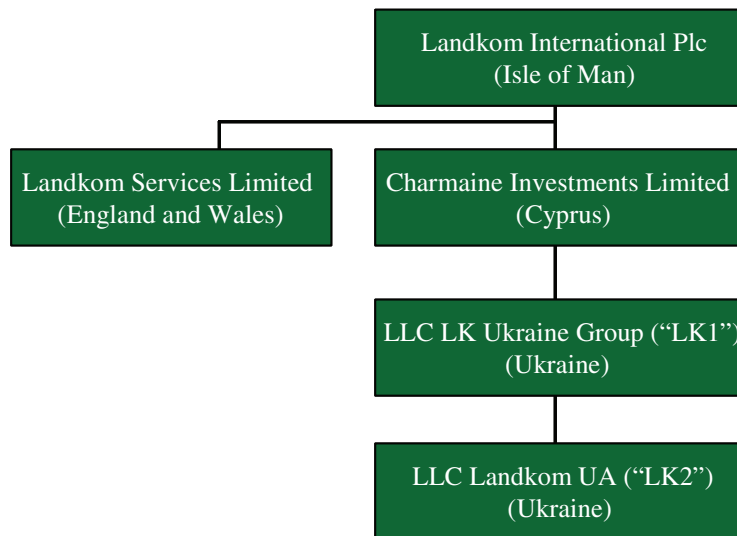
The Directors believe that the Placing and Admission to AIM will enable the Group to increase its land under cultivation resulting in greater economies of scale which is central to increasing the profitability of its business.

History and Development

The business of Landkom was originally founded in 2005 by Richard Spinks, Konrad Nowicki and Glenn Tempany who have worked extensively in Eastern Europe for several years. They were attracted by the opportunity to reinvigorate the once prosperous agricultural industry of western Ukraine which had deteriorated and diminished through lack of investment and dated farming techniques. The Founders carried out detailed feasibility studies on the cultivation of OSR as well as wheat, and simultaneously developed relationships with local village landowners and the regional government. These relationships enabled them to cultivate certain fields on the outskirts of Lviv for trial purposes.

In early 2007, the current group structure was established in preparation for Admission. The Company was incorporated in the Isle of Man with Subsidiaries established in Cyprus, Ukraine and the UK. The diagram below illustrates the current corporate structure of the Group. Prior to the establishment of this structure, the broad business concept had been trialled at a significantly smaller, experimental level by Landkom PP, which still exists today but which is not part of the Group. As part of this experimental phase, a number of Land Leases were entered into by Landkom PP. Following establishment of the Group structure and by means of the Cultivation Agreements, the Group has access to and farming rights over these Land Leases.

Overview of the Group structure



In April 2007, the Group received funding of US\$13.8million from institutional investors. The proceeds from this funding round were used primarily to advance the land acquisition programme and purchase modern machinery to assist in the preparation of land for sowing. In addition, this funding was used to purchase high quality seed stock for planting as well as chemicals and fertilisers for the ongoing care and protection of the crops.

Objectives and Strategy

The Group intends to become one of Europe's leading feedstock suppliers, supplying to the biofuels industry through OSR production and to the cereal crop food industry through wheat production. In order to achieve these objectives, the Group has implemented a number of defined strategies:

To create close relationships with local communities and regional government

The Group has taken steps to demonstrate its ongoing commitment to the regeneration of western Ukraine and its goal of returning the agricultural industry to the levels achieved during the Soviet era. The Group commits an annual budget for community social development projects in schools, orphanages and in other socially responsible infrastructure projects. As part of the Group's land acquisition strategy, senior local government officials often accompany Group representatives to villages in support of the Group's efforts to secure Land Leases in favour of the Group.

To maximise the area of land under cultivation

The Directors believe that there is an upwards shift in demand for OSR feedstock to be used in the biofuels industry as well as wheat for the food industry. In order to meet the anticipated continued demand in the future, and in order to maximise operational gearing, a key element of the Group's strategy is to maximise land under cultivation. In order to do so, the Group is expanding and will continue to expand outside the Lviv Oblast into the neighbouring Oblasts of Ternopil, Chmielnicki, and Ivano-Frankivsk and is already experiencing similar success in entering into Land Leases.

To conserve the environment

As Agronomy Director, Dr Keith Dawson directs all aspects of crop management and rotation in order to sustain high levels of nutrients in the soil, thereby improving fertility and biodiversity, and helping to prevent disease. The Group has established a close relationship with the Lviv Agricultural University with a view to conducting pilot programmes and to gain access to local expertise and talent for the business activities of the Group. The Group actively returns to use disused, fallow land with the intention of creating viable efficient farms.

To introduce high yield agronomic practices

The Group intends to achieve best in class yields through investment in modern scale farming equipment. Advanced agronomic practices such as soil mapping will assist the Group to optimise fertiliser use and achieve efficient, high yields.

Key Strengths

The Directors believe that the key strengths of the Group are as follows:

- close proximity to EU export markets whilst maintaining the cost benefits of relatively lower land rentals and labour expenses in Ukraine;
- access to significant contiguous areas of fertile land;
- support from regional government and local people given the Group's proven ability to return land to agricultural use thereby increasing local government taxes and increasing employment in the areas of its operations;
- one of the Group's key crops, OSR, is the only vegetable oil which when trans-esterified to biodiesel meets both EN14214 biodiesel quality standards, and the need for a fuel to remain liquid under European winter conditions without any additional blending; wheat is in strong demand internationally;
- through the crop rotation system, the Group can be flexible in terms of crop production allowing it to address changes in market demand from time to time with the expectation that it can reduce exposure to price volatility or adverse weather conditions;
- committed management team with local language skills and a track record of completing logistical and agricultural projects;
- large scale agronomic and crop production techniques which have a proven track record of success in Eastern Europe; and
- the Group has established goodwill with village leaders which assists the Group in entering into Land Leases. The Directors believe that this creates significant barriers to entry for potential competitors in the areas of the Group's operations.

Key findings of SAC Expert Agronomy Report

The expert agronomy report submitted by SAC is set out in full in Part III of this document. Set out below is a summary of the key findings which should be read in conjunction with the full text of the report.

OSR is well suited to cultivation in the Ukraine. The long summer day lengths during the growing season and adequate moisture lead to the production of high OSR yields with high oil contents, the two important elements in the gross output of the crop.

High yield cultivation of OSR and wheat is capital intensive from a machinery perspective owing to the limited sowing window. One OSR crop every three years is feasible and higher rotation is possible with appropriate management on appropriate soil types and limited hectares in the short term. Whilst fuel and machinery costs are likely to be comparable to European competitors, the cost of rent and labour will provide a significant advantage in western Ukraine.

The land climate is very similar to the OSR and wheat growing areas of Poland, whilst the soils are superior to those in Poland. OSR yields in Poland reach in excess of 4 tonnes per ha. and wheat yields reach in excess of 7.0 tonnes per ha. with careful management and with adequate precipitation. The potential yields in western Ukraine are of a similar order to those achieved in Poland where large scale western agronomy techniques are proven.

Whilst there are climatic risks, these can be reduced by careful agronomic management. Disease and pest risks can be minimised by good agronomic practice and rotational management. There are a number of relative competitive advantages (such as soil of the highest quality at low rental values, low labour costs and a good climate for growing a wide range of arable crops) to growing crops in western Ukraine compared to global competing areas such as western Europe or the United States.

Market Background

Agriculture in Ukraine

Ukraine, with an estimated population of 46.3 million, gained independence in 1991 and is situated between the eastern border of the European Union and Russia. Historically, Ukraine was an important industrial and agricultural component of the former Soviet Union's economy and these sectors have maintained their importance to the Ukrainian economy.

Ukraine has also attracted international investment with net foreign direct investment of approximately US\$7.8 billion in 2005. The government of Ukraine continues to hold accession talks with the World Trade Organisation with a view to obtaining full membership.

Map of Ukraine

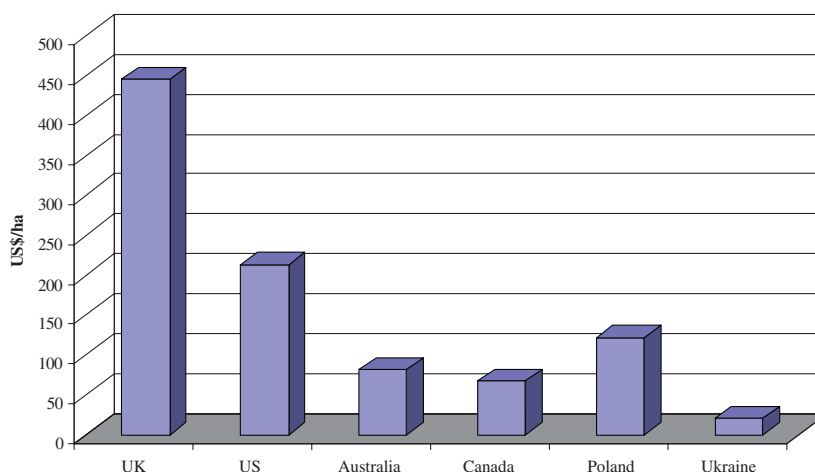


Source: World Fact Book

In 1994, to suppress unrest among rural communities and ex-collective farm workers, the government distributed agricultural assets including buildings, equipment and land among the people living in the catchment areas of former collective farms. This resulted in significant fragmentation of agricultural land.

Soil quality in Ukraine is recognised to be among the most fertile in the world. Black, well drained fertile soils predominate giving a high yield potential. Approximately 90 per cent. of agricultural land is of arable quality. Despite its superior soil quality, agricultural land rental in Ukraine is currently significantly cheaper than comparable land in other countries.

Average Agricultural Land Rental (US\$/ha.)

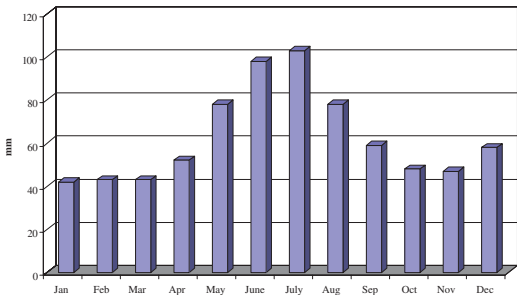


Source: Scottish Agricultural College, 2007.

In general in Ukraine, due to poor recent investment, poor combine harvester efficiency and limited capacity is leading to large crop losses at harvest. Most grain producing farms have access to basic seed storage facilities but a large proportion of these facilities are in a poor state of repair with inefficient equipment in need of replacement. New facilities for seed storage are required to ensure adequate export quality of crops. The Directors believe the Group will be well placed to address this once it has made its investment in capital equipment.

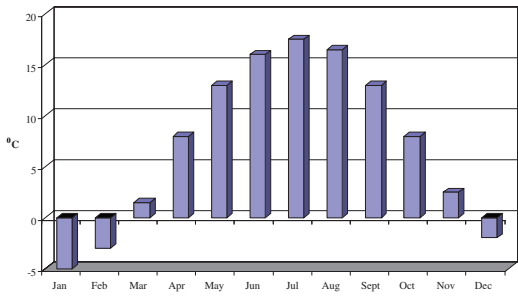
The land in western Ukraine, where the Group’s operations are currently located, is particularly well suited to the cultivation of OSR and wheat with consistent levels of precipitation throughout the year and a speedy transition from winter to spring which reduces the risk of late frosts which can damage the crop. The long days during the growing season and adequate moisture lead to the production of high OSR yields with high oil contents. Compared to eastern Ukraine, western Ukraine has higher levels of precipitation thus increasing its suitability for the Group’s operations.

Mean Rainfall (mm) in Lviv Oblast



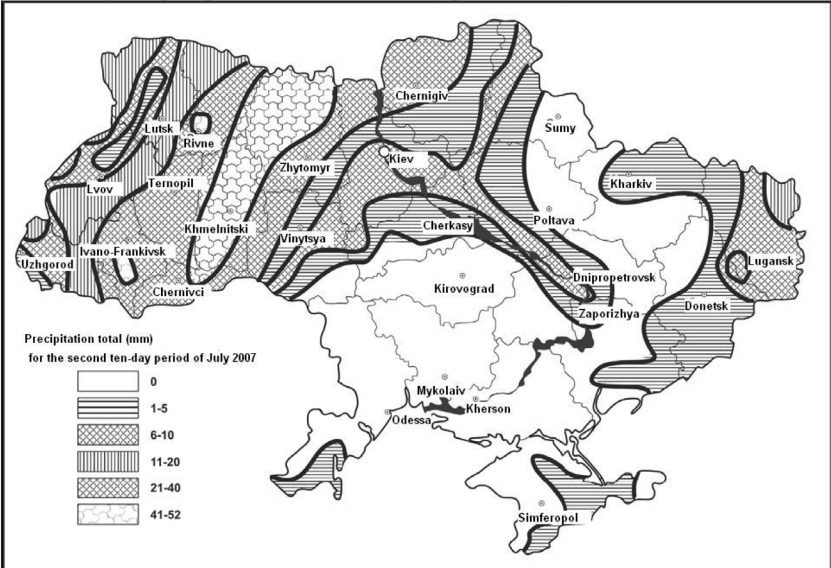
Source: Lviv Metrological Office Ten Year Mean 1996-2006.

Mean Temperature (°C) in Lviv Oblast



Source: Lviv Meteorological Office, Ten Year Mean 1996-2006.

Ukraine, Regional precipitation, total (mm), ten-day period of July 2007



Source: SAC.

Biofuels Industry

Transport biofuels are currently split into two main groups: biodiesel and bioethanol. Biodiesel is used as a replacement for petroleum-derived diesel and is mainly produced through the processing of vegetable oils. Bioethanol is used as a substitute for petrol and is currently produced from the fermentation of sugars or cellulose.

In the EU, the Biofuels Directive has set out targets stipulating that all transportation fuels sold should have a biofuel content of 5.75 per cent. by 2010 and 10 per cent. by 2020. It is believed that biofuels produce less carbon dioxide than conventional petroleum derived fuels. A study performed by DG Agriculture on behalf

of the European Commission estimated that in order to meet the EU 2010 target, 24 million tons of biofuels will need to be produced annually.

The Directors believe the use of proven modern western agronomic technology, quality assurance and modern agricultural practices will be a major driver in improving crop yield and qualities, whilst protecting the environment.

The following table represents certain sources for feedstocks by growing region for refining into biodiesel and the resulting Oleic acid levels.

Vegetable oil overview, 2007

	<i>Price/Tonne*</i>	<i>Oleic acid%</i>	<i>Growing region</i>
Rape seed oil	USD\$1,112 ¹	61	EU, Canada, China, USA, United Arab Emirates, Russia, Ukraine
Soya oil	USD\$999 ²	23	Brazil, Argentina, USA
Palm Olein RBD	USD\$898 ³	38	Malaysia, Indonesia
Peanut oil	USD\$1,450 ⁴	47	Argentina, USA
Olive oil	USD\$3,404 ⁵	74	Spain
Corn oil	USD\$1,300 ⁶	28	USA, Ukraine
Sunflower oil	USD\$1,400 ⁷	15	Romania, Moldova, Spain, Hungary, Russia, Ukraine
Coconut oil	USD\$960 ⁸	7	Philippines, Indonesia

Source: USDA, Oil World and Economist Intelligence Unit

* Price as at 27 September 2007

1. fob Hamburg, ex mill
2. fob Dutch, ex mill
3. cif Rotterdam
4. any origin, cif Rotterdam
5. fob Spain
6. fob Gulf
7. fob N.W. European Ports
8. cif Rotterdam

Biodiesel production ideally requires oils which are high in Oleic acid. OSR currently accounts for over 80 per cent. of EU biodiesel production and the Directors believe that it is, and will continue to be, the feedstock of choice for the European biodiesel industry because its properties give a good balance between engine performance and cold climate suitability.

Biodiesel is produced by modifying a vegetable oil such as OSR (a so-called triglyceride), by reacting it with methanol to produce a fatty acid mono ester which has better diesel engine compatibility. Glycerol is a by-product from this reaction and is separated out to yield the finished biodiesel which can then be used in unmodified diesel engines as is, or blended with petro-diesel. Pure vegetable oils can be used in diesel engines, but the engine has to be modified to cope with their different physical characteristics and there may be problems in respect of warranties given by diesel engine manufacturers. This has limited their use as fuels.

The principal stages of the biodiesel production process are outlined below:

1. *Crushing* – involves cleaning the seed, removal of the seed coat and mechanical pressing to extract the crude vegetable oil.
2. *Refining* – involves degumming and neutralisation of the oil. For food use additional steps are required in respect of odour and colour.
3. *Esterification and Trans-esterification* – chemical process using methanol to produce a fatty acid mono ester (biodiesel) and glycerol. The fatty acid mono ester is separated from the glycerol and the biodiesel is blended to specification.

Overview of the OSR Market

OSR is grown principally for its oil which has a range of uses both within the food and petrochemical industries, including as a fuel. The remainder of the seed left after oil extraction (crushing) has a high protein content and is used as an animal feed supplement in competition with soya beans.

The price for OSR futures has steadily increased and as at 16 October 2007, the Euronext price of rapeseed was €368/tonne (US\$520/tonne).

OSR Future Price (€/tonne) 2004 – 2007



Source: Bloomberg (Euronext), 16 October 2007.

The price of OSR is being driven up principally as a result of rapidly increasing demand from the European biodiesel industry, as production and consumption of biodiesel expands in an effort to meet targets imposed by the EU. Estimates indicate that at the end of 2006 biofuel incorporation in transport fuel across the EU was 1.8 per cent. compared to targets of a 5.75 per cent. incorporation rate by 2010 and 10 per cent. by 2020.

Although there are initiatives currently in place to stimulate the production of OSR within the EU, it is still expected by the Management that even by 2020, an annual deficit of five to six million tonnes of OSR oil will be required to be sourced from outside the EU. This is in part due to there being insufficient suitable agricultural land within the EU to satisfy the projected demand.

Overview of the Wheat Market

Landkom intends to sell its wheat on the spot market principally for domestic food production. Wheat prices have reached record highs, experiencing an eleven year high in August 2007. On 16 October 2007, the Euronext price for wheat was €237/tonnes (US\$335/tonne).

Wheat Future Price (€/tonne) 2004 – 2007



Source: Bloomberg (Euronext), 16 October 2007.

Wheat stocks in the five major exporters are forecast to fall to a 34 year low. The price of wheat has increased due to a combination of on-going global demand and losses during 2006 and 2007 after extreme weather conditions damaged cereal crops in Europe and Australia. Heavy rain during harvest reduced yields in France and Germany, whereas high temperatures and persistent drought reduced yields in Bulgaria, Hungary and Romania. In addition, in North America there is an ongoing trend to switch from growing food crops in favour of feedstocks such as maize and corn for the expanding biofuels industry.

In addition, the International Grain Council reduced its estimate for the 2007-08 wheat crop production from an original forecast of 607 million tonnes to 601 million tonnes. Other factors that have had an impact on wheat prices include the fear that Russia might restrict its wheat exports as well as strong demand from importing nations which have been increasing imports to boost their stocks.

Land Acquisition Procedure

The acquisition of land through leasehold interests is central to the future success of the Group. Owing to the nature of agricultural land ownership in Ukraine, the process is complex, often requiring the aggregation of many small leasehold properties to create plots of sufficient scale to allow efficient use of modern farming equipment.

Under the terms of the standard Land Lease as well as under Ukrainian law, the Lessee has a Renewal Pre-emption Right. In addition, the Group has signed Land Leases of varying duration in order to obtain the land to commence its large scale operations.

Payments which the Group makes include the following:

- Registration fee payable to the local land authority as an advance payment;
- Land tax payable to the local authority (the Group generally assumes this liability from the land owner following registration of the Land Lease); and
- Land rent payable to the Landowner in return for use of the land under the terms of the Land Lease. The land rent is calculated as a percentage value of the government regulated land value adjusted, under the terms of the Land Lease, for inflation over the term of the Land Lease.

As well as the Group having a Renewal Pre-emptive Right, LK2 as a Lessee under the Land Leases has an Acquisition Pre-emption Right. However, currently the Ukrainian parliament has imposed a moratorium on the transfer of freehold rights for agricultural land until 1 January 2008, although this moratorium could be extended further. The Directors will need to consider at the appropriate time, on a case by case basis, whether the cost of exercising an Acquisition Pre-emption Right is commercially viable.

The Land Bank comprises over 15,000 Signed Leases of which approximately 5,300 are Registered Leases. The average size of a plot, the subject of a Land Lease, is approximately two hectares. As a result of the large number of Land Leases in question, documenting the Land Leases is an important part of the Group's operations. The Land Director is responsible for the efficient running of the land acquisition programme as well as being responsible for ensuring that the Group complies with its internal land acquisition policy and procedures. Generally Land Leases with local authorities have a greater average hectare size per Land Lease than those with individuals. The Directors may in future sign a larger proportion of Land Leases with local authorities.

Opportunities for land acquisition are developed by Management. Support is gained from the local government often as a result of the benefits which will be afforded to the Region once the Group has secured land for its operations. These benefits include jobs, local government revenues through land tax (which may previously have remained unpaid) contributions to local community projects, stimulus to the local economy, and equally importantly, the return to work of the land.

The Group has entered into Land Leases which fall into 3 distinct categories:

- Land Leases with individuals;
- Land Leases with local authorities; and
- Dead Souls Land Leases.

Land Leases with Individuals

The Group's standard agreement is used to enter into Land Leases with individuals who own land plots. The Land Leases typically run for a term of 15 years and the Lessee has a Renewal Pre-emption Right as well as, in the case of Land Leases where LK2 is the Lessee, an Acquisition Pre-emption Right. The Land Leases provide that in the event of death of the Landowner, his heir may terminate the Land Lease. However, this will not affect the Lessee's Acquisition Pre-emptive Right or Renewal Pre-emptive Right (as the case may be) which remains whether the heir wishes to dispose of the land, grant a new lease to a third party or otherwise.

Land Leases with Local Authorities

These are Land Leases entered into with local authorities which generally relate to land plots which are adjacent to the land plots secured from individuals. This state and communal land is leased in order to provide contiguous fields within a certain area thus creating fields of sufficient scale to permit the use of modern large scale farming equipment. Land Leases with local authorities run for a term of between 5 and 15 years. As in the case of Land Leases entered into with individuals, the Lessee has a Renewal Pre-emption Right and, where LK2 is the Lessee, also an Acquisition Pre-emption Right.

Dead Souls Land Leases

Dead Souls Land Leases are Land Leases entered into with local authorities but which relate to plots of land whose owners have died more than two years prior to the execution of the Land Lease in circumstances where the heirs of the deceased land plot owners have not formalised their right to the relevant land plots. The term of the Dead Souls Land Leases agreements is between eight months and one year.

Under Dead Souls Land Leases, the Lessee also has a Renewal Pre-emptive Right. The local authority is not legally permitted to grant the Dead Souls Land Leases as it is not the legal owner of the land plot until a court approval has been sought and obtained. Therefore, there is a risk that an heir may seek to claim title to the land and be successful in claiming that a Dead Souls Land Lease was not validly granted. In 2008, the Group intends to start the process of converting Dead Souls Land Leases into Land Leases with local authorities. This work will be concluded when the necessary approvals from the authorities are obtained although there can be no guarantees that they will in all cases be obtained.

The table below sets out the current position of Landkom's Land Bank as at 2 October 2007.

<i>Land Bank*</i>	<i>Signed Leases**</i>	<i>Registered Leases***</i>
Individuals	20,050 ha	5,872 ha
Local Authorities	2,550 ha	1,672 ha
Dead Souls	8,050 ha	6,110 ha
Total	30,650 ha	13,654 ha

* Includes Land Leases in the name of Landkom PP.

** Signed Leases include Registered Leases.

*** The legal right to occupy and use the land is not perfected until the Land Lease is registered. However land operations often commence once Land Leases are signed.

Landkom PP

The two shareholders of Landkom PP including Richard Spinks have confirmed their intention to transfer Landkom PP to the Group at an appropriate time in the future. In the meantime the Co-operation Agreement and the Cultivation Agreements have been signed to govern the relationship between Landkom PP and the Group. Landkom PP is principally a land lease holding company with Land Leases amounting to in excess of 7,000 ha. of Signed Leases comprising approximately 3,000 ha. of Registered Leases. All other material assets have been transferred to the Group from Landkom PP. All Land Bank figures in this document include the Landkom PP Land Leases.

Exchange of Land

The Group seeks contiguous land for the efficient use of modern agricultural machinery. In the event of a Landowner being unwilling to execute a Land Lease in respect of his land, the local authority often exchanges the parcel of land which could be in the middle of a large plot for a land parcel on the edge of the field. This is often closer to the village and therefore more convenient and accessible for the Landowner whilst allowing the Group access to contiguous land for the efficient use of modern agricultural machinery.

However, it is possible that at a later date a Landowner may successfully demand the return of his original plot to which he still has legal title as such exchange of land plots may not be sufficiently documented. The Directors believe that the Land Leases relating to such land plots will not amount to a material number of leases in the context of the business as a whole.

The Group's internal database is regularly updated and is designed to provide an up to date analysis of the number of Land Leases at different stages of registration. A weekly report is generated for the Management.

The legal right to occupy and use land which is the subject of a Signed Lease is not perfected until the Land Lease is registered. However, in some instances, the Group commences operations on land prior to the completion of registration. If registration does not occur, there is a risk that the Group may have expended time and effort on land which the Group does not own and may not be able to harvest and benefit from crops planted on such land. The Directors, however, do not believe the risk to be material.

Sales and Off-take Arrangements

The Group currently intends to sell seed, and currently is not seeking to take part in activities further downstream. Instead, it is focusing its efforts on expanding its Land Bank and planting and harvesting its crops. As there are no major processing facilities near to Lviv, crops must either be transported to oilseed crushers elsewhere in Ukraine (for example Uchevsk, Kahovka or Donetsk) or exported to western Europe for crushing.

The Group intends to implement off-take agreements when it has reached sufficient scale to negotiate attractive off-take terms. With its current levels of production, the Directors believe that the spot market contains sufficient demand to achieve the sale of the Group's crops. To maximise its revenues, the Group intends to invest in the construction of new seed storage and drying facilities to hold back crop reserves in order to take advantage of reduced crop supply in the period after harvest.

Competitive Landscape

Owing to the limited sowing seasons (approximately early August to early September for OSR and mid September to mid October for wheat) the cultivation of high yield OSR and wheat is a highly capital intensive business. Significant amounts of machinery are required to sow vast areas within the climate-dictated short windows. Within Ukraine, the Directors believe that there are currently insufficient well funded enterprises which can afford the capital expense to compete on the scale of the Group. The Directors believe that foreign competition exists in some areas of Ukraine in which the Group does not operate. The Group believes that the Region in which it operates offers favourable growing conditions for OSR in terms of climate and soil quality.

The Group, together with its agricultural consultant, has devised a crop rotation plan. However, the Directors will continue to monitor regularly market conditions for a wide range of feedstock crops and intend to keep some flexibility in the crop sowing plan.

In addition, the Group intends to work closely with its seed suppliers to secure supply of varieties of OSR which are especially suited to biodiesel production because of their high oil content. Although the Group currently does not anticipate using genetically modified seed, its future use will continue to be reviewed by the Directors.

Business Operations and Employees

The Group owns a facility in western Ukraine and owns leases for administrative offices in Hertfordshire in the UK and Lviv in the Ukraine.

As at 30 September 2007, being the latest practicable date prior to the date of this document, the Group had 171 employees, including the executive Directors. 157 out of 171 employees are working in Ukraine. The breakdown of the employees by function was as follows:

<i>Description</i>	<i>Employees 30 June 2007</i>	<i>Employees 30 September 2007</i>
Executive Directors	3	3
Senior Management	5	7
Managers	13	13
Land workers	0	21
Administration staff	1	19
Production staff	35	56
Operations staff	28	52
Total	<u>85</u>	<u>171</u>

Corporate Taxation

Profits earned by the Group in Ukraine will be subject to corporate tax at the rate of 25 per cent. Land tax will also be payable at the rate of 0.1 per cent. of assigned land values. The structure of the Group is such that, under current tax rules in the relevant countries, profits can be passed up to the Company by its Subsidiaries without additional tax charges arising. Dividends can be paid by the Company without withholding tax.

Directors and Senior Management

Directors

Neil Roxburgh Balfour, *Non-Executive Chairman, aged 63*

Mr Balfour is an Oxford MA, Barrister at Law and a former member of the European Parliament (1979-84). His early career was in merchant banking at Baring Brothers & Co (1969-74) and European Banking Company Ltd (1974-83) where his responsibilities were in international corporate finance.

Since 1990 Mr Balfour has concentrated his activities in central Europe particularly in Poland, having created a number of funds in the fields of private equity, privatisation and property. He created and served as Chairman of KP Konsorcjum, the manager of one of the most successful of Poland's 15 National Investment Funds. In 1999 Mr Balfour introduced the Spanish group Acciona to Poland's construction and energy sectors and served for two years as President of Mostostal Warszawa SA, Acciona's listed affiliate in Poland.

In 2005, he founded Mermaid Properties, a private real estate investment and development company in Poland, managing assets with development values of over \$250 million, of which he retains the controlling ownership interest.

Richard George Spinks, *Chief Executive Officer, aged 41*

Mr Spinks is one of the Founders of the Group. He has extensive experience in eastern Europe with 15 years spent predominantly in Poland, the Baltic States, Russia and Ukraine. Previously, after approximately 5 years in the Royal Air Force, Mr Spinks was a director of business development at Lycos Bertelsmann GmbH. After founding vavo.com (an internet portal aimed at the over 45s), Mr Spinks moved to Poland to act as director for central and eastern Europe of British Seafood Group (2002-2005), with responsibility for frozen food products. Mr Spinks speaks fluent Russian, Ukrainian, Polish and Spanish and lives in Ukraine.

Dr Keith Paul Dawson, *Agronomy Director, aged 49*

Dr Dawson gained his PhD in Agronomy and Soil Science in 1982 from the University of Reading with studies on crop growth, the efficient use of nitrogen fertilisers and greenhouse gas emission. In addition, he gained a degree in Agricultural and Environmental Science from the University of Newcastle upon Tyne. Dr Dawson is principal crop consultant at SAC Ltd (Scottish Agricultural College), heading the Combinable

and Energy Crops department. He is a non executive director at ProCam Polska, a Polish crop input supplier, KRMG Ltd a potato farming business and Jokemato Ltd. a potato growing and marketing business and a governor of the Scottish Crop Research Institute. During an 11 year period (1993-2004) Dr Dawson was a Technical Director of CSC CropCare. He was a Director at BASIS Registration Ltd for 14 years (1990-2004), the UK safety and certification body for pesticide, fertiliser and allied organisations. He is a member of the Scottish LEAF Council. Dr. Dawson has committed to work 150 days a year for the Group.

Konrad Leszek Nowicki, *Director of Land, aged 27*

Mr Nowicki was educated at Warsaw School of Economics with a Master of Arts in Banking and Finance and is one of the Founders of the Group. With a background in finance, Mr Nowicki has worked with the other Founders on the business for three years and has a strong local knowledge. Mr Nowicki is fluent in Polish, English and Russian and is based in Ukraine.

James Gerald Douglas Howarth, *Non-Executive Director, aged 60*

After graduating from Southampton University (BA, English), Mr Howarth worked in international banking in the City of London latterly for Standard Chartered Bank where he was responsible for syndicated lending, before being elected to Parliament as the MP for Cannock & Burntwood, Staffordshire, in 1983. He was Parliamentary Private Secretary to the Energy Minister in 1987-1989 and to The Rt Hon Margaret Thatcher MP in 1991-1992. In 1992 he lost his seat and established a public affairs company with Lord Parkinson before returning to Parliament as the MP for Aldershot in 1997. He served on the Home Affairs Select Committee 1997-2001 and on the Defence Select Committee 2001-2003. Since 2002 Mr Howarth has served as Shadow Defence Minister with responsibility for defence procurement and the RAF. He has also acted as a consultant to the coal producers' organisation, Coalpro, and is currently an advisor to the Consumer Credit Association.

David Walter Mackie, *Non-Executive Director, aged 53*

Mr Mackie was educated at University of Strathclyde (BSc Applied Chemistry) and has wide general management and international experience, predominantly in Europe, within the forest products and chemicals industries. Mr Mackie was a founding director of Forscot Ltd in 2004 which was set up to develop and operate a large integrated site for the manufacture of forest industry products in Scotland. Between 1989 and 2002 he held senior marketing and change management positions in different parts of UPM-Kymmene, one of the world's leading forest products companies. He speaks French and German.

Senior Management

Glenn Tempany, *Chief Operating Officer, aged 50*

Mr Tempany is one of the Founders of the Group. Mr Tempany has extensive experience in international project management focused on construction and commercial projects including 14 years of experience working in Central and Eastern Europe. Mr Tempany has overall responsibility for the running of the Group's production and logistical operations based in Ukraine.

Greg Element, *Chief Financial Officer, aged 49*

Mr Element has experience in senior finance roles and qualified as a chartered accountant in 1984. His background includes senior management positions with Touche Ross, PriceWaterhouse, Exxon Chemical and BBA Group Plc. Mr Element is responsible for the Group's finances including financial reporting, budgets, controls, treasury, information technology and tax.

Christopher Chatterton, *General Manager Ukraine, aged 42*

Mr Chatterton has been based in the former Soviet Union for over 12 years working in senior management roles. He has worked in Kazakhstan, Russia and Ukraine. More recently, Mr Chatterton was vice president in strategic planning at Yukos EP Ltd in Moscow (2001-2004) and CEO of D1 Oils Asia Pacific (2005 -2007). Mr Chatterton speaks Russian and Kazak and is based in Ukraine.

Warwick Smith, *Commercial Manager, aged 36*

Mr Smith has over 15 years experience working in financial and commercial roles. He has assisted in the start-up and development of a number of international businesses focused on the environmental sector

including the New Forests Company, an East African forestry company. Mr Smith is responsible for commercial matters including contracts and new business ventures and is based in Ukraine.

Sergii Kozak, Head of Production, aged 49

Mr Kozak has worked as an engineer in the Ukrainian Ministry of Agriculture and other state owned agriculture related organisations. Between 1998 and 2002 he was President of Ternopil Agroindustrial Complex from 2002 to 2007 he was director general of another local farming enterprise. He joined the Group in 2007 and is responsible for production in Ukraine and is based in Ukraine.

Petro Luchyshyn, Legal Counsel, aged 28

Mr Luchyshyn was educated at Lviv National University and graduated with a Masters Degree in Law. His background includes working for the Lviv City Council as the head of the Legal Department (2005-2007) for the Technical Administration. He joined the Group in 2007 where he is responsible for all legal and compliance matters for the Group. Mr Luchyshyn speaks Russian and Polish.

David Guest, Company Secretary, aged 51

Mr Guest has over 20 years of commercial sales experience in the aviation and technology sectors across Europe, Africa and Australasia. Previously, Mr Guest has worked at British Aerospace plc, Bombardier Aerospace and Netjets Europe.

Conflicts of Interest

A potential conflict of interest lies in that Richard Spinks and his connected party are 100 per cent. shareholders in Landkom PP. The Directors intend that the Group will acquire Landkom PP at an appropriate time in the future. In the meantime, the Co-operation Agreement and the Cultivation Agreements have been signed to govern the relationship between Landkom PP and the Group. The key terms of these agreements are set out in paragraph 9.1.2 and 9.1.4 of Part V of this document.

Dr Keith Dawson has a potential conflict of interest by virtue of his role as principal crop consultant at SAC. SAC has acknowledged this potential conflict and has confirmed the integrity of its Expert Agronomy Report, and that the views expressed in the SAC Expert Agronomy Report are independent of Dr Keith Dawson.

Current Trading and Prospects

During the current financial year, the Group has continued to focus on the expansion of the Land Bank. As at 16 October 2007, planting of the first commercial crop of 10,000 hectares was approximately 90 per cent. complete and is set to be concluded by the end of 2007.

Summary of the Placing and Use of proceeds

The Directors intend to utilise the net proceeds of the Placing to acquire additional Land Leases, (approximately £7.5 million), to acquire new machinery and construct buildings (approximately £25.0 million) and for general working capital purposes (approximately £17.5 million). The Company is to issue up to 103,846,129 new Ordinary Shares at 52p per share pursuant to the Placing to raise approximately £54.0 million, before expenses. The new Ordinary Shares will represent approximately 54.9 per cent. of the Enlarged Issued Shares and will rank *pari passu* in all respects with the existing Ordinary Shares on Admission. The Company, the Directors, Glenn Tempny, Warwick Smith, the Nominated Adviser and the Broker have entered into a Placing Agreement dated 15 November 2007 under which the Nominated Adviser has agreed, conditional upon, *inter alia*, (i) Admission taking place on or before 8.00 a.m. on 22 November 2007 (or such later time and date as the Company and the Nominated Adviser shall agree being not later than 8.00 a.m. on 14 December 2007); and (ii) the Placing Agreement becoming unconditional, save for Admission, and not having been terminated in accordance with its terms prior to Admission, to use its reasonable endeavours, as agent for the Company, to procure places to acquire the Placing Shares. Further details of the Placing Agreement are set out in paragraph 15 of Part V of this document.

Lock-in and Orderly Market Arrangements

On Admission, the Directors will, in aggregate, have an interest in 24,600,000 Ordinary Shares, representing approximately 13.0 per cent. of the Enlarged Issued Shares. The Directors and their connected parties, Warwick Smith, Christopher Chatterton, Glenn Tempny and David Guest and certain other Shareholders being the Company's related parties and applicable employees as defined by the AIM Rules (the "Locked-in

Shareholders”) who at the date of this document are interested in 46,500,000 Ordinary Shares representing 24.6 per cent. of the Enlarged Issued Shares, have pursuant to Rule 7 of the AIM Rules, entered into lock-in arrangements with the Nominated Adviser and the Company in respect of any Ordinary Shares held by them on Admission or which they may subsequently acquire in the 12 month period following Admission (the “Locked-In Shares”). Under the terms of the lock-in agreements, the Locked-in Shareholders have agreed not to sell, transfer or otherwise dispose of any Locked-In Shares held by them or their associates (as such term is defined in the AIM Rules), other than in certain limited circumstances, for the period of 12 months following Admission (the “Restricted Period”). After the expiry of the Restricted Period, the Locked-in Shareholders (other than David Guest, Nicola Guest, Christopher Chatterton, Warwick Smith’s Lagoon Investments Limited and Natalya Ujdur) have further agreed that any sale or disposal of such Locked-In Shares will only be effected through the Broker or such replacement company, for a period of 12 months subject to being offered terms as to prices and rates of commission at least as favourable as those being offered by any other broker at that time. Further details of the lock-in agreements are set out in paragraph 16.4 of Part V of this document.

Share Options

The Company has adopted the Share Scheme as described in paragraph 6 of Part V of this document. Following Admission, share options accounting for 3.9 per cent. of the Company’s Enlarged Issued Shares will be allocated. It is anticipated that options over up to 10.0 per cent. of the Company’s issued Ordinary Shares from time to time will be made available under the Share Scheme and to the non-executive Directors on terms similar to the Share Scheme.

Details of options granted to the executive Directors, conditional on Admission, are set out in paragraph 7.2 of Part V of this document. In addition, options in respect of 2.2 per cent. of the Company’s Enlarged Issued Shares will be granted to the non-executive Directors on similar terms to the Share Scheme. Further details are set out in paragraph 7.3 of Part V of this document.

Dividend Policy

The Directors currently propose to re-invest the Group’s earnings to help finance the growth of its business and intend to commence the payment of dividends only when they consider it to be commercially prudent to do so, having regard to the availability of the Company’s profits and the retention of funds required to finance future growth.

Corporate Governance

There are no corporate governance regimes applicable to companies incorporated in the Isle of Man. However, the Directors recognise the importance of sound corporate governance and intend that the Group will comply with the main provisions of the QCA Guidelines insofar as they are appropriate given the Group’s size and stage of development.

The Board is responsible for formulating, reviewing and approving the Group’s strategy, budgets and corporate actions. Following Admission, the Directors intend to hold Board meetings at least quarterly and at other times as and when required. The Directors will appoint a remuneration committee, an audit committee and a nomination committee with effect from Admission.

The audit committee will initially consist of the non-executive Directors with David Mackie as committee chairman, Gerald Howarth and Neil Balfour. The chief financial officer may also be invited to attend meetings of the committee. It will meet at least twice each year and will be responsible for ensuring that the financial performance of the Group is properly monitored and reported on and for meeting with the auditors and reviewing findings of the audit with the external auditor. It is authorised to seek any information it properly requires from any employee and may ask questions of any employee. It will meet with the auditors once a year without any members of the Management being present and will also be responsible for considering and making recommendations regarding the identity and remuneration of such auditors.

The remuneration committee will initially consist of the non-executive Directors with Gerald Howarth as committee chairman, David Mackie and Neil Balfour. Its function is to consider and recommend to the Board the framework for the remuneration of the chief executive officer, chairman, company secretary, chief financial officer, executive Directors and such other officers as it is designated to consider and, within the terms of the agreed policy will, consider and recommend to the Board the total individual remuneration package of each executive director including bonuses, incentive payments and share options or other share awards. It will review the design of all share incentive plans for approval by the Board and Shareholders and, for each such plan, recommend whether awards are made and, if so, the overall amount of such awards, the

individual awards to executive Directors and the performance targets to be used. No Director will be involved in decisions concerning his/her own remuneration.

The nomination committee will initially consist of Neil Balfour as committee chairman and Richard Spinks. The nomination committee will consider the selection and re-appointment of Directors. It will identify and nominate candidates for all Board vacancies and review regularly the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes.

The Directors intend to comply with Rule 21 of the AIM Rules relating to share dealings by directors of the Company, and will take all reasonable steps to ensure compliance with Rule 21 by the Company's applicable employees. The Company has adopted a share dealing code for its directors, officers and employees to facilitate compliance with Rule 21 with effect from Admission.

Summary of Financial Information

Consolidated financial information in relation to the Group is contained in Section B of Part IV of this document. Investors should be reminded that the operations of the Group only commenced in April 2007.

As at 30 June 2007, total assets amounted to US\$12.3 million including property, plant and equipment of US\$3.7 million and cash and cash equivalents of US\$7.3 million.

Takeover Regulation and Isle of Man Company Law

The City Code applies to the Company to the extent that it is centrally managed and controlled in the UK, the Isle of Man or the Channel Islands. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquiror and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, its concert parties would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than highest price paid for the Ordinary Shares by the acquiror or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company, if the effect of such acquisition is to increase that person's percentage of the voting rights.

Admission, Settlement and CREST

Application will be made to the London Stock Exchange for the Existing Ordinary Shares and for the Placing Shares to be admitted to trading on AIM. Admission of the Existing Ordinary Shares and Placing Shares to trading on AIM is expected to take place on or around 22 November 2007. The Ordinary Shares are in registered form.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles contain provisions concerning the transfer of shares which are consistent with the transfer of shares in dematerialised form under the CREST Regulations. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if a Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

Further Information

The attention of prospective investors is drawn to the information contained in Parts II to V of this document which provide additional information on the Group. In particular, prospective investors are advised to carefully consider Part II of this document, entitled "Risk Factors".

PART II

RISK FACTORS

In addition to the other information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. This is a high risk investment and investors may lose a substantial proportion or even all of the money they invest in the Company. If you are in any doubt about the contents of this document or the action you should take, you should consult your stockbroker, solicitor, accountant or an appropriate independent professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

The Directors believe the risks set out below to be the most significant for potential investors. The risks listed, however, do not necessarily comprise all those associated with an investment in the Company and are not intended to be presented in any assumed order of priority.

Any persons considering whether to acquire Ordinary Shares should take their own tax advice as to the consequences of their owning Ordinary Shares in the Company as well as receiving returns from it. Tax commentary in this document is provided for information only and no representation or warranty, express or implied, is given to any recipient of this document as to the tax consequences of acquiring, owning or disposing of Ordinary Shares and neither the Company, the Directors, the Broker nor the Nominated Adviser will be responsible for any tax consequences of any investment in the Company.

1. Risks related to the Group

Climate

The Group has no control over the climate or the effect of climate changes. As for all agricultural businesses, adverse weather conditions can restrict the Group's ability to plant and harvest within the limited time windows available. The Group will endeavour to mitigate the impact of adverse weather conditions through the reallocation of lands to different crops with different sowing windows and through best agronomic practice. If it is unable to do so, the business of the Group may be adversely affected.

Risks relating to future strategy

The expansion of the Group's operations and business depends on, among other things, the Management's ability to implement its strategies for future growth. Whether these strategies can be implemented is dependent on a number of factors, such as availability of additional management resources in Ukraine, availability of additional Land Leases, fluctuation in demand for the Group's produce and changes in government and regulation. The Group may also require additional funds from time to time to pursue its future strategies. There can be no assurance either that the Group's strategies can be implemented successfully or that the funds required to implement such strategies will be available on appropriate terms or at all. Any failure of the Group to implement its strategies could adversely affect the Group's business, financial condition and results of its operations.

Rapid expansion of the Group

The Group is currently experiencing a period of substantial growth in its business in terms of the quantity of land under cultivation. Management has successfully overseen the Group building the Land Bank and has planted over 9,000 hectares in 2007. The Group's ambition is to increase the hectareage more than ten fold. As the scale of its operation grows, the Group will have to grow substantially existing management resources and to develop systems to ensure that it has available the appropriate, operating and financial systems, procedures and controls and workforce required to meet the demands of its expanded business. The Group will also need to maintain the relationships with its current customers and to develop relationships with new customers and suppliers as well as research and development institutions. There can be no assurance that the Group will be able to achieve any or all of the above successfully.

Leasing of land in Ukraine

Leasing arrangements have inherent risks. A Landowner under any one of these leases may breach its obligations under the relevant Land Lease. Should the Group lose the right to use all or any of its land as a result of any dispute or challenge and subsequently encounter difficulty in finding suitable alternative land, the Group's business may be disrupted and its financial performance may be adversely affected.

The legal right to occupy and use land which is the subject of Signed Leases is not perfected until registration, however, the Group often commences operations on land prior to the completion of registration. If

registration does not occur there is a risk that the Group may have expended time and effort on land which the Group does not control. This could adversely affect the profitability of the business.

The Land Bank is leased directly or indirectly from numerous Lessors who own the land. The term of the standard lease with each individual lessor is usually 15 years. The lease agreements can be terminated in certain circumstances including, *inter alia*, following a court election that there has been a breach of the terms of the lease agreement and as a result of a compulsory purchase of land by the Ukrainian Government. There is also a risk that the Land Leases may not be renewed upon expiry. Although the Group has a Renewal Pre-emption Right the cost of renewal may not be commercially viable.

In the case of Dead Soul Leases, the local authority is not legally permitted to grant the Dead Souls Land Leases as it is not the legal owner of the land plot until a court approval has been sought and obtained. Therefore, there is a risk that an heir may seek to claim title to the land and be successful in claiming that the Dead Souls Land Lease was not validly granted.

In the event of a Landowner being unwilling to execute a Land Lease in respect of his land, the local authority often exchanges the parcel of land relating to the Land Lease which could be in the middle of a large plot for a land parcel on the edge of the field. This is often closer to the village thus being to the satisfaction of the Landowner. However, it is possible that at a later date a Landowner may successfully demand the return of his original plot to which he still has legal title as the exchange of land plots may not be sufficiently documented. Such occurrences could cause disruption to the activities of the business and impact the Group's profitability.

In the event of a Landowner having died and his heir coming forward to claim his inheritance, the heir has rights to terminate the lease. Although the Group's Renewal Pre-emption Right and Acquisition Pre-emption Right allows the Group to match the terms and conditions of an alternative offer for the land, such instances could cause disruption to the business, make the signing of a new lease not commercially viable and could have an adverse impact on the profitability of the Group.

Reliance upon agricultural employees

The Group relies upon large numbers of employees for its cultivation activities. Whilst it has not done so to date, should the Group encounter disputes with its employees or face difficulties in recruiting agricultural employees in future (whether due to the imposition of any legal or regulatory restriction on the recruitment or employment of local villagers or otherwise), the Group's business could be disrupted and its financial performance may be adversely affected.

Sustainability of the profit margin of the Group

The business of the Group currently is cultivating and selling OSR and wheat. If, for any reason, levels of sales of these crops by the Group cannot be sustained, or the selling price of OSR or wheat decreases owing to reduced demand or the costs of chemicals increase, the Group's profit margin will be reduced. The relatively low labour and land costs in Ukraine are among the factors which the Directors expect to enable the Group to maintain a profit margin. There can however, be no assurance that the current level of land and labour costs can be sustained. Any significant increase in the level of land and labour costs is likely to reduce the Group's profit margin.

Increasing cost of raw materials

The Group purchases large quantities of fertilisers, pesticides and other related chemicals as part of its cultivation business. If demand for fertiliser and chemicals grows at a faster rate than increases in supply, the Group is likely to face material increases in raw material costs and have difficulties in sourcing supplies. If the Group is unable to pass on the increased cost of raw materials to its customers, the financial condition and results of operations of the Group could be materially and adversely affected.

Dependence on key management personnel and technical staff

The operations of the Group are largely dependent upon the continuing employment by the Group of a number of key management personnel and executive Directors. The future results of the Group depend significantly upon the efforts and expertise of such individuals. The loss of the service of any key management personnel could have a material adverse effect on the business of the Group. The Group's future also depends on its ability to attract, employ and retain skilled and experienced technical staff to support any expansion plans of the Group. Failure of the Group to do so, may have a material adverse impact on the Group's operation and business.

Insurance

There can be no assurance that, in the event of any loss suffered by the Group, the insurance carried by the Group will be sufficient to cover such liability. The Group currently has insurance cover over vehicles and equipment located in Ukraine.

There can be no assurance that appropriate insurance cover will be available to the Group in the future or, if such cover is available, that it will be available at an acceptable cost.

Natural disasters

In keeping with all agricultural activity, the Group's crops are subject to a high degree of exposure to the risks associated with natural disasters and adverse weather conditions. In the event that any such adverse weather occurs, for example lack of snow-fall which prevents insulation of the crop, the Group's business may suffer a material decline in productivity and/or yield resulting from damage to the crop. The Group's business and profitability may be adversely affected.

Competition

The agricultural industry is open to competition from local and overseas competitors engaged in the cultivation and sale of agricultural produce similar to that grown by the Group. The Group in the future may face considerable competition from a large number of domestic and foreign crop producers for the ability to secure land. Other companies, in the future, may also develop strong relationships with local authorities and may also obtain sufficient financial resources to invest in large scale farming equipment adding to competition for land in the Group's area of operations. There can be no guarantee that existing relationships with local authorities will continue uninterrupted. Failure to secure land could materially impact the performance of the business.

Environmental

Given the nature of the Group's business, the Group is susceptible to the damage caused by pollution including air, water and soil pollution. In recent years, air and water pollution have been reported in various parts of Ukraine. So far as the Directors are aware the land in the Land Bank is not polluted and, the Group has not suffered any loss as a result of pollution. However, to the extent that pollution continues to pose environmental risks to the Group's cultivation business, the Group's business, revenue and profitability may be adversely affected.

In the course of its operations, the Group may unknowingly produce pollutants or otherwise cause environmental damage. These acts may breach the applicable environmental laws and regulations of Ukraine. Also, the Group may continue to do so unless and until such breaches are brought to the Group's attention. Any such pollutant, damage or act of non-compliance may subject the Group to environmental claims, thereby adversely affecting the Group's business and profitability.

Price fluctuations

The market for agricultural feedstocks can be volatile depending on a number of factors beyond the control of the Group including but not limited to global economic growth, the price of oil, demand for agricultural feedstock for food and rising demand for agricultural feedstock for biodiesel. These factors could cause fluctuations in the pricing of feedstock and rising demand could lead to increasing prices for agricultural inputs including but not limited to chemicals, fertiliser, seed, qualified staff, and capital expenditure items. This risk can be mitigated in part through effective sales and marketing.

Tax

Any change in the Group's tax status or in taxation legislation could effect the Company's ability to provide returns to its Shareholders. Statements in this document concerning taxation are based on the current tax law and practice which may be subject to change. Any change in the tax status or tax residence of the Company may have an adverse effect on the returns available to Shareholders. The Company is incorporated in Isle of Man with subsidiaries in Ukraine, the United Kingdom and Cyprus. Any changes under the laws of the Isle of Man, the United Kingdom, Cyprus or Ukraine to the basis on which the Company may pay dividends could have an adverse effect on the Company's ability to pay dividends.

The Group seeks to manage and operate each Group company such that it is resident for tax purposes only in the jurisdiction in which it is incorporated. If any Group company is found at any time to be tax resident

elsewhere or to have a taxable permanent establishment or other taxable presence elsewhere, this could significantly increase the amount of tax payable by the Group.

2. Risks related to the Group's land investment and development

Failure to obtain additional funding

In order to increase land under cultivation, the Group may need to obtain significant additional funding, through equity, debt or bank financing or through strategic third party investments or joint ventures. The Group has not received binding commitments for additional debt or equity financing. The Group may require government consents for future funding which may or may not be forthcoming. There can be no assurances that any additional financing will be available to the Group, or if available, that the terms and conditions thereof will be acceptable to the Group. Failure to obtain such financing would be likely to require the Group to curtail materially, operations, and to cause investors to suffer a loss on their investment in the Ordinary Shares.

Limited operating history

The Company has only recently been formed and, therefore, the Group only has a limited operating history for prospective investors to evaluate.

Import/Export duties

Ukraine is not a member of the EU. There is a risk that the imposition of import duties on the Group's produce could materially impact the performance of the Group. In addition, any restrictions or duties placed by the Ukrainian authorities on the export of agricultural commodities could adversely impact the ability of the Group to conduct its business.

3. Risk related to Ukraine

Emerging market risk

Investors consider Ukraine to be an "emerging market", with the result that political, economic, social and other developments in and relating to Ukraine or other emerging markets may have an adverse effect on the value of the Company's Ordinary Shares. Investors should also note that emerging economies such as that of Ukraine are subject to rapid change and that the information set out in this document may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, an investment in the Group is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and investors are urged to consult with their own legal and financial advisers before making an investment in the Group.

Political and general economic risk

Ukraine is slowly changing from a centrally planned economy to a market economy. Although some progress has been made since independence in reforming Ukraine's economy and its political and judicial systems, some of the necessary legal infrastructure and regulatory framework essential to support market institutions is still lacking. A free market economy and transparent capital markets cannot yet be said to be well established in Ukraine.

Although Ukraine generally maintains positive relations with its neighbours, any major changes in Ukraine's international relations with Russia, in particular, any changes adversely affecting energy supplies from Russia to Ukraine and/or Ukraine's export revenues derived from transit charges for Russian oil and gas, may also have negative effects on the economy and, thus, on the business, results of operations and financial condition of the Group.

There can be no assurance that the recent positive trends in the Ukrainian economy, such as a stable currency, a lower rate of inflation and growth in GDP, will continue. Adverse economic conditions in Ukraine could have an adverse impact on the value of the Group's investments. The Group will also be exposed to the risk of any changes in Ukrainian legislation relating to foreign investments.

Legal risk

Ukraine presently lacks a fully developed legal system to promote and strengthen a stable market economy. The fundamental Ukrainian laws are relatively new, untested and subject to change and are often characterised by ambiguities and inconsistencies. Although the present rate of legislative change in Ukraine

is rapid, several fundamental laws are still pending hearing or adoption by the Ukrainian parliament. Moreover, at times the content of adopted legislation is impossible to predict or enforce and, therefore, it can be difficult to predict the impact of legal reforms on the Group's investments.

Risks associated with the Ukrainian legal system also include: (i) inconsistencies between and among the constitution of Ukraine, laws, presidential decrees, and government and ministerial decrees, resolutions and orders; (ii) the lack of judicial and administrative guidance on the interpretation of Ukrainian legislation, including the complicated mechanism of exercising constitutional jurisdiction by the Constitutional Court of Ukraine; (iii) provisions in the laws and regulations that are ambiguously worded or lack specificity and thereby raise difficulties when implemented or interpreted; (iv) the relative inexperience of judges and courts in commercial dispute resolution; (v) the general inconsistency in the judicial interpretation of the applicable Ukrainian legislation in the same or similar cases; and (vi) corruption within the judiciary. Additional legal uncertainty arises due to the fact that various regulatory authorities may choose to reinterpret applicable laws, particularly with respect to taxation, and occasionally with retroactive effect. In addition, the applicable Ukrainian legislation often contemplates implementing regulations. Often such implementing regulations have either not yet been promulgated, leaving substantial gaps in the regulatory infrastructure, or have been promulgated with substantial deviation from the principal rules and conditions imposed by the respective legislation, which results in a lack of clarity and growing conflicts between companies and regulatory authorities.

No assurance can be given that the legal environment in which the Group will operate will stabilise in the near future. Moreover, as Ukraine continues to develop its legislation, existing laws may be changed which could have a detrimental impact on the Group, its investments, the injection of capital into the Group in the Ukraine and the ability to repatriate funds from the Ukraine to the parent company of the Group. The Group works with local government departments that utilise manual systems and accordingly there is a risk associated with misinterpretation of the law, inconsistent interpretation of the law, losing of documents and delays in land registration. The process of the registration of leases is beyond the Group's control.

Uncertainties relating to the judicial system

The independence of the judicial system and its immunity from economic and political influences in Ukraine remains largely untested. The system of general and specialised courts is understaffed and under-funded. Judicial reform initiatives have thus far made the Ukrainian judicial system even slower than before. Judges and courts are generally inexperienced in the areas of business and corporate law. Prior court decisions do not have a binding effect on future disputes. Court decisions are not generally open to public access and, therefore, may not serve as guidelines in interpreting the applicable Ukrainian legislation for the public at large. Moreover, courts themselves are not bound by earlier decisions taken under the same or similar circumstances, which results in the inconsistent application of the applicable Ukrainian legislation to resolve the same or similar disputes. Court claims are often used in the furtherance of political aims.

Enforcement of court orders and judgments can in practice be very difficult in Ukraine. The State Execution Service, a body independent of the Ukrainian courts, is responsible for the enforcement of court orders and judgments in Ukraine. Often, enforcement procedures are very time-consuming and may fail for a variety of reasons, including the defendant lacking sufficient funds, the complexity of auction procedures for the sale of the defendant's property or the defendant undergoing bankruptcy proceedings. Ukrainian enforcement agencies are bound by the method of execution envisaged by the relevant court order or judgment and may not independently change such method even if it proves to be inefficient or unrealisable.

All of these factors make judicial decisions in Ukraine difficult to predict and effective redress uncertain.

Enforceability of contracts

The legal system in Ukraine may be subject to continuous change and development: this generates concerns regarding the difficulties or inability to enforce contracts in Ukraine. Ukrainian enterprises have a limited history of operating in free-market conditions and have had limited experience (compared with companies in more developed jurisdictions) of entering into and performing contractual obligations.

Nationalisation, expropriation, government intervention and regulation

Shortly after independence in 1991, Ukraine undertook a programme for privatisation of state owned businesses. Although legislation has been implemented to protect private property owners from expropriation and nationalisation, there is no assurance that such legislation could not at some point in the future be changed or that all of the rights and interests of owners and creditors of such expropriated and

nationalised property would be protected. Restrictive government regulation also may be seen as a form of indirect nationalisation.

Crime and corruption

Organised crime, including extortion and fraud, pose a risk to businesses in Ukraine. Property and employees of the Group may become targets of theft, violence or extortion. Threats or incidents of crime may force the Group to cease or alter certain activities or to liquidate certain investments, which may cause losses or have other negative impacts on the Group. External analysts have identified corruption and money laundering as problems in Ukraine. The local and international press have alleged high levels of official corruption in Ukraine. In accordance with Ukrainian anti-money laundering legislation, the National Bank of Ukraine and financial institutions are required to monitor certain financial transactions more closely to deter money laundering. As a result of the passage of this legislation, the Financial Action Task Force on Money Laundering removed Ukraine from its list of Non-Cooperative Countries and Territories in February 2004. Any future allegations of corruption in Ukraine or evidence of money laundering could have a negative effect on the ability of Ukraine to attract foreign investment and have a negative effect on the economy of Ukraine and, thus, on the business of the Group.

Repatriation risk

There can be no assurance that profits realised in Ukraine will be capable of being easily repatriated. Unpredictable changes in exchange control regulations, tax law and monetary policy may result in the accumulation of substantial amounts of non convertible local currency. Therefore, there can be no assurance in the future that Ukraine's policy will not negatively affect the ability of the Group to repatriate the proceeds of its investments, which could have a negative impact on the returns to Shareholders.

Ukraine's business environment and the lack of liquidity

Ukrainian enterprises, when compared to businesses operating in more developed jurisdictions, are often characterised by management that lacks experience in responding to changing market conditions and limited capital resources with which to develop their operations. In addition, Ukraine has a limited infrastructure to support a market system, with communications, banks and other financial infrastructure being less well developed and less well regulated than their counterparts in more developed jurisdictions. Ukrainian enterprises face significant liquidity problems due to a limited supply of domestic savings, few foreign sources of funds, high taxes, limited lending by the banking sector to the industrial sector and other factors. As in many emerging markets there is often a requirement to pay for goods in advance. Many Ukrainian enterprises cannot make timely payments for goods or services and owe large amounts in taxes, as well as wages to employees. A deterioration in the business environment in Ukraine could have a material adverse effect on the Group's business and on the market price of investments.

The Directors anticipate that the majority of the Group's revenues will be in Ukrainian Hryvnia, which is intended to be converted into US Dollars as soon as practicable following receipt. Most of the costs from its operations will also be in Ukrainian Hryvnia. The Ukrainian Hryvnia is currently pegged to the US Dollar at a fixed rate of 5.05:1, although this may change from time to time. The Group may also sell in Euros and equally seek supply in Euros although some revenues may be earned in US Dollars. The base currency of the Group for accounting purposes will be US Dollars. Any cash held by the Group may be held on deposit or invested in money-market funds or other near-cash investments. To minimise currency risk, the Group may enter into currency hedging programmes, but there can be no guarantee that these programmes will offset any losses incurred on the adverse movement in foreign exchange rates.

4. Risks related to the Ordinary Shares

Liquidity and possible price volatility of the Ordinary Shares

An active trading market for the Ordinary Shares may not develop and the trading price for Ordinary Shares may fluctuate significantly. Prior to the Placing, there has been no public market for any of the Ordinary Shares. The Placing Price may not be indicative of the price at which the Ordinary Shares will trade following completion of the Placing. In addition, there can be no assurance that an active trading market for the Ordinary Shares will develop, or, if it does develop, that it will be sustained following completion of the Placing, or that the market price of the Ordinary Shares will not decline below the Placing Price. Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List of the UK Listing Authority.

The trading price of the Ordinary Shares will also be subject to significant volatility in response to, among other factors:

- investor perceptions of the Group and the Group's business plans;
- variations in the Group's operating results;
- climatic conditions;
- announcements of new agricultural products;
- changes in pricing policy made by the Group, the Group's competitors or other agricultural producers;
- changes in senior management personnel; and
- general economic and other factors.

Dividends

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Directors, and will depend upon, among other things, the Company's earnings, financial position, cash requirements and availability of profits, the Company's ability to repatriate funds from its subsidiary companies to the parent company as well as the provisions of relevant laws or generally accepted accounting principles from time to time.

Dilution of Shareholders' interest as a result of additional equity fund raising

The Group may need to raise additional funds in the future to finance the expansion of its operations. If additional funds are raised through the issuance of new equity or equity-linked securities of the Group other than on a *pro rata* basis to existing Shareholders, the percentage ownership of the Shareholders may be reduced, Shareholders may experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

5. Risks relating to the Placing

Investment risk

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. The future success of AIM and the liquidity of the market for the Ordinary Shares traded on AIM cannot be guaranteed. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Ordinary Shares may not reflect the underlying net asset value of the Company. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Group and others which are extraneous. On any disposal of their Ordinary Shares, investors may realise less than the original amount invested.

Suitability

Investment in the Ordinary Shares involves a high degree of risk. The Group's activities will entail certain special risks not typically associated with investments in Western Europe and the United States. An investment in the Company should therefore be considered speculative and long-term in nature and is suitable only for sophisticated investors who understand the risks involved.

The risks noted above do not necessarily comprise all those faced by the Group and are not intended to be presented in any assumed order of priority.

Supporting the
land-based industries
for over a century



SAC

Our Ref: DAR/sr/S/AS/

8th November 2007

Landkom International Plc
11 Hope Street
Douglas
Isle of Man
IM1 1AQ

PRIVATE & CONFIDENTIAL

Dear Sirs

Landkom International Plc (the "Company") - Admission to trading on the AIM Market of the London Stock Exchange Plc ("AIM")

We are writing to you in connection with the admission document to be issued by the Company in connection with its admission to AIM (the "**Admission Document**").

We hereby consent to the inclusion of our report entitled 'Evaluation of Biodiesel Production from Oilseed Rape and Wheat grown in Western Ukraine for LK Group Ukraine' (the "**SAC Report**") in Part III of the Admission Document and to the inclusion of our name, in the form and context in which they are included (as per the attached text), together with details of the arrangements between us and the Company set out therein.

In addition we confirm that the section headed 'Key Findings of SAC Expert Agronomy Report' (as per the attached text) has been sourced from the SAC Report and no facts have been omitted which would render such information inaccurate or misleading.

We acknowledge that Dr Keith Dawson is employed by the Scottish Agricultural College ("**SAC**") as principal crop consultant. We are satisfied that the SAC Report is an independent report prepared by the SAC notwithstanding Dr Dawson's involvement in the SAC. Furthermore we are of the view that Dr Dawson's appointment as a director of the Company is a reflection of his expertise in the field of agronomy and that such appointment has not compromised the integrity of the SAC Report.

Yours faithfully

D A RAMSAY
For and on behalf of
SAC Commercial Limited

SR 2036



INVESTOR IN PEOPLE

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PART III
SAC EXPERT AGRONOMY REPORT

Date: October 2007

**Evaluation of Biodiesel Production
from Oilseed Rape and Wheat grown in
Western Ukraine for LK Group Ukraine**

Authors:
Dr Elaine Booth — BSc Hons
Julian Bell — BSc Hons
Graham Kerr — BSc Hons

A Report addressed to the Directors of Landkom International Plc and the Directors of Libertas Capital Corporate Finance Ltd.

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Executive Summary

The Ukraine is world famous throughout history for its agricultural output, being known as the “breadbasket” of Europe. This production is based on its deep, fertile, well drained, highly productive soils and high historical yields of wheat. The area under investigation in the West of Ukraine has suitable climate and significantly higher rainfall than the average grain producing areas of the Ukraine. This makes the area ideal for a wide range of arable crops including cereals, rape, sugar beet, potatoes and maize.

It is our considered view, based on over twenty years experience of growing and managing oilseed rape crops and fourteen years experience in Eastern Europe, that the potential for growing oilseed rape for biofuel production and wheat for bread or bioethanol in the area around Lviv is good. The land climate is very similar to the rape and wheat growing areas of Poland, whilst the soils are superior to those in Poland. In Poland oilseed rape yields in excess of 4 tonnes per ha. and wheat yields in excess of 7.0 tonnes per ha. are achieved with careful management in years with adequate precipitation. The potential yields in Western Ukraine are of a similar order to those achieved in Poland where large scale western agronomy techniques are proven.

Climate and soils are fit for purpose and with appropriate management and machinery levels good yields and oil content should be produced. Whilst there are climatic risks these can be reduced by careful management. Disease and pest risks can be minimised by good agronomic practice and rotational management. There are a number of relative competitive advantages (such as soil of the highest quality at low rental values, low labour costs and a good climate for growing a wide range of arable crops) to growing the crop in Western Ukraine compared to global competitors such as Western Europe or the US.

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1. Oilseed Rape and Wheat Production in the Ukraine

1.1 Climate

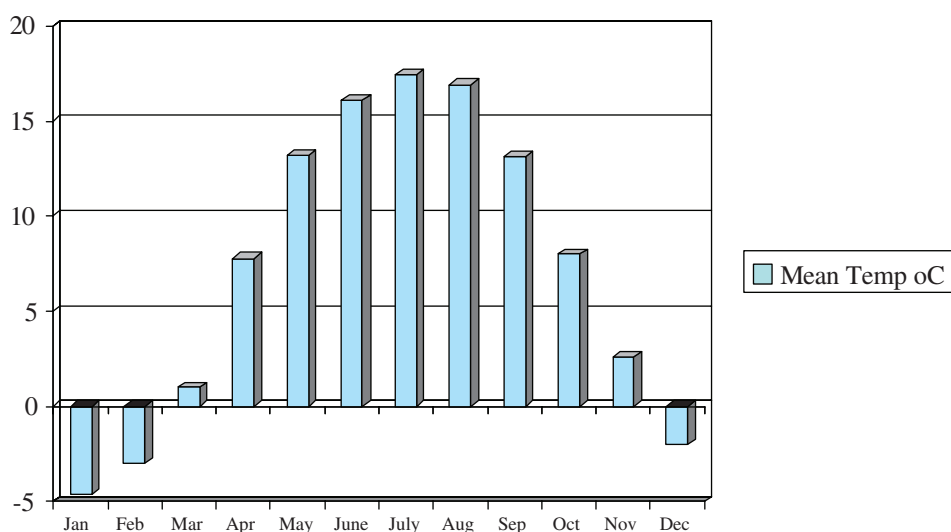
The climate in Western Ukraine is typically continental, with long cold winters followed by late springs moving into hot dry summers. For a detailed picture on the distribution of rainfall and temperature in Ukraine please see Appendix 2 and 3.

The risk from climatic constraint for wheat and rape is threefold:

- (a) plant death over the cold winter (unless insulated by snow)
- (b) late frosts during flowering
- (c) summer drought following lack of rainfall

Ukraine enjoys a typical continental climate with hot summer, cold winter and speedy transitions between seasons.

Mean Temperature Data (°C) in Lviv Oblast, Ten Year Mean 1996-2006



Source: Lviv Meteorological Office

(a) Plant death over the cold winter

Snow cover is usually adequate and the crop in the Western Ukraine has survived the coldest winter for many years. Agronomic factors such as timely drilling and good seedbeds, prevention of plant disease and seed depth can alleviate this problem. There is a possibility that up to 25% of the crop could be lost if poor agronomic management and a very hard winter are combined. Experience in Poland (similar to Western Ukraine in climate) in 2002 showed that when 30% of the Polish crop was lost to winter kill, on a well managed farm project with over 3,500 ha. of rape only 3% was lost due to superior agronomic management in consultation with SAC staff. Examination of a number of oilseed rape crops in the area on the SACs visit to Western Ukraine, showed the crop had survived well despite the very hard winter in 2006. This has also been the case in Poland in 2006. Sowing date, rate and depth and seedbed consolidation are key issues here. It is of note that winter wheat is less vulnerable to winter cold than oilseed rape.

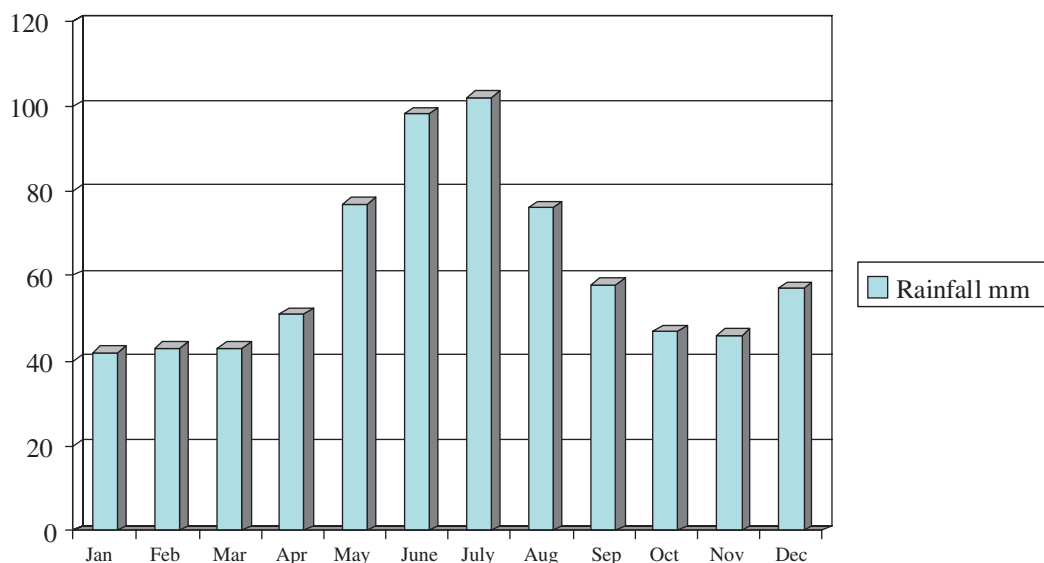
(b) Late frosts during flowering

Late frosts are unlikely to be a factor in Ukraine due to the rapid transition from winter to consistent warm spring conditions.

(c) Summer drought following lack of rainfall

Summer drought is a yield constraint on lighter soils in particular, but the area around Lviv receives an annual rainfall of 750mm (30"), which is adequate for good yields despite high summer evapotranspiration. The seasonal distribution in the area is also favourable. The climate would favour winter varieties rather than spring varieties of rape and wheat, to allow early development of a good, deep root system.

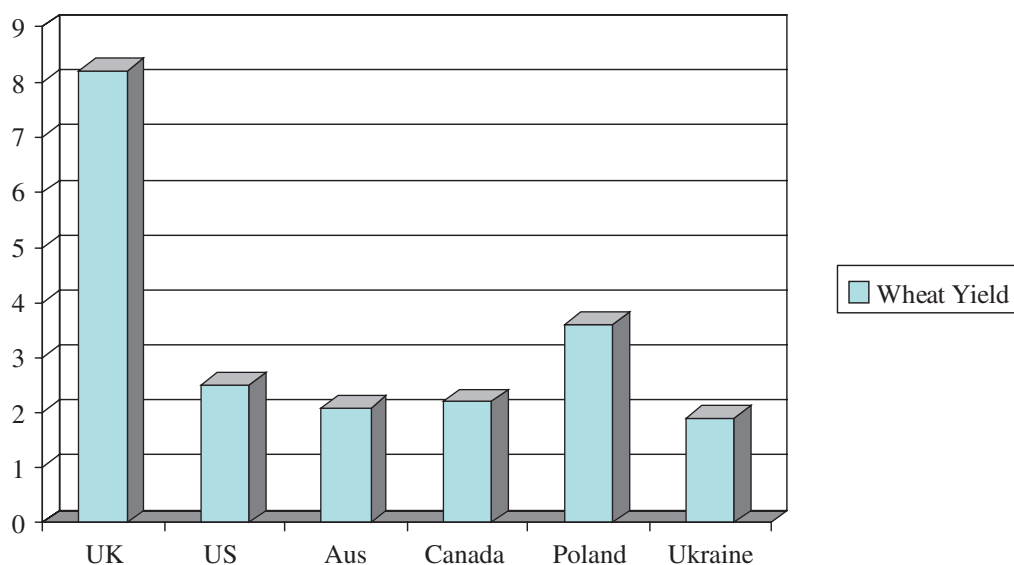
Mean Rainfall Data (mm) in Lviv Oblast (750 mm p.a.), Ten Year Mean 1996-2006



Source: Lviv Meteorological Office

Solar radiation is high in Western Ukraine and there is less cloud cover than in Germany. This would suggest higher potential yields for oilseed rape than Germany according to a major German Plant Breeder (current annual mean yield in Germany for oilseed rape 2000-2006 = 3.8t/ha). Drying and harvesting costs would be reduced by the Ukrainian climate.

Mean Wheat Yield (t/ha), Ten Year Mean 1996-2006



Source: SAC

Note that Ukrainian yield is low due to lack of investment and application of old agronomic techniques. It also refers to the whole of the Ukraine rather than the higher yield potential of western Ukraine. This shows that there is significant potential to improve Ukrainian wheat yields.

The climate in Western Ukraine is suitable for the production of good yields of oilseed rape giving high oil content and quality due to high summer solar radiation, providing adequate soil moisture is available. In addition the climate and soils are suitable for production of wheat, potatoes and sugar beet.

1.2 Soils

There were a wide range of fields visited under the control of Landkom around Lviv and Busk. The soils are in general deep and well drained. Soils range from silty clay loam to sandy loam in texture by field assessment confirmed by SAC laboratory analysis. Recent laboratory analysis of similar soil types to the silty clay loams

in the Lviv area has shown encouraging pH, humus and major nutrient levels. A points system for soil quality is used in the Ukraine with a 0-60 scale, based on a variety of soil qualities and yield potential. The majority of the fields visited were 36 or above on this scale, entirely suitable for oilseed rape and wheat.



All the fields visited were in fallow or pasture of various lengths (5-10 years) but could be brought back into arable cropping condition with appropriate agronomic management. The reason for this uncropped position is not poor soil but lack of capital to pay for machinery and crop inputs. Previously the range of fields had historically been cropped with potatoes and sugar beet in the rotation. This indicates a good level of flexibility in cropping and good soil quality. Oilseed rape and wheat can be successfully grown on more “difficult” soils than those for these cash crops (such as sugar beet or potatoes). The cost and ease of this “reclamation” operation would vary according to the existing vegetation and green cover.

A major current weed problem is high levels of the rhizomatous couch grass. This requires application of high rates of the herbicide glyphosate to allow the weed to die prior to cultivations. SAC experienced similar conditions in land in Poland in the mid 90’s and in Ukraine in summer 2005 and 2006 and careful management allowed the land to be returned to good levels of production, although yields were lower in the first cropping year than the longer term average.

Landkom Soil Analysis May 2006

<i>Field Name</i>	<i>PH</i>	<i>Lime Requirement</i>	<i>Phosphate</i>	<i>Potassium</i>	<i>Magnesium</i>
Primpstanzie Long Fld	6.4	0	L	VL	M
Stoneyfield Light Area	7.9	0	H	M	M
Stoneyfield 1A	8.0	0	M	H	H
Stoneyfield Far End	7.4	0	H	VL	VL
Stoneyfield 1	8.1	0	L	H	M
Stoneyfield Last Yab	7.6	0	H	L	L
Big Field 400ha	7.8	0	H	M	L
Stoneyfield 3 Last	8.0	0	M	M	M
Pie Field	7.9	0	L	L	M
Horse Field	8.0	0	M	L	L

Source: SAC

Soil Status: VL = Very Low, L=Low, M=Moderate, H=High

The soil samples from the proposed initial cropping area showed excellent pH levels and zero lime requirement. This represents a major competitive economic benefit and demonstrates first class soil quality. There were no major or minor nutrient deficiencies which could not be rectified economically with chemical

fertilisers within normal agronomic practice and cost. Soil analysis results ranged from Very Low to High, well within agricultural norms. There were significant variations from field to field and within field. This is not atypical of such large field sizes. There were also noticeable variations in soil texture within and between fields, but all within productive parameters. Soil organic matters in all but one sample ranged from 1.2% to 5.8% well within good arable soil quality parameters. To optimise fertiliser policy and minimise costs cropped fields should be GPS soil mapped.

The soil samples taken from Landkom International’s fields show good arable characteristics and exhibit all the qualities required to produce good yields of oilseed rape, wheat and sugar beet.

1.3 Rotational Considerations

It is important to fit oilseed rape and wheat into an appropriate rotation in both crop health and logistic management in relation to sowing and harvesting dates. The proposed rape varieties (eg hybrid rapes such as Executive, Taurus and Artus) are well suited to high levels of production. Relying on a single variety presents risks and a narrower spread of harvest dates. This can be managed to a limited extent by sowing date and choosing a spread of varieties. The risk of rotational soil borne diseases such as club root and Sclerotinia increases with tighter rotations. One rape crop every three years is feasible and tighter rotation is possible with appropriate management on appropriate soil types and limited hectares in the short term. It would be feasible to achieve around 45% area down to oilseed rape by skilful adaptation of rotation and balancing of workloads in the short term with rotations lengthening to one year in three or four in the medium term (33-25%) to avoid long term soil borne disease development.

Sowing windows

<i>Sowing</i>	<i>Time frame</i>
Rape	Early August to Early September
Wheat	Mid September to mid October
<i>Harvesting (following year)</i>	
Rape	Late July to Late August
Wheat	Early August to Early October

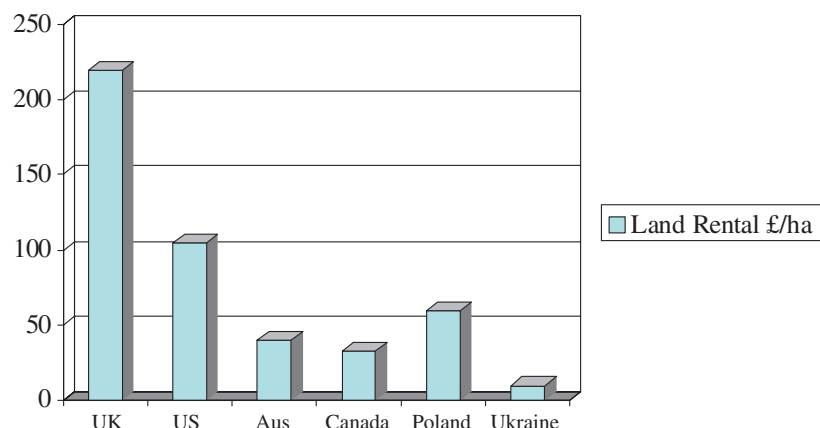
Source: SAC

The optimum time of sowing for winter oilseed rape is from 6th August to 3rd September in an average season. Drilling too early can increase risk of winterkill by creating too lush a canopy. Drilling too late can increase risk of frost heave killing the small plants. Machinery planning and entry crop should take into account this important establishment “window”. In some years it may not be feasible to establish such a high hectareage of the crop after winter wheat or spring barley. Careful attention to these factors is essential to the success of any cropping venture and matching machinery requirements to drilling and harvesting windows is crucial to success.

1.4 Relative Competitive advantage and background

The largest competitive advantage for Landkom International compared to other global competitors is in “fixed” costs (machinery, labour, rent and fuel). As displayed in graph below, out of the countries sampled, land rental in Ukraine is the lowest.

Land Rental (£/ha), 2007



Source: SAC

Cultivation of rape and wheat is capital intensive from a machinery perspective owing to the limited sowing window. Whilst fuel and machinery are likely to be comparable to European competitors the cost of rent and labour will provide a significant advantage. A recent major report by SAC for the Home Grown Cereals Authority “The competitiveness of UK cereals sector” highlights these advantages. Compared to Poland, land quality is superior in the Ukraine and access to land without taking on major liabilities of existing large farm workforces is a major advantage in the Ukraine. Availability of machinery and inputs such as fertiliser and crop protection chemicals is good.

Within Ukraine, farm structures and field sizes (up to 400 ha. at Busch) encourage the application of modern farming techniques, but severe lack of capital restricts their application. Infrastructure and the need for refurbishment of storage and drying facilities is significant in the Ukraine. The main routes for exporting grain are through the Black Sea into mostly European and other Mediterranean markets. These exports had a significant impact on European grain markets in 2001/02 and 2002/03 and have again influenced markets in more recent times. The Ukraine, a key representative of these Black Sea suppliers, is seen as a serious competitor to UK cereal producers in both domestic and export markets, although with low global stocks this is a lower impact than envisaged.

The Ukraine experienced a significant decline in production through the 1990’s following the break-up of the Soviet Union and liberalisation of agricultural markets and property rights. Grain production exceeded 51 m tonnes in 1989 but fell through the 1990s to a low of 24.5 m tonnes in 2000. Yields of wheat fell from an average of 3.36 tonnes per hectare to 1.94 tonnes per hectare. This sharp contraction in output was a consequence of the financial difficulties experienced at every level of production, a consequent reduction in input use, poor machinery maintenance, a withdrawal of state support, land ownership fragmentation and an almost complete absence of market knowledge and modern management and agronomy skills — and the re-occurring influence of poor weather.

The area planted to cereals fell by 23% from 16.2 m ha. in 1986 to 12.5 m ha. in 2000 as land was abandoned or diverted to more profitable oilseeds. Domestic consumption also fell sharply as livestock inventories were liquidated and household consumption was reduced.

An upturn in production in 2001 and 2003, following some recovery in cereal areas and an almost doubling of yield to around 2.7 t per ha. immediately created an exportable surplus of around 9-11 m tonnes. Of this, 5.5-7.0 m tonnes were wheat and the remainder mostly corn grain.

Given reasonable weather, Ukrainian grain production is forecast to again reach 50 m tonnes, of which 16 m tonnes will be available for export as either wheat or maize plus quantities of barley. Ukrainian weather is quite variable. Weather patterns in recent years have provided milder winters and dryer summers. Snow cover has been reduced leaving winter crops more exposed to winter frosts. Precipitation deficits have been noticed in the steppe regions every three years and over the entire cereal area every 8-10 years. This variation

leaves harvest outcomes and the exportable surplus difficult to forecast. Variation is less in Western Ukraine where Landkom's operations are situated.

Quality — a survey of users of Black Sea wheat showed both millers and feed compounders to be attracted by low prices and satisfied with grain quality. Sanitary conditions were generally good with little evidence of contamination (mycotoxins, pesticides, heavy metals, radioactivity). Feed compounders (Belgian and Spanish) found both protein and specific weight satisfactory. Millers (Italian and Greek) expected to improve Ukrainian wheats by blending but found high protein and gluten contents giving good baking properties.

FDI — foreign direct investment together with the introduction of modern management systems and production technologies is improving the production base in the Ukraine. This investment can be expected to lift average yields and reduce the crop's sensitivity to weather conditions. Yield variation will remain but is expected to become less significant.

Ukraine competitive advantage derives from:

- (a) Soil Quality;
- (b) Large scale of land available including some scale farms;
- (c) Significant areas of land are available for cereal and OSR cultivation;
- (d) Existing agriculture infrastructure (albeit in need to investment);
- (e) Port facilities; and
- (f) Low cost base.

(a) Soil Quality

Soil quality is exceptionally good. Black fertile soils predominate giving a high yield potential. Soils are neutral or slightly alkaline in tendency, deep and well drained

(b) Large scale of land available including some scale farms

Farm structures encourage the application of modern farming techniques. Approximately 77% of the Ukrainian arable area is farmed by around 11,000 units with an average size of 3,000 ha. Farm size in the major grain growing areas increases to around 5,000 ha. on average. Private companies will lease a number of these farms to produce units of up to 100,000 ha. or more. Around these units lie 40,000-50,000 smaller farms of around 60 ha. and over 12 m smallholdings of just 0.4 ha. These smaller units contribute little to the volume of grain entering the free market. Each of the larger farms will have their own compliment of farm machinery and grain storage sufficient to handle the farms harvest. The quality of capital equipment is however poor with a clear need for the refurbishment or replacement of storage facilities and the modernisation of equipment.

(c) Significant areas of land are available for cereal and OSR cultivation

The area available for cereals and oilseed rape is significant. Approximately 90% of agricultural land in Ukraine is of arable quality. Cereals have to compete for this land with soyabeans, rapeseed and forage crops. It is likely that cereal areas will eventually contract slightly as oilseed and protein crops expand. Certainly little further expansion in cereal areas is expected leaving the total cereal area harvested at around 16.0 m ha. Liberalisation of the land market and continuing tax incentives for agricultural producers will encourage further restructuring of farm units and some foreign ownership leading to increased modernisation of production systems and utilisation of modern technology.

(d) Existing agriculture infrastructure

Infrastructure — all farms will have their own stock of equipment. Combine capacity and efficiency is however low with large crop losses at harvest. Most large grain producing farms have access to storage facilities. A large proportion of these facilities will be in poor repair with inefficient equipment in need of replacement. Elevators, off the farm are out-dated with approximately 80% requiring replacement. Transportation links with export ports involve rail, road and inland waterways. All of these links need upgrading if they are to support the efficient movement of grain. River transport is expected to develop the most once investments in river infrastructures are complete. Rail will also be important, but again in need of improvement.

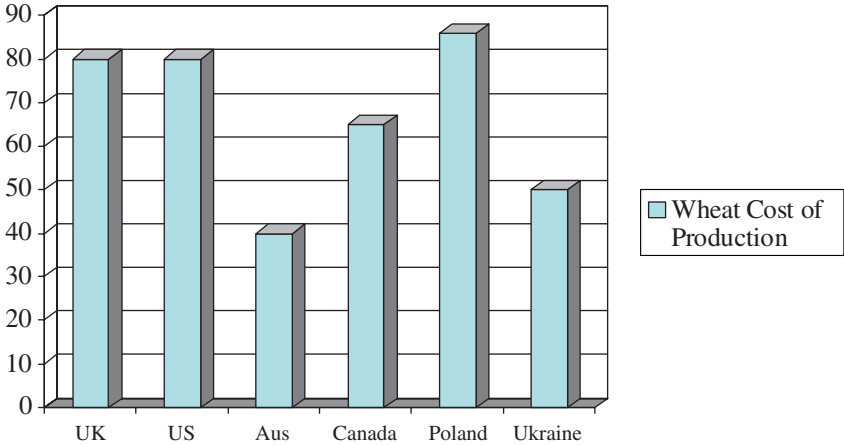
(e) Port facilities

Port facilities — extensive facilities exist for the shipping of grain into export markets. The Ukraine has 17 seaports equipped to handle grain. Capacity is however limited by the weather, by logistical difficulties

assembling grain at ports and by the limited availability of port storage. Foreign investment is rapidly improving portside facilities to improve the rate of loading. Investment in transport systems will also increase the efficiency with which grain moves into export markets.

(f) *Low cost base*

Wheat Cost of production (£/t), 2006



Source: SAC

The Ukraine shows the lowest costs of production per tonne for wheat with the exception of Australia where weather is more variable. (OSR and wheat production are capital intensive owing to limited sowing window — modern machinery can facilitate better yields).

Wheat production costs are estimated at £50 per tonne with yields of 3 tonnes per ha. This is made up of variable costs of £36 per tonne (\$63 per tonne) and fixed costs of £13 per tonne (\$22 per tonne). A French study compared Ukraine costs of production at €85/tonne (£57 per tonne) with French costs of €163 per tonne (£108 per tonne) — but probably over estimated mechanisation costs. Corn production costs at 4 tonnes per ha. and winter barley at 3 tonnes per ha. are both estimated at around £45 per tonne (\$80 per tonne). This low cost base, relative to EU levels, derives from a sharply lower cost and use of agro-chemicals and energy, low labour costs (€30-45 per month 2003) and low land rentals. Increases in mechanisation costs as equipment is upgraded and replaced will be compensated by increases in labour efficiency and yield improvements and should not change this cost base significantly.

The Ukrainian cereal industry commands a very strong position in international markets. Grain quality has proved acceptable, prices are low and very competitive with EU producers and export volumes are forecast to increase. The infrastructure, which brings grain together for export, can only improve despite continuing government interference in the operation of grain markets.

2. Oilseed Rape Background

2.1 Background

Oilseed rape is grown principally for its oil, which has a range of uses within both the food and petrochemical industries, including as a fuel. The remainder of the seed left after oil extraction, or crushing, the meal, has a high protein content and is used as an animal feed supplement in competition with soyabeans as a non GM source of protein.

Oilseed rape is well suited to cultivation in the Ukraine. The long summer daylengths during the growing season and adequate moisture lead to the production of high oilseed rape yields and high oil contents, the two important elements in the gross output of the crop. Unlike other areas at similar latitudes, there are significant frosts in winter due to the continental climate, which can cause winter losses. This risk can be mitigated by good agronomy at establishment and during the autumn growth period.

Despite this agronomic suitability for Ukrainian growing conditions, no major processing facilities exist for the crop in Western Ukraine and it must either be transported to oilseed crushers elsewhere in Ukraine or exported to the West for crushing. In parallel, the extensive livestock industry in Ukraine requires crop derived protein supplements and oilseed rape meal is transported for this purpose. Haulage costs are incurred for both exercises, particularly for transport of the seed for crushing.

Growing oilseed rape is associated with several advantages for the grower:

- Choice of a break crop from cereals is somewhat limited in Ukraine due to climatic constraints and oilseed rape provides a good break option;
- There are adequate chemical and cultural tools available to control the anticipated disease weed and pest problems in the Ukraine;
- Yield of wheat sown after oilseed rape has been shown to benefit considerably with yield advantages over other breaks. Trials show yield advantages of 35% compared to continuous wheat, compares with a yield advantage of 25% with beans, maize or potatoes (Wimberley, 1996);
- Nitrogen requirement for wheat after oilseed rape is estimated to fall by 45 kg/ha.;
- Cultivation of oilseed rape allows growers an opportunity to spread labour peaks of harvest and sowing over a longer period;
- Oilseed rape allows an earlier entry for wheat, more timeous seed bed preparation with less problems of soil compaction etc.;
- The crop has a deep tap root and is credited with benefiting soil structure by breaking up plough layers;
- Oilseed rape helps to reduce disease pressures within the rotation; and
- Inclusion of oilseed rape in the rotation allows a good opportunity to reduce populations of wild oat, couchgrass and barren brome through application of graminicides.

2.2 Encouraging farmers to grow oilseed rape — contracts

The use of forward contracts for growing cereals and oilseed rape is slowly increasing but a significant proportion of farmers still produce crops without a guaranteed price or market. The exception would be the malting barley market where up to 60% of the crop is grown on a buy-back arrangement. It is estimated by the trade that less than 50% of the UK's oilseed rape crop is grown on forward contracts. Many growers still sell their oilseed rape at harvest without any marketing agreement. In some cases there is still a lack of understanding of the specification required by the market and how growers can influence this. Equally there is not enough transparency or effort put into educating growers by the trade on the premiums available for moisture content, oil content and admixture for example.

It must be recognised that by its very nature oilseed rape does present some additional challenges compared to cereals. Of all the arable crops oilseed rape is the most demanding in terms of sowing date, and is subject to more volatile yields compared to cereals. As it has a tight sowing window (winter oilseed rape must be sown by end of August/early September in Ukrainian conditions), growers may also not be able to establish their planned area due to the weather. In addition, oilseed rape market prices have fluctuated widely over recent seasons, which in turn causes problems. Although there may be some differentiation between genetically modified (GM) and non-GM sources of oilseed rape, it is a commodity, traded on the world market amongst all the other protein/oil crops, with soyabean being the main driver in the market. For all those reasons, oilseed rape is perceived as a more risky crop to grow than cereals. Many farmers also take a short-term view with *ad hoc* decision making depending on recent experiences. So cropping plans vary with current yields and prices rather than considering the longer-term view.

Oilseed rape has the advantage that it plays an important role as a break crop for cereal production but on the downside it should be grown on rotation (normally once every 3 – 4 years) to prevent build up of soil borne disease eg club root. All these agronomic, market and practical issues influence the production of oilseed rape in the country. Nevertheless, when cultivated effectively oilseed rape is a valuable crop in the rotation and in its own right, particularly with rising prices.

3. Biodiesel Background

Environmental issues are driving the development of liquid biofuels. The Kyoto Agreement seeks to reduce carbon dioxide emissions world-wide. More specifically in the UK, a Government target stated in the 2003 Energy White Paper is that carbon dioxide emissions should be reduced by 60% from current levels by 2050 (UK Government, 2003). The paper notes that biofuels can potentially represent an important route for reducing transport emissions. Targets set by the EU in the Renewable Fuels Directive act as a more immediate driver. The Directive outlines that biofuels should achieve a 2% share of the mineral fuels market by 2008 and 5.75% by 2010 in Member States (Department for Transport, 2002).

In addition, the current high prices of mineral oil are acting as a significant driver in the search for viable alternative energy sources. Biofuels suitable for use in liquid form for transport applications are currently limited to biodiesel from oil crops and animal by-products and bioethanol from starch or sugar crop sources.

3.1 By-products rapeseed meal and glycerine

There are two principal by-products from the processing of OSR: rapeseed meal (from the crushing stage) and glycerine (from the esterification stage). Rapeseed meal is used by the animal feed manufacturers as a protein supplement for livestock rations. The price is set against the industry benchmark of soyabean meal. The inclusion rate of rapeseed meal is limited to 10-30% due to nutritional factors. At present prices ex-mill are £90 /tonne. The trade expect prices to fall in the future due to increased supplies from an expansion in European OSR crushing capacity. Due to the large volume produced, rapemeal prices make an important contribution to the overall economic viability of a plant.

Glycerine is a by-product of biodiesel production and can be used in a wide range of existing markets, having over 1,500 end uses. Crude glycerine is 70% pure and is usually refined to further points of purity up to 99%. Supply in Europe has significantly increased since the mid 1990s and this has been strongly influenced by an increase in biodiesel production. Currently it is valued at just over £110/to but prices have become increasingly volatile. The volume of glycerine produced is relatively low so its value has a relatively low impact on economic viability.

3.2 Fiscal support for biodiesel production

There are two main reasons why biodiesel production is so well developed in the rest of Europe:

- Many European countries receive full fuel tax rebate.
- Plants in these countries enjoy economies of scale giving very competitive unit costs.

The market is driven by the Renewable Transport Fuel Obligation (RTFO). At present, large scale biodiesel production plants (eg at least 60 000t rapeseed equivalent) could compete with mineral diesel based on crude oil values of more the \$60/barrel, even without such legislation. However, should crude oil decline in value, biodiesel at the 20p/litre tax rebate would struggle to compete with mineral diesel. At present, Government seems unlikely to be receptive to calls for a higher level of rebate, due to the belief that 20p/L represents the carbon saving value of biodiesel and that biodiesel is currently viable through market forces.

It is in the interests of agriculture that the RTFO was introduced as it presents firmer opportunities for biodiesel.

When the RTFO is adopted, sources of biofuels for blending with transport fuels must be found. Bioethanol is not a direct competitor with biodiesel as it used for blending with petrol, however, as a biofuel it will compete on its overall contribution to any UK RTFO target.

Vegetable oil overview, 2007

	<i>Price/Tonnes*</i>	<i>Oleic acid %</i>	<i>Growing region</i>
Rape seed oil	USD\$1,112 ¹	61	EU, Canada, China, USA, Arab Emirates, Russia, Ukraine
Soya oil	USD\$999 ²	23	Brazil, Argentina, USA
Palm Olein RBD	USD\$898 ³	38	Malaysia, Indonesia
Peanut oil	USD\$1,450 ⁴	47	Argentina, USA
Olive oil	USD\$3,404 ⁵	74	Spain
Corn oil	USD\$1,300 ⁶	28	USA, Ukraine
Sunflower oil	USD\$1,400 ⁷	15	Romania, Moldova, Spain, Hungary, Russia, Ukraine
Coconut oil	USD\$960 ⁸	7	Philippines, Indonesia

Source: USDA, Oil World and Economist Intelligence Unit

*Price as at 27 September 2007

1. fob Hamburg, ex mill
2. fob Dutch, ex mill
3. Mal, cif Rotterdam
4. any orig, cif Rotterdam
5. fob Spain
6. fob Gulf
7. fob N.W. European Ports
8. Phil/Indo, cif Rotterdam

- Biodiesel production ideally requires oils which are high in oleic acid and low in saturated fats.
- One of Landkom's key crops OSR, is the only vegetable oil which when trans-esterified to biodiesel meets both EN14214 biodiesel quality standards, and the need for a fuel to remain liquid under European winter conditions without any additional blending.

4.0 Crushing and biodiesel production technology review

4.1 Background to rapeseed oil as a biofuel

Vegetable oils are composed of a glycerol molecule backbone with 3 fatty acid molecules the triglyceride. Glycerol will tend to 'coke up' un-modified engines resulting in poor performance. This problem can be avoided by esterification, ie chemical modification of the oil to remove the glycerol, allowing the resulting product to be used in unmodified engines. Esterification is achieved by mixing the vegetable oil with an alcohol (usually methanol) in the presence of a catalyst (usually potassium hydroxide) to produce the methyl ester. This material is sometimes referred to as Fatty Acid Methyl Ester (FAME) or when derived specifically from rapeseed oil, as rape methyl ester (RME). It is also known as biodiesel. Conversion of the oil to its methyl ester and removal of glycerol allows the resulting biodiesel to be used in most diesel engines, without the need for engine modification.

4.2 Developments in biodiesel production

Most vegetable oils can be converted into biodiesel. In Europe, rapeseed is the preferred material producing rape methyl ester (RME). In the United States, GM soy oil is the source for biodiesel, producing soy methyl ester, whilst in South East Asia, the readily available palm oil is the preferred raw material. Soya oil from the US is likely to be of GM origin and therefore is not allowed under EU legislation. Each raw material produces a biodiesel of differing specification. For example palm oil produces an ester with a very high freezing point which leads to waxing difficulties in cold climates and would fail the agreed European standard.

The first trials with rape methyl ester were conducted in Austria in 1982 and showed promising results. This was followed in 1985 by a pilot plant and then in 1990 the first industrial biodiesel plant was constructed with a capacity of 10 000 tonnes. From there capacity grew and biodiesel production spread across Europe. In France, a demonstration plant with a capacity of 150 000 t RME/year was constructed in 1993. In 1995 commercial scale biodiesel production began in Germany. By 2002, production across Europe had risen to over 1 million tonnes and production capacity increased further to close to 2 million tonnes in 2004. The substantial rise in production capacity has been supported by favourable excise duty regimes in many countries. For instance, Germany has no excise duty on biofuels and France and Italy do not levy excise duty on biofuels within a quota of production. In France, assistance is offered for capital expenditure on a regional basis, drawing together fuel manufacturers, refiners and producers. In the UK, a fuel duty rebate of 20p/litre of biodiesel is offered, but the remaining portion of duty, 47.1p, is still payable.

Although production of biodiesel in Germany and Austria was initiated with small scale plants, economic pressures have forced an increase in scale of plants for them to stay in business. The economies of scale which can be achieved from a larger plant have been found to be increasingly important and new units now are bigger and more efficient. New plants are typically constructed at a scale of 250 000 — 500 000 tonnes biodiesel production. Smaller scale plants have diversified their feedstock to include a portion of used cooking oil in a bid to stay economic.

A number of different marketing strategies have been used for biodiesel. Biodiesel can be used to fully substitute for diesel as a 100% biodiesel product. This is the approach taken in Austria and Germany. In France, the approach has been to blend 5% biodiesel with mineral diesel and market without branding as a biofuel. In the US, biodiesel has been blended with diesel and is branded as a biodiesel fuel.

4.3 Brief description of processing technology

For biodiesel production, the crude vegetable oil must first be removed from the seed by crushing or pressing. Some refining of the oil to lower the FFA (free fatty acid) level and degumming is necessary before the oil is passed to the esterification process.

4.3.1 Production of oil from rapeseed; the options

Extraction of oil from rapeseed can be carried out by mechanical means or by incorporating a solvent extraction stage into the process. Solvent extraction is associated with several disadvantages compared to other oil extraction methods; equipment required is more expensive, mechanical maintenance is more costly

and power requirement is high, fire and explosion risks are associated with the use of the solvents and there are also dust explosion risks due to the dusty nature of the low oil meal. Nevertheless, for a high oil content material such as rapeseed at high volumes (eg 3000 t rapeseed/day), use of solvent extraction is more economic as it allows extraction of a greater proportion of the oil. It is of note that no solvent extraction crushing plants of less than 1000t/day are now being built in Western Europe. Considering the scale of rapeseed extraction likely to be required in Ukraine, mechanical pressing would appear to be the appropriate technology to use for crushing of rapeseed for biofuel production.

For biodiesel production, the crude oil must first be removed from the seed by crushing or pressing. Some refining of the oil is necessary before the oil is passed to the esterification process. The 3 processes of refining, crushing and esterification may all be carried out in separate plants on different sites or 2 or all 3 processes can be combined on one site.

4.3.2 Crushing

Current commercial rapeseed oil extraction or crushing involves a number of steps including:

- Seed cleaning — removal of foreign matter;
- Tempering — pre-heating of the seed to improve ease of oil extraction optional;
- Dehulling — removal of seed coat;
- Flaking — flaking seed to increase surface area to facilitate oil extraction;
- Conditioning — heating the flaked seed, again to facilitate oil extraction;
- Mechanical extraction — by pre-pressing and extrusion and/or expansion; and
- Solvent extraction for maximum extraction of oil, economic at very large scale only.

4.3.3 Refining

Refining vegetable oil for food involves 4 processes degumming, neutralisation, bleaching and deodorising. Degumming involves the removal of natural phosphorus based gums and pigments. Neutralisation involves the removal of free fatty acids. Both of these processes are necessary to prepare oils for esterification and are often conducted together. Removal of phospholipids is important as these compounds can damage the engine. Free fatty acids should be removed to protect the catalyst used during esterification. The third step, bleaching, to improve oil colour and clarity is not necessary in biodiesel production as these criteria are not important for a fuel. Similarly, deodorisation to scrub out volatiles which give the oil an unpleasant smell is not necessary for biodiesel production. Deodorisation can account for half the refining costs, so exclusion of this step can lead to considerable cost savings.

4.3.4 Esterification

Esterification is conducted by the adding of a monohydric alcohol to the oil in the presence of a catalyst. The triacylglycerols in the oil are transformed into fatty acid esters and glycerol. Normally methanol is the alcohol used in this reaction. The catalyst promoting the reaction may be acid or alkali. In most modern plants, the preferred catalyst is alkali for the main esterification process but a pre-esterification step may be used with an acid catalyst for the conversion of free fatty acids. This reaction will take place at room temperature and the esterification reaction results in the separation of the heavier glycerol which has a density of 1.26 from the lighter ester (density 0.88). Separation can be conducted as a batch process in settling containers but in large plants it is usually a continuous process involving tube settlers or other separation technology. The biodiesel may contain traces of soaps and some excess methanol and these are removed by centrifuge for the former and by distillation for the latter. The biodiesel is then ready for use.

5.0 Summary of Environmental Impact Report

5.1 Introduction

The purpose of this section is to explain the key environmental issues, how they were identified and the level to which they should be examined.

Environmental aspects of biodiesel production from oilseed rape

1. A review of work investigating the link between allergenic and irritant responses of the oilseed rape crop found that there is no evidence of a causal association between exposure to the crop and allergic symptoms. Many of the symptoms attributed to oilseed rape can be explained in terms of allergy to

pollen other than oilseed rape. Pollen has been shown to travel only short distances from the field in appreciable quantities.

2. Cultivation of the oilseed rape crop has been shown to provide biodiversity benefits. A number of farmland birds favour the crop for nesting and feeding. In particular, oilseed rape is credited with helping to slow the decline in population of the linnet species.
3. Use of energy balance techniques assesses the amount of energy used in production of a biofuel compared to the amount of energy produced. Energy balance of biodiesel from rapeseed is positive and varies according to the range of by-products included in the energy output and the production system used. For typical situations the energy balance is in the region of 2 — 4 units of energy gained for each unit of input. Energy balance can be improved by the utilisation of the straw and with increased interest for use of biomass for co-firing in electricity generators there may be potential for development.

Environmental issues that are of importance to Farming project developments include: biophysical impacts, Noise, Soils, Surface and ground water pollution, Soil erosion and socio-economic impacts including employment opportunities.

5.2 Soils

The predominant soil types are mineral soils as a result of in situ development of the classic black soil or chernozem based soil types. They develop from disintegrated rocks due to physical and chemical weathering with a predominant vegetation of grassland. The soil is predominantly dark-grey, sometimes black, with a depth of 10—150cm, highly fertile and productive. The subsoil is brown and occasionally red-brown and clay based. There is an almost complete absence of stone content in the topsoil. There are some calcareous soils in the area of Billi Kamin which are more alkaline in nature, as a result of their calcareous parent material. The effective root depth is more than 100cm deep in most places. The population density of Western Ukraine and agricultural activity remains low and the soil has been able to rest for almost a decade, thus naturally retaining its fertility and structure, although subsurface compaction is commonly evident. Further soil studies to cover classification and determine soil suitability for cropping will be undertaken.

5.3 Biophysical Impacts

Biophysical impacts can be caused by industrial operations eg .noise

5.3.1 Noise

Noise can be hazardous during mechanical operation of machinery during construction or harvesting operations. Tractors carrying crop inputs to the field will also contribute marginally to the noise levels otherwise normally experienced in the rural countryside in recent years. However, the previous agricultural use of the land under collectivisation would have produced more traffic and noise impact due to the use of higher numbers of less modern machinery. This affects both workers on site and local dwellers. In the case of the Landkom project, there will be an increased traffic impact around the small villages in the area of field operations. In this case residents of the occupied home living within 300m will not be significantly affected by noise hence therefore there is no need for their relocation. Regular servicing and appropriate repair and management of tractors and other machinery will mitigate this lesser noise impact. Good community relations will also play an important role and liaison with village councils is already underway through the land acquisition programme. Support from both local, regional and national government is at a high level for the Landkom project due to the clearly perceived benefits of improved local employment and a major positive impact on the local economy at many levels.

5.3.2 Soil erosion

Crop establishment exposes topsoil. Soil erosion may occur during rainstorms and by wind. However the predominantly flat topography and autumn sown cropping provides a minimum risk for these erosion events. The slope of the hills in a few areas can accelerate this. The method of soil preparation i.e minimum tillage and contour cultivation, will minimise the possibility of soil erosion. The use of autumn sown crops will reduce soil loss by Aeolian pathways. The soil is the major asset of the business and will be protected under LEAF strategies.

5.3.3 Water quality

This has the potential to be the major area of development impact. Agro-chemicals used on cropped land may leach into the ground water and end up in stream water. The major chemical in use, glyphosate for land remediation will have no impact on water quality, as it quickly breaks down in the soil and is approved for

aquatic use in any event. The choice of chemicals in the cropped area will be based on LEAF and TIBRE principles using the philosophy of integrated farm management. Modern chemical provide a lower environmental load than those used under the previous collective farming strategies and are applied at lower doses. Careful control and training of spray and fertiliser application operatives will be crucial.

5.3.4 Liquid waste

Liquid waste will largely comprise used oil from dozer and tractors and spray solutions. This will be disposed of under the correct local authority regulations. Domestic liquid waste will arise from bathrooms. This will be led into soak away pits. Human waste shall be led into septic tanks that will be periodically emptied whenever necessary.

5.3.5 Socio-economic impacts

The Landkom project will lead to provision of jobs for the rural communities. Skilled and unskilled labour will be required for field operations and a programme of training and staff development is in place to further develop the skilled and unskilled workforce. A social policy to aid local community projects is in place and will be further developed with Board approval.

5.4 Mitigation

5.4.1 Introduction

In any development, there are usually environmental impacts of the project that warrant some form of mitigation. Environmental impacts of significance that arise from field area establishment include noise, dust, accidents, soil erosion, ground and surface water pollution. The impacts are site specific and in the case of the Landkom field area development, attention has been paid to potential impacts and mitigation measures proposed below. It is important to note that there is very little change of land or building use required or envisaged by the project as previous land and building use was agricultural in nature, growing identical or similar crops.

5.4.2 Vegetation

Very little vegetation will be removed to allow for construction of the development facilities and establishment of fields for crop planting. Remediation of land will require the removal of smothering perennial weeds eg *Elymus repens* which have built up due to poor management and are of little environmental value. Pilot crops showed an increase in biodiversity in the area, particularly insects, due to increased pollen and nectar sources and due also to the LEAF and TIBRE approach used in the agronomy of the crops.

However, at habitat level, it would be of importance to conserve the riverine and ditch vegetation in its natural state to act as water catchments areas. Vegetation on the hillier areas of the project site should be maintained to mitigate soil erosion. This will lead to a reduction in siltation of the wetlands, which would otherwise cause a change in habitat characteristics and alter water quality.

5.4.3 Soil erosion

Given the flat topography of the project area, there is likely to be little soil erosion during the establishment stage of the field area. As mitigation contour cultivation, autumn cropping and minimum tillage techniques will be practised along LEAF principles and clearing of weeds and scrubs will not disturb the soils. Keeping strip areas alongside ditches uncultivated will reduce siltation and diffuse pollution from nutrients.

5.4.4 Water quality

Leaving a buffer protection zone alongside significant watercourses of 10m should protect the water of rivers/streams and wetlands. A lesser width strip of 4-6m will be used along minor drainage ditches. This will mitigate soil erosion. Also proper use of herbicides, fertilisers and pesticides according to recommended application rates and good application practice will further mitigate the risk of water pollution.

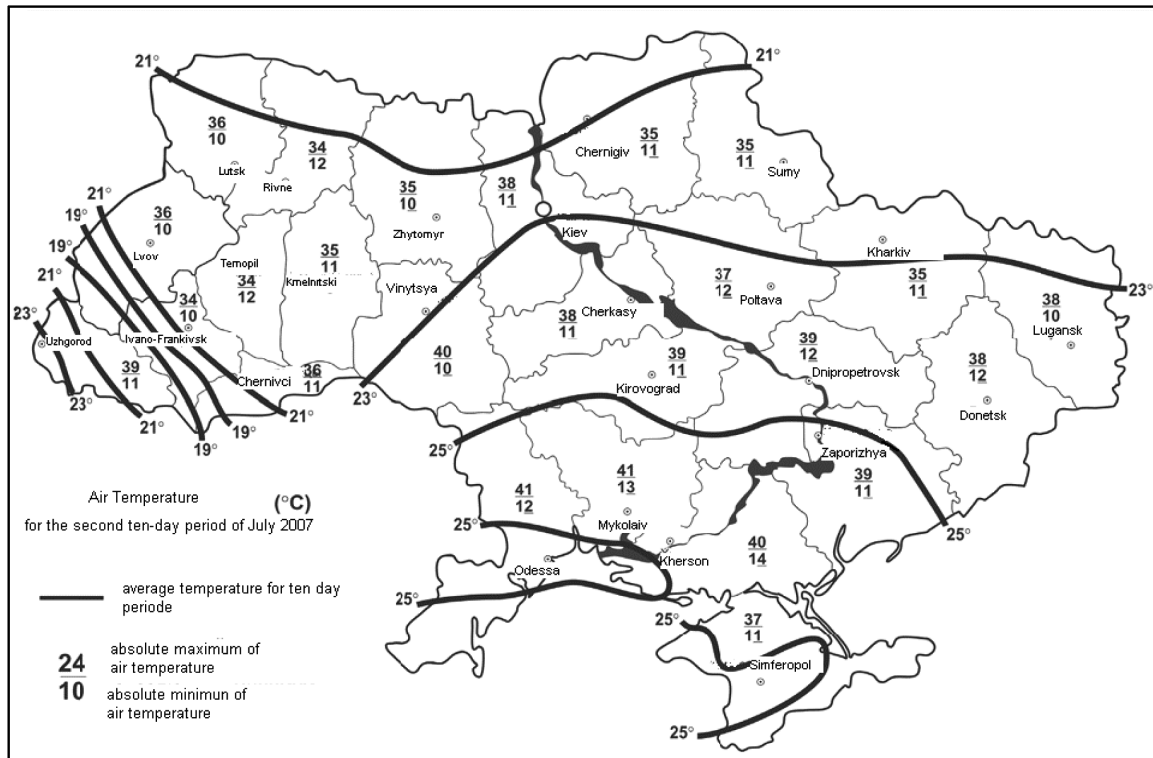
Oil from heavy machinery shall not be allowed to flow into watercourses. Oil interceptors shall be constructed at fuel and oil holding areas that shall be bunded and have an impervious floor. The same principles will be used in the building of chemical and fertiliser stores.

Appendix 1 — Key Definitions and Terms

Couchgrass	a pernicious perennial grass weed surviving via rhizomes in the soil
Crop Rotation	A sequence of annual crops designed to maximise machinery efficiency and minimise the risk of soil borne pests, weeds and diseases
GPS	Global Positioned Satellites. A series of orbiting geostationary satellites which allow precise spatial location in field to a definition of 1m. This allows more precise application of crop inputs
Herbicide	a chemical applied as a weedkiller to remove weeds and reduce competition with the chosen crop
Humus	The biologically active component of organic matter in the soil
Oilseed Rape	a seed bearing brassica crop grown for its oil content. Once the oil is extracted from the seed a high protein rapemeal results which is used in livestock feeds as an alternative to soyabean meal
pH	a measure of the acidity of the soil
Soil classification	a scale of soil quality used in the Ukraine to differentiate between soils of differing agricultural quality on a 0-60 scale with 60 being the most productive

Appendix 2 — Regional temperature in Ukraine

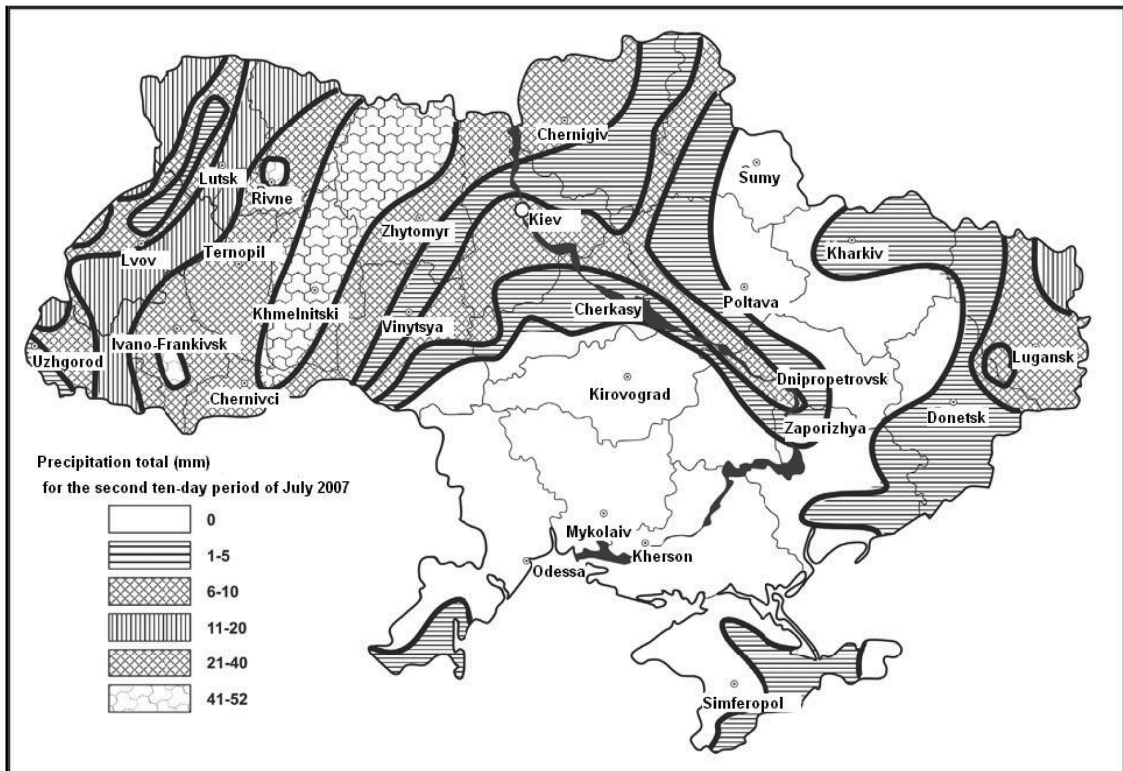
Regional Air Temperature ($^{\circ}\text{C}$), Ukraine, ten-day period of July 2007



Source: SAC

Appendix 3 — Regional precipitation

Regional precipitation, Ukraine, ten-day period of July 2007



Source: SAC

PART IV

HISTORICAL FINANCIAL INFORMATION OF LANDKOM INTERNATIONAL PLC

The audited historical financial information of the Group is set in Section B of Part IV of this document.

The Directors are required to prepare the historical financial information in a form consistent with that which will be adopted in the Company's next published annual financial statements having regard to the accounting standards and policies and legislation applicable to such annual financial statements. In preparing that financial information, the Directors are required to:

- (a) select suitable accounting policies and apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent; and
- (c) prepare the financial information on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

Section A of Part IV of this document sets out a report from Baker Tilly Corporate Finance LLP, the Reporting Accountants, required by Paragraph 20.1 of Annex I of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

SECTION A: ACCOUNTANT'S REPORT ON THE HISTORICAL FINANCIAL INFORMATION

The following is the full text of a report on Landkom International Plc from Baker Tilly Corporate Finance LLP, the Reporting Accountants, to the Directors of Landkom International Plc.



BAKER TILLY

2 Bloomsbury Street
London WC1B 3ST
www.bakertilly.co.uk

The Directors
Landkom International Plc
11 Hope Street
Douglas
IM1 1AQ
Isle of Man

15 November 2007

Dear Sirs

Landkom International Plc and its subsidiary undertakings (together, "the Group")

We report on the financial information set out in Section B of Part IV of this document. This financial information has been prepared for inclusion in the admission document dated 15 November 2007 ("Admission Document") of Landkom International Plc on the basis of the accounting policies set out in note 2.

This report is required by paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 20.1 of Annex I of the Prospectus Rules as applied by part (a) of Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2 to the Historical Financial Information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 2 Bloomsbury Street London WC1B 3ST.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the 30 June 2007 and of its loss, cash flows and recognised gains and losses and changes in equity for the period then ended in accordance with the basis of preparation set out in note 2.1 and in accordance with International Financial Reporting Standards as adopted by the European Union as also described in note 2.1.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

Baker Tilly Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

Baker Tilly Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office, 2 Bloomsbury Street, London WC1B 3ST.

SECTION B: HISTORICAL FINANCIAL INFORMATION

Consolidated Income Statement

(All amounts in thousands of US dollars unless otherwise stated)

By function of expense

	<i>Note</i>	<i>Period from incorp. to 30 June 2007</i>
Revenue		41
Cost of sales		(100)
Gross profit		(59)
Distribution costs		(89)
Administrative expenses		(1,374)
Other (losses)/gains net	6	(45)
Operating profit		(1,567)
Finance income	8	61
Loss before income tax		(1,506)
Income tax expense	9	—
Loss for the period		(1,506)
Attributable to:		
Equity holders of the Company		(1,506)
		(1,506)
Earnings per share for loss attributable to the equity holders of the Company During the period (expressed in US\$ per share)		
Basic and diluted	10	(0.02)
Restated in £ per share (calculated at average rate)		(0.01)

Revenues and operating losses all derive from continuing operations.

Consolidated Balance Sheet

(All amounts in thousands of US dollars unless otherwise stated)

		<i>30 June</i>
	<i>Note</i>	<i>2007</i>
Assets		
Non-current assets		
Property, plant & equipment	11	3,656
Intangible assets	12	2
		<u>3,658</u>
Current Assets		
Inventories	13	365
Trade and other receivables	14	1,029
Cash and cash equivalents	15	7,264
		<u>8,658</u>
Total Assets		<u>12,316</u>
Equity		
Capital and reserves attributable to equity		
Holder of the Company		
Ordinary shares	16	171
Share premium	16	12,885
Retained earnings		(1,506)
Foreign exchange reserve	17	(49)
Total equity		<u>11,501</u>
Liabilities		
Current liabilities		
Trade and other payables	18	815
Current income tax liabilities	19	—
		<u>815</u>
Total liabilities		<u>815</u>
Total liabilities and shareholders equity		<u>12,316</u>

Consolidated Cash Flow Statement

(All amounts in thousands of US dollars unless otherwise stated)

	<i>Note</i>	<i>Period from incorp. to 30 June 2007</i>
Cash flows from operating activities		
Profit before tax		(1,506)
Adjustments for:		
Depreciation and amortisation		2
Increase in inventories		(365)
Increase in receivables		(1,000)
Increase in trade and other payables		815
Interest received	8	(61)
Net cash generated from operations		<u>(2,115)</u>
Cash flows from investing activities		
Purchases of property plant and equipment		(3,658)
Purchases of intangible fixed assets		(2)
Interest received	8	61
Net cash used in investing activities		<u>(3,599)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	16	13,027
Translation differences		(49)
Net cash received from financing activities		<u>12,978</u>
Net increase in cash and cash equivalents		<u>7,264</u>
Cash and cash equivalents at beginning of period		<u>—</u>
Cash and cash equivalents at end of period		<u><u>7,264</u></u>

Consolidated Statement of Changes in Equity

(All amounts in thousands of US dollars unless otherwise stated)

	<i>Share Capital</i>	<i>Foreign exchange reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
Balance at 10 April 2007	—	—	—	—
Currency translation differences	—	(49)	—	(49)
Loss for the period	—	—	(1,506)	(1,506)
Total recognised income and expense	—	(49)	(1,506)	(1,555)
Proceeds from shares issued	13,056	—	—	13,056
Balance at 30 June 2007	<u>13,056</u>	<u>(49)</u>	<u>(1,506)</u>	<u>11,501</u>

Notes to the Consolidated Financial Statements

(All amounts in thousands of US dollars unless otherwise stated)

1. General Information

1.1 Organisation and operations

Landkom International Plc (“the Company”) is a limited liability company and was incorporated in the Isle of Man on 10 April 2007 where it is domiciled. The principal activities of the Company and its subsidiaries (together “the Group”) are the acquisition of land leases in Ukraine for the growing and distribution of arable crops for the bio-fuel and food markets. Besides its primary activities, the Group is also involved in the development of the plant cultivation process with the use of advanced technologies that are practiced at its own facilities.

1.2 Ukrainian business environment

Ukraine is experiencing political and economic change with the consequence that operations in Ukraine involve risks that are common in emerging markets. These consolidated financial statements reflect the management’s current assessment of the possible impact of the operations and the financial position of the Group.

1.3 Consolidated subsidiaries

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

	<i>Country of incorporation</i>	<i>Activity</i>	<i>% of ownership</i>
Charmaine Investments Limited	Cyprus	Int. hldg. company	100.00%
LK Ukraine Group LLC	Ukraine	Trading	99.99%
Landkom UA LLC	Ukraine	Trading	100.00%

All subsidiaries were acquired at the time of their incorporation.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of Landkom International Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements have been prepared under the historical cost convention.

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 of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Statement of Compliance

The financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS” or the “Standards”) as adopted by the EU.

New Standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and interpretations have been issued but are not yet effective for the period ended 30 June 2007, and have not been applied in preparing this financial information.

- IFRS 8 – Operating segments: (effective date 1 January 2009). IFRS 8 is not currently endorsed by the EU.
- IFRIC 12 – Service Concession Arrangements: (effective date 1 January 2008) IFRIC 12 is not currently endorsed by the EU.

- IFRIC 13 – Customer Loyalty Programmes: (effective date 1 January 2009). IFRIC 13 is currently not endorsed by the EU.
- IFRIC 14 – IAS 19 – The limit on defined benefit assets, minimum funding requirements and their interaction (effective date 1 January 2009). IFRIC 14 is currently not endorsed by the EU.
- IAS 23 Amendment – Borrowing costs: (effective date 1 January 2009). The amendment is not currently endorsed by the EU.
- IAS 1 Amendment – Presentation of Financial Statements: A Revised Presentation (effective date 1 January 2009). The amendment is not currently endorsed by the EU.

The Directors believe that the adoption of these Standards in future periods will have no material impact on the financial statements of the Company when the relevant Standards and interpretations come into effect.

2.2 *Consolidation*

Subsidiaries

Subsidiaries are all 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 purchase 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, plus costs directly attributable to the acquisition. 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 any 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. If the cost of acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company 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.

2.3 *Segment reporting*

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns which are different from those of segments operating in other economic environment.

2.4 *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 US dollars.

(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 income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investments hedges.

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

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. 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 fair value reserve in equity.

(c) Group companies

The results and financial position of all the Group companies (none of which has a currency of hyperinflationary 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 are translated at the closing rate at the date of the balance sheet;
- income and expenses for each income statement are translated at average exchange rates (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.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings in other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

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.

The principal exchange rates used in the preparation of the consolidated financial statements as at 30 June 2007 are as follows:

<i>Currency</i>	<i>30 June 2007</i>
British pound	0.499 to US\$ 1
Ukrainian Hryvnia	5.050 to US\$ 1

The Ukrainian Hryvnia is currently pegged to the US dollar

2.5 *Property plant and equipment*

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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 derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Buildings	50 years
Machinery	5-10 years
Vehicles	3-10 years
Furniture fittings and equipment	3-5 years

The asset's 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other (losses)/gains – net' in the income statement.

2.6 *Intangible assets*

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight line basis over their estimated useful lives (three to five years).

2.7 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first in first out (FIFO) method. The cost of work in progress, which includes prepared land, comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 *Biological assets*

The Group classifies crops as biological assets. Biological assets are stated at their fair value less estimated point-of-sale costs. The valuation of biological assets is based on discounted cash flows from continuous operations. The yearly harvest made from the forecast crop growth is multiplied by actual crop prices and the future cost of fertilisers, chemicals and harvesting related costs is then deducted. Biological assets that are physically attached to land are recognised and measured at their fair value separately from the land.

Where there is no reliable measure of the fair value of biological assets at the point of initial recognition, they are measured at cost less any impairment losses.

2.9 *Trade receivables*

Trade receivables are recognised at fair value, less provision for impairment. A provision for impairment of trade receivables 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 (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision 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 income statement. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

2.10 *Cash and cash equivalents*

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

2.11 *Share capital*

Both A and B class ordinary shares are classified as equity.

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

2.12 *Trade payables and advance payments received from customers*

Trade payables and advance payments received from customers are recognised at fair value.

2.13 *Taxation*

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

2.14 *Employee benefits*

(a) Pension obligations

Group companies do not operate private pension schemes. The Group makes contributions for the benefit of employees to Ukraine's state pension fund, social security fund, security against injury fund and unemployment fund. These amounts are expensed as incurred.

(b) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(c) Profit sharing bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration, key performance indicators and the profit attributable to shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.15 *Provisions*

Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditures expected to be required to settle an 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 a provision as a result of the passage of time is recognised as interest expense.

2.16 *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or 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 the revenue can be readily 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.

(a) Sales of goods

The Group produces and sells a range of arable crops. Sales of goods are recognised when a Group entity has delivered products to the purchaser, the purchaser has full discretion over the channel and price to sell the products, and there are no unfulfilled obligations that could affect the purchaser's acceptance of the products. Delivery does not occur until the produce has been delivered to the specified location, the risks of obsolescence and loss have been transferred to the purchaser, and either the purchaser has accepted the produce in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales of services

Revenue from time and materials contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred. Revenue from fixed price contracts is recognised under the percentage of completion method and is based on the services performed to date as a percentage of the total services to be performed.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress towards 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.

(c) Interest income

Interest income is recognised on a time apportioned basis

2.17 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Land Leases are classified as operating leases.

Payments made under other operating leases are charged to the income statement on a straight line basis over the period of the lease.

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, interest rate risk and price 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.

Risk management is carried out by a central treasury department under policies that have since been approved by the Board of Directors after the period end. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. Since the period end the Board has provided written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the Ukrainian Hryvnia and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations. The Ukrainian legislation restricts the Group's ability to hedge its exposure to Hryvnia currency exposure and accordingly the Group does not hedge its exposure to this foreign currency risk.

With the above exception, management has set up a policy to require Group treasury to manage the foreign exchange risk of Group companies' against their functional currency. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the functional currency.

The exposure to foreign exchange risk at the reporting date is:

	<i>US</i>	<i>UK</i>	<i>Ukraine</i>	<i>Total</i>
Trade debtors	—	—	136	136
Trade creditors	—	(206)	(294)	(500)
Accruals	—	(166)	(6)	(172)
Cash and bank	—	7,241	23	7,264
Total	—	6,869	(141)	6,728

The Ukrainian Hryvnia is pegged to the US Dollar. The British pound/US Dollar exchange rate has fluctuated by less than 1 per cent. between 10 April 2007 and 30 June 2007.

(b) Price risk

The Group is exposed to the commodity price risk of the arable crops that it produces. To manage its price risk arising from fluctuations in crop prices, the Group may enter into forward off-take contracts. At the reporting date spot prices for its forecast 2008 crops are higher than the Group's financial forecasts.

(c) Cash flow and fair value interest rate risk

As the Group has interest-bearing assets, the group's income and cash flows are partially dependent on changes in market interest rates.

The Group's interest rate risk arises from short-term deposits which at the reporting date amounted to \$2,017,000. A 1 per cent. increase or decrease in interest rates would have resulted in an increase or decrease of less than \$5,000.

The Group's trade receivable and payable balances are non-interest bearing and are not guaranteed or underwritten. These amounts are presented in notes 14 and 18 respectively.

(d) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers including outstanding receivable and committed transactions.

For term deposits with banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

For customers, an assessment of the credit quality of the customer is made, taking into account its financial position, past experience and other factors. Individual risk limits are set by the Board. The utilisation of credit limits are regularly monitored. No credit limits were exceeded during the reporting period and management does not expect and losses from non-performance.

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

	<i>Rating</i>	<i>Balance</i>
Barclays Private Clients Bank International	AA	5,241
Laiki Popular Bank Cyprus	A	2,000
Ukraine Export Import Bank (Ukreximbank)	—	23
Total		7,264

Total trade receivables at the reporting date amounted to \$136,000.

(e) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding. Management monitors the Group's rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow. All financial liabilities are due within one year and cash flows are expected to arise within one year.

4. Critical accounting estimates and judgements

Estimates and judgements 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

In preparing our financial statements the Group must select and apply various accounting policies which are described in Note 2. In order to apply our accounting policies the Group makes estimates and judgements 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) Biological assets

Biological assets (living crops) are measured at their fair value at each balance sheet date. The fair value of biological assets is determined based among other estimates on weather conditions, growth potential, harvesting, price development and discount rate. Changes in any estimates could lead to recognition of significant fair value changes in income statement.

(b) Deferred income tax assets

Management regularly assesses the likelihood that deferred tax assets will be recovered from future taxable income. To the extent that management believes that it is more likely than not that a deferred asset that a deferred tax asset will not be realised no deferred tax asset is recognised.

(c) Provision for impairment of trade receivables

An allowance is made for doubtful trade receivables. This allowance represents management's estimate of accounts receivable that, subsequent to the time of sale, may be of doubtful collectability because our customers may not be able to pay.

(d) Allowance for inventory obsolescence

An allowance is established for obsolescence of inventory based on the estimated market value and assumptions about future demand and market conditions.

(f) Agricultural risk

Agricultural risk arises from the unpredictable nature of the weather, pollution and risks in the performance of crops. The Group's principal operations are located in the prime, fertile lands of Western Ukraine and it adopts a portfolio approach to balance its OSR production with other arable crops.

5. Segmental information

At 30 June 2007 the Group's operation is principally the growing of arable crops in Ukraine for both the bio fuels and food markets.

6. Other (losses)/gains – net

	<i>Period ended</i> <i>30 June 2007</i>
Net foreign exchange losses	(45)

Foreign exchange gains and losses arise on the difference between the official exchange rate prevailing on the day of the currency transfer and the market rate available when the transfer is cleared.

7. Expenses by nature

	<i>Period ended 30 June 2007</i>
Consultants' expenses	217
Depreciation, amortisation	2
Transportation expenses	49
Operating lease payments	6
Consultancy and professional fees (plus disbursements)	964
Other expenses	325
Total cost of sales, distribution and administrative expenses	<u>1,563</u>

8. Finance income and costs

	<i>Period ended 30 June 2007</i>
Finance income – interest income on short term deposits	<u>61</u>

9. Income tax expense

From incorporation on 10 April 2007 the Company is resident in the Isle of Man and is subject to a tax rate of Nil.

10. Earnings per share

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	<i>Period ended 30 June 2007</i>
Loss attributable to equity holders of the Company	(1,506)
Weighted average number of ordinary shares in issue	85,362
Basic earnings per share (US\$ per share)	(0.02)
Restated in £ per share (calculated at average rate)	(0.01)

11. Property, plant and equipment

	<i>Vehicles & machinery</i>	<i>Furniture, fittings & equipment</i>	<i>Total</i>
Cost	3,589	69	3,658
Accumulated depreciation	—	(2)	(2)
Net book amount	<u>3,589</u>	<u>67</u>	<u>3,656</u>
Period ended 30 June 2007			
Opening net book amount	—	—	—
Additions	3,589	69	3,658
Depreciation charge	—	(2)	(2)
Closing net book amount	<u>3,589</u>	<u>67</u>	<u>3,656</u>

Depreciation expense has been charged in administrative expenses.

12. Intangible assets

	<i>Other Intangibles</i>
Cost	2
Accumulated depreciation	—
Net book amount	<u>2</u>
Period ended 30 June 2007	
Opening net book amount	—
Additions	2
Depreciation charge	—
Closing net book amount	<u><u>2</u></u>

Intangibles include purchased software.

Amortisation expense has been charged in administrative expenses.

13. Inventories

	<i>30 June 2007</i>
Raw materials	280
Work in progress	85
	<u>365</u>

No inventories were impaired or written back during the period. Inventories expensed during the period amounted to \$3,000.

14. Trade and other receivables

	<i>30 June 2007</i>
Prepayments	32
Receivables from related parties	136
Other receivables	861
	<u>1,029</u>

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

	<i>30 June 2007</i>
Currency	
UK pound	33
Ukrainian Hryvnia	996
	<u>1,029</u>

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.

Receivables from related parties and Other receivables are categorised as Loans and Receivables in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

15. Cash and cash equivalents

	30 June 2007
Cash at bank and on hand	5,247
Short term deposits	2,017
	<u>7,264</u>

16. Share capital and premium

Issued share capital and premium:

	<i>Number of shares of £0.001 each (thousands)</i>	<i>Ordinary shares</i>	<i>Share premium</i>	<i>Total</i>
At 10 April 2007	—	—	—	—
Shares issued	85,362	171	12,885	13,056
At 30 June 2007	<u>85,362</u>	<u>171</u>	<u>12,885</u>	<u>13,056</u>

Of the 85,362,500 shares in issue as at 30 June 2007, 50,862,500 were Class A shares and 34,500,000 were Class B shares. Both classes of shares rank *pari passu* in all respects, other than Class A shares may not be redeemed before Class B shares.

14,562,500 of A Class shares remain unpaid as at 30 June 2007. A corresponding debtor of \$29,183 is included within other receivables.

The maximum share capital of the company as at 30 June 2007 is as follows:

	<i>ordinary shares</i>		
	<i>Class A</i>	<i>Class B</i>	<i>Total</i>
Number of ordinary shares (thousands) of £0.001 each	<u>465,500</u>	<u>34,500</u>	<u>500,000</u>

17. Foreign exchange reserve

	<i>Translation Reserve</i>	<i>Total</i>
Balance at 10 April 2007	—	—
Currency translation differences	(49)	(49)
Balance at 30 June 2007	<u>(49)</u>	<u>(49)</u>

18. Trade and other payables

	30 June 2007
Trade payables	491
Amounts due to related parties	9
Social security and other taxes	143
Accrued expenses	172
	<u>815</u>

Trade payables, Amounts due to related parties and Accruals are categorised as Other Financial Liabilities in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*.

19. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset the current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

As at 30 June 2007 the Group was not deemed to have any deferred tax assets or liabilities.

20. Retirement benefit obligations

The Group did not have any retirement benefit obligations at 30 June 2007.

21. Commitments

The Group did not have any capital commitments as at 30 June 2007.

Operating lease commitments – group as lessee

The Group leases parcels of land under non-cancellable operating leases. The lease expenditure charged to the income statement during the period is disclosed in Note 7.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<i>30 June 2007</i>
No later than 1 year	18
Later than 1 year and no later than 5 years	70
Later than 5 years	269
	<hr/>
	357
	<hr/> <hr/>

22. Business combinations

The Group acquired 100 per cent. of Charmaine Investments Limited on 2 May 2007

The Group acquired 99 per cent. of LK Ukraine Group LLC on 19 April 2007

The Group acquired 100 per cent. of Landkom UA LLC on 27 April 2007

The entire share capital of Charmaine Investments Limited was acquired at par in cash for \$6,800 (€5,000). Charmaine Investments Limited's revenue and loss after interest and tax from the date of its incorporation to 30 June 2007 was \$nil and \$43,900 respectively.

The Group acquired 99 per cent. of the share capital of LK Ukraine Group LLC on its incorporation on 19 April 2007 for \$8,300 (UAH 41,580). This nominee shareholding was transferred to Charmaine Investments Limited on 18 May 2007. On 18 May 2007 Charmaine Investments Limited was also issued a further 39,958,000 shares in LK Ukraine Group LLC at par, in return for farm equipment. LK Ukraine Group LLC's revenue and loss after interest and tax from the date of its incorporation to 30 June 2007 was \$41,200 and \$65,800 respectively.

The entire share capital of Landkom UA LLC was acquired at par in cash for \$8,300 (UAH 42,000) at the time of its incorporation.

None of the companies had traded prior to acquisition and were incorporated for the purposes of carrying out the Group's activities.

23. Related party transactions

During the period, services have been bought from and sold to an entity controlled by key management personnel (Landkom PP – controlled by a close member of the family of R Spinks).

(a) The following transactions were carried out with the above entity:

	<i>30 June 2007</i>
Sales of services	41
Purchase of assets	6

The values applied to the sale of services were based on internal calculations of the estimated costs involved. The value applied to the purchase of assets was based on their carrying net book value immediately prior to sale.

During the period the Group also stored equipment and consumables at a property owned by the same above entity (Landkom PP), for which no charge was levied.

(b) *Key management compensation*

	<i>30 June 2007</i>
Fees to directors and other key management	290
Fees paid to Landkom PP for director's services	298
	<u>588</u>

Key management are considered to be primarily the Directors

(c) *Year end balances arising from sales/purchases of goods/services*

	<i>30 June 2007</i>
Receivables from related party: Landkom PP – controlled by Richard Spinks and a connected person	<u>136</u>
Amounts due to related party: Richard Spinks	<u>9</u>

24. Events after the balance sheet date

After the balance sheet date, assets have been purchased from an entity controlled by key management personnel (Landkom PP - controlled by a close member of the family of R Spinks) on normal terms and conditions. The assets purchased amounted to \$83,800, based on their carrying net book value immediately prior to sale. (Buildings — \$36,000; Vehicles — \$46,300; Office equipment — \$1,500).

On 5 September 2007 the Company incorporated a wholly-owned subsidiary in England and Wales (Landkom Services Limited).

On 24 September 2007 Landkom International Limited changed its name to Landkom International Plc.

Details of all other events or contracts entered into by the Group since 30 June 2007 are set out in Part V of this document.

25. Land leases

As at 30 June 2007 the Group had circa 9,500 hectares of land directly leased to them of which circa 2,000 hectares had been registered with the requisite land authorities. As at the same date a further circa 7,000 hectares (circa 1,000 registered) were leased by a related party company (Landkom PP – controlled by Richard Spinks and a connected person) which were subsequently brought under the direction of the Group under the terms of the Co-operation Agreement.

25. Management of Capital

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, obtain or increase debt, or sell assets to reduce debt.

PART V

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Directors, whose names appear on page 7 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. All the Directors accept individual and collective responsibility for compliance with the AIM Rules.

2. The Company

- 2.1 The Company was incorporated in the Isle of Man with company number 000737V on 10 April 2007 as a company limited by shares under the name Landkom International Limited. On 24 September 2007 the Company changed its name to Landkom International Plc.
- 2.2 The principal legislation under which the Company operates is the Act. The liability of the Company's members is limited.
- 2.3 The Company is domiciled in the Isle of Man. The registered and head office of the Company is at 11 Hope Street, Douglas, IM1 1AQ, Isle of Man (telephone number +380 322 422 489) and the Company's website is www.landkom.net.

3. Subsidiaries

The Company is the holding company of the Group. The following table contains details of the Company's subsidiaries:

<i>Company name</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Percentage ownership</i>
Landkom Services Limited	Provides administration services to the Group	England & Wales	100%
Charmaine Investments Limited	Intermediate holding company for Ukraine subsidiaries	Cyprus	100%
Limited Liability Company LK Ukraine Group	Trading company based in Ukraine	Ukraine	99.99%
Limited Liability Company Landkom UA	Ownership of leasehold land in Ukraine	Ukraine	100%

4. Share Capital

- 4.1 The maximum amount of share capital of the Company as at the date of this document is 500,000,000 shares of £0.001 each, which on Admission will be reclassified as Ordinary Shares.
- 4.2 Set out below are details of the issued share capital of the Company as at the date of this document:

<i>Class of share</i>	<i>Issued</i>	<i>Par Value (£)</i>
A Shares	50,862,500	50,862.50
B Shares	34,500,000	34,500.00

- 4.3 Set out below are details of the issued share capital of the Company as it will be immediately following Admission:

<i>Class of share</i>	<i>Maximum</i>	<i>Issued</i>	<i>Par Value (£)</i>
Ordinary	500,000,000	189,208,629	0.001

- 4.4 On incorporation, the share capital of the Company was £10,000 divided into 10,000 ordinary shares of £1.00 each and the issued share capital was £1.00 divided into one ordinary share of £1.00.
- 4.5 The following changes to the issued share capital of the Company have taken place since incorporation:
- 4.5.1 Pursuant to a shareholder resolution passed on 13 April 2007, the maximum amount of share capital of the Company was increased from £10,000 to £500,000 and subdivided into 500,000,000 shares with a par value of £0.001 each.
- 4.5.2 Pursuant to a board resolution passed on 19 April 2007, the one issued ordinary share of £1.00 was subdivided into 1,000 A Shares.
- 4.5.3 Pursuant to a board resolution passed on 19 April 2007 the Company issued 38,162,500 A Shares for an aggregate subscription price of £38,162.50. 852,500 of such A Ordinary Shares were issued to Libertas Capital in connection with services provided in respect of the fundraising which took place in April 2007.
- 4.5.4 Pursuant to a board resolution passed on 19 April 2007 the Company issued 34,500,000 B Shares for an aggregate subscription price of £6,900,000.
- 4.5.5 Pursuant to a board resolution passed on 4 October 2007, the Company issued 12,700,000 A Shares for an aggregate subscription price of £12,700.
- 4.6 On 15 November 2007, resolutions of the Company to the following effect were passed conditional upon (but effective immediately prior to) Admission:
- 4.6.1 the Company adopt the Articles in substitution for the existing articles of association of the Company;
- 4.6.2 for the purposes of Article 5.1 of the Articles, the directors of the Company be authorised to allot up to 414,637,503 Ordinary Shares for cash either (a) in connection with the Placing Agreement (the “**Initial Allotment**”), or (b) otherwise, provided that in the case of any such allotment, other than the Initial Allotment, such authority shall be limited to the allotment of relevant securities up to an aggregate nominal amount equal to one third of the aggregate nominal amount of all the Ordinary Shares in issue and fully paid immediately following Admission provided that this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution (the “**First Period**”) save that the Company may before the expiry of the First Period make an offer or agreement which would or might require relevant securities to be allotted after such expiry of the First Period (as the case may be) and the directors of the Company may allot relevant securities in pursuance of such offer or agreement as if their authority conferred hereby had not expired.
- 4.6.3 the directors of the Company be authorised to allot Ordinary Shares as if Article 5.2 of the Articles does not apply to such allotment, provided such allotment or allotments are limited to:
- (a) Ordinary Shares as represent 10 per cent. of the Ordinary Shares in issue from time to time in connection with share options to be granted pursuant to the terms of the Share Scheme;
 - (b) the Initial Allotment;
 - (c) the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of holders of equity securities, on a record date fixed by the directors, of Ordinary Shares in proportion (as nearly as practicable) to their respective holdings but subject to such exclusions or other arrangements as the directors may deem necessary or appropriate to deal with fractional entitlements or legal or practical problems under the law of, or requirements of, any recognised regulatory body or any stock exchange in any territory; and
 - (d) otherwise than pursuant to paragraphs (a) to (c) above, the allotment of Ordinary Shares up to an aggregate nominal amount equal to 20 per cent. of the aggregate nominal amount of all the Ordinary Shares in issue immediately following Admission.

4.7 The following table shows, as at Admission, the number of Ordinary Shares under option pursuant to terms of the Share Scheme:

<i>Number of Ordinary Shares under option</i>	<i>Exercise period</i>	<i>Exercise price range</i>
7,379,136	5 years from Admission	Placing Price — Placing Price plus 50% of the Placing Price

4.8 In addition to the options detailed in paragraph 4.7 above, the Company has issued options, conditional on Admission to each of the non-executive directors details of which are set out in paragraph 7.3 of this Part V.

4.9 The Ordinary Shares in issue on Admission will be in registered form and, following Admission, will be capable of being held in uncertificated form. In the case of Ordinary Shares held in uncertificated form, the Articles permit the holding and transfer of Ordinary Shares under CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Directors have applied for the Ordinary Shares to be admitted to CREST. The records in respect of Ordinary Shares held in uncertificated form will be maintained by Euroclear UK & Ireland Limited and the Company's registrar, Capita Registrars (IOM) Limited (details of whom are set out on page 7).

4.10 It is anticipated that, where appropriate, share certificates will be despatched by post by 7 December 2007. Temporary documents of title will not be issued. Prior to the despatch of definitive share certificates, transfers will be certified against the register of members.

4.11 The International Security Identification Number ("ISIN") of the Ordinary Shares is IM00B28QLQ61.

4.12 The legislation under which the Placing Shares have been created is the Act and regulations made under the Act.

4.13 The Ordinary Shares are denominated in sterling.

4.14 Following the Placing and Admission (assuming all the Placing Shares are allotted), the Existing Ordinary Shares will represent 45.1 per cent. of the Enlarged Issued Shares.

4.15 Save as disclosed in this paragraph 4, as at the date of this document:

4.15.1 no shares were held by, or on behalf of, any member of the Group;

4.15.2 no shares have been issued otherwise than as fully paid;

4.15.3 the Company had no outstanding convertible securities, exchangeable securities or securities with warrants;

4.15.4 there are no acquisition rights and/or obligations over the unissued share capital of the Company and the Company has given no undertaking to increase its share capital; and

4.15.5 no capital of any member of the Group is under option or is agreed, conditionally or unconditionally, to be put under option.

5. Memorandum and Articles of Association

Memorandum of association

The Company has unlimited capacity to carry on or to undertake any business or activity, to do, or to be subject to, any act or to enter into any transaction. The Memorandum does not set forth any purposes for which the Company was established or any other restrictions or limitations on the exercise of its rights, powers or privileges.

Articles of association

The Articles, which will be adopted conditional on Admission, include provisions to the following effect:

5.1 *Votes of Members*

Subject to any special terms as to voting on which any shares may have been issued or may for the time being be held and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting every member who (being an individual) is present in person or by proxy, not being

himself a member entitled to vote, shall on a show of hands have one vote and on a poll every member present in person or by proxy shall have one vote for each share of which he is the holder.

5.2 *Resolutions*

In the Articles any reference to a special resolution shall be a resolution requiring to be approved by a member or members of not less than three-fourths of such members as being entitled so to do, vote in person or by proxies at general or class meetings (as the case may be); otherwise, any reference in these Articles to a resolution shall be a reference to a resolution requiring to be approved by a simple majority of such members as being entitled so to do vote in person or by proxies at general or class meetings (as the case may be). Any resolution which does not require to be passed by a special resolution shall nevertheless be treated as passed if passed by special resolution.

5.3 *Dividends*

5.3.1 Subject to the provisions of the Articles, the Company may, subject to the satisfaction of the Solvency Test (as defined in section 49 of the Act), by resolution declare that out of profits available for distribution in accordance with Isle of Man law dividends be paid to members according to their respective rights and interests in the profits of the Company available for distribution. However, no dividend shall exceed the amount recommended by the board of directors of the Company (the “board”). There is no fixed date on which an entitlement to dividend arises.

5.3.2 Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up or credited as paid up (other than amounts paid in advance of calls) on the shares in respect of which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on such shares during any portion or portions of the period in respect of which the dividend is paid.

5.3.3 Dividends may be declared or paid in whatever currency the board decide. Unless otherwise provided by the rights attached to the shares, dividends shall not carry a right to receive interest.

5.3.4 All dividends, interest or other sum payable and unclaimed for twelve months after having become payable may be invested or made use of by the board for the benefit of the Company until claimed and the Company shall be constituted trustee. All dividends unclaimed for a period of 12 years after having been declared or becoming due for payment shall be forfeited and cease to remain owing by the Company.

5.3.5 *Distribution in specie*

5.3.6 The Company in general meeting may, on the recommendation of the board, by resolution direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular, of fully paid up shares or debentures of any other company or in any one or more of such ways. Where any difficulty arises in regard to such distribution the board may settle it as it thinks fit. In particular, the board may:

5.3.6.1 issue fractional certificates or authorise any person to sell and transfer any fractions or disregard fractions altogether;

5.3.6.2 fix the value for distribution of such assets or any part of them and determine that cash payments may be made to any members on the footing of the value so fixed, in order to adjust the rights of members; and

5.3.6.3 vest any such assets in trustees on trust for the persons entitled to the dividend.

5.4 *General Meetings*

5.4.1 The board shall convene in each year a general meeting of the members of the Company called the annual general meeting; any annual general meeting shall be held at such time and place as the board may determine.

5.4.2 All general meetings other than annual general meetings, shall be called extraordinary general meetings.

5.4.3 The board may convene an extraordinary general meeting whenever it thinks fit. At any meeting convened on such requisition (or any meeting requisitioned pursuant to section 67(2) of the Act) no business shall be transacted except that stated by the requisition or proposed by the board. If

there are not sufficient members of the board to convene a general meeting, any director or any member of the Company may call a general meeting.

- 5.4.4 Any annual general meeting and an extraordinary general meeting convened for the passing of a special resolution or a resolution appointing a person as a director shall be convened by not less than twenty-one clear days' notice in writing. Other extraordinary general meetings shall be convened by not less than fourteen clear days' notice in writing. Notwithstanding that a meeting is convened by shorter notice than that specified in this Article, it shall be deemed to have been properly convened if it is so agreed by all the members entitled to attend and vote at the meeting.
- 5.4.5 No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a chairman which shall not be treated as part of the business of the meeting. Subject to the provisions of the Articles, two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or a proxy for a member shall be quorum. (The provisions of section 67(4) of the Act are excluded.) If within fifteen minutes (or such longer interval not exceeding one hour as the chairman in his absolute discretion thinks fit) from the time appointed for the holding of a general meeting a quorum is not present, or if during a meeting such a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to later on the same day, to the same day in the next week at the same time and place, or to such other day and at such time and place as the chairman (or, in default, the board) may determine, being not less than fourteen nor more than twenty-eight days thereafter. If at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for holding the meeting one member present in person or by proxy shall be a quorum. If no such quorum is present or, if during the adjourned meeting a quorum ceases to be present, the adjourned meeting shall be dissolved. The Company shall give at least seven clear days' notice of any meeting adjourned through lack of quorum (where such meeting is adjourned to a day being not less than fourteen nor more than twenty-eight days thereafter).

5.5 *Variation of rights*

Subject to the provisions of the Act, if at any time the share capital of the Company is divided into shares of different classes any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in par value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles. This paragraph shall apply also to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the separate rights of which are to be varied. Subject to the terms of issue or the rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the board resolving that a class of shares is to become or cease to be a share or class of shares or a renounceable right of allotment of a share, title to which is permitted to be transferred by means of a relevant system in accordance with the Uncertificated Regulations.

5.6 *Alteration of capital*

The Company in general meeting may from time to time by resolution:

- 5.6.1 increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;
- 5.6.2 consolidate and/or divide, re-designate or redenominate or convert all or any of its share capital into shares of larger or smaller par value, into shares having a purchase price of another currency or into different classes of shares than its existing shares;
- 5.6.3 cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and

5.6.4 sub-divide its shares or any of them into shares of smaller par value and may by such resolution determine that as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares but so that the proportion between the amount paid up and the amount (if any) not paid up on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

Subject to the compliance with the Solvency Test (as defined in section 49 of the Act) and to any rights for the time being attached to any shares, the Company may by special resolution reduce its share capital, in any manner.

5.7 *Pre-emption rights*

The Act provides that the statutory rights of pre-emption set forth in section 36 of the Act shall only apply where the memorandum or articles of a company expressly provide that such section shall apply to the company, but not otherwise. Accordingly, such rights have therefore been embodied in the Articles as follows:

Subject as indicated in the paragraph below, and unless the Company shall by special resolution otherwise direct, unissued shares in the capital of the Company shall only be allotted for cash in accordance with the following provisions:

- 5.7.1 all shares to be allotted (“offer shares”) shall first be offered to the members of the Company who the directors determine can be offered such shares without the Company incurring securities offering compliance costs which, in the opinion of the directors, would be burdensome given the number of members in the relevant jurisdiction in relation to which such compliance costs would be incurred (the “relevant members”);
- 5.7.2 the offer to relevant members set out in paragraph 5.7.1 above (“offer”) shall be made in proportion to the existing holdings of shares of relevant members;
- 5.7.3 the offer shall be made by written notice (“offer notice”) from the directors specifying the number and price of the offer shares and shall invite each relevant member to state in writing within a period, not being less than fourteen days, whether they are willing to accept any offer shares and, if so, the maximum number of offer shares they are willing to take;
- 5.7.4 at the expiration of the time specified for acceptance in the offer notice the directors shall allocate the offer shares to or amongst the relevant members who shall have notified to the directors of their willingness to take any of the offer shares but so that no relevant member shall be obliged to take more than the maximum number of shares notified by him under paragraph 5.7.3 above; and
- 5.7.5 if any offer shares remain unallocated after the offer, the directors shall be entitled to allot, grant options over or otherwise dispose of those shares to such persons on such terms and in such manner as they think fit save that those shares shall not be disposed of on terms which are more favourable to their subscribers than the terms on which they were offered to the relevant members.

The provisions of the paragraph above shall not, for the avoidance of doubt, apply to the allotment of any shares for a consideration other than cash, and, accordingly, the directors may allot or otherwise dispose of any unissued shares in the capital of the Company for a consideration other than cash to such persons at such times and generally on such terms as they may think fit.

5.8 *Transfer of shares*

- 5.8.1 Each member may transfer all or any of his shares in the case of certificated shares by instrument of transfer in writing in any usual form or in any form approved by the board or in the case of uncertificated shares with a written instrument in accordance with the Uncertificated Regulations. Any written instrument shall contain the business or residential address of the transferee and be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Company’s register of members as the holder of the share.

5.8.2 No transfer of any share shall be made:

5.8.2.1 to a minor; or

5.8.2.2 to a bankrupt; or

5.8.2.3 to any person who is, or may be, suffering from mental disorder and either:

(a) has been admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 (an Act of Parliament) or any similar statute relating to mental health (whether in the United Kingdom, the Isle of Man or elsewhere); or

(b) an order has been made by any court having jurisdiction (whether in the United Kingdom, the Isle of Man or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, *curator bonis* or other person to exercise powers with respect to his property or affairs

and the directors shall refuse to register the purported transfer of a share to any such person.

5.8.3 The board may in its absolute discretion and without giving any reason refuse to register any transfer of a certificated share unless:

5.8.3.1 it is in respect of a share which is fully paid up;

5.8.3.2 it is in respect of a share on which the Company has no lien;

5.8.3.3 it is in respect of only one class of shares;

5.8.3.4 it is in favour of a single transferee or not more than four joint transferees;

5.8.3.5 it is duly stamped (if so required);

5.8.3.6 it is delivered for registration to the registered agent of the Company, or such other person as the board may from time to time appoint, accompanied (except in the case of a transfer where a certificate has not been required to be issued) by the certificate for the shares to which it relates and such other evidence as the board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so; and

5.8.3.7 the holding of such share would not result in a regulatory, pecuniary, legal, taxation or material administrative disadvantage for the Company or its shareholders as a whole,

provided that the board's discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis.

5.8.4 The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the board may from time to time determine (subject to the Uncertificated Regulations in the case of any shares of a class which is a Participating Security as defined below). Notice of closure of the register of members of the Company shall be given in accordance with the requirements of the Act.

5.8.5 The board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a share or class of shares or a renounceable right of allotment of a share, title to which is permitted to be transferred by means of a relevant uncertificated system in accordance with the Uncertificated Regulations ("Participating Security"), held in uncertificated form in accordance with the Uncertificated Regulations, except that the board may refuse (subject to any relevant requirements applicable to the recognised investment exchange(s) to which the shares of the Company are admitted) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the Uncertificated Regulations.

5.9 *Disclosure of substantial interests in shares*

5.9.1 Every person who is to his knowledge interested in the voting rights of three per cent. or more of the issued shares of any relevant class of shares in the capital of the Company, shall without delay, give to the Company notice in writing of the following information:

- 5.9.1.1 the amount of shares of the relevant class in which he was to his knowledge directly or indirectly interested immediately after the obligation arose and the percentage of voting rights in the Company held through those shares (and/or any other direct or indirect holding of qualifying financial instruments in such shares); and
- 5.9.1.2 the following information: (i) the identity and address of each registered holder of those shares (and person(s) entitled to exercise voting rights on behalf of such registered holder, if applicable) and the amount of shares then held by each such holder; (ii) the chain of controlled undertakings through which voting rights are effectively held, if applicable; (iii) the date on which the threshold was reached or crossed; and (iv) in respect of any notification of voting rights arising from the holding of financial instruments by that shareholder, the following shall be required:
- (a) the resulting situation in terms of voting rights;
 - (b) if applicable, the chain of controlled undertakings through which the financial instruments are effectively held;
 - (c) the date on which the threshold was reached or crossed;
 - (d) for financial instruments with an exercise period, an indication of the date or time period where shares will or can be acquired, if applicable;
 - (e) the date of maturity or expiration of the financial instrument;
 - (f) the identity of the holder; and
 - (g) the name of the underlying issuer of such financial instrument.

5.10 *Suspension of rights*

- 5.10.1 The board may at any time serve a notice (“Information Notice”) upon a member requiring the member to disclose to the board in writing within such period (being no less than ten days and not more than thirty days from the date of despatch of the Information Notice) as may be specified in the Information Notice, information relating to any beneficial interest of any third party or any other interest of any kind whatsoever which a third party may have in relation to any or all shares registered in the member’s name. If a member has been issued with an Information Notice and has failed in relation to any shares the subject of the Information Notice (“relevant shares”) to furnish any information required by such notice within the time period specified therein, then the board may at any time following fourteen days from the expiry of the date on which the information required to be furnished pursuant to the relevant Information Notice is due to be received by the board, serve on the relevant holder a notice (in this paragraph called a “disenfranchisement notice”) whereupon the following sanctions shall apply:

5.10.1.1 Voting

The member shall not with effect from the service of the disenfranchisement notice be entitled in respect of the relevant shares to be present or to vote (either in person or by representative or proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

5.10.1.2 Dividends and transfers

Where the relevant shares represent at least 0.25 per cent. in par value of their class:

- (a) any dividend or other money payable in respect of the relevant shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect pursuant to the Articles to receive shares instead of that dividend; and
- (b) subject in the case of uncertificated shares to the Uncertificated Regulations, no transfer, other than an approved transfer, of any relevant shares held by the member shall be registered unless the member is not himself in default as regards supplying the information required pursuant to the relevant Information Notice and the member provides to the satisfaction of the board that no person in default as regards supplying

such information is interested in any of the shares which are the subject of the transfer.

5.11 *Borrowing powers*

- 5.11.1 The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present or future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for a debt, liability or obligation of the Company or a third party.
- 5.11.2 The directors shall restrict the borrowing of the Company, and exercise all other rights and powers of control which the Company has in relation to its Subsidiaries, so as to secure (but, in relation to Subsidiaries, only insofar as the rights and powers of the Company enable the board to do so) that the aggregate outstanding principal amount of all borrowings of the Group (as defined in the Articles) does not, without the sanction of a resolution, exceed twice the adjusted share capital and reserves (as defined in the Articles).
- 5.11.3 A certificate by the auditors as to the amount of the adjusted capital and reserves or the amount of any borrowings is conclusive. The directors may act on *bona fide* estimates of the amounts of the adjusted share capital and reserves and borrowings and, if as a result the limit imposed by the Articles is exceeded, the excess shall be disregarded until the expiration of six months from the date when the directors, by reason of a certification by the Auditors or otherwise, become aware of this.
- 5.11.4 No debt incurred or security given in respect of moneys borrowed or to be taken into account as moneys borrowed in excess of the limit imposed by the Articles shall be invalid or ineffectual except in the case of express notice to the lender or the recipient of the security, at the time when the debt was incurred or security given, that the limit had been or would be exceeded. A lender or other person dealing with the Company shall not be concerned to see or enquire whether the limit is observed.

5.12 *Appointment of Directors*

- 5.12.1 Unless otherwise determined by the Company by resolution, the number of directors (other than alternate directors) shall not exceed twelve but shall not be less than two.
- 5.12.2 Subject to the Act and the Articles, the Company may appoint any person who is willing to act as a director either as an additional director or to fill a vacancy. Any person so appointed as a director will hold office only until the next general meeting of the Company, unless he is re-elected during such meeting but shall not be taken into account in determining the number of directors who are to retire by rotation at that meeting.

5.13 *Remuneration of Directors*

- 5.13.1 The directors (other than alternate directors) shall be entitled to receive by way of fees for their services as directors such sum as the board may from time to time determine (not exceeding £350,000 per annum or such other sum as the Company in general meeting shall from time to time determine). Such sum (unless otherwise directed by the resolution of the Company by which it is voted) shall be divided among the directors in such proportions and in such manner as the board may determine or in default of such determination, equally (except that in such event any director holding office for less than the whole of the relevant period in respect of which the fees are paid shall only rank in such division in proportion to the time during such period for which he holds office). Any fees payable pursuant to the Article shall be distinct from any salary, remuneration or other amounts payable to a director pursuant to any other provisions of the Articles and shall accrue from day to day.
- 5.13.2 The salary or remuneration of any director appointed to hold any employment or executive office in accordance with the provisions of the Articles may be either a fixed sum of money or may altogether or in part be governed by business done or profits made or otherwise determined by the Board and may be in addition to or in lieu of any fee payable to him for his services as director pursuant to the Articles.
- 5.13.3 Each director shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as director, including any expenses incurred in attending meetings of the board or any committee of the board or general

meetings or separate meetings of the holders of any class of shares or of debentures of the Company.

5.14 *Retirement and removal of directors*

5.14.1 At every annual general meeting one third of the directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third shall retire from office by rotation provided that if there is only one director who is subject to retirement by rotation, he shall retire.

5.14.2 The Company may by resolution remove any director before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director and, without prejudice to any claim for damages which he may have for breach of any contract of service between him and the Company, may (subject to the Articles) by resolution appoint another person who is willing to act to be a director in his place. Any person so appointed shall be treated, for the purposes of determining the time at which he or any other director is to retire by rotation, as if he had become a director on the day on which the person in whose place he is appointed was last appointed or re-appointed a director. In default of such appointment the vacancy arising upon the removal of a director from office may be filled by a casual vacancy.

5.15 *Powers of directors*

5.15.1 The business of the Company shall be managed by the board, which may exercise all the powers of the Company whether relating to the management of the business or not.

5.15.2 The board may delegate any of its powers, authorities and discretions (with power to sub-delegate) for such time on such terms and subject to such conditions as it thinks fit to any committee consisting of one or more directors.

5.16 *Directors' indemnity and insurance*

5.17 Subject to the provisions of the Act, the Company may indemnify every director, alternate director or other officer of the Company (other than an Auditor) to the fullest extent permitted by law.

5.18 Subject to the provisions of the Act, the board may purchase and maintain insurance at the expense of the Company for the benefit of any person who is or was at any time a director or other officer or employee of the Company or of any other company which is a Subsidiary, subsidiary undertaking or holding company of the Company or in which the Company has an interest whether direct or indirect or which otherwise is in any way allied to or associated with the Company or of any subsidiary undertaking or holding company of the Company or of any such company or who is or was at any time a trustee of any pension fund or employee benefits trust in which any employee of the Company or of any such other company or subsidiary undertaking is or has been interested indemnifying such person against any liability which may attach to him or loss or expenditure which he may incur in relation to anything done or alleged to have been done or omitted to be done as a director, officer, employee or trustee.

5.19 *Return of capital*

5.19.1 If the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively, subject to the rights attached to any shares which may be issued on special terms or conditions.

5.19.2 If the Company is wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members *in specie* the whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 222 of the Isle of Man Companies Act 1931. The

liquidator may with the like sanction vest the whole or any part of the whole of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine but no member shall be compelled to accept any assets on which there is a liability.

5.19.3 A special resolution sanctioning a transfer or sale to another company duly passed pursuant to Section 222 of the Isle of Man Companies Act 1931 may in the like manner authorise the distribution of any shares or other consideration receivable by the liquidator among the members otherwise than in accordance with their existing rights and any such determination shall be binding on all the members, subject to the right of dissent and consequential rights conferred by the said section.

6. Share Scheme

6.1 The Share Scheme

6.1.1 The Company adopted on 8 November 2007 the Share Scheme under which directors and employees of the Group may be granted options (“**Options**”) to acquire Ordinary Shares. The Share Scheme is administered by the remuneration committee of the Board (“**Committee**”). As at Admission, there will be Options outstanding over 7,379,136 Ordinary Shares, (representing 3.9 per cent. of the Enlarged Issued Shares at exercise prices per Ordinary Share ranging from the Placing Price to 150 per cent. of the Placing Price.

6.2 Eligibility

6.2.1 Any employee or executive director is eligible to participate. Actual participation is at the discretion of the Committee. Non-executive directors may not participate, but in some circumstances may be granted options by way of individual arrangement on similar terms to the Share Scheme.

6.2.2 None of the benefits which may be received under the Share Scheme are pensionable. Options are not transferable.

6.3 Individual participation limit

6.3.1 The aggregate market value (at the date of grant) of Ordinary Shares over which Options may be granted to any employee in one year under the Option Scheme is an amount equal to that person’s base salary. The Board may grant additional Options where the Board decides that exceptional circumstances warrant such grant.

6.4 Exercise Price

6.4.1 The exercise price for each Ordinary Share under Option will be the higher of the par value of an Ordinary Share and the market value of an Ordinary Share at the date of grant, as derived from AIM.

6.5 Exercise of Options

6.5.1 Options will normally vest in respect of one third of the shares under option on each of the first three anniversaries of the date of grant and will then remain exercisable until the option lapse date, which will be a date determined by the Committee falling between the fifth and tenth anniversary of the date of grant.

6.5.2 Options may also be exercised (even if this is within the period of three years from the date of grant) where employment ceases due to the participant’s death, injury, disability, redundancy, retirement with the agreement of the Committee, on the participant’s employing company or business ceasing to be within the Group. If employment ceases for any other reason, the Option will lapse unless the Committee determine otherwise.

6.5.3 Ordinary Shares issued under the Share Scheme rank equally with the Company’s Existing Issued Ordinary Shares, save that they will not qualify for any dividends or other distributions by reference to a record date prior to the date of exercise of the Option.

6.6 Performance Target

6.6.1 The Committee may impose objective conditions upon the granting of an Option as to the performance of the Group (which will be set having regard to institutional guidelines) which must normally be satisfied before Options can be exercised. Having granted Options and set a

performance target, the Committee may vary the performance target provided that the Committee reasonably considers and the option holder agrees, that the performance target set no longer represents a fair measure of performance and provided that any new conditions are no more difficult nor easy to satisfy. Performance targets will be notified to Shareholders through the Company's annual report and accounts.

6.7 *Overall Limits*

6.7.1 No Option shall be granted on any date if, as a result the total number of Ordinary Shares issued or issuable under all other share schemes of the Company pursuant to Options granted in the previous ten years would exceed 10.0 per cent. of the Ordinary Shares in issue on that date.

6.8 *Grant of Options*

6.8.1 Options may be granted under the Share Scheme within 42 days after Admission and thereafter within 42 days of the announcement by the Company of its interim or final results for any other period. Without further Shareholder approval, the Share Scheme will terminate on the tenth anniversary of Admission.

6.9 *Income tax and national insurance contributions*

6.9.1 The Share Scheme contains provisions that will ensure that so far as is permissible in the relevant jurisdiction any income tax, employers' and employee's national insurance contributions (or their equivalent overseas) that arise as a result of the exercise of any Options will be payable by the participant.

6.10 *Takeovers*

6.10.1 In the event of a takeover, amalgamation or reconstruction of the Company, Options may be exercised in full. Alternatively, with the agreement of the acquiring company and the optionholder, Options may be exchanged for options over shares in the acquiring company or in a company associated with the acquiring company.

6.11 *Variation of share capital*

6.11.1 In the event of a variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital or otherwise, then the number of Ordinary Shares subject to a subsisting Option and the price payable on exercise may be adjusted by the Board as is considered to be fair and reasonable.

6.12 *Alterations to the Share Scheme*

6.12.1 The Board may alter the Share Scheme, but amendments to the material advantage of participants cannot take effect without Shareholder approval, unless they are amendments to comply with or to take account of applicable legislation or statutory regulations or any change in them or to maintain favourable taxation treatment for the Company or participants or potential participants in the UK, Isle of Man or elsewhere.

7. Directors' and other interests

7.1 As at the date of this document and immediately following Admission, the interests (all of which are beneficial unless otherwise stated), whether direct or indirect, of the Directors and their families (within the meaning set out in the AIM Rules) in the Existing Ordinary Shares of the Company and the existence of which is known to or could, with reasonable diligence, be ascertained by that Director, are as follows:

<i>Director</i>	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>Number and class of shares*</i>	<i>Percentage of Existing Ordinary Shares*</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Issued Shares</i>
Neil Balfour	—	—	—	—
Richard Spinks	11,400,000 A Shares*	13.35%	11,400,000	6.03%
Keith Dawson	500,000 A Shares*	0.59%	500,000	0.26%
Konrad Nowicki	12,700,000 A Shares*	14.88%	12,700,000	6.71%
Gerald Howarth	—	—	—	—
David Mackie	—	—	—	—

* The A Shares will be reclassified as Ordinary Shares on Admission

7.2 The Company has granted Options over Ordinary Shares pursuant to the Share Scheme, conditional on Admission, to the following Director for nil consideration:

<i>Director</i>	<i>Number of Ordinary Shares under option*</i>	<i>Exercise price range**</i>	<i>Exercise period</i>
Keith Dawson	1,892,086	Placing Price — Placing Price plus 50% of the Placing Price	5 years from Admission

* Each of the Options listed in the table above vest over a two year period, one third on Admission, one third on the first anniversary of Admission and one third on the second anniversary of Admission.

** The exercise price of the Options is linked to the time-based vesting period, such that the exercise price of the Options which vest on Admission is the Placing Price, the exercise price of the Options which vest on the first anniversary of Admission is the Placing Price plus 25 per cent. of the Placing Price and the exercise price of the Options which vest on the second anniversary of Admission is the Placing Price plus 50 per cent. of the Placing Price.

7.3 In addition to the options granted to the Director detailed in paragraph 7.2 above, the Company has granted the following options to the non-executive Directors by way of individual arrangement on similar terms to the Share Scheme:

<i>Director</i>	<i>Number of Ordinary Shares under option*</i>	<i>Exercise price range**</i>	<i>Exercise period</i>
Neil Balfour	1,702,877	Placing Price — Placing Price plus 50% of the Placing Price	5 years from Admission
Gerald Howarth	1,229,856	Placing Price — Placing Price plus 50% of the Placing Price	5 years from Admission
David Mackie	1,229,856	Placing Price — Placing Price plus 50% of the Placing Price	5 years from Admission

* Each of the Options listed in the table above vest over a two year period, one third on Admission, one third on the first anniversary of Admission and one third on the second anniversary of Admission.

** The exercise price of the Options is linked to the time-based vesting period, such that the exercise price of the Options which vest on Admission is the Placing Price, the exercise price of the Options which vest on the first anniversary of Admission is the Placing Price plus 25 per cent. of the Placing Price and the exercise price of the Options which vest on the second anniversary of Admission is the Placing Price plus 50 per cent. of the Placing Price.

- 7.4 Save as disclosed in paragraphs 7.1, 7.2 and 7.3 above, none of the Directors has any interest in the share capital of the Company or of any of its Subsidiaries nor does any member of his family (within the meaning set out in the AIM Rules) have any such interest, whether beneficial or non-beneficial.
- 7.5 As at 16 October 2007 (being the last practicable date prior to the publication of this document) and so far as the Directors are aware, the only persons (other than any Director) who are or will be interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company either prior to or immediately following Admission are as follows:*

<i>Shareholder</i>	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>Number and class of shares*</i>	<i>Percentage of Existing Ordinary Shares**</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Issued Shares</i>
Modal Capital Partners Ltd.	15,000,000 B Shares	17.57%	41,153,845	21.75%
Kairos Fund Limited	10,000,000 B Shares	11.71%	27,019,230	14.28%
GLG Partners LP	5,000,000 B Shares	5.86%	13,653,846	7.22%
Glenn Tempany	13,250,000 A Shares	15.52%	13,250,000	7.00%
Invesco	—	—	8,653,846	4.57%
Julius Bäer	—	—	6,730,769	3.56%
Lansdowne Partners	—	—	5,769,230	3.05%
David Guest***	4,900,000 A Shares	5.74%	4,900,000	2.59%
Société Privée de Gestion de Patrimoine	4,500,000 B Shares	5.27%	4,884,615	2.58%
Brendan Murphy	3,500,000 A Shares	4.10%	3,500,000	1.85%

* The A Shares and the B Shares will be reclassified as Ordinary Shares on Admission

** On the assumption that the A Shares and B Shares have been reclassified as Ordinary Shares

*** Includes 1,200,000 A Shares, registered in the name of David Guest's wife, Nicola Guest

- 7.6 Save as disclosed in paragraph 7.5 above the Company and the Directors are not aware of (i) any persons who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company, nor (ii) any arrangements the operation of which may at a subsequent date result in a change in control of the Company.
- 7.7 Following Admission, the voting rights of the persons listed in paragraph 7.5 above will not differ from the voting rights of any other holder of Ordinary Shares.
- 7.8 There are no outstanding loans granted by any member of the Group to any Director nor are there any guarantees provided by any member of the Group for the benefit of any Director.
- 7.9 The Directors hold the following directorships and are partners in the following partnerships and have held the following directorships and been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current</i>	<i>Previous</i>
Neil Balfour	AIGA Fund Mermaid Services Limited Mermaid Properties SP zo.o Lochluichart Estate Company Limited P.F.E Limited 55/56/57 Warwick Square Limited Mostostal Warszawa SA Polsko Fundusz Infrastrukturalny SA	Warsaw West Gate SP zo.o Copernicus Ventures Limited NIF Fund Holdings PCC Limited C.I Capital Limited The Yorkshire Investment Trust Limited York Trust Permanent Investments Limited KP Konsorgium SP zo.o Copernicus Finance Limited

<i>Director</i>	<i>Current</i>	<i>Previous</i>
	Mermaid Holdings Limited Mermaid Overseas Limited Polski Fundusz Reprywatyzacji SP zo.o Teleffective SP zo.o Polish Nurses SP zo.o Tudorose Limited	Copernicus Group Limited York Trust Group Limited Tudor (UK) Limited York Nominees Limited The Yorkshire Investment Trust Limited York Trust Permanent Investments Limited Copernicus Finance Limited Copernicus Group Limited York Trust Group Limited Tudor (UK) Limited NFI Octava SA Copernicus Asset Management Limited York Nominees Limited
Richard Spinks	Polish Food Processing SP zo.o	Rosamond Ltd
Keith Dawson	The Scottish Crop Research Institute ProCam Polska Jokemato Ltd KRMG (Ukraine) Limited	CSC Crop Care Ltd BASIS Registration Ltd
Konrad Nowicki	None	Greenfield Export Limited
Gerald Howarth	The Air League Vulcan to the Sky Trust	Grantham Road Management Company Limited
David Mackie	Cree-8 Ltd Cree-8 Investments (Europe) Ltd Cree-8 FMS Ltd Cree-8 (Holdings) Ltd Duracord (Europe) Ltd Forscot Ltd Solution M Ltd	Duracord Ltd Duracord (Holdings) Limited Dunwilco (1164) Limited Tecnoplan (Europe) Limited Tecnoplan GmbH

- 7.10 David Mackie was a director of Duracord Limited and Duracord (Holdings) Limited, both of which were placed into administration on 6 October 2005. The administrators filed notices to move both companies from administration to dissolution and on 9 August 2007 both companies were dissolved.
- 7.11 David Mackie is a non-executive director of Duracord (Europe) Limited. The company was placed into administration on 5 October 2005. On 17 April 2007 the administrators filed a notice to move the company from administration to dissolution. At a hearing on 4 July 2007 between The Secretary of State for Business Enterprise and Regulatory Reform (formerly The Secretary of State for Trade & Industry) and (1) Duracord (Europe) Limited, (2) Derek Walker, (3) Graham Thomas Muir, (4) James Holland, (5) David Walter Mackie, and (6) Andrew Hassey, it was ordered that the dissolution of the company be deferred until 5 October 2007 and that during such period David Mackie and others were ordered not to act or take any step in the management of the company. David Mackie is currently waiting for The Secretary of State for Business Enterprise and Regulatory Reform to confirm its intentions. David Mackie intends to vigorously defend any proceedings which may be instigated in this matter.
- 7.12 David Mackie was a director of Tecnoplan GmbH which was put into voluntary receivership in November 2005.
- 7.13 Neil Balfour was a director of NV Shirts International, a company incorporated in Belgium (“Shirts International”), when on 23 November 1994 the company was declared bankrupt following the unauthorised transfer of funds by the then chief executive officer. On 22 April 1997 and 2 May 1997 a claim was issued by NV Belgische Maatschappij Voor Internationale Investeren (“BMI”) and the bankruptcy trustee (the “Trustee”) against the former chief executive officer and against the directors of Shirts International, jointly and severally. Neil Balfour, together with the other former directors of Shirts International, is taking legal advice and intends vigorously to defend himself against this claim.

- 7.14 Neil Balfour was the non-executive chairman of Babcock Prebon Plc until February 1991. In September 1991, Babcock Prebon Plc was placed into administrative receivership.
- 7.15 Save as disclosed in paragraphs 7.10 to 7.14 (inclusive) of this Part V, as at the date of this document no Director:
- 7.15.1 has any unspent convictions in relation to any indictable offences; or
- 7.15.2 has been bankrupt or entered into an individual voluntary arrangement; or
- 7.15.3 was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or
- 7.15.4 has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- 7.15.5 has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- 7.15.6 has been subject to any public criticism by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

8. Directors' Service Agreements and Letters of Appointment

- 8.1 The following agreements and letters of appointment (each of which are governed by English law) have been entered into by the Directors and certain members of the Group:
- 8.1.1 an executive service agreement between (1) the Company and (2) Richard Spinks dated 8 November 2007 pursuant to which Richard Spinks was appointed chief executive officer of the Company. The appointment is terminable by either party on twelve months' prior written notice. Richard Spinks is entitled to a base salary of £120,000 per annum, which is reviewed by the Board annually in April, the first review to be on 1 April 2008. Richard may also participate in a bonus scheme on terms determined by the Remuneration Committee and approved by the Board from time to time. He may also participate in the Share Scheme. Richard Spinks was appointed a director of the Company on 28 May 2007.
- 8.1.2 an executive service agreement between (1) the Company and (2) Konrad Nowicki dated 1 September 2007 (as amended by a side letter dated 8 November 2007) pursuant to which Konrad Nowicki was appointed director of land acquisition of the Company. The appointment is terminable by either party on six months' prior written notice. Konrad Nowicki is entitled to a base salary of £100,000 per annum, which is reviewed by the Board annually, the first review to be on 1 April 2008. Konrad may also participate in a bonus scheme on terms determined by the Remuneration Committee and approved by the Board from time to time. He may also participate in the Share Scheme. Konrad Nowicki was appointed a director of the Company on 15 October 2007.
- 8.1.3 an executive service agreement between (1) the Company and (2) Keith Dawson dated 8 November 2007 pursuant to which Keith Dawson was appointed director of agronomy. The appointment is terminable by either party on six months' prior written notice. Keith Dawson is entitled to a base salary of £75,000 per annum (for 150 days per annum), which is reviewed by the Board annually, the first review to be on 1 April 2008. Keith may also participate in a bonus scheme on terms determined by the Remuneration Committee and approved by the Board from time to time. He may also participate in the Share Scheme. Keith Dawson was appointed a director of the Company on 3 September 2007.
- 8.1.4 Neil Balfour was appointed a non-executive Director and Chairman of the Company, by letter of appointment dated 15 October 2007. The appointment is for an initial term of 12 months (subject to re-election at the next annual general meeting) and thereafter is terminable on three months' notice by either the Company or the non-executive Director. The fee payable for Neil Balfour's services as a non-executive Director is £45,000 per annum and is subject to annual review.
- 8.1.5 Gerald Howarth was appointed a non-executive Director of the Company, by letter of appointment dated 15 October 2007. The appointment is for an initial term of 12 months (subject

to re-election at the next annual general meeting) and thereafter is terminable on three months' notice by either the Company or the non-executive Director. The fee payable for Gerald Howarth's services as a non-executive Director is £30,000 per annum and is subject to annual review.

8.1.6 David Mackie was appointed a non-executive Director of the Company, by letter of appointment dated 15 October 2007. The appointment is for an initial term of 12 months (subject to re-election at the next annual general meeting) and thereafter is terminable on three months' notice by either the Company or the non-executive Director. The fee payable for David Mackie's services as a non-executive Director is £30,000 per annum and is subject to annual review.

8.2 Save as disclosed in paragraph 8.1 above, there are no existing or proposed service agreements or consultancy agreements between any of the Directors and the Company which cannot be terminated by the Company without payment of compensation within 12 months.

8.3 The aggregate of the remuneration paid and benefits in kind (including bonus payments) granted to the directors by any member of the Group in respect of the period from incorporation to 30 June 2007 was approximately £72,292.

8.4 There are no arrangements under which any Director has waived or agreed to waive future emoluments nor have there been any such waivers of emoluments during the financial year immediately preceding the date of this document.

9. Related Party Transactions

9.1 The following transactions are those which have been entered into between members of the Group and certain related parties as detailed below:

9.1.1 pursuant to a shareholders' agreement dated 18 April 2007, between (1) Richard Spinks and Tetyana Volodchenko (the "**Covenantors**"); (2) Landkom PP; and (3) the Company, the Covenantors agreed to exercise all their rights as shareholders and directors of Landkom PP and in any other capacity to effect a reorganisation of the Group's activities on such terms as advised by the advisors to the Company so that the activities and operations of Landkom PP are conducted in a tax efficient manner;

9.1.2 arrangements have been established comprising;

- (i) a services agreement entered into by LK1 with LK2 dated 13 November 2007;
- (ii) a services agreement entered into by LK1 with Landkom PP dated 13 November 2007; (together "**Services Agreements**");
- (iii) a "rape raise" agreement entered into by LK1 with LK2 dated 13 November 2007; and
- (iv) a rape raise agreement entered into by LK1 with Landkom PP dated 13 November 2007; (together "**Rape Raise Agreements**").

Under the Services Agreements, LK1 provides cultivation services to each of LK2 and Landkom PP including the provision of machinery and personnel for preparing land, sowing crops and cultivation. Under the Rape Raise Agreements, each of LK2 and Landkom PP agree to grow and harvest crops on behalf of LK1 on land leased by them. With regard to the agreements between Landkom PP and LK1, fees are mutually payable based on a formula driven by hectares farmed. The net effect of these agreements is that substantially all of the economic benefit will accrue to the Group.

9.1.3 Mr Rybenok was a founder of LK1 and owned 99 per cent. of the share capital thereof.

There are two documents confirming the change of shareholding in LK1 from Mr Rybenok to Charmaine Investments Limited (Cyprus) being:

- (i) an application for a withdrawal by Mr Rybenok dated 16 May 2007; and
- (ii) a share transfer agreement between Mr Rybenok and Charmaine Investments Limited dated 3 September 2007.

9.1.4 a co-operation agreement dated 9 November 2007 entered into between (1) the Covenantors, (2) the Company, (3) Landkom PP, (4) LK1 and (5) LK2 ("**Co-operation Agreement**"). Prior to the establishment of the Group, Mr Spinks established Landkom PP as a vehicle to trial the

broad business concept of the Group at a significantly smaller, experimental level. As a consequence, a number of the original leases entered into in respect of land plots were entered into with this company rather than LK2. The parties have entered into the Co-operation Agreement to set out the basis upon which the Group may utilise the leases entered into by Landkom PP.

Amongst other things, the Co-operation Agreement provides that Landkom PP:

1. will comply with the provisions of the leases into which it has entered and will not do anything to jeopardise the continuance of the leases or damage the reputation of the Group;
2. will procure that sub leases in respect of the leases to which it is a party are granted to the Group;
3. will notify the Group of any correspondence with landlords or regulatory authorities;
4. will take all reasonable steps to renew existing leases; and
5. will take all reasonable steps to procure that it or the Group acquires any land the subject of any leases to the extent that such right arises.

In addition, the Covenantors agree that if either of them wish to sell any shares in Landkom PP they will procure that any transferee enters into a deed of adherence to the Co-operation Agreement.

9.1.5 an agreement dated 1 May 2007 between (1) Landkom PP; and (2) the Company pursuant to which Landkom PP agreed to carry out certain due diligence in respect of potential land opportunities in western Ukraine. The fee paid to Landkom PP for the provision of such services was £150,000.

9.1.6 three sale and purchase agreements each entered into between (1) Landkom PP; and (2) LK1, dated 7 August 2007 pursuant to which LK1 purchased certain real estate property from Landkom PP for an aggregate purchase price of UAH 153,982.

9.2 Save as disclosed in paragraph 9.1 above, no Director has any interest, direct or indirect, in any assets which have been acquired by, disposed of by, or leased to, any member of the Group or which are proposed to be acquired by, disposed of by, or leased to, any member of the Group.

10. Isle of Man Taxation

The Company has the responsibility for the deduction of taxes at source. However, under current legislation in the Isle of Man, there is no requirement to deduct any tax at source on the payment of a dividend by the Company.

11. UK Taxation

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, holding shares of the Company as investments and not in the course of a trade, and are based on current legislation and HM Revenue & Customs practice. Shareholders who are in any doubt about their tax position, or who are subject to taxation in a jurisdiction other than the UK, should consult their own professional adviser immediately.

Taxation of Chargeable Gains

If a Shareholder disposes of shares, a liability to tax on chargeable gains may arise, depending on the Shareholder's circumstances. In the case of individuals and trustees, under current rules, the chargeable gain may be reduced as a result of taper relief, the amount of which depends on various factors, in particular the length of the period of ownership of the shares. In the pre-Budget report on 9 October 2007, the Chancellor announced an intention to abolish taper relief for disposals on or after 6 April 2008, from which date a flat capital gains tax rate of 18 per cent. would apply. Companies are not entitled to taper relief but are due indexation allowance, which may also reduce the chargeable gain.

Dividends

An individual Shareholder liable to tax only at the basic or lower rates of income tax will be taxable at the dividend ordinary rate of 10 per cent. on gross dividends received from the Company and an individual Shareholder liable to tax at the higher rate of income tax will be taxable at the dividend upper rate of 32.5 per

cent. Proposals were made in the 2007 Budget that, with effect from 6 April 2008, a tax credit will be available to UK resident individuals who receive dividends from overseas companies. If these proposals are enacted, they will have the effect of eliminating the income tax liability on such dividend income for Shareholders who are liable to tax only at the basic or lower rate of income tax, and reducing the effective rate payable by individuals liable to higher-rate income tax to 25 per cent. It is proposed that the tax credit will only be available to individual Shareholders who, together with their associates, have an interest in the company of less than 10 per cent. and whose dividend income from overseas companies is less than £5,000 in any tax year.

Under current legislation, a corporate Shareholder will be liable to corporation tax on gross dividends. If withholding tax has been deducted from dividend payments, a credit should be available to set against the Shareholder's UK tax liability up to a maximum of the UK tax suffered on the dividend. UK corporate Shareholders holding 10 per cent. or more of the Company's share capital may be entitled to claim relief against UK Corporation Tax in respect of the Company's underlying tax. The extent to which such foreign tax may be set against a UK taxpayer's liability in the UK will depend on the particular circumstances of the taxpayer. The taxation of UK companies' foreign income is the subject of a discussion document issued in June 2007 by HM Treasury and HM Revenue & Customs. Changes may therefore be made to the taxation of overseas dividend income, potentially from April 2009.

Stamp Duty and Stamp Duty Reserve Tax

Provided that the Ordinary Shares are not registered in any register kept in the UK by or on behalf of the Company, any agreement to transfer the Ordinary Shares will not be subject to SDRT. It is not intended that any such register will be kept in the UK. No UK stamp duty will be payable on the transfer of the Ordinary Shares, provided that any instrument of transfer is executed and retained outside the UK and does not relate to any property situated, or to any matter or thing done or to be done, in the UK. Generally, stamp duty is charged at a rate of 0.5 per cent. of the consideration given (rounded up to the nearest £5).

12. Working capital

The Directors are of the opinion, having made due and careful enquiry and taking into account the net proceeds of the Placing that the working capital available to the Group is sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

13. Significant change

There has been no significant change in the financial or trading position of the Group since 30 June 2007, the date to which the Group's last audited financial statements were published.

14. Litigation

No member of the Group is involved in any legal or arbitration proceedings which are having or may have a significant effect on the Group's financial position nor, so far as the Company is aware, are any such proceedings pending or threatened by or against any member of the Group.

15. Placing Agreement

In connection with the Placing, the Company, the Directors, Glenn Tempany and Warwick Smith and Libertas Capital entered into the Placing Agreement on 15 November 2007. The Placing Agreement is conditional on, *inter alia*, Admission occurring on 22 November 2007 or such later date (not being later than 8.00 a.m. on 14 December 2007) as the Company and Libertas Capital may agree. The principal terms of the Placing Agreement are as follows:

- 15.1 Libertas Capital has agreed, as agent of the Company, to use its reasonable endeavours to procure placees to subscribe for the Placing Shares at the Placing Price;
- 15.2 the Company has agreed to pay Libertas Capital corporate finance fee of £200,000 and, provided the Placing Agreement becomes unconditional, a commission of 5 per cent. of the aggregate value at the Placing Price of the Placing Shares (plus any applicable VAT);
- 15.3 the Company has agreed to pay all of the costs and expenses of and incidental to the Placing and related arrangements together with any applicable VAT;
- 15.4 the Company and the Directors and Glenn Tempany and Warwick Smith have given certain warranties to Libertas Capital as to the accuracy of the information in this document and as to other matters relating to the Group. The liability of the Directors and Glenn Tempany and Warwick Smith

under these warranties is limited in time and amount. The Company has given an indemnity to Libertas Capital against any losses or liabilities arising out of the proper performance by Libertas Capital of its duties under the Placing Agreement; and

- 15.5 Libertas Capital may terminate the Placing Agreement before Admission in certain circumstances, including for material breach of the warranties referred to above. The agreement is governed by English law.

16. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into in the two years preceding the date of this document by any member of the Group and are, or may be, material to the Group or have been entered into by any member of the Group and contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document:

- 16.1 the Placing Agreement, particulars of which are set out in paragraph 15 above;
- 16.2 the related party transactions, particulars of which are set out in paragraph 9 above;
- 16.3 a nominated adviser and broker agreement dated 15 November 2007 between (1) the Company; (2) the Directors; and (3) Libertas Capital, as broker and nominated adviser, pursuant to the terms of which the Company has appointed Libertas Capital to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Libertas Capital a fee of £50,000 excluding VAT per annum (payable half yearly in advance) for its services as nominated adviser and broker under this agreement. The agreement contains certain undertakings and indemnities given by the Company to Libertas Capital. The agreement continues for a period of 12 months from Admission and thereafter, unless terminated by either party by giving not less than three months' prior written notice provided that such notice does not expire before the end of the initial 12 month period;
- 16.4 pursuant to a lock-in and orderly market agreement, the Directors and their connected parties, Warwick Smith, Christopher Chatterton, Glenn Tempany and David Guest and certain other shareholders (the "Locked-in Shareholders") who at the date of this document are interested in 46,500,000 Ordinary Shares, have pursuant to Rule 7 of the AIM Rules, entered into lock-in arrangements with the Nominated Adviser and the Company in respect of any Ordinary Shares held by them on Admission or which they may subsequently acquire in the 12 month period following Admission (the "Locked-In Shares"). Under the terms of the lock-in and orderly market agreements, the Locked-In Shareholders have agreed not to sell, transfer or otherwise dispose of any Locked-In Shares held by them or their associates (as such term is defined in the AIM Rules), other than in certain limited circumstances, for the period of 12 months following Admission (the "Restricted Period"). After the expiry of the Restricted Period, the Locked-in Shareholders (other than David Guest, Nicola Guest, Christopher Chatterton, Warwick Smith's Lagoon Investments Limited and Natalya Ujdur) have further agreed that, for a period of 12 months, any sale or disposal of such Locked-In Shares will only be effected through the Broker or such replacement company, subject to being offered terms as to prices and rates of commission at least as favourable as those being offered by any other broker at that time;
- 16.5 an acquisition agreement between (1) the Company; and (2) Harriman Holdings Limited, dated 2 May 2007. Pursuant to the agreement the Company purchased 5,000 ordinary shares of €1.00 each in the capital of Charmaine Investments Limited;
- 16.6 an intercompany loan agreement between (1) the Company; and (2) Charmaine Investments Limited dated 11 May 2007. The facility is for the principal sum of up to £6,500,000 for a term of three years. Interest is payable annually at a rate of 1 per cent. over 3 month LIBOR;
- 16.7 subscription agreements entered into between the Company and each of Société Privée de Gestion de Patrimoine, Kairos Investment Management, GLG Partners LP and Modal Capital Partners Ltd each dated on or about 10 April 2007. Pursuant to the subscription agreements the Company issued 34,500,000 B Shares for an aggregate subscription of £6,900,000. On Admission the B Shares will convert into Ordinary Shares;
- 16.8 an engagement letter dated 2 March 2007 pursuant to which Libertas Capital was engaged to provide corporate finance advice and broking services. Pursuant to the terms of the engagement letter Libertas Capital was paid a cash broking commission of £345,000 and was issued 852,500 A Shares in respect of

the fundraising which took place in April 2007. On Admission the A Shares will convert into Ordinary Shares;

- 16.9 a contract dated 15 November 2007 entered into between (1) the Company; and (2) SAC Commercial Limited pursuant to which SAC Commercial Limited have agreed to provide consultancy services to the Company. The contract is for an initial term of two years following which the contract can be terminated on one months' prior written notice. The fees payable pursuant to the contract are £5 per hectare of land drilled, such fee being capped at 100,000 hectares.
- 16.10 an agreement letter dated 15 November 2007 pursuant to which SAC Commercial Limited agreed to prepare the SAC Expert Agronomy Report reproduced in Part III of this document. The fee payable pursuant to the engagement letter is £6,000 excluding VAT.
- 16.11 an agreement dated 1 August 2007 between (1) Che Kevlin; and (2) the Company pursuant to which Che Kevlin has agreed to design, develop and maintain the Company's website. The fee payable for these services is £10,000; £4,000 of which was paid on 1 August 2007 with the remaining £6,000 payable on completion of the project.
- 16.12 an agreement dated 30 April 2007 between (1) Ogeane UK Limited ("**Ogeane**"); and (2) the Company pursuant to which Ogeane agreed to design and provide a 'land' database (the "**Landkom Lease System**") and maintenance support package to the Company. Ogeane have granted the Company a license to use the Landkom Lease System. The fee for supplying and developing the database software is £29,500, with any maintenance required being free of charge for the first 12 months. The maintenance fee due for subsequent 12 month periods is £4,425.

17. Consents

- 17.1 Libertas Capital Corporate Finance Limited of 16 Berkeley Street, London W1J 8DZ is authorised and regulated in the United Kingdom by the Financial Services Authority. Libertas has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which it appears.
- 17.2 Baker Tilly Corporate Finance LLP has given and not withdrawn its consent to the issue of this document with the inclusion herein of its report in Part IV of this document and the references to such report and to its name in the form and context in which they appear.
- 17.3 SAC Commercial Limited has given and not withdrawn its consent to the issue of this document with the inclusion herein of its report in Part III of the document and the references to such report and to its name in the form and context in which they appear.

18. General

- 18.1 The total costs and expenses of, or incidental to, the Placing and Admission, all of which are payable by the Company, are estimated to be approximately £3.9 million (inclusive of value added tax). This amount includes the commissions referred to in paragraph 15 of this Part V. The expected net proceeds of the Placing, after deduction of such costs and expenses, is £50.1 million. No expenses of the Placing are being specifically charged to subscribers under the Placing.
- 18.2 In April 2007, the Company entered into a number of consultancy arrangements for the provision of consultancy services to the Group. These arrangements have now expired and where appropriate service contracts have been entered into between the Company and the relevant individuals. Pursuant to these arrangements the following fees were paid:

<i>Name</i>	<i>Fee (£)</i>	<i>Period</i>
Richard Spinks	60,000	1 April 2007 – 31 August 2007
Glenn Tempany	30,000	1 April 2007 – 31 August 2007
Warwick Smith	29,166	1 April 2007 – 31 August 2007
Christopher Chatterton	57,600	1 April 2007 – 31 August 2007
David Guest	41,876	1 April 2007 – 31 August 2007
Konrad Nowicki	31,752	1 April 2007 – 31 August 2007
Keith Dawson	16,666	1 April 2007 – 31 July 2007
Greg Element	9,762	1 August 2007 – 31 August 2007

- 18.3 In addition to the consultancy arrangements detailed in paragraph 18.2 above, the Company has entered into consultancy agreements, governed by the laws of the Isle of Man, with each of Adrian

Wright, Dan Spinks and James Bussey. These agreements terminate on 31 December 2008 unless otherwise agreed by the parties. Pursuant to the agreements Adrian Wright is paid a monthly fee of £1,950 and Dan Spinks and James Bussey are each paid a monthly fee of £2,600.

- 18.4 Pursuant to service agreements entered into between the Company and each of David Guest and Warwick Smith on 1 September 2007 David Guest and Warwick Smith are to be paid, subject to and conditional upon Admission, a bonus of £10,000 and £20,000 respectively.
- 18.5 Save as disclosed in this document, no person (other than the Company's professional advisers named in this document and trade suppliers) has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or any other member of the Group or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the Group on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.
- 18.6 The Placing Price of 52 pence represents a premium of 51.9 pence above the par value of £0.001 per Ordinary Share. The Placing Price is payable in full on application.
- 18.7 The auditors of the Company are Baker Tilly UK Audit LLP, chartered accountants and registered auditors. Baker Tilly UK Audit LLP is a member of the Institute of Chartered Accountants in England and Wales.
- 18.8 The information contained in the paragraph headed "Key findings of SAC Expert Agronomy Report" in Part I has been sourced from the SAC Expert Agronomy Report contained in Part III of this document. This information has been accurately reproduced and, as far as the Company is aware no facts have been omitted which would render such information inaccurate or misleading.
- 18.9 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's activities.
- 18.10 Save as disclosed in this document, the Directors are unaware of any environmental issues that may affect the Group's utilisation of its tangible fixed assets.
- 18.11 Save as disclosed in this document, the Directors are unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.
- 18.12 The Company has made statements in Part I of this document regarding the Company's competitive position on the basis of the Directors' own knowledge and assessment of the market in which the Group operates.
- 18.13 Since the date of incorporation of the Company, there have been no public takeover offers (by third parties) in respect of any shares in the capital of the Company.
- 18.14 The current accounting reference period of the Company will end on 31 December 2007.
- 18.15 The Group currently has no significant investments in progress and the Group has made no firm commitments concerning future investments.
- 18.16 Save as disclosed in Part I of this document, the Directors are not aware of any patents or other intellectual property rights, licences, particular contracts or manufacturing processes which are material to the Group's business or profitability or upon which the Group is dependent.
- 18.17 Save as in connection with the application for Admission, none of the Ordinary Shares have been admitted to dealing on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.

Dated 15 November 2007

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