Kernel Holding S.A.

and Subsidiaries

Consolidated Financial Statements

Year Ended 30 June 2007

KERNEL
GROUP OF COMPANIES

STATEMENT OF MANAGEMENT RESPONSIBILITIES
IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1. The Management is responsible for preparing the consolidated financial statements of the Group in accordance with International Financial Reporting Standards (IFRS).

2. In preparing these financial statements, the Management is required to:

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

3. The Management confirms that it has complied with the above mentioned requirements in preparing the consolidated financial statements of the Group.

4. The Management is also responsible for:

- keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group;
- taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

On behalf of the Management:

Verevskiy Andrey Mikhaylovych
Honorary Chairman

Usacheva Anastasia Ivanovna
Financial Director

Kyiv , Ukraine
September 27, 2007

BAKER TILLY
UKRAINE

Turhenevska str. 71, office 316
Kyiv, 04050, Ukraine
Tel./fax: +38 (044) 490 69 24
+38 (044) 502 69 07
www.bakertillyukraine.com
info@bakertillyukraine.com

REPORT OF THE AUDITOR

To the board of Directors of

KERNEL HOLDING S.A.
65, Boulevard Grande-Duchesse Charlotte
L-1331 Luxembourg

Report on the consolidated financial statements

Following our appointments by the board of Directors dated July 12, 2007 and April 4, 2007 we have audited the accompanying consolidated financial statements of KERNEL HOLDING S.A. and its Subsidiaries (collectively - the "Kernel Group" or the "Group"), which comprise the consolidated balance sheet as at June 30, 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors responsibility for the consolidated financial statements

The board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the auditor, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are

BAKER TILLY
UKRAINE

Turhenevska str. 71, office 316
Kyiv, 04050, Ukraine
Tel./fax: +38 (044) 490 69 24
+38 (044) 502 69 07
www.bakertillyukraine.com
info@bakertillyukraine.com

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's and the Group's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of KERNEL HOLDING S.A. and its Subsidiaries (collectively - the "Kernel Group" or the "Group") of June 30, 2007, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Confirmation of responsibilities

Statement of management responsibilities is consistent with the consolidated financial statements.

Kyiv, Ukraine

September 28, 2007

General Director
LLC BAKER TILLY UKRAINE
Independent member of Baker Tilly International
Turhenevska 71, Kyiv,
Ukraine, 04050
Registration with Ukrainian Chamber
of Audit number 2091 of January 26, 2006.

Alexander Pochkun

Réviseur d'Entreprises
67, Rue Michel Welter
L-2730 Luxemburg

Jean Bernard Zeimet

TABLE OF CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

KERNEL HOLDING S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2007

(in US dollars and in thousands unless otherwise stated)

ASSETS	Notes	30 June 2007	30 June 2006
CURRENT ASSETS:			
Cash	5	25 253	6 384
Trade accounts receivable, net	6, 29	9 828	9 052
Prepayments to suppliers and other current assets, net	7, 29	8 567	7 376
Taxes recoverable and prepaid, net	8	22 485	9 468
Inventory	9	40 163	32 300
Biological assets	10	9 672	3 385
Total current assets		**115 968**	**67 965**
NON-CURRENT ASSETS:			
Property, plant and equipment, net	11	127 865	72 483
Intangible assets, net	12	16 821	7 433
Goodwill	13	11 491	2 970
Other non-current assets	14, 29	2 935	4 975
Total non-current assets		**159 112**	**87 861**
TOTAL ASSETS		**275 080**	**155 826**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES:			
Trade accounts payable	29	5 809	829
Advances from customers and other current liabilities	15, 29	8 935	4 735
Short-term borrowings	16	37 417	23 291
Current portion of long-term borrowings	17, 29	7 018	5 655
Total current liabilities		**59 179**	**34 510**
NON-CURRENT LIABILITIES:			
Long-term borrowings	17, 29	99 239	49 568
Obligations under finance lease	18	3 185	4 565
Corporate bonds issued	19	9 937	10 258
Deferred tax liabilities	20	18 247	9 369
Total non-current liabilities		**130 608**	**73 760**
SUBORDINATED LOAN	29	7 532	-
COMMITMENTS AND CONTINGENCIES	*30*		
EQUITY ATTRIBUTABLE TO KERNEL HOLDING S.A.SHAREHOLDERS			
Share capital		1 232	964
Share premium reserve		2 608	-
Additional paid-in capital		39 944	39 425
Retained earnings	3	20 826	1 287
Total equity attributable to Kernel Holding S.A. shareholders		**64 610**	**41 676**
MINORITY INTEREST		13 151	5 880
Total equity		**77 761**	**47 556**
TOTAL LIABILITIES AND EQUITY		**275 080**	**155 826**

On behalf of the Management:

Verevskiy Andrey Mikhaylovych,
Honorary Chairman

Usacheva Anastasia Ivanovna,
Financial Director

The notes on pages 8 to 42 form an integral part of these consolidated financial statements.

KERNEL HOLDING S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

(in US dollars and in thousands unless otherwise stated)

	Notes	30 June 2007	30 June 2006
REVENUE	21, 29	350 379	215 242
COST OF SALES	22	(267 352)	(173 423)
GROSS PROFIT		**83 027**	**41 819**
OTHER OPERATIONAL INCOME	10, 23	7 865	1 220
OPERATING EXPENSES:			
Distribution costs	24, 29	(38 963)	(20 341)
General and administrative expenses	25, 29	(13 295)	(10 685)
TOTAL OPERATING EXPENSES		**(52 258)**	**(31 026)**
OPERATING PROFIT		38 634	12 013
Finance costs, net	26, 29	(18 863)	(9 303)
Foreign exchange (loss)/gain, net		(768)	(931)
Other (expenses)/income, net	27, 29	(2 311)	(1 810)
PROFIT/ (LOSS) BEFORE INCOME TAX		**16 692**	**(31)**
INCOME TAX	20	1 904	75
NET PROFIT		**18 596**	**44**
NET PROFIT/(LOSS) ATTRIBUTABLE TO:			
Shareholders of Kernel Holding S.A.		**19 539**	**1 287**
Minority interest		(943)	(1 243)

On behalf of the Management:

Verevskiy Andrey Mikhaylovych,
Honorary Chairman

Usacheva Anastasia Ivanovna,
Financial Director

The notes on pages 8 to 42 form an integral part of these consolidated financial statements.

KERNEL HOLDING S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 2007
(in US dollars and in thousands unless otherwise stated)

	Share capital	Share premium reserve	Additional paid-in capital	Retained earnings	Total equity attributable to Kernel Holding S.A. shareholders	Minority interest	Total equity
Balance at 30 June 2005	**964**	**-**	**31 698**	**-**	**32 662**	**15 729**	**48 391**
Effect of changes on minority interest	-	-	8 606	-	**8 606**	(8 606)	**-**
Effect of withdrawals on additional paid-in capital	-	-	(879)	-	**(879)**	-	**(879)**
Net profit	-	-	-	1 287	**1 287**	(1 243)	**44**
Balance at 30 June 2006	**964**	**-**	**39 425**	**1 287**	**41 676**	**5 880**	**47 556**
Effect of changes on minority interest	-	-	(613)	-	**(613)**	613	**-**
Disposal of subsidiaries (Note 28)	-	-	-	-	-	(527)	**(527)**
Acquisition of subsidiaries (Note 28)	-	-	-	-	-	8 124	**8 124**
Increase of share capital (Note 3)	176	2 602	-	-	**2 778**	-	**2 778**
Shareholders' loans set-off effect (Notes 14, 17)	-	-	1 285	-	**1 285**	-	**1 285**
Effect of foreign exchange differences	92	6	(153)	-	**(55)**	4	**(51)**
Net profit	-	-	-	19 539	**19 539**	(943)	**18 596**
Balance at 30 June 2007	**1 232**	**2 608**	**39 944**	**20 826**	**64 610**	**13 151**	**77 761**

On behalf of the Management

Verevskiy Andrey Mikhaylovych,
Honorary Chairman

Usacheva Anastasia Ivanovna,
Financial Director

The notes on pages 8 to 42 form an integral part of these consolidated financial statements.

KERNEL GROUP OF COMPANIES

KERNEL HOLDING S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2007
(in US dollars and in thousands unless otherwise stated)

	30 June 2007	30 June 2006
OPERATING ACTIVITIES:		
Profit/(loss) before income tax	16 692	(31)
Adjustments to reconcile profit before income tax to net cash used in operating activities:		
Amortization and depreciation	7 723	4 983
Finance costs	18 863	9 303
Bad debt expenses and other accruals	1 070	1 885
Loss on disposal of property, plant and equipment	1 035	159
Foreign exchange losses, net	768	931
Income from "DAK Asset"	(324)	(651)
Gain on sales of equity investments	(427)	-
Operating profit before working capital changes	**45 400**	**16 579**
Changes in working capital:		
Decrease/(increase) in trade accounts receivable	248	(2 708)
Decrease/(increase) in prepayments and other current assets	1 246	(4 449)
(Increase)/decrease in restricted cash balance	(100)	14
Increase in taxes recoverable and prepaid	(13 048)	(3 524)
Increase in biological assets	(6 253)	(1 044)
Increase in inventories	(3 204)	(21 664)
Increase/(decrease) in trade accounts payable	1 965	(1 622)
Increase/(decrease) in advances from customers and other current liabilities	4 406	(842)
Cash obtained from/(used in) operations	**30 660**	**(19 260)**
Finance costs paid	(18 358)	(9 423)
Income tax paid	(708)	(364)
Net cash provided by operating activities	**11 594**	**(29 047)**

KERNEL
GROUP OF COMPANIES

KERNEL HOLDING S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOW (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2007
(in US dollars and in thousands unless otherwise stated)

	Notes	30 June 2007	30 June 2006
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(1 598)	(6 741)
Proceeds from disposal of property, plant and equipment		3 786	769
Sales/(Purchase) of intangible and other non-current assets		295	611
Disposal of Subsidiaries		8 934	-
Acquisition of Subsidiaries		(68 663)	-
Net cash used in investing activities		**(57 246)**	**(5 361)**
FINANCING ACTIVITIES:			
Proceeds from short-term and long-term borrowings		190 068	94 916
Repayment of short-term and long-term borrowings		(135 907)	(73 552)
Proceeds from subordinated loan		7 532	-
Proceeds from share capital increase		176	-
Proceeds from share premium reserve increase		2 602	-
Corporate bonds issued		-	10 258
Withdrawals		-	(879)
Net cash provided by financing activities		**64 471**	**30 743**
TRANSLATION ADJUSTMENT		(50)	239
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		18 769	(3 426)
CASH AND CASH EQUIVALENTS, at the beginning of the year	5	5 983	9 409
CASH AND CASH EQUIVALENTS, at the end of the year	5	**24 752**	**5 983**

On behalf on the Management:

Verevskiy Andrey Mikhaylovych,
Honorary Chairman

Usacheva Anastasia Ivanovna,
Financial Director

The notes on pages 8 to 42 form an integral part of these consolidated financial statements.

(in US dollars and in thousands unless otherwise stated)

1. KEY DATA BY SEGMENT

	Oil		Grain		Other		Reconciliation		Continuing Operations	
	30 June 2007	**30 June 2006**	**30 June 2007**	**30 June 2006**	**30 June 2007**	**30 June 2006**	**30 June 2007**	**30 June 2006**	**30 June 2007**	**30 June 2006**
Revenue (external)	216 574	87 487	130 346	117 948	3 459	9 807			350 379	215 242
Intersegment sales	437	114	15 378	10 346	-	-	(15 815)	(10 460)	-	-
	217 011	87 601	145 724	128 294	3 459	9 807	(15 815)	(10 460)	350 379	215 242
Other operating income	-	-	7 865	1 220	-	-			7 865	1 220
Operating profit	35 950	9 613	15 978	13 085	(13 294)	(10 685)			38 634	12 013
Total assets	169 129	74 761	100 889	72 814	5 062	8 251			275 080	155 826
Capital expenditures	54 006	8 637	23 222	1 780	848	452			78 076	10 869
Amortization and depreciation	5 022	3 090	2 181	1 692	346	201			7 549	4 983
Liabilities	14 922	15 655	7 410	9 024	174 987	83 591			197 319	108 270

2. NATURE OF THE BUSINESS

Kernel Holding S.A. (hereinafter referred to as the "Holding") incorporated under the legislation of Luxembourg on 15 June 2005 (Number B-109 173 at the Luxembourg Register of Companies) is a holding company for a group of entities (hereinafter referred to as the "Subsidiaries"), which together form the Kernel Group (hereinafter referred to as the "Group"). Prior to 15 June 2005 the holding company of the Group was Kernel Group International LLC (hereinafter referred to as the "Former Holding Company"), incorporated under the legislation of the United States of America (state of New York) on 27 January 2003 under its previous name - Landor Trading LLC.

The primary activity of the Group is related to production of bottled sunflower oil, production and subsequent export of sunflower oil and meal and wholesale trade of grain (mainly wheat, barley and corn).

The majority of the Group operations are located in Ukraine.

The principal operating office of the Group is located at the following address: 16 Nemirovicha-Danchenko str., 01133 Kyiv, Ukraine.

As of 30 June 2007 and 2006 the structure of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal Activity	Country of Incorpo-ration	Group's Effective Ownership Interest as of 30 June 2007	Group's Effective Ownership Interest as of 30 June 2006
Kernel Group International LLC	Former Group holding company.	USA	Disposed of on 26 June 2007.	99.0%
"Kernel-Capital", LLC	Holding company for grain elevators and other Subsidiaries in Ukraine. Performs transactions with financial instruments.	Ukraine	99.9%	95.8%
LLC "Yuzhtrans-Terminal"	Dormant company.	Ukraine	99.9%	99.0%
Inerco Trade S.A.	Trade of sunflower seed oil, meal and grain.	Switzerland	99.9%	99.9%
Inerco UK LLP		Great Britain	Disposed of on 26 June 2007.	98.0%
Lanen S.A.		Panama	100.0%	100.0%
"Kernel-Trade", LLC		Ukraine	99.8%	98.9%
"Kernel-Yug" LLC	Dormant company.	Russia	In process of liquidation.	100.0%
CJSC "Poltava oil crushing plant — Kernel Group"	Production plants. Production of sunflower seed oil and meal.	Ukraine	94.9%	94.0%
CJSC "MZRM - Striletskaya Step"		Ukraine	Disposed of on 15 May 2007.	99.0%
CJSC "Vovchansk OEP"		Ukraine	99.9%	N/A
CJSC "Prykolotne OEP"		Ukraine	69.9%	N/A
CJSC "Prykolotnyanska oliya"		Ukraine	0.0%	N/A

Subsidiary	Principal Activity	Country of Incorpo-ration	Group's Effective Ownership Interest as of 30 June 2007	Group's Effective Ownership Interest as of 30 June 2006
"Kernel-Vostok" LLC	Trade of bottled sunflower oil, Russia.	Russia	Disposed of on / 26 June 2007.	100.0%
LLC JE "Inerco-Ukraine"	Holding company. No significant activity since the date of foundation.	Ukraine	99.9%	99.9%
"Poltavaavtotransservis" CJSC	Trucking companies. Provision of transport services to Group	Ukraine	98.5%	98.0%
CJSC “JSC Selkhoztehnika”		Ukraine	Disposed of on 21 May 2007.	96.8%
"Reshetylivka Hliboproduct" CJSC	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	79.9%	77.6%
JSC "Reshetilovski elevator”		Ukraine	0.0%	57.4%
"Horol-Elevator" CJSC		Ukraine	99.9%	78.0%
JSC "Khorolskiy elevator"		Ukraine	0.0%	46.8%
CJSC "Mirgorodsky elevator"		Ukraine	99.9%	96.1%
"Globynsky elevator HP" CJSC		Ukraine	86.2%	78.8%
JSC "Globinsky elevator kliboproduktiv"		Ukraine	0.0%	45.1%
CJSC "Selesthchinski elevator"		Ukraine	Disposed of on 19 April 2007.	97.4%
JSC "Poltavske khlibopriemalne pidpriemstvo"		Ukraine	86.2%	84.5%
JSC "Golovanivske khlibopriemalne pidpriemstvo"		Ukraine	99.2%	98.3%
"Galeschina-Agro" CJSC		Ukraine	99.9%	99.0%
"Gogoleve-Agro" CJSC		Ukraine	99.8%	98.9%
"Sagaydak-Agro" CJSC		Ukraine	99.9%	93.9%
"Karlivka-Agro" CJSC		Ukraine	99.9%	97.7%
"Novo-Sanzharski elevator" CJSC		Ukraine	99.0%	94.4%
"Lazorkovski Elevator" CJSC		Ukraine	99.9%	99.0%
"Zherebkivsky elevator LTD"		Ukraine	99.9%	80.1%
"Bobrynetsky elevator LTD"		Ukraine	Disposed of on 25 April 2007.	80.1%
"Kononivsky elevator LTD"		Ukraine	99.9%	80.1%
JSC "Pidgorodnanski elevator"		Ukraine	75.0%	74.2%
LLC "Bandurskiy elevator"		Ukraine	99.9%	99.0%
CJSC "Semenivski elevator"		Ukraine	99.9%	58.0%
LLC "Zhytnitsa"		Ukraine	Disposed of on 15 May 2007.	99.0%
LLC "Kobelyaki hleboproduct"		Ukraine	0.1%	0.0%
LLC "Krivoy Rog hleboproduct"		Ukraine	Control relinquished.	0.0%
LLC "Krasnograd hleboproduct"		Ukraine	Control relinquished.	19.0%
LLC "Sahnovshina hleboproduct"		Ukraine	0.1%	0.0%

Subsidiary	Principal Activity	Country of Incorpo-ration	Group's Effective Ownership Interest as of 30 June 2007	Group's Effective Ownership Interest as of 30 June 2006
LLC "Belovodskiy elevator"	Grain elevators. Provision of cleaning, drying and grain storage services.	Ukraine	Disposed of on 26 June 2007.	99.0%
CJSC "Velykoburlutske HPP"		Ukraine	99.8%	N/A
CJSC "Vlasivskiy KHP"		Ukraine	99.8%	N/A
CJSC "Vovchansky KHP"		Ukraine	99.8%	N/A
CJSC "Gutnansky elevator"		Ukraine	99.8%	N/A
CJSC "Lykhachivsky KHP"		Ukraine	99.8%	N/A
CJSC "Shevchenkisky KHP"		Ukraine	99.8%	N/A
CJSC "Orilske HPP"		Ukraine	99.8%	N/A
CJSC "Kovyagivske KHP"		Ukraine	99.8%	N/A
LLC "Ukrainian Agricultural Company"	Holding company for agricultural farms.	Ukraine	0.3%	0.3%
LLC "Agroservise"	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	99.9%	19.0%
LLC "Zernoservise"		Ukraine	99.9%	19.0%
LLC "Unigrain-Agro" (Semenovka)		Ukraine	99.9%	99.0%
LLC "Unigrain-Agro" (Globino)		Ukraine	99.9%	99.0%
LLC "Mrija-Agro"		Ukraine	99.9%	99.0%
CJSC "Lozivske HPP"		Ukraine	99.9%	N/A
CJSC "Krasnopavlivsky KHP"		Ukraine	99.9%	N/A
LLC "Agrofirma "Krasnopavlivska"		Ukraine	0.0%	N/A

The Group consolidated the financial statements of CJSC "Prykolotnyanska oliya", JSC "Reshetilovski elevator”, JSC "Khorolskiy elevator", JSC "Globinsky elevator kliboproduktiv", LLC “Kobelyaki hleboproduct”, LLC “Sahnovshina hleboproduct”, LLC “Ukrainian Agricultural Company” and LLC "Agrofirma "Krasnopavlivska" due to the fact that shareholders holding a majority share of the voting rights in these Subsidiaries are related parties and nominal holders on behalf of the Beneficial Owner of the Group. “Kernel-Capital” LLC received power of attorney from these related parties to act on their behalf in exercising ownership rights related to these shares. The Group's management believes that it has power to govern operating and financial policies of these Subsidiaries.

These consolidated financial statements were authorized for issue by Verevskiy Andrey Mikhaylovych the Honorary Chairman of Kernel Group, on 05 September 2007.

3. CHANGE IN SHARE CAPITAL

Since 15 June 2005 the holding company of the Group is Kernel Holding S.A. (Luxembourg) (the "Holding"), whose share capital as of 30 June 2007 consists of 9,334 authorized, allotted and fully paid ordinary shares each carrying one vote and having no nominal value (EURO ("EUR") 100 till 01 January, 2007, note 33).

The shares were distributed as follows:

NOMINAL SHAREHOLDERS	Shares allotted and fully paid as of 30 June 2007	Share owned as of 30 June 2007, %	Shares allotted and fully paid as of 30 June 2006	Share owned as of 30 June 2006, %
Namsen LTD (public limited company registered under the legislation of Cyprus) (hereinafter the "New Nominal Owner")	7 999	85.79%	-	-
Bissani Investment S.A. (public limited company registered under the legislation of Costa Rica) (hereinafter the "Former Nominal Owner")	-	-	7 999	99.99%
Evergreen Financial Limited (a company incorporated and registered in the Territory of the British Virgin Islands) (hereinafter Evergreen Financial Limited)	1 334	14.20%	-	-
Individual	1	0.01%	1	0.01%
Total	**9 334**	**100.00%**	**8 000**	**100.00%**

As of 30 June 2007 and 2006 100% of the beneficial interest in the Former and New Nominal Owners was held by Verevskiy Andrey Mikhaylovych (hereinafter the “Beneficial Owner”).

In the course of the year ended 30 June 2007, Namsen LTD (Cyprus) acquired from the Former Nominal Holder 7 999 shares of the Group’s holding company Kernel Holding S.A. (Luxembourg).

In the course of the year ended 30 June 2007, the Group’s holding company Kernel Holding S.A. (Luxembourg) issued new shares subscribed by Evergreen Financial Limited, resulting in a decrease of ownership interest of Namsen LTD in Holding’s equity from 99.99% to 85.79%.

Luxembourg companies are required to allocate to legal reserve a minimum of 5% of the annual net income until this reserve equals up to 10% of subscribed share capital. This reserve of an amount of USD 125 thousand may not be distributed as dividends.

4. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Accounting - The accompanying consolidated financial statements are prepared under the historical cost convention in accordance with International Financial Reporting Standards ("IFRS"), adopted by the International Accounting Standards Board ("IASB"), and interpretations, issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Group Subsidiaries maintain their accounting records in local currencies in accordance with the accounting and reporting regulations of the countries of incorporation. Local statutory accounting principles and procedures may differ from those generally accepted under IFRS. Accordingly, the consolidated financial statements, which have been prepared from the Group Subsidiaries' local statutory accounting records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

The present financial statements have been prepared in accordance with amendments to IFRS which became effective on 30 June 2007. These amendments did not have a material effect on the consolidated financial statements of the Group.

Accounting Estimates - The application of IFRS requires the use of reasonable assumptions and estimates. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ from these estimates.

Measurement and Presentation Currency - The local currency of the Holding was the Euro until 31 December 2006. Starting from 01 January 2007, and in accordance with the resolution of the shareholders dated 31 July 2007, the measurement currency is the United States dollar ("USD"). Management utilizes the USD as the measurement and reporting currency of the accompanying consolidated financial statements of the Holding under International Accounting Standard ("IAS") No. 21 "The Effects of Changes in Foreign Exchange Rates" as its major assets and sources of finance are denominated in USD. The measurement currencies for the Subsidiaries of the Group are mainly local currencies of the countries, where the Group Subsidiaries are incorporated and operate, with the exception of Inerco Trade S.A. (Switzerland) and Lanen S.A. (Panama) and Inerco UK LLP (Great Britain). Management has utilized USD as the measurement currency for Inerco Trade SA, Lanen SA and Inerco UK LLP under IAS No. 21 as their major sources of finance, prices of sales contracts with customers and also prices of significant contracts for purchases of goods and services from suppliers were denominated in USD.

Transactions in currencies other than measurement currencies of the Group companies are treated as transactions in foreign currencies.

Basis of Consolidation - The consolidated financial statements incorporate the consolidated financial statements of the Holding and companies controlled by the Group ("its Subsidiaries") made up as of 30 June 2007, 2006, 2005 and 2004. Control is achieved where the parent company has the power to govern the financial and operating policies of an investee enterprise, either directly or indirectly, so as to obtain benefits from its activities.

The purchase method of accounting is used for acquired businesses. The equity attributable to minority owners' interests is shown separately in the consolidated balance sheet. On acquisition, the assets and liabilities of a Subsidiary are measured at their fair values at the date of acquisition. The interest of minority owners is stated at the minority's proportion of the fair values of the assets and liabilities recognized.

Where necessary, adjustments are made to the financial statements of Subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant intercompany transactions and balances between the Group enterprises are eliminated on consolidation. Unrealized gains and losses resulting from intercompany transactions are also eliminated unless for unrealized losses which cannot be recovered.

Minority interest at the balance sheet date represents the minority shareholders' portion of the pre-acquisition fair values of the identifiable assets and liabilities of the Subsidiary at the acquisition date, and the minorities' portion of movements in equity since the date of the acquisition.

Goodwill - Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the adjusted net fair value of identifiable assets, liabilities and contingent liabilities of the Subsidiary on the date of acquisition. Goodwill arising from business combinations for which the agreement date is on or after 31 March 2004 is recognized as an asset and carried at cost less any accumulated impairment losses. The goodwill is not amortized and is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired.

Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that operation are treated as assets and liabilities of the foreign operation. Therefore, they are expressed in the measurement currency of the foreign operation and are translated at the closing rate.

Excess of Group's interest in the adjusted net fair value of identifiable assets, liabilities and contingent liabilities of the acquired Subsidiaries over cost of acquisition is recognized immediately in the income statement of the period when the acquisition takes place.

Intangible Assets - Intangible assets acquired separately from a business are capitalized at primary cost. Amortization of intangible assets except for the "Schedry Dar" and "Stozhar" trademarks is calculated on a straight-line basis over 2-10 years, and is included in "General and administrative expenses". The "Schedry Dar" and "Stozhar" trademarks have indefinite useful life and thus are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually and whenever there is an indication that the trademarks may be impaired.

Foreign Currencies Translation - Transactions in currencies other than the measurement currencies of the Group companies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Subsequently, monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the balance sheet date.

On consolidation, the assets and liabilities of the Subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in shareholders' equity and included in "Cumulative translation adjustment".

The exchange rates used in preparation of these financial statements are as follows:

Currency	**Closing rate as of 30 June 2007**	**Average rate for the year ended 30 June 2007**	**Closing rate as of 30 June 2006**	**Average rate for the year ended 30 June 2006**
UAH/USD	5.0500	5.0500	5.0500	5.0503
CHF/USD	1.2293	1.2324	1.2486	1.2789
EUR/USD	0.7429	0.7668	0.7981	0.8220
RUR/USD	25.7785	26.4015	28.0000	28.2186

Cash – Cash includes unrestricted cash balances kept with banks and on hand.

Trade Accounts and Other Accounts Receivable - Trade and other accounts receivable are stated at their cost as reduced by appropriate allowances for estimated irrecoverable amounts.

Prepayments to Suppliers and Other Current Assets - Prepayments to suppliers and other current assets are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Investments - In accordance with IAS No. 39 "Financial Instruments: Recognition and Measurement", investments are classified into the following categories: held-to-maturity, trading, available-for-sale and loans and receivables originated by the Group.

Investments with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Group, are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading. Loans originated by the Group are financial assets that are created by the Group by providing money directly to a borrower or by participating in loan facility, other than those that are originated with the intent to be sold immediately or in the short term, which are classified as held-for-trading. All other investments are classified as available-for-sale.

The difference between nominal amount of consideration given and the fair value of loans issued at other than market terms is recognized in the period the loan is issued as initial recognition adjustment discounted based on market rates at inception and is included in other expenses in the consolidated income statement. Originated loans with fixed maturities are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Originated loans are carried net of any allowances for estimated irrecoverable amounts.

Held-to-maturity investments, loans and receivables originated by the Group are included in non-current assets unless they mature within 12 months from the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realize them within 12 months from the balance sheet date. All purchases and sales of investments are recognized on the settlement date.

Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs. Estimation of fair values of financial instruments is made in accordance with the requirements of IAS No. 32 "Financial Instruments: disclosure and presentation" and IAS No. 39 "Financial instruments: Recognition and Measurement". As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented in the financial statements are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of a particular instrument.

Investments in non-marketable equity instruments for which fair value could not be estimated reliably are measured at cost less any provision for impairment.

Available-for-sale and trading investments are subsequently carried at fair value by reference to their quoted market price at the balance sheet date. For unquoted securities fair value is determined by reference to market prices of securities with similar credit risk and/or maturity and in other cases by reference to the share in estimated equity capital of an investee. Gains or losses on measurement to fair value of investments are recognized in the income statement for the period.

Held-to-maturity investments and originated loans are carried at amortized cost calculated using the effective interest rate method, less any provision for impairment or permanent diminution in value.

Investments in Non-consolidated Subsidiaries and Associates - Investments in corporate shares where the Group owns more than 20% of share capital, but does not have ability or intent to control or exercise significant influence over operating and financial policies, or non-consolidation of such companies does not have a significant effect on the financial statements taken as a whole, or the Group intends to resell such investments in the nearest future, as well as investments in corporate shares where the Group owns less than 20% of share capital, are accounted for at fair value or at cost of acquisition, if the fair value of investments cannot be determined. Management periodically assesses the carrying values of such investments and provides allowances for impairment, if necessary. As of 30 June 2007 and 2006 there were no investments in non-consolidated subsidiaries and associates.

Inventories - Inventories are stated at the lower of cost or net realizable value. Cost comprises purchase cost and, where applicable, those expenses that have been incurred in bringing the inventory to their present location and condition. Cost is calculated using FIFO method. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Biological Assets - The Group classifies wheat, barley, maize, soy, sunflower seeds and other crops, which it raises, as biological assets. In accordance with IAS No. 41 "Agriculture", biological assets are measured on initial recognition and at each balance sheet date at their fair value less estimated point-of-sale costs, except for the case where the fair value cannot be measured reliably. Biological assets, for which market-determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable, are measured using the present value of expected net cash flows from the sale of an asset discounted at a current market-determined pre-tax rate. The objective of a calculation of the present value of expected net cash flows is to determine the fair value of a biological asset in its present location and condition.

The Group classifies biological assets as current or non-current depending upon the average useful life of the particular group of biological assets. All of the Group's biological assets were classified as current as their average useful life is less than one year.

Taxes Recoverable and Prepaid - Taxes recoverable and prepaid are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Property, Plant and Equipment - Except for land, property, plant and equipment is carried at its cost less any accumulated depreciation and accumulated impairment losses. Land is carried at cost and is not depreciated.

Property, plant and equipment acquired in a business combination is initially recognised at fair value determined based on valuations performed by independent professionally qualified appraisers.

Capitalized costs include major expenditures for improvements and replacements that extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance expenditures that do not meet the foregoing criteria for capitalization are charged to income statement as incurred.

Property, plant and equipment is depreciated over the estimated remaining useful economic lives of assets mostly determined by independent appraisals under the straight-line method. Remaining useful lives of property, plant and equipment are as follows:

Buildings and constructions	20-50 years
Production machinery and equipment	10-20 years
Agricultural vehicles and equipment	3-10 years
Fixtures, fittings and other fixed assets	5-20 years
Transport vehicles	4-7 years
Construction in progress ("CIP") and uninstalled equipment	Not depreciated

Construction in progress comprises costs directly related to construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets commences when the assets are put into operation.

Impairment of Non-Current Assets - At each balance sheet date the Group reviews the carrying amounts of the Group's non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Trade and Other Accounts Payable - Trade and other accounts payable are stated at their nominal value.

Short-term and Long-term Borrowings - Short-term and long-term borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges, including payments at origination and settlement, are accounted for on an accrual basis and are added to the carrying amount of the liability to the extent that they are not settled in the period in which they arise.

The difference between nominal amount of consideration received and the fair value of loans obtained from related parties of the Group at other than market terms is recognized in the period the loan is obtained as initial recognition adjustment discounting the loan based on market rates at inception.

Financial Instruments - Financial assets and financial liabilities are recognised on the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Regular way purchase and sale of the financial instruments are recognised using settlement date accounting.

Revenue Recognition - Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods and finished products - Revenue is recognized when the significant risks and rewards of ownership of goods for resale and finished products have passed to the buyer and the amount of revenue can be measured reliably.

Rendering of services - Revenue is recognized when services are rendered.

Classification of administrative expenses - The Group includes all expenses related to the administration of the Group in General and administrative expenses except for payroll expenses related to administration of elevators. Such expenses are included in Cost of sales.

Income Taxes - Income taxes have been computed in accordance with the laws currently enacted in the countries, where the Holding and its Subsidiaries are incorporated.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against deductible temporary differences.

Deferred tax is calculated at rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred income tax assets and liabilities are offset when:

- the Group has a legally enforceable right to set off the recognized amounts of current tax assets and current tax liabilities;
- the Group has an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously;
- the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority in each future period in which significant amounts of deferred tax liabilities and assets are expected to be settled or recovered.

Leases - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are included in expenses for the period to which they relate on a straight-line basis over the term of the relevant lease.

Contingencies - Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statement but disclosed when an inflow of economic benefits is probable.

Provisions - A provision is recognized in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Segment Reporting - In accordance with IAS 14 (Segment Reporting), certain data in the financial statements is provided by segments. The segments are those used for internal reporting and provide an assessment of risk and returns. The aim is to provide users of the financial statements with information regarding the profitability and future prospects of the Group's various activities.

As of 30 June 2007 the Group defined two segments with activities consolidated according to economic characteristics, products, production processes, customer relationships and methods of distribution.

The segments' activities are as follows:

Segments	Activities
Oil	Production, refining, bottling, marketing and distribution of sunflower seed oil and meal.
Grain	Trade of grain. Provision of cleaning, drying and grain storage services. Agricultural farming

The acquisition of the Stozhar Group business has led to a change in the relative sizes of the Group's segments in terms of sales, operating profit and assets. In compliance with IAS 14 (Segment Reporting), the segmentation has therefore been adjusted effective 01 July 2006 to reflect the new Group structure.

Moreover, IFRS 5, which was approved by the IASB on 31 March 2004, introduces specific recognition principles for assets and liabilities held-for-sale and for discontinued operations and requires that reporting now be based primarily on continuing operations. In the financial statements as of 30 June 2007 the segment table reflects continuing operations only. The prior-year figures have been reclassified to ensure comparability.

The reconciliation eliminates intersegment items and reflects income and expenses not allocable to segments. These include in particular the Corporate Center, the service companies and peripheral operations.

The segment data are calculated as follows:

- The intersegment sales reflect intragroup transactions effected on an arm's-length basis.
- The equity items are those reflected in the balance sheet and income statement. They are allocated to the segments where possible.
- Capital expenditures, amortization and depreciation relate to property, plant and equipment and intangible assets.

Since financial management of Group companies is carried out centrally, financial liabilities are not allocated directly to the respective segments. Consequently, the liabilities shown for the individual segments do not include financial liabilities.

Reclassifications – Certain reclassifications have been made to the corresponding amounts for the year ended 30 June 2006 so as to conform to the current year presentation.

5. CASH

The balances of cash as of 30 June 2007 and 2006 were as follows:

	30 June 2007	30 June 2006
Cash with banks in USD	16 238	665
Cash with banks in UAH	8 059	5 604
Cash with banks in other currencies	98	110
Cash on transit bank account	851	-
Cash on hand	7	5
Total	**25 253**	**6 384**
Less restricted cash on Security bank account and blocked amount	(501)	(401)
Cash for the purposes of cash flow statement	**24 752**	**5 983**

As of 30 June 2007 cash with banks in USD in the amount of USD 423 thousand (as of 30 June 2006: USD 423 thousand) kept on Security bank account with a Belgian bank, was pledged to secure the long-term loan facility obtained from this bank (Note 17), and USD 89 thousand (as of 30 June 2006: zero) blocked on a bank account with a Ukrainian bank to secure a letter of credit issued for the delivery of production equipment. As of 30 June 2007 cash on the Security bank account in the amount of USD 412 thousand (as of 30 June 2006: USD 401 thousand) was restricted in use based on the loan agreement with the Belgian bank and thus was excluded from cash for the purposes of cash flow statement.

6. TRADE ACCOUNTS RECEIVABLE, NET

The balances of trade accounts receivable as of 30 June 2007 and 2006 were as follows:

	30 June 2007	30 June 2006
Trade accounts receivable	11 214	10 025
Allowance for estimated irrecoverable amounts	(1 386)	(973)
Total	**9 828**	**9 052**

As of 30 June 2007 accounts receivable from one European customer accounted for approximately 6% of the total carrying amount of trade accounts receivable (as of 30 June 2006: approximately 7%).

7. PREPAYMENTS TO SUPPLIERS AND OTHER CURRENT ASSETS, NET

The balances of prepayments to suppliers and other current assets as of 30 June 2007 and 2006 were as follows:

	30 June 2007	30 June 2006
Prepayments to suppliers	6 380	5 872
Accounts receivable for disposed Subsidiaries	1 210	-
Investments available-for-sale	3	71
Other accounts receivable and other current assets	2 067	2 254
Allowance for estimated irrecoverable amounts of prepayments to suppliers and other current assets	(1 093)	(821)
Total	**8 567**	**7 376**

8. TAXES RECOVERABLE AND PREPAID, NET

The balances of taxes recoverable and prepaid as of 30 June 2007 and 2006 were as follows:

	30 June 2007	30 June 2006
VAT («value-added tax») recoverable and prepaid	22 316	8 949
Other taxes recoverable and prepaid	386	668
Allowance for estimated irrecoverable amounts of VAT recoverable	(217)	(149)
Total	**22 485**	**9 468**

VAT recoverable and prepaid mainly represents VAT credits in relation to purchases of agricultural products on domestic market in Ukraine. Allowance for estimated doubtful amounts of VAT recoverable was created in the amount of USD 217 thousand as of 30 June 2007 (as of 30 June 2006: USD 149 thousand) as a result of uncertainty of recoverability of this balance from the Ukrainian State budget.

9. INVENTORIES

The balances of inventories as of 30 June 2007 and 2006 were as follows:

	30 June 2007	30 June 2006
Raw materials	23 890	13 140
Finished products	7 666	12 235
Goods for resale	6 503	3 972
Packaging materials	301	597
Fuel	653	352
Other inventories	1 150	2 004
Total	**40 163**	**32 300**

As of 30 June 2007 inventories with the carrying amount of USD 31 556 thousand (as of 30 June 2006: USD 18 108 thousand) were pledged by the Group as collateral against short-term and long-term bank loans obtained from Ukrainian banks (Notes 16, 17). In addition, as of 30 June 2007 the Group pledged future purchases of raw materials, goods for resale and finished products produced for the total amount of USD 539 thousand in prices as of 30 June 2007 (as of 30 June 2006: USD 1 910 thousand in prices as of 30 June 2006).

10. BIOLOGICAL ASSETS

The balances of biological assets as of 30 June 2007 and 2006 were as follows:

	30 June 2007		30 June 2006	
	Hectares	Amount	Hectares	Amount
Wheat crops	6 537	2 645	1 948	532
Sunflower seed crops	5 102	2 033	3 467	706
Soy crops	4 664	1 461	2 009	363
Barley crops	6 038	1 329	4 014	788
Maize crops	3 139	1 152	2 462	684
Pea crops	2 727	887	1 336	284
Other crops	1 722	165	922	28
Total	**29 929**	**9 672**	**16 158**	**3 385**

The following table represents the changes in the carrying amounts of biological assets during the year ended 30 June 2007 and 2006:

	Capitalized expenditures	Effect of biological transfor-mation	Fair value of biological assets
As of 30 June 2005	2 037	303	2 340
Increase due to purchases and subsequent expenditures capitalized in biological assets (July-September 2005)	803	-	803
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (included in operating income, July-September 2005, Note 23)	-	119	119
Decrease due to harvest (July-September 2005)	(2 840)	(422)	(3 262)
Increase due to purchases and subsequent expenditures capitalized in biological assets (October 2005-June 2006)	2 284	-	2 284
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (included in operating income, October2005-June2006, Note23)	-	1 101	1 101
As of 30 June 2006	**2 284**	**1 101**	**3 385**
Increase due to purchases and subsequent expenditures capitalized in biological assets (July-September 2006)	1 029	-	1 029
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (included in operating income, July-September 2006, Note 23)	-	499	499
Decrease due to harvest (July-September 2006)	(3 313)	(1 600)	(4 913)
Increase due to purchases and subsequent expenditures capitalized in biological assets (October 2006-June 2007)	4 250	-	4 250
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (included in operating income, October2006-June2007, Note23)	-	5 422	5 422
As of 30 June 2007	**4 250**	**5 422**	**9 672**

11. PROPERTY PLANT AND EQUIPMENT, NET

As of 30 June 2007 property, plant and equipment with the carrying amount of USD 119 081 thousand (as of 30 June 2006: USD 63 937 thousand) was pledged by the Group as collateral against short-term and long-term bank loans obtained from Ukrainian banks and the Belgian bank (Notes 16, 17).

As of 30 June 2007 production equipment with the carrying amount of USD 4 574 thousand was held under finance lease (as of 30 June 2006: USD 5 395 thousand) (Note 18).

The following table represents movements in property, plant and equipment for the year ended 30 June 2007**:**

	Land	Buildings and Constructions	Production machinery and equipment	Agricultural vehicles and equipment	Transport vehicles	Fixtures, fittings and other fixed assets	CIP and uninstalled equipment	Total
Cost								
As of 30 June 2006	**12**	**46 014**	**23 658**	**1 623**	**2 998**	**3 409**	**3 917**	**81 631**
Additions from acquisition of Subsidiaries	2 188	46 511	20 203	1 561	636	665	702	72 466
Additions	-	-	-	-	-	-	5 610	5 610
Transfers	-	436	701	3 678	699	290	(5 804)	-
Due to disposal of Subsidiaries	-	(6 916)	(5 150)	(317)	(588)	(512)	(151)	(13 634)
Other disposals	-	(2 321)	(1 177)	(1 289)	(234)	(64)	-	(5 085)
As of 30 June 2007	**2 200**	**83 724**	**38 235**	**5 256**	**3 511**	**3 788**	**4 274**	**140 988**
Accumulated depreciation								
As of 30 June 2006	**-**	**(3 391)**	**(3 456)**	**(706)**	**(806)**	**(789)**	**-**	**(9 148)**
Depreciation	-	(2 806)	(3 232)	(473)	(493)	(543)	-	(7 547)
Due to disposal of Subsidiaries	-	1 180	1 609	29	234	257	-	3 309
Other disposals	-	36	41	94	77	15	-	263
As of 30 June2007	**-**	**(4 981)**	**(5 038)**	**(1 056)**	**(988)**	**(1 060)**	**-**	**(13 123)**
Net Book Value								
As of 30 June 2007	**2 200**	**78 743**	**33 197**	**4 200**	**2 523**	**2 728**	**4 274**	**127 865**
As of 30 June 2006	**12**	**42 623**	**20 202**	**917**	**2 192**	**2 620**	**3 917**	**72 483**

12. INTANGIBLE ASSETS, NET

The following table represents movements in intangible assets for the year ended 30 June 2007:

	Trademarks	Other intangible assets	Total
Cost			
As of 30 June 2006	7 229	262	7 491
Additions from acquisition of Subsidiaries	9 385	81	9 466
Additions	-	104	104
Disposals	-	(6)	(6)
As of 30 June 2007	**16 614**	**441**	**17 055**
Accumulated depreciation			
As of 30 June 2006	-	(58)	(58)
Amortization charge	-	(176)	(176)
Disposals	-	-	-
As of 30 June 2007	**-**	**(234)**	**(234)**
Net book value			
As of 30 June 2007	**16 614**	**207**	**16 821**
As of 30 June 2006	**7 229**	**204**	**7 433**

Included in intangible assets of Subsidiaries are the "Schedry Dar" and 'Stozhar" trademarks with the value of USD 7 229 thousand and USD 9 385 thousand respectively. These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market and are pledged as security for long-term loans as of 30 June 2007 and 2006 (Note 17).

Management of the Group expects the demand for bottled sunflower oil to be stable in the foreseeable future. The Group believes that, as a result of further promotion of the "Schedry Dar" and 'Stozhar", sales of bottled oil under these trademarks and the current bottled oil market share enjoyed by the Group will be stable and thus the Group will obtain economic benefits from them during an indefinite period of time. Accordingly, the trademarks "Schedry Dar" and 'Stozhar" are considered to have indefinite useful life and thus are not amortized but tested for impairment by comparing their recoverable amount with their carrying amount annually and whenever there is an indication that the trademarks may be impaired.

13. GOODWILL

The following table represents movements in goodwill for the year ended 30 June 2007 and 2006:

As of 30 June 2005 and 2006	**2 970**
Goodwill arising on acquisition of Subsidiaries (Note 28)	8 521
As of 30 June 2007	**11 491**

14. OTHER NON-CURRENT ASSETS

The balances of other non-current assets as of 30 June 2007 and 2006 were as follows:

	30 June 2007	30 June 2006
Grain elevators lease rights ("DAK Asset") (Note 30)	1 981	2 344
Guarantee bank account	423	423
Prepayments for property, plant and equipment	380	590
Deferred expenses	93	-
Loan to Beneficial Owner	-	1 600
Other non-current assets	58	18
Total	**2 935**	**4 975**

Grain elevators lease rights ("DAK Asset")

On 10 January 2003 the Group acquired the right to claim USD 5 369 thousand from the State Joint Stock Company "DAK "Khlib Ukrainy" (hereinafter referred to as the "DAK Debt"). The "DAK Debt" represents amounts initially due by "DAK "Khlib Ukrainy" (hereinafter referred to as the "DAK") to its suppliers of chemical fertilizers, which originally matured for settlement in 1998. The “DAK Debt” was effectively purchased for a consideration of USD 979 thousand.

As "DAK" failed to settle in cash its debt on the last re-scheduled maturity date on 31 January 2003 the parties agreed that the "DAK Debt" would be recovered by granting to the Group the right for operating lease of the property of four grain elevators owned by "DAK" and by set-off of the related rentals payable against the "DAK Debt" for the total nominal amount of USD 4 872 thousand.

The depreciation of the lease terms is as follows:

Assets leased	Storage capacity of leased grain elevators	Maturity	Monthly rental payment
Property of three grain elevators	296 thousand tons of wheat (aggregated)	December 2012	USD 38 thousand (aggregated)
Property of one grain elevator	60 thousand tons of wheat	December 2006	USD 8 thousand

The "DAK Asset" is a non-current asset valued at the present value of the saved rentals payable for the leased property of the "DAK" grain elevators during the agreed lease period. The implicit annual discount rate approximates market interest rate in UAH at inception and equals 16.5%.

Guarantee bank account

The guarantee bank account represents cash kept on interest-free deposit account, maturing in July 2007, at the Belgian bank in order to secure the long-term credit facility obtained from this bank for financing the Group's acquisition of machinery and equipment (Note 17).

Loan to Beneficial Owner

As of 30 June 2006, a loan to the Beneficial Owner in the amount of USD 1 600 thousand, carrying interest of 12% per annum and maturing on 30 June 2011 was included in other non-current assets. As of 30 June 2007, this amount was offset against the amount due to the Beneficial Owner (Note 17).

15. ADVANCES FROM SUPPLIERS AND OTHER CURRENT LIABILITIES

The balances of advances from customers and other current liabilities as of 30 June 2007 and 2006 were as follows:

	30 June 2007	30 June 2006
Advances from customers	3 036	1 960
Obligation under finance lease payable within one year (Note18)	1 389	830
Accrued payroll, payroll related taxes and bonuses	1 584	107
Accounts payable for property, plant and equipment	1 576	11
Provision for unused vacations and other provisions	712	861
Short-term promissory notes issued	372	837
Taxes payable and provision for tax liabilities	266	68
Other current liabilities	-	61
Total	**8 935**	**4 735**

16. SHORT-TERM BORROWINGS

The balances of short-term borrowings as of 30 June 2007 and 2006 were as follows:

	30 June 2007	30 June 2006
Bank credit lines	36 647	22 145
Overdrafts	-	882
Interest accrued on short-term credits	309	108
Interest accrued on long-term credits	461	156
Total	**37 417**	**23 291**

The balances of short-term borrowings as of 30 June 2007 were as follows:

Lender	Interest rate	Loan currency	Maturity	Amount due
Ukrainian bank	12,00%	USD	July 2007	150
Ukrainian bank	12,00%	USD	August 2007	1 746
Ukrainian bank	12,50%	USD	September 2007	212
Ukrainian bank	LIBOR +4,5%	USD	November 2007	34 539
Total bank credit lines				**36 647**
Interest accrued on short-term loans				309
Interest accrued on long-term loans				461
Total				**37 417**

The balances of short-term borrowings as of 30 June 2006 were as follows:

Lender	Interest rate	Loan currency	Maturity	Amount due
Ukrainian bank	12.0%	USD	July-August 2006	1 328
Ukrainian bank	16.0%	UAH	July-August 2006	795
Ukrainian bank	12.0%	USD	October 2006	6 371
Ukrainian bank	16.0%	UAH	December 2006	520
Ukrainian Subsidiary of an European Bank	LIBOR + 6%	USD	September 2006	5 999
Ukrainian Subsidiary of an European bank in association with another European Bank	LIBOR + 6%	USD	July 2006	7 132
Total bank credit lines				**22 145**
European Bank	LIBOR + 8.5%	USD		878
European Bank	LIBOR + 2%	USD		4
Total overdrafts				**882**
Interest accrued on short-term loans				108
Interest accrued on long-term loans				156
Total				**23 291**

As of 30 June 2007 the overall maximum credit limit for short-term bank credit lines and overdrafts amounted to USD 99 800 thousand (as of 30 June 2006: USD 47 365 thousand).

As of 30 June 2007 and 2006 short-term loans from banks were secured as follows:

Assets pledged	30 June 2007	30 June 2006
Property, plant and equipment (Note 11)	31 380	12 890
Inventories (Note 9)	30 008	18 108
Total	**61 388**	**30 998**

In addition, controlling stakes in the following Subsidiaries were pledged to secure the short-term and long-term bank loans (Note 17) of the Group as of 30 June 2007 and 2006:

Name of Subsidiary, in which a stake was pledged

30 June 2007	30 June 2006
CJSC "Poltava oil crushing plant-Kernel Group"	CJSC "Poltava oil crushing plant-Kernel Group"
"Reshetylivka Hliboproduct" CJSC	JSC "Reshetilovski elevator"
"Horol-Elevator" CJSC	JSC "Khorolskiy elevator"
"Globynsky elevator HP" CJSC	JSC "Globinsky elevator kliboproduktiv"
"Galeschina-Agro" CJSC	"Karlivka-Agro" CJSC
"Lazorkovski Elevator" CJSC	"Sagaydak-Agro" CJSC
"Poltavaavtotransservis" CJSC	"Galeschina-Agro" CJSC
JSC "Poltavske khlibopriemalne pidpriemstvo"	"Lazorkovski Elevator" CJSC
"Karlivka-Agro" CJSC	"Novo-Sanzharski elevator" CJSC
"Sagaydak-Agro" CJSC	CJSC "Mirgorodskiy elevator"
"Novo-Sanzharski elevator" CJSC	JSC "Golovanivske hlibopriemalne pidpriemstvo"
CJSC "Mirgorodskiy elevator"	JSC "Pidgorodnanski elevator"
JSC "Golovanivske hlibopriemalne pidpriemstvo"	JSC "Poltavske khlibopriemalne pidpriemstvo"
JSC "Pidgorodnanski elevator"	"Gogoleve-Agro" CJSC
"Gogoleve-Agro" CJSC	"Poltavaavtotransservis" CJSC
CJSC "Semenivski elevator"	CJSC "Selesthchinski elevator"
CJSC "Vovchansk OEP"	CJSC “JSC Selkhoztehnika”
CJSC "Prykolotne OEP"	CJSC "Semenivski elevator"
CJSC "Velykoburlutske HPP"	
CJSC "Gutnansky elevator"	
CJSC "Lykhachivsky KHP"	
CJSC "Shevchenkisky KHP"	
CJSC "Orilske HPP"	
CJSC "Kovyagivske KHP"	
"Poltavaavtotransservis" CJSC	
JSC "Poltavske khlibopriemalne pidpriemstvo"	
CJSC "Lozivske HPP"	
CJSC "Krasnopavlivsky KHP"	

Another owner of these Subsidiaries, the nominal holder of the shares on behalf of the Beneficial Owner additionally pledged its stake in the Group Subsidiaries to secure the short-term and long-term bank loans of the Group as of 30 June 2007 and 2006.

17. LONG-TERM BORROWINGS

The balances of long-term borrowings as of 30 June 2007 and 2006 were as follows:

	30 June 2007	30 June 2006
Long-term bank loans	106 257	51 538
Long-term borrowings from related parties	-	3 685
Less: Current portion of long-term borrowings	(7 018)	(5 655)
Total	**99 239**	**49 568**

Long-term bank loans

The balances of long-term loans as of 30 June 2007 were as follows:

Lender	Type of loan	Interest rate	Loan currency	Maturity	Amount due
Ukrainian bank	Credit line	Libor+5.14%	USD	November 2013	5 714
Ukrainian bank	Credit line	12.0%	USD	June 2010	41 630
Ukrainian bank	Credit line	12.5%	USD	June 2010	6 850
Ukrainian bank	Credit line	12.5%	USD	September 2010	3 033
Ukrainian bank	Credit line	12.5%	USD	November 2010	3 150
Ukrainian bank	Credit line	Libor+5.14%	USD	November 2013	41 924
Ukrainian bank	Credit line	Libor+5.14%	USD	November 2013	3 573
Belgian bank	Term loan	3.98%	USD	July 2007	383
Total					**106 257**

Subsequent to 30 June 2007, the Group was negotiating with Ukrainian and European commercial banks various loans to finance its operating and investment activities (Note 33).

The balances of long-term loans as of 30 June 2006 were as follows:

Lender	Type of loan	Interest rate	Loan currency	Maturity	Amount due
Ukrainian bank	Credit line	12.0%	USD	February 2007	3 332
Ukrainian bank	Credit line	12.0%	USD	August 2008	26 580
Ukrainian bank	Credit line	12.5%	USD	August 2008	6 850
Ukrainian bank	Credit line	15.0%	UAH	November 2010	2 900
Ukrainian bank	Credit line	12.5%	USD	November 2010	5 900
Ukrainian bank	Credit line	12.5%	USD	September 2007	4 066
Belgian bank	Term loan	3.98%	USD	July 2007	1 910
Total					**51 538**

a) Long –term loan from a Belgian Bank

Loan from the Belgian bank was obtained in July 2003 to finance acquisition of machinery and equipment for production of sunflower seed oil and meal. The loan agreement stipulated the Group entering into an agreement with an European customer to sell annually approximately 12 000 tons of sunflower seed oil (hereinafter referred to as the "Off-take Agreement"), to be delivered in quarterly amounts of approximately 3 000 tons, the proceeds of which should be paid on the Security bank account with the Belgian bank. As of 30 June 2006 the loan was secured by:

- Property, plant and equipment with the carrying amount of USD 4 574 thousand (as of 30 June 2006: USD 5 395 thousand) (Note 11) financed by the loan;
- Guarantee bank account in the amount of USD 423 thousand (as of 30 June 2006: USD 423 thousand) (Note 5, 14);
- Security bank account in the amount of USD 412 thousand (as of 30 June 2006: USD 401 thousand) (Note 5);
- Insurance of a Belgian insurance institution and sales proceeds under the Off-take Agreement.

As of 30 June 2007 total quantity of sunflower oil to be supplied after 30 June 2007 under the terms of the Off-take agreement was 750 tons, corresponding to an amount of USD 600 thousand in prices as of 30 June 2007 (Note 30).

b) Long-term loans from Ukrainian Banks

Long-term loans from Ukrainian banks as of 30 June 2007 were represented by revolving and non-revolving credit line facilities from two banks with the overall maximum credit limit of USD 106 000 thousand (as of 30 June 2006: USD 50 149 thousand from two banks).

As of 30 June 2007 and 2006 long-term loans from Ukrainian banks were secured as follows:

Assets pledged	**Carrying amount**	
	30 June 2007	**30 June 2006**
Property, plant and equipment (Note 11)	87 701	51 047
Inventories (Note 9)	1 548	-
Intangible assets (Note 12)	16 614	7 229
Controlling stakes in Subsidiaries (Note 16)	Not quantifiable	Not quantifiable
Total	**105 863**	**58 276**

c) Long-term borrowings from related parties

In June 2007 the amount due to the Beneficial Owner (USD 2 885 thousand) was offset against the amount due from the Beneficial Owner (USD 1 600 thousand) (Note 14, 29).

.

18. OBLIGATIONS UNDER FINANCE LEASE

As of 30 June 2007 and 2006 the major components of finance lease liabilities were as follows:

	Minimum lease payments	**Present value of minimum lease payments**
	30 June 2007	**30 June 2007**
Amounts payable due to the finance lease:		
Within one year	1 857	1 389
Later than one year and not later than five years	3 632	3 185
	5 489	4 574
Less future finance charges	(915)	N/A
Present value of lease obligations	**4 574**	**4 574**
Less: Amount due for settlement within one year (Note 15)		(1 389)
Amount due for settlement after one year		**3 185**

	Minimum lease payments	**Present value of minimum lease payments**
	30 June 2006	**30 June 2006**
Amounts payable due to the finance lease:		
Within one year	1 169	830
Later than one year and not later than four years	5 361	4 565
	6 530	5 395
Less future finance charges	(1 135)	N/A
Present value of lease obligations	**5 395**	**5 395**
Less: Amount due for settlement within one year (Note 15)		(830)
Amount due for settlement after one year		**4 565**

In April-July 2005 CJSC "Poltava oil crushing plant - Kernel Group", a Subsidiary, entered into four finance lease contracts to acquire equipment for production of bottled sunflower oil with an Ukrainian subsidiary of an European bank for the total amount of USD 5 628 thousand.

The finance lease liability is denominated in USD and bears interest rate of 8.25% per annum.

19. CORPORATE BONDS ISSUED

In the period from September to October 2005, "Kernel-Trade" LLC, a Subsidiary, issued corporate bonds denominated in UAH for the equivalent amount of USD 9 892 thousand, repayable in September and October 2008, for series A and B respectively. The bonds bear coupon interest of 16% per annum (14% till October 2006), payable on a quarterly basis.

The interest rate due on bonds is subject to review once a year in September and October. Bondholders have a put option, which can be exercised during 30 days from the date the revised rate is announced (Note 33).

20. INCOME TAX

As of 30 June 2007 and 2006 the major components of deferred tax assets and liabilities were as follows:

	30 June 2007	30 June 2006
Deferred tax assets arising from:		
Tax losses carried forward	2 453	61
Valuation of advances from customers	734	1 028
Valuation of property, plant and equipment	616	-
Valuation of accounts receivable	299	442
Valuation of inventories	-	197
Valuation of accrued expenses and other temporary differences	237	249
Deferred tax asset	**4 339**	**1 977**
Less: valuation allowance	(428)	-
Net deferred tax asset after valuation allowance	**3 911**	**1 977**
Deferred tax liability arising from:		
Valuation of property, plant and equipment	(15 263)	(8 932)
Valuation of intangible assets	(3 660)	(1 793)
Valuation of prepayments to suppliers and prepaid expenses	(2 979)	(621)
Valuation of financial investments	(235)	-
Valuation of inventories	(21)	-
Deferred tax liability	**(22 158)**	**(11 346)**
Net deferred tax liability	**(18 247)**	**(9 369)**

As of 30 June 2007 and 2006 all deferred taxes arose from temporary differences related to assets and liabilities of Subsidiaries located in Ukraine. The corporate income tax rate in Ukraine was 25% as of 30 June 2007 and 2006.

The components of income tax expense for the years ended 30 June 2007 and 2006 were as follows:

	30 June 2007	30 June 2006
Current income tax expenses	614	363
Deferred tax benefit	(2 518)	(438)
Income tax benefit	**(1 904)**	**(75)**

The income tax charge for the years ended 30 June 2007 and 2006 is reconciled to the profit before income tax per consolidated income statement as follows:

	30 June 2007	30 June 2006
Profit/(loss) before income tax	16 692	(31)
Tax at the statutory income tax rate in Ukraine of 25%	4 173	-
Expenditures not allowable for income tax purposes and non-taxable income, net	(6 505)	626
Change in valuation allowance	428	(670)
Income tax benefit	**(1 904)**	**(75)**

21. REVENUE

Revenue for the years ended 30 June 2007 and 2006 was as follows:

	30 June 2007	30 June 2006
Revenue from bulk sunflower oil, cake and meal	159 515	53 265
Revenue from bottled sunflower oil	56 598	33 690
Revenue from oil business services	461	532
Revenue from grain trade	119 248	107 608
Revenue from grain business services	11 098	10 340
Other revenue	3 459	9 807
Total	**350 379**	**215 242**

For the year ended 30 June 2007 revenues from four European customers accounted for approximately 26% of the total revenue (for the year ended 30 June 2006 revenue from four European customers accounted for 31% of the total revenue).

22. COST OF SALES

The cost of sales for the years ended 30 June 2007 and 2006 was as follows:

	30 June 2007	30 June 2006
Cost of goods for resale and raw materials used	243 116	146 632
Payroll and payroll related costs	13 632	9 163
Depreciation of property, plant and equipment	6 511	3 407
Rental payments	725	1 198
Other operating costs	3 368	13 023
Total	**267 352**	**173 423**

23. OTHER OPERATING INCOME

The other operating income for the years ended 30 June 2007 and 2006 was as follows:

	30 June 2007	30 June 2006
Gain arising from changes in fair value attributable to physical changes and to changes in the market price for biological assets (Note 10)	5 921	1 220
Other operating income	1 944	-
Total	**7 865**	**1 220**

24. DISTRIBUTION COSTS

The distribution costs for the years ended 30 June 2007 and 2006 were as follows:

	30 June 2007	30 June 2006
Carriage and freight	33 217	15 750
Marketing and advertising	1 843	1 392
Payroll and payroll related costs	1 325	1 166
Customs expenses	1 256	854
Certification	604	643
Sanitation services	189	235
Depreciation	187	97
Other expenses	342	204
Total	**38 963**	**20 341**

25. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses for the years ended 30 June 2007 and 2006 were as follows:

	30 June 2007	30 June 2006
Payroll and payroll related costs	5 481	4 226
Bank services	987	798
Bad debts expenses	791	767
Amortization and depreciation	847	611
Taxes other than income tax	831	354
Audit, legal and other professional fees	749	634
Rental payments	709	652
Repairs and material costs	632	536
Information expenses and communication services	399	621
Business trip expenses	369	227
Communication expenses	284	260
Insurance	183	127
Other expenses	1 033	872
Total	**13 295**	**10 685**

26. FINANCE COSTS, NET

The finance costs for the years ended 30 June 2007 and 2006 were as follows:

	30 June 2007	30 June 2006
Interest expense on bank loans and corporate bonds	17 993	8 368
Interest expense on borrowings from related parties	315	433
Other finance costs, net	555	502
Total	**18 863**	**9 303**

27. OTHER INCOME/ (EXPENSES), NET

The other income/ (expenses) for the years ended 30 June 2007 and 2006 were as follows:

	30 June 2007	30 June 2006
Income from "DAK Asset"	324	651
Loss on disposal of property, plant and equipment	(1 035)	(159)
Gain on sale of equity investments (Note 28)	427	-
Other expenses, net	(2 027)	(2 302)
Total	**(2 311)**	**(1 810)**

Income from "DAK Asset" for the year ended 30 June 2007 represents change in value of the "DAK Asset" as a result of passage of time and partial realization of the nominal amount of the "DAK Debt", which was not recognized as asset at 30 June 2006, by additional set-offs with "DAK" (Note 14).

28. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The following entities were acquired during the year ended 30 June 2007:

Subsidiary	Principal Activity	Country of Incorporation	Acquisition date	Group's Effective Ownership Interest as of 30 June 2007
CJSC "Vovchansk OEP"	Production plants. Production of sunflower oil and meal.	Ukraine	16 February 2007	98.8%
CJSC "Prykolotne OEP"		Ukraine	01 December 2006	69.9%
CJSC "Prykolotnyanska oliya"		Ukraine	01 December 2006	0.0%
CJSC "Bogodukhivske HPP"	Grain elevators. Provision of on cleaning, drying and grain storage services.	Ukraine	01 December 2006	Disposed of.
CJSC "Velykoburlutske HPP"		Ukraine	01 December 2006	99.8%
CJSC "Vlasivskiy KHP"		Ukraine	01 December 2006	99.8%
"Vlasivske" LTD		Ukraine	01 December 2006	Disposed of.
CJSC "Gutnansky elevator"		Ukraine	01 December 2006	99.8%
CJSC "Lykhachivsky KHP"		Ukraine	01 December 2006	99.8%
CJSC "Zolochivske HPP"		Ukraine	01 December 2006	Disposed of.
CJSC "Shevchenkisky KHP"		Ukraine	01 December 2006	99.8%
CJSC "Orilske HPP"		Ukraine	01 December 2006	99.8%
CJSC "Kovyagivske KHP"		Ukraine	01 December 2006	99.8%
CJSC "Kegychivske HPP"		Ukraine	01 December 2006	Disposed of.
CJSC "Vovchansky KHP"		Ukraine	01 December 2006	99.8%
CJSC "Lozivske HPP"	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	01 December 2006	99.8%
CJSC "Krasnopavlivsky KHP"		Ukraine	01 December 2006	99.8%
LLC "Agrofirma "Krasnopavlivska"		Ukraine	01 December 2006	0.0%

These acquisitions have been fully consolidated starting from the acquisition dates. Fair value of assets, liabilities and contingent liabilities were as follows:

Acquired net assets:	
Cash	1 067
Short term securities held-to-maturity	552
Trade accounts receivable, net	2 048
Prepayments to suppliers and other current assets, net	1 806
Taxes recoverable and prepaid, net	173
CIT prepayments	96
Inventory	5 352
Biological assets, current	34
Property, plant and equipment, net (Note 11)	72 466
Intangible assets, net (Note 12)	9 466
Long term securities held-to-maturity	665
Biological assets, non-current	29
Deferred tax assets	141
Other non-current assets	1 279
Trade accounts payable	(4 027)
Advances from customers and other current liabilities	(1 393)
CIT liabilities	(4)
Short-term borrowings	(3 220)
Long-term borrowings	(6 761)
Deferred tax liabilities	(10 436)
Fair value of net assets of acquired Subsidiaries	**69 333**
Minority interest of acquired Subsidiaries	(8 124)
Fair value of acquired net assets	61 209
Goodwill (Note 13)	8 521
Total cash considerations paid	**69 730**
Less: acquired cash	(1 067)
Net cash outflow from acquisition of Subsidiaries	**68 663**

The following entities were disposed of during the year ended 30 June 2007:

Subsidiary	Principal Activity	Country of Incorporation	Disposal date
Kernel Group International LLC	Former holding company.	USA	26 June 2007
Inerco UK LLP	Trade of sunflower oil, meal and grain.	Great Britain	26 June 2007
"Kernel-Yug" LLC	Dormant company.	Russia	31 December 2006
CJSC "MZRM - Striletskaya Step"	Production plants. Production of sunflower oil and meal.	Ukraine	15 May 2007
"Kernel-Vostok" LLC	Trade of bottled sunflower oil, Russia.	Russia	26 June 2007
CJSC “JSC Selkhoztehnika”	Provision of transport services to Group companies.	Ukraine	21 May 2007.
CJSC "Selesthchinski elevator"	Grain elevators. Provision of cleaning, drying and grain storage services.	Ukraine	19 April 2007
"Bobrynetsky elevator LTD"		Ukraine	25 April 2007.
LLC "Zhytnitsa"		Ukraine	15 May 2007
LLC "Krivoy Rog hleboproduct"		Ukraine	31 December 2006
LLC "Krasnograd hleboproduct"		Ukraine	31 December 2006
LLC "Belovodskiy elevator"		Ukraine	26 June 2007
CJSC "Bogodukhivske HPP"		Ukraine	15 June 2007
“Vlasivske” LTD		Ukraine	17 May 2007
CJSC "Kegychivske HPP		Ukraine	23 March 2007
CJSC "Zolochivske HPP"		Ukraine	27 June 2007

Disposed subsidiaries had been previously fully consolidated. Fair value of assets, liabilities and contingent liabilities was as follows:

Assets disposed of, net:	
Cash	238
Trade accounts receivable, net	611
Prepayments to suppliers and other current assets, net	269
Taxes recoverable and prepaid, net	326
Inventory	693
Property, plant and equipment, net (Note 11)	10 326
Other non-current assets	161
Trade accounts payable	(1 013)
Advances from customers and other current liabilities	(854)
Deferred tax liabilities	(275)
Fair value of assets of disposed Subsidiaries, net	**10 482**
Minority interest of disposed Subsidiaries	**(527)**
Fair value of disposed assets, net	**9 955**
Gain on disposal of Subsidiaries (Note 27)	**427**
Total cash consideration received	**10 382**
Less: cash from assets disposed of, net	(238)
Less: accounts receivable of Subsidiaries disposed of, net	(1 210)
Net cash inflow from Subsidiaries disposed of	**8 934**

KERNEL
GROUP OF COMPANIES

29. TRANSACTIONS WITH RELATED PARTIES

Related parties are the Beneficial Owner, companies under common control of the Beneficial Owner and the Group's key management personnel.

The Group had the following balances outstanding with related parties as of 30 June 2007 and 2006:

	Related party balances as of 30 June 2007	**Total category as per consolidated balance sheet as of 30 June 2007**	**Related party balances as of 30 June 2006**	**Total category as per consolidated balance sheet as of 30 June 2006**
Trade accounts receivable, net, (Note 6)	38	9 828	-	9 052
Prepayments to suppliers and other current assets, net, (Note 7)	218	8 567	66	7 376
Other non-current assets (Note 14)	-	2 935	1 600	4 975
Trade accounts payable	23	5 809	-	829
Advances from customers and other current liabilities (Note 15)	13	8 935	-	4 735
Current portion of long-term borrowings (Note 17)	-	7 018	369	5 655
Long-term borrowings (Note 17)	-	99 239	3 316	49 568
Subordinated loan	7 532	7 532	-	-

Transactions with related parties for the years ended 30 June 2007 and 2006 were as follows:

	Amount of operations with related parties, for the year ended 30 June 2007	**Total category per consolidated income statement for the year ended 30 June 2007**	**Amount of operations with related parties, for the year ended 30 June 2006**	**Total category per consolidated income statement for the year ended 30 June 2006**
Revenue (Note 21)	152	350 379	13 410	215 242
General, operational, administrative and distribution expenses (Note 24, 25)	757	52 258	7 743	31 026
Finance costs (Note 26)	315	18 863	433	9 303
Other (expenses) /income, net (Note 27)	29	(2 311)	(2 300)	(1 810)

a) During the year ended 30 June 2007 the Group purchased raw materials and goods for resale from related parties for the amount of USD 671 thousand (year ended 30 June 2006: USD 784 thousand).

b) During the year ended 30 June 2007 the Group's ownership interest changed in a number of Subsidiaries (Note 1). The changes resulted in an increase in minority interest for an amount of USD 613 thousand. This increase in minority interest was reflected as a decrease of additional paid-in capital in the consolidated statement of changes in shareholders' equity (During the year ended 30 June 2006 the Beneficial Owner increased the Group's ownership interest in a number of Subsidiaries by effectively free-of-charge acquisition of shares in these Subsidiaries from the nominal shareholders, which resulted in decrease of the balance of minority interest for an amount of USD 8 606 thousand).

c) As discussed in Notes 14 and 17, in June 2007 USD 2 885 thousand owed by the Group to the Beneficial Owner was set off against the loan with carrying amount of USD 1 600 thousand granted by the Group to the Beneficial Owner. As a result of this transaction the Group recognized USD 1 285 thousand as a contribution of additional paid-in capital in the consolidated statement of changes in shareholders' equity for the year ended 30 June 2007.

d) During the year ended 30 June 2007 no withdrawal by the Beneficial Owner has been made. During the year ended 30 June 2006 the Beneficial Owner made a withdrawal amounting to USD 879 thousand which was reflected in movement of retained earnings in the consolidated statement of changes in shareholders' equity for the year ended 30 June 2006.

e) In November 2006, as part of a financing transaction including subscription of shares in Kernel Holding S.A., the Group obtained a subordinated non-interest bearing loan expressed in EUR from Evergreen Financial Limited. While the loan matures on 31 December 2008, it is repayable in March 2008 if the New Nominal Owner chooses to exercise his call option in respect of the 14,20% shareholding held by Evergreen Financial Limited in Kernel Holding S.A..

f) During the year ended 30 June 2007 the Group paid compensation to top management in the amount of USD 539 thousand (year ended 30 June 2006: USD 472 thousand).

Transactions with related parties are performed on terms that would not necessarily be available to unrelated parties.

30. COMMITMENTS AND CONTINGENCIES

Operating Environment - The principal business activities of the Group are in Ukraine. Laws and regulations affecting businesses operating in Ukraine are subject to rapid changes. As a result, the Group's assets and operations could be at risk if there were any adverse changes in the political and business environments.

Taxation - Ukrainian tax authorities are increasingly directing their attention to the business community. As a result, the Ukrainian tax environment is often changing and subject to inconsistent application, interpretation and enforcement. Non-compliance with Ukrainian laws and regulations can lead to the imposition of severe penalties and penalty interest.

It should be noted that the Group was involved in transactions that may be interpreted by the tax authorities in a way different from that of the Group and additional tax charges and penalties may be imposed. Despite the fact that the most significant tax returns of the Group companies for the said periods were reviewed by the tax authorities without any significant disputes or additional tax charges, they are still open for further review. In accordance with the current legislation, tax returns remain open and subject to examination for a three-year period after their submission, however, in certain cases this limitation does not apply.

Future tax examinations could raise issues or assessments which are contrary to the Group tax filings. Such assessments could include taxes, penalties and interest, and these amounts could be material. While the Group believes it has complied with Ukrainian tax legislation, there have been many new tax and foreign currency laws and related regulations introduced in recent years which are not always clearly written.

Retirement and Other Benefit Obligations - Most employees of the Group receive pension benefits from the Pension Fund, an Ukrainian Government organization in accordance with the applicable laws and regulations. The Group is required to contribute a specified percentage of the payroll to the Pension Fund to finance the benefits. The only obligation of the Group with respect to this pension plan is to make the specified contributions.

As of 30 June 2007 and as of 30 June 2006 the Group was not liable for any significant supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

Legal Issues - The Group is involved in litigation and other claims that are in the ordinary course of its business activities. Management of the Group believes that the resolution of such legal matters will not have a material impact on its financial position.

"DAK Asset" - As discussed in Note 14 the "DAK Asset" is a non-current asset valued at the present value of the saved rentals payable for the leased property of "DAK" grain elevators during the agreed lease period and amounts to USD 1 981 thousand as of 30 June 2007 (as of 30 June 2006: USD 2 344 thousand).

"DAK" is a State company, which has been loss-making for a number of years. In October 2005 the Chief Executive Officer of "DAK" announced "DAK" insolvent and as a result the State authorities are currently considering reorganization or privatization of "DAK". One of the suggested actions within the reorganization procedures under consideration include initiation of court proceedings aimed at termination of "DAK" agreements on lease of its grain elevators.

In addition, the Law "On restoring solvency of a debtor or declaring it a bankrupt" ("the Law on Bankruptcy") stipulates a process of sanation within bankruptcy procedures as one of the procedures aimed at restoring solvency of a debtor. The Law on Bankruptcy also stipulates under certain conditions the right of the appointed sanation manager to initiate court proceedings aimed at termination of agreements between the debtor and its counterparties.

Accordingly, should the State authorities finally opt to reorganize "DAK" or should the bankruptcy procedures and subsequently sanation of "DAK" be initiated there is a risk that the lease agreements between "DAK" and the Group will be terminated which will result in provision for impairment for the "DAK Asset" and this provision could be material.

Contingent Liability Related to Government Assistance Programs - During 1995-1999 the State Treasury of Ukraine through the State Reserve of Ukraine, local state administrations and "DAK" (collectively "State representative bodies") implemented government assistance/loan programs ("Government assistance programs") to support collective agricultural farms ("Agricultural farms"). According to these programs, the grain elevators acted as state agents responsible for delivery of goods (fuel, fertilizers, grain seeds, etc.) from the State representative bodies to Agricultural farms and subsequent receipt of grain products from Agricultural farms as a settlement of their liabilities to the State representative bodies. Under a number of Government assistance programs some grain elevators were also obliged to sign direct purchase agreements with the State representative bodies and the corresponding direct sale agreements with Agricultural farms and, accordingly, were obliged to account for these transactions on their balance sheets.

As a result of such Government assistance programs, total liabilities to State representative bodies, recorded in the statutory accounting registers and off-balance sheet records of grain elevators of the Group amounted to USD 1 133 thousand as of 30 June 2007 and 2006. The current Ukrainian legislation is uncertain in determining whether the liabilities under such Government assistance programs are to be repaid by the grain elevators involved or not and, therefore, there is a possibility that the State representative bodies may claim the repayment of the total amount of these liabilities in the amount of USD 1 133 thousand from the Group's grain elevators.

Capital Commitments – As of 30 June 2007 the Group had a commitment to purchase a 30% shareholding in CJSC "Prykolotne OEP" for an amount of EURO 2 054 thousand, such amount to be paid latest 31 December 2007. As of 30 June 2006 the Group had no capital commitments.

Contractual Commitments on Sales - As of 30 June 2007 the Group had entered into commercial contracts for export of 50 530 tons of sunflower oil and meal, corresponding to an amount of USD 24 264 thousand in prices as of 30 June 2007 (Note 17). As of June 30, 2006 the Group had entered into commercial contracts for the export of 3,000 tons of oil corresponding to an amount of USD 1 800 thousand.

Operating Leases - As of 30 June 2007 and 2006 the Group had outstanding commitments under non-cancellable operating lease agreements which all fall due as follows:

Lease term	Future minimum lease payments as of 30 June 2007	Future minimum lease payments as of 30 June 2006
Less than 1 year	2 264	1 424
From 1 to 5 years	5 168	4 078
More than 5 years	590	1 306
Total	**8 022**	**6 808**

Operating lease payments mainly represent rentals payable by the Group for "DAK" grain elevators and equipment (Note 14), office premises and land in Ukraine. Rentals for land are determined in accordance with Ukrainian legislation.

31. RISK MANAGEMENT POLICIES

Management of risk is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit risk exposures, market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

Credit Risk - The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one customer, or groups of customers. Limits on the level of credit risk by customer are approved on a regular basis by the management of the Group.

Currency Risk - Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The management of the Group sets limits on the level of exposure by currencies.

Interest Rate Risk - Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. Currently, the Group mitigates interest rate risk by borrowing partially at fixed rates.

Liquidity Risk - The Group's objective is to maintain a balance between continuous funding and flexibility in the use of bank loan funds and settlements with suppliers. In accordance with the Group's plans its demand in working capital will be satisfied mainly by cash inflows generated by operating activities. The Group may also use loan funds unless proceeds from operating activities are sufficient for appropriate settlement of liabilities.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS No. 32 "Financial Instruments: Disclosure and Presentation" and IAS No. 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument. As of 30 June 2007 and 2006 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash - for these short-term instruments the carrying amount is a reasonable estimate of fair value.

Trade and Other Accounts Receivable - The carrying amount of trade and other accounts receivable is considered a reasonable estimate of their fair value as the allowance for estimated irrecoverable amounts is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

Trade and Other Accounts Payable - The carrying amount of trade and other accounts payable is a reasonable estimate of their fair value.

Short-term Borrowings - For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Long-term Bank Borrowings - The carrying amount of long-term bank borrowings is considered a reasonable estimate of their fair value as the nominal interest rate on long-term bank borrowings is considered to be a reasonable approximation of the fair market rate with reference to loans with similar credit risk level and maturity period at the reporting date.

Long-term Loans from Related Parties - The carrying amount of long-term loans from related parties equals their fair value.

33. SUBSEQUENT EVENTS

a) Until 31 July 2007 the Holding fell under the 1929 Holding Company Regime ("Holding 29"), whereby Luxembourg pure holding companies benefit from a privileged tax status subject to certain conditions. From 01 August 2007, following a resolution of the Shareholders meeting dated 31 July 2007, the Holding has changed its legal status from Holding 29 to Soparfi (Société de Participation Financière). A Soparfi is an ordinary taxable company in Luxembourg, subject to tax in Luxembourg on its worldwide income and worldwide wealth, but benefiting from the favourable participation exemption, tax treaties concluded by Luxembourg and EU Directives. The above mentioned Decision of Shareholders also changed the measurement currency of the Holding from EURO to USD and nominal value of shares was abolished.

b) In July 2007 "Kernel Trade" LLC, a Subsidiary, obtained an exclusive right to produce bottled oil under the trademark "Chumak" and also acquired the trademarks "Zolota" and "Domashnya". The total consideration paid was USD 13 500 thousand. The Group is in process of determining the fair value of the assets acquired.

c) Subsequent to 30 June 2007 the Group negotiated with Ukrainian and European commercial banks short-term and long-term credit facilities to finance its investing activities for an amount of USD 13 500 thousand and to finance its operating activities for the overall maximum credit limit of USD 40 000 thousand and pledged its inventory, property, plant and equipment, and property rights for sales agreements to secure these loan facilities.

d) Subsequent to 30 June 2007, "Kernel-Trade" LLC, a Subsidiary, issued corporate bonds denominated in UAH for the total equivalent amount of USD 19 800 thousand and repayable in September 2010. The bonds bear coupon interest of 14% per annum, payable on a quarterly basis, and guaranteed by Inerco Trade S.A. and "Kernel Capital" LLC, Subsidiaries. The interest rate due on bonds is subject to review once a year in September. Bondholders have a put option, which can be exercised during 30 days from the date the revised rate is announced.

e) In October 2007, "Kernel-Trade" LLC, a Subsidiary, revised the annual rate of interest paid by bonds issued in the period from September to October 2005. Bondholders did not exercise their right to redeem the bonds following the adjustment in interest rate (Note 19).