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Financial and Production highlights.

- Listing on Warsaw Stock Exchange in November 2007, raising $161 Mio for the company (before IPO expenses).
- Net income has increased 544% compared to the first half of the previous financial year.
- Revenue increased 94% compared to 1H of the previous financial year, the increase reflecting the significant increase in oilseed processing of the Group, as well as the strong prices for sunflower oil and grain.

	1H 2007	1H 2008
Crushing of sunflower seeds, MT	236 898	295 285
Oil refined volume, MT	54 204	61 530
Bottled oil, produced, MT	33 210	46 741

Andrey Verevskyy, Chairman of the Board, stated:

"I am pleased to report good results for the first six month period of the current financial year. Our strong performance was made possible through a combination of increased processing capacity in our edible oil business, continued focus on operational efficiency and overall strong prices in soft commodities. There appears to be a wide consensus that present market conditions are set to continue well into 2008 and beyond. Our expansion plans will enable us to capitalize on such market trend as well as on the development of the agricultural sector in Ukraine.

Market Environment

The current year is an outstanding year for the global agribusiness. Prices of soft commodities rose sharply, buoyed by strong demand, regional crop production shortages, higher energy prices and biofuels production. In that environment the Group's oilseed processing activity performed well, while volumes in our grain activity suffered from the ban imposed on grain exports from Ukraine.

In February 2008, export licenses for grain were allocated to various exporters. Our Company was allocated one of the largest licenses, equivalent to c.11% of the total volume allowed to be exported from Ukraine. On 25 April 2008, the Ukrainian government, expecting a sizable 2008 harvest, decided to increase the export quotas for wheat and barley. The wheat export quota has been increased from 200,000 tons to 1.2 million tons, and the barley export quota from 400,000 tons to 900,000 tons. Both quotas are valid until 1 July 2008. Licenses to export these additional volumes of wheat and barley are expected to be allocated to the various operators around mid-May. As to corn, limitations on export volumes were lifted on 28 March 2008, upon the condition that each corn export contract be registered with the Ministry of Economy of Ukraine. The latest developments on grain quotas will help us deliver the announced estimated results for the current financial year, with our grain activity expected to perform substantially better in the 2nd half than in the 1st half of our current financial year.

On 16 April 2008, following the introduction of oil export quotas, licenses to export sunflower oil were allocated by the Ukrainian government to various oil producers. Kernel received an allocation to export up to 89,5 thousand MT of oil, which fully covers our needs in terms of export of sunflower oil.

Results

Our revenues for the 6 months ended 31 December 2007 have increased from USD 129 Mio to USD 250 Mio, a 94% increase over the first half of our previous financial year. Pre-tax profit increased by 939% to

$24 million ($2,3 million for the same period last year). Margins have also improved significantly, our operating margin increasing from 7.9% for the 6 month period of the previous financial year to 15,8% for the current reporting period, and our net profit margin, increasing from 2. 5% to 8.2%.

As we described in the report for the second quarter on the current financial year, the increase in our processing capacities, as well as the level of soft commodity prices, have strongly impacted the level of inventories, increasing from $83 million as of 31 December 2006 to $256 million as of 31 December 2007. For the same reasons, taxes prepaid have increased from $21 million as of 31 December 2006 to $67 million as of 31 December 2007. Price risk management policies of our Company have performed well, with bottled oil sales and contracts for future delivery of bulk oil and meal covering 70% of our inventories as of 31 December 2007, allowing us to manage price risk and to be confident in the financial results of the current year.

The substantial increase in inventory has led to an increase in short-term financing from $80 million as of 31 December 2006 to $135 million as of 31 December 2007.

Cash-flow from operations will traditionally be negative in the first half of our financial year due to seasonality in inventories. The increase in negative operating cash flow as of 31 December 2007 is a direct consequence of strong commodity prices and increased processing capacities.

Despite the increase in inventories, we have managed to keep our financial costs at the same level of revenue percentagewise (c.6% for first half of financial years 2006 and 2007).

Major projects development and Company strategy

As we declared prior to the listing of Kernel on the Warsaw Stock Exchange, our Company is undertaking major development programs to increase its crushing capacity.

We successfully increased the capacity of the Volchansk crushing plant from 170 thousand tons/year of sunflower seeds crushing capacity to 330 thousand tons/year. We have also recently concluded contracts with prime suppliers of crushing equipment to be installed at our Poltava plant. As to our green field multi-seed plant under construction, we are making steady progress and expect commissioning as planned in the fall of 2009. A long-term credit agreement for USD 52 mio was signed to finance the construction partially through debt.

The Company is also actively working on securing port storage and trans-shipment facilities for soft commodities, thereby considerably enhancing its capacity to manage grain export operations. We believe our efforts to include the port facilities in our operations should bear fruit in the near term.

We are also significantly expanding our farming operations. As a result of the share offering on 12 March 2008, the Company raised 84 million USD of additional equity before fees and expenses, specifically to increase our farming activity in Ukraine and this is our priority for the moment. Since 1 January 2008 we increased the land bank from 30 thousand hectares to 56 thousand hectares and our aim is to increase up to 150 thousand hectares by the end of the calendar year.

Globally, our Company is on track to implement the strategy outlined in the fall of 2007. Both our investments in additional and new crushing capacity, and our efforts to secure port facilities have been initiated in time to capitalize of the strong trends witnessed in soft commodities. On the back of such trends, the development of our farming operations will add not only a stable supply base to our agribusiness and edible oil operations, integrated in our present value chain, but also provide new pricing power to the Company.

	thousand USD		thousand zloty		thousand EUR	
SELECTED FINANCIAL DATA	**6 month period ended 31.12.2007**	**6 month period ended 31.12.2006**	**6 month period ended 31.12.2007**	**6 month period ended 31.12.2006**	**6 month period ended 31.12.2007**	**6 month period ended 31.12.2006**
I. Revenue	250 420	129 254	661 434	393 408	177 698	100 813
II. Operating profit/(loss)	39 561	10 200	104 492	31 046	28 073	7 956
III. Profit/(loss) before income tax	23 948	2 306	63 254	7 019	16 994	1 799
IV. Net profit/(loss)	20 667	2 350	54 588	7 153	14 665	1 833
V. Net cash flow from operating activity	- 265 250	- 59 468	- 700 605	- 181 002	- 188 222	- 46 383
VI. Net cash flow from investment activity	- 22 567	- 48 665	- 59 606	- 148 121	- 16 014	- 37 957
VII. Net cash flow from financial activity	271 613	106 674	717 411	324 681	192 737	83 201
VIII. Total net cash flow	- 16 204	- 1 509	- 42 800	- 4 594	- 11 498	- 1 177
IX. Total assets	562 632	295 821	1 370 009	860 987	382 470	224 730
X. Current liabilities	172 787	98 357	420 736	286 268	117 458	74 720
XI. Non-current liabilities	146 886	129 175	357 667	375 964	99 851	98 132
XII. Subordinated loan	-	7 532	-	21 922	-	5 722
XIII. Share capital	1 673	1 232	4 074	3 586	1 137	936
XIV. Total equity	242 959	60 757	591 605	176 833	165 161	46 156
XV. Number of shares	63 341 000	9 334	63 341 000	9 334	63 341 000	9 334
XVI. Profit/(loss) per ordinary share (in USD/zloty/EUR)	0,33	343	0,86	1 045	0,22	268
XVII. Diluted number of shares	68 741 000	-	68 741 000	-	68 741 000	-
XVIII. Diluted profit/(loss) per ordinary share (in USD/zloty/EUR)	0,30	-	0,79	-	0,44	-
XIX. Book value per share (in USD/zloty/EUR)	3,76	5 100,06	9,15	14 843,74	2,55	3 874,44
XX. Diluted book value per share (in USD/zloty/EUR)	3,46	-	8,43	-	2,35	-

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MANAGEMENT STATEMENT

This statement is provided to confirm that LLP BAKER TILLY UKRAINE and Réviseur d'Entreprises Jean Bernard Zeimet have been appointed in accordance with the applicable laws and performed the review of the condensed consolidated financial statements of Kernel Holding S.A. for the six month period ended 31 December 2007, and that the entities and the accountants performing the review met the conditions necessary to issue an impartial and independent report on the review in accordance with International Standards on Auditing.

April 10, 2008

On behalf of the Management

Patrick Conrad	Anastasiia Usachova
Director	Director

Kernel Holding S.A. and Subsidiaries

Condensed Consolidated Financial Statements

For the 6 Months Ended 31 December 2007

BAKER TILLY
UKRAINE

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the board of Directors of
KERNEL HOLDING S.A.
65, Boulevard Grande-Duchesse Charlotte
L-1331 Luxembourg

Introduction

We have reviewed the accompanying consolidated balance sheet of KERNEL HOLDING S.A. and its Subsidiaries (collectively - the "Kernel Group" or the "Group") as of December 31, 2007 and the related statements of income, changes in equity and cash flows for the six-month period ended December 31, 2007, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information does not give a true and fair view of the consolidated financial position of the entity as at December 31, 2007, and of its financial performance and its cash flows for the six-month period ended December 31, 2007, in accordance with International Financial Reporting Standards.

Kyiv, Ukraine
April 23, 2008

General Director
Alexander Pochkun
LLP BAKER TILLY UKRAINE
Independent member of Baker Tilly International
Registration with Ukrainian Chamber
of Audit number 2091 of January 26, 2006.

«БЕЙКЕР ТІЛЛІ УКРАЇНА»

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

KERNEL
GROUP OF COMPANIES

MANAGEMENT REPRESENTATION LETTER

LLC BAKER TILLY UKRAINE
Independent member of Baker Tilly International
Turhenevska 71, Kyiv,
Ukraine, 04050

This representation letter is provided in connection with your review of the consolidated balance sheet of KERNEL HOLDING S.A. and its Subsidiaries (collectively - the "Kernel Group" or the "Group") as of December 31, 2007 and the related consolidated statements of income, changes in equity and cash flows for the 6 month period ended for the purposes of expressing a conclusion whether anything has come to your attention that causes you to believe that the interim financial information is not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS).

We acknowledge our responsibility for the preparation and presentation of the interim condensed consolidated financial information in accordance with IFRS.

We acknowledge our responsibility for the fair presentation of the interim condensed consolidated financial information in accordance with IFRS.

We confirm, to the best of our knowledge and belief, the following representations:

The interim condensed consolidated financial information referred to above has been prepared and presented in accordance with IFRS.

We have made available to you all books of account and supporting documentation, and all minutes of meetings of shareholders and the board of directors.

There are no material transactions that have not been properly recorded in the accounting records underlying the interim condensed consolidated financial information.

There has been no known actual or possible noncompliance with laws and regulations that could have a material effect on the interim condensed consolidated financial information in the event of noncompliance.

We acknowledge responsibility for the design and implementation of internal control to prevent and detect fraud and error.

We have disclosed to you all significant facts relating to any known frauds or suspected frauds that may have affected the entity.

We have disclosed to you the results of our assessment of the risk that the interim condensed consolidated financial information may be materially misstated as the result of fraud.

We believe the effects of uncorrected misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the interim condensed consolidated financial information taken as a whole.

We confirm the completeness of the information provided to you regarding the identification of related parties.

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The following have been properly recorded and, when appropriate, adequately disclosed in the interim condensed consolidated financial information:

Related party transactions, including sales, purchases, loans, transfers, leasing arrangements and guarantees, and amounts receivable from or payable to related parties;

Guarantees, whether written or oral, under which the entity is contingently liable; and

Agreements and options to buy back assets previously sold.

The presentation and disclosure of the fair value measurements of assets and liabilities are in accordance with IFRS. The assumptions used reflect our intent and ability to carry specific courses of action on behalf of the entity, where relevant to the fair value measurements or disclosure.

We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the interim condensed consolidated financial information.

We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of realizable value.

The entity has satisfactory title to all assets and there are no liens or encumbrances on the entity's assets.

We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that may require adjustment to or disclosure in the aforementioned interim financial information.

On behalf of the Management

Verevskiy Andrey
Chairman of the Board

Usachova Anastasiia
CFO

Kyiv, Ukraine
April 10, 2008

KERNEL HOLDING S.A. AND SUBSIDIARIES

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KERNEL HOLDING S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2007

(in US dollars and in thousands unless otherwise stated)

	Notes	31 December 2007	30 June 2007	31 December 2006
ASSETS				
CURRENT ASSETS:				
Cash	5	16 391	25 253	7 636
Trade accounts receivable, net	6, 29	36 050	9 828	21 288
Prepayments to suppliers and other current assets, net	7, 29	16 310	8 567	10 072
Taxes recoverable and prepaid, net	8	67 223	22 485	20 576
Inventory	9	256 372	40 163	83 442
Biological assets	10	1 919	9 672	1 373
Total current assets		**394 265**	**115 968**	**144 387**
NON-CURRENT ASSETS:				
Property, plant and equipment, net	11	126 431	127 865	120 988
Intangible assets, net	12	30 523	16 821	16 854
Goodwill	13	6 410	11 491	8 762
Other non-current assets	14, 29	5 003	2 935	4 830
Total non-current assets		**168 367**	**159 112**	**151 434**
TOTAL ASSETS		**562 632**	**275 080**	**295 821**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Trade accounts payable	29	7 213	5 809	4 233
Advances from customers and other current liabilities	15, 29	7 951	8 935	8 163
Short-term borrowings	16	135 151	37 417	80 394
Short-term corporate bonds	19	9 900		-
Current portion of long-term borrowings	17, 29	12 572	7 018	5 567
Total current liabilities		**172 787**	**59 179**	**98 357**
NON-CURRENT LIABILITIES:				
Long-term borrowings	17, 29	103 577	99 239	100 877
Obligations under finance lease	18	2 362	3 185	3 871
Long-term corporate bonds	19	19 868	9 937	8 464
Deferred tax liabilities	20	21 079	18 247	15 963
Total non-current liabilities		**146 886**	**130 608**	**129 175**
SUBORDINATED LOAN	29	-	7 532	7 532
COMMITMENTS AND CONTINGENCIES	30			
EQUITY ATTRIBUTABLE TO KERNEL HOLDING S.A.SHAREHOLDERS				
Share capital		1 673	1 232	1 232
Share premium reserve		154 975	2 608	2 608
Additional paid-in capital		39 944	39 944	39 272
Retained earnings		41 463	20 826	4 492
Total equity attributable to Kernel Holding S.A. shareholders		**238 055**	**64 610**	**47 604**
MINORITY INTEREST		4 904	13 151	13 153
Total equity		**242 959**	**77 761**	**60 757**
TOTAL LIABILITIES AND EQUITY		**562 632**	**275 080**	**295 821**
Book value		238 055	64 610	47 604
Number of shares	3	63 341 000	9 334	9 334
Book value per one share (in USD)		**3,76**	**6 922,01**	**5 100,06**
Diluted number of shares	33	68 741 000		-
Diluted book value per share (in USD)		**3,46**		**-**

On behalf of the Board

Andrey Verevskiy ________________________ Anastasiia Usachova______________________

Chairman of the Board CFO

The notes on pages 8 to 44 form an integral part of these condensed consolidated financial statements.

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KERNEL HOLDING S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR THE 6 MONTHS ENDED 31 DECEMBER 2007

(in US dollars and in thousands unless otherwise stated

	Notes	6 months ended 31 December 2007	6 months ended 31 December 2006
REVENUE	21, 29	250 420	129 254
COST OF SALES	22	(189 793)	(102 981)
GROSS PROFIT		**60 627**	**26 273**
OTHER OPERATIONAL INCOME	10, 23	4 246	1 980
OPERATING EXPENSES:			
Distribution costs	24, 29	(17 235)	(12 460)
General and administrative expenses	25, 29	(8 077)	(5 593)
TOTAL OPERATING EXPENSES		**(25 312)**	**(18 053)**
OPERATING PROFIT		**39 561**	**10 200**
Finance costs, net	26	(14 268)	(6 665)
Foreign exchange (loss)/gain, net		(1 757)	(318)
Other (expenses)/income, net	27	412	(911)
PROFIT/ (LOSS) BEFORE INCOME TAX		**23 948**	**2 306**
INCOME TAX	20	(3 281)	44
NET PROFIT		**20 667**	**2 350**
NET PROFIT/(LOSS) ATTRIBUTABLE TO:			
Shareholders of Kernel Holding S.A.		**20 637**	**3 205**
Minority interest		**30**	**(855)**
Number of shares	3	63 341 000	9 334
Profit/(loss) per ordinary share (in USD)		**0,33**	**343,37**
Diluted number of shares	33	68 741 000	-
Diluted profit/(loss) per ordinary share (in USD)		**0,30**	**-**

On behalf of the Board

Andrey Verevskiy _________________________
Chairman of the Board

Anastasiia Usachova_______________________
CFO

The notes on pages 8 to 44 form an integral part of these condensed consolidated financial statements.

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KERNEL HOLDING S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE 6 MONTHS ENDED 31 DECEMBER 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 2006	**964**	**-**	**39 425**	**1 287**	**41 676**	**5 880**	**47 556**
Acquisition/ Disposal of Subsidiaries	-	-	-	-	**-**	8 124	**8 124**
Increase of share capital	176	2 602	-	-	**2 778**	-	**2 778**
Effect of foreign exchange differences	92	6	(153)	-	**(55)**	4	**(51)**
Net profit	-	-	-	3 205	**3 205**	(855)	**2 350**
Balance at 31 December 2006	**1232**	**2 608**	**39 272**	**4 492**	**47 604**	**13 153**	**60 757**
Effect of changes on minority interest	-	-	(613)	-	**(613)**	613	**-**
Acquisition/ Disposal of Subsidiaries	-	-	-	-	**-**	(527)	**(527)**
Shareholders' loans set-off effect	-	-	1285	-	**1 285**	-	**1 285**
Net profit	-	-	-	16 334	**16 334**	(88)	**16 246**
Balance at 30 June 2007	**1 232**	**2 608**	**39 944**	**20 826**	**64 610**	**13151**	**77 761**
Effect of changes on minority interest	-	-	-	-	**-**	(8 161)	**(8 161)**
Increase of share capital	441	160 997	-	-	**161 438**	-	**161 438**
Acquisition/ Disposal of Subsidiaries	-	-	-	-	**-**	(116)	**(116)**
Issued capital and IPO expenses	-	(8 630)	-	-	**(8 630)**	-	**(8 630)**
Effect of foreign exchange differences	-	-	-	-		-	
Net profit	-	-	-	20 637	**20 637**	30	**20 667**
Balance at 31 December 2007	**1 673**	**154 975**	**39 944**	**41 463**	**238 055**	**4 904**	**242 959**

On behalf of the Board

Andrey Verevskiy ___________________________ Anastasiia Usachova ___________________________

Chairman of the Board CFO

The notes on pages 8 to 44 form an integral part of these condensed consolidated financial statements.

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KERNEL HOLDING S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS ENDED 31 DECEMBER 2007

(in US dollars and in thousands unless otherwise stated)

	Notes	6 months ended 31 Dec 2007	6 months ended 31 Dec 2006
OPERATING ACTIVITIES:			
Profit/(loss) before income tax		**23 948**	**2 306**
Adjustments to reconcile profit before income tax to net cash used in operating activities:			
Amortization and depreciation		4 786	2 939
Finance costs		14 268	6 665
Bad debt expenses and other accruals		(344)	741
Loss on disposal of property, plant and equipment		153	72
Foreign exchange losses, net		1757	318
Income from "DAK Asset"		32	(191)
Gain on sales of equity investments		(2 034)	-
Operating profit before working capital changes		**42 566**	**12 850**
Changes in working capital:			
Decrease/(increase) in trade accounts receivable		(25 472)	(10 696)
Decrease/(increase) in prepayments and other current assets		(7 970)	(2 054)
(Increase)/decrease in restricted cash balance		(7 342)	(11)
Increase in taxes recoverable and prepaid		(45 320)	(10 819)
Increase in biological assets		7 753	1 919
Increase in inventories		(216 473)	(49 203)
Increase/(decrease) in trade accounts payable		1 781	275
Increase/(decrease) in advances from customers and other current liabilities		(246)	5 002
Cash obtained from/(used in) operations		**(250 723)**	**(52 737)**
Finance costs paid		(14 268)	(6 542)
Income tax paid		(259)	(189)
Net cash provided by operating activities		**(265 250)**	**(59 468)**
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(10 114)	(756)
Proceeds from disposal of property, plant and equipment		932	1 134
Sales/(Purchase) of intangible and other non-current assets		(13 854)	(36)
Acquisition action of Subsidiaries		(3 080)	-
Disposal of Subsidiaries		3 549	(49 007)
Net cash used in investing activities		**(22 567)**	**(48 665)**
FINANCING ACTIVITIES:			
Proceeds from short-term and long-term borrowings		140 559	121 592
Repayment of short-term and long-term borrowings		(35 511)	(25 228)
Corporate bonds issued		19 831	-
Proceeds from subordinated loan		(7 532)	7 532
Proceeds from share capital increase		441	176
Proceeds from share premium reserve increase		160 997	2 602
Issued capital and IPO expenses paid		(7 172)	-
Net cash provided by financing activities		**271 613**	**106 674**
TRANSLATION ADJUSTMENT		-	(50)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(16 204)	(1 509)
CASH AND CASH EQUIVALENTS, at the beginning of the period		24 752	5 983
CASH AND CASH EQUIVALENTS, at the end of the period	**5**	**8 548**	**4 474**

On behalf of the Board

Andrey Verevskiy ________________________ Anastasiia Usachova________________________

Chairman of the Board CFO

KERNEL HOLDING A.S. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 31 DECEMBER 2007
(in US dollars and in thousands unless otherwise stated)

1. KEY DATA BY SEGMENT

	Oil		**Grain**		**Other**		**Reconciliation**		**Continuing Operations**	
	31 December 2007	**31 December 2006**	**31 December 2007**	**31 December 2006**	**31 December 2007**	**31 December 2006**	**31 December 2007**	**31 December 2006**	**31 December 2007**	**31 December 2006**
Revenue (external)	168 910	59 619	80 820	68 498	690	1 137	0	0	250 420	129 254
Intersegment sales	785	187	18 386	4 782	0	0	(19 171)	(4 969)	0	0
Total	**169 695**	**59 806**	**99 206**	**73 280**	**690**	**1 137**	**(19 171)**	**(4 969)**	**250 420**	**129 254**
Other operating income	180	0	4 066	1 980	0	0	0	0	4 246	1 980
Operating profit	37 570	6 105	10 068	9 688	(8 077)	(5 593)	0	0	39 561	10 200
Total assets	386 131	153 018	157 358	138 329	19 143	4 474	0	0	562 632	295 821
Capital expenditures	18 514	33 807	1 204	26 911	434	147	0	0	20 152	60 865
Amortization and depreciation	3 355	1 558	1 191	411	240	117	0	0	4 786	2 086
Liabilities	18 939	16 165	11 609	12 194	289 125	206 705	0	0	319 673	235 064

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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 the 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").

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. Financial year of the Group runs from 1st of July to 30th of June.

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

As of 31 December 2007 and 31 December 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 31 December 2007	Group's Effective Ownership Interest as of 31 December 2006
"Kernel-Capital", LLC	Holding company for grain elevators and other Subsidiaries in Ukraine. Performs transactions with financial instruments.	Ukraine	99.9%	95.8%
"Etrecom Investments", LTD	Holding company.	Cyprus	100%	N/A
LLC "Yuzhtrans-Terminal"	Dormant company.	Ukraine	99.9%	99.0%
Inerco Trade S.A.	Trade of sunflower oil, meal and grain.	Switzerland	99.0%	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	100%	98.9%
CJSC "Poltava oil crushing plant — Kernel Group"	Production plants. Production of sunflower oil and meal.	Ukraine	94.9%	94.0%
CJSC"Vovchansk OEP"		Ukraine	99%	N/A
CJSC "Prykolotne OEP"	Production plants. Production of sunflower oil and meal.	Ukraine	100%	70%
CJSC "MZRM - Striletskaya Step"		Ukraine	Disposed of on 15 May 2007.	99.0%
CJSC "Prykolotnyanska oliya"		Ukraine	0.0%	0.0%
"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	100%	99.9%

Subsidiary	Principal Activity	Country of Incorpo-ration	Group's Effective Ownership Interest as of 31 December 2007	Group's Effective Ownership Interest as of 31 December 2006
CJSC "Poltavaavtotransservis"	Trucking company. Provision of transport services to Group companies.	Ukraine	99.9%	94.3%
CJSC "JSC Selkhoztehnika"		Ukraine	Disposed of on 21 May 2007.	96.8%
CJSC "Reshetylivka Hliboproduct"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	100%	64.7%
JSC "Reshetilovski elevator"		Ukraine	0.0%	57.4%
CJSC "Horol-Elevator"		Ukraine	100%	75.8%
JSC "Horolskiy elevator"		Ukraine	0.0%	46.8%
CJSC "Mirgorodsky elevator"		Ukraine	100%	92.5%
CJSC "Globynsky elevator HP"		Ukraine	100%	76.1%
JSC Globinsky elevator kliboproduktiv"		Ukraine	0.0%	39.2%
JSC "Poltavske khlibopriemalne pidpriemstvo"		Ukraine	88.2%	83.5%
JSC "Golovanivske khlibopriemalne pidpriemstvo"		Ukraine	99.2%	95.1%
CJSC "Galeschina-Agro"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	99.9%	95.8%
CJSC "Gogoleve-Agro"		Ukraine	99.9%	95.8%
CJSC "Sagaydak-Agro"		Ukraine	100%	91.0%
CJSC "Karlivka-Agro"		Ukraine	99.9%	94.3%
CJSC "Novo-Sanzharski elevator"		Ukraine	Disposed of on 31 August 2007.	91.5%
CJSC "Lazorkovski Elevator"		Ukraine	99.9%	95.8%
"Zherebkivsky elevator LTD"		Ukraine	99.9%	80.1%
"Kononivsky elevator LTD"		Ukraine	99.9%	80.1%
JSC "Pidgorodnanski elevator"		Ukraine	Disposed of on 30 July 2007	71.9%
LLC "Bandurskiy elevator"		Ukraine	100%	99.0%
CJSC "Semenivski elevator"		Ukraine	99.9%	82.2%
LLC "Kobelyaki hleboproduct"		Ukraine	0.1%	0.0%
LLC "Sahnovshina hleboproduct"		Ukraine	100%	0.0%
CJSC "Velykoburlutske HPP"		Ukraine	100%	100%
CJSC "Vlasivskiy KHP"		Ukraine	In process of liquidation	100%
CJSC "Vovchansky KHP"		Ukraine	Disposed of on 23 July 2007	100%
LLC "Zhytnitsa"		Ukraine	Disposed of on 15 May 2007.	99.0%

Subsidiary	Principal Activity	Country of Incorpo-ration	Group's Effective Ownership Interest as of 31 December 2007	Group's Effective Ownership Interest as of 31 December 2006
"Bobrynetsky elevator LTD"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services	Ukraine	Disposed of on 25 April 2007.	80.1%
CJSC "Selesthchinski elevator"		Ukraine	Disposed of on 19 April 2007.	97.4%
LLC "Belovodskiy elevator"		Ukraine	Disposed of on 26 June 2007	99.0%
CJSC "Gutnansky elevator"		Ukraine	100%	100%
CJSC "Lykhachivsky KHP"		Ukraine	100%	100%
CJSC "Shevchenkisky KHP"		Ukraine	100%	100%
CJSC "Orilske HPP"		Ukraine	100%	100%
CJSC "Kovyagivske KHP"		Ukraine	100%	100%
LLC "Ukrainian Agricultural Company"	Holding company for agricultural farms.	Ukraine	Control relinquished	0.3%
LLC "Agroservise"	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	19.0%
LLC "Zernoservise"		Ukraine	100%	19.0%
LLC "Unigrain-Agro" (Semenovka)		Ukraine	100%	99.0%
LLC "Unigrain-Agro" (Globino)		Ukraine	100%	99.0%
LLC "Mrija-Agro"		Ukraine	100%	99.0%
CJSC "Lozivske HPP"		Ukraine	100%	100%
CJSC "Krasnopavlivsky KHP"		Ukraine	100%	100%
CJSC "Agrofirma "Krasnopavlivska"	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	0.0%	0.0%

The Group consolidated the financial statements of CJSC "Prykolotnyanska oliya", JSC "Reshetilovski elevator", JSC "Khorolskiy elevator", JSC "Globinsky elevator kliboproduktiv", LLC "Kobelyaki hleboproduct", CJSC "Vlasivskiy KHP, LLC "Ukrainian Agricultural Company" and CJSC "Agrofirma "Krasnopavlivska" due to the fact that shareholders holding a majority share of the voting rights in these Subsidiaries are related parties 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 condensed consolidated financial statements were authorized for issue by the Board of Directors of Kernel Holding S.A., on 21 April 2008.

3. CHANGE IN SHARE CAPITAL

The holding company of the Group is Kernel Holding S.A. (Luxembourg) (the "Holding"), whose share capital as of 31 December 2007 consists of 63,341,000 ordinary bearer shares without indication of a nominal value, providing 63,341,000 voting rights (as of 30 June 2007 - 9,334 shares).

The shares were distributed as follows:

SHAREHOLDERS	Shares allotted and fully paid as of 31 Dec 2007	Share owned as of 31 Dec 2007	Shares allotted and fully paid as of 30 June 2007	Share owned as of 30 June 2007	Shares allotted and fully paid as of 31 Dec 2006	Share owned as of 31 Dec 2006
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the "Majority Shareholder")	40 574 250	64.05%	7 999	85.70%	7 999	85.70%
Evergreen Financial Limited (a company incorporated and registered in the Territory of the British Virgin Islands) (hereinafter Evergreen Financial Limited)	-		1 334	14.29%	1 334	14.29%
Free-float	22 766 750	35.95%	-	-	-	-
Individual	-	-	1	0.01%	1	0.01%
Total	**63 341 000**	**100.00%**	**9 334**	**100.00%**	**9 334**	**100.00%**

As of 31 December 2007 100% of the beneficial interest in the "Majority Shareholder" was held by Verevskiy Andrey Mikhaylovych (as of 30 June 2007 – 85,70 %) (hereinafter the "Beneficial Owner").

On 19 November, 2007 Namsen LTD executed a call-option for 1334 shares (14,29%), held by Evergreen Financial Limited.

On 23 November, 2007 the Holding was listed on the Warsaw Stock Exchange (WSE). The total size of the Offering was PLN 546 402 000 (comprising 22 766 750 shares).

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 as of 30 June 2007 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 31 December 2007. Additional disclosure concerning financial instruments and capital management under International Accounting Standard ("IAS") №21 "Financial instruments: disclosure" is given in the note 31. In the rest 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). Management has utilized USD as the measurement currency for Inerco Trade SA and Lanen SA 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 31 December 2007. 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", "Stozhar", "Zolota" and "Domashnya" trademarks is calculated on a straight-line basis over 2-10 years, and is included in "General and administrative expenses". The "Schedry Dar", "Stozhar", Zolota" and "Domashnya" 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 31 December 2007**	**Average rate for the 6 months ended 31 December 2007**	**Closing rate as of 31 December 2006**	**Average rate for the 6 months ended 31 December 2006**
UAH/USD	5.0500	5.0500	5.0500	5.0500
EUR/USD	0.6798	0.7096	0.7597	0.7800
PLZ/USD	2.4350	2.6413	2.9105	3.0437

Financial instruments - financial instruments are classified according to the following categories: financial assets or financial liabilities recognized at fair value through profit or loss; held-to-maturity investments; available-for-sale financial assets; and also the Group’s trade receivables, as well as loans receivable.

Financial assets or financial liabilities at fair value through profit or loss – Are financial instruments, acquired, mainly, with the purpose of proceeds from short-term price fluctuations or designated as such upon initial recognition. Financial assets or liabilities are recognized at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Classified by the Group as an instrument at the moment of initial recognition, they are measured at fair value with any resultant gain or loss recognized in profit or loss.

Held-to-maturity investments - This category is for fixed maturity financial assets with fixed or determinable payments that the Group has the positive intention and ability to hold to maturity except for the Group’s trade or loan receivables. Held-to-maturity investments are measured at amortized cost using the effective interest method.

Available-for-sale financial assets - Investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on available-for-sale monetary items are recognized directly in equity. When such assets are disposed the cumulative gain from assets revaluation are included in a calculation of the financial result on the disposal which is registered in income statement. The cumulative loss in equity is transferred to income statement immediately.

Loans - Lent by the Group, are financial assets, created by means of grant of money directly to a borrower or participating in providing of credit services, except for those assets, which were created with the purpose of immediate sale or sale during a short-term period or classified as investments held for trading. For loans, given on a rate and terms which are different from markets, the difference between the par value of the given out resources and fair value of lending amount is reflected in income statement in the period, when it was lent, as adjustment of sum of primary estimation of the loan. Loans with fixed maturity terms are measured at amortized cost using the effective interest method. Loans without fixed maturity terms are carried at initial cost. The given out loans are reflected in balance sheet less allowance for estimated non-recoverable amounts.

Held-to-maturity investments and the Group's trade receivables and loans receivable are included in the complement of intangible assets, except of those cases when the term of redemption expires within 12 months from the date of balance. Financial assets which are recognized at fair value through profit or loss is a part of current assets as well as available-for-sale investments if the Group's management has intent to realize them during 12 months from the date of balance. All acquisitions and sales of investments are registered at the date of calculation. Investments in equity securities where fair value cannot be estimated on a reasonable basis are stated at cost using the effective interest method less impairment losses.

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 31 December 2007 and 2006 there were no investments in non-consolidated subsidiaries and associates.

Share capital and earnings per share

Ordinary shares - Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity.

Repurchase of share capital - When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Earnings per share - Are calculated by dividing net profit attributable to shareholders of the parent company by the weighted average number of shares outstanding during the period.

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, corn, 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 recognized 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 are 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.

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.

Net financial expense -Net financial expense comprises interest expense on borrowings, interest income on funds invested and dividend income, if any. All interest and other costs incurred in connection with borrowings are expensed as incurred as part of net financing costs. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

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 31 December 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 oil and meal.
Grain	Trade of grain. Provision of cleaning, drying and grain storage services. Agricultural farming

In accordance with 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 31 December 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 intergroup 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.

5. CASH

The balances of cash as of 31 December 2007 and 2006 were as follows

	31 December 2007	**31 December 2006**
Cash with banks in USD	11 308	5 383
Cash with banks in UAH	2 702	2 182
Cash with banks in other currencies	25	49
Cash on transit bank account	2 354	21
Cash on hand	2	1
Total	**16 391**	**7 636**
Less restricted cash on Security bank account and blocked amount	(7 843)	(3 162)
Cash for the purposes of cash flow statement	**8 548**	**4 474**

As of 31 December 2007 cash on the bank account in the amount of USD 7 843 thousand (as of 31 December 2006: USD 3 162 thousand) was restricted in use based on short-term loan agreements with foreign banks and thus was excluded from cash for the purpose of cash flow statement.

6. TRADE ACCOUNTS RECEIVABLE, NET

The balances of trade accounts receivable as of 31 December 2007 and 2006 were as follows:

	31 December 2007	31 December 2006
Trade accounts receivable	36 575	22 054
Allowance for estimated irrecoverable amounts (Note 31)	(525)	(766)
Total	**36 050**	**21 288**

As of 31 December 2007 accounts receivable from one European customer accounted for approximately 11% of the total carrying amount of trade accounts receivable (as of 31 December 2006 approximately 8 %).

7. PREPAYMENTS TO SUPPLIERS AND OTHER CURRENT ASSETS, NET

The balances of prepayments to suppliers and other current assets as of 31 December 2007 and 2006 were as follows:

	31 December 2007	31 December 2006
Prepayments to suppliers	9 798	7 726
Expenses of future periods (will be used during 12 months from the date of balance)	977	320
Other accounts receivable and other current assets	6 771	2 401
Allowance for estimated irrecoverable amounts of prepayments to suppliers and other current assets	(1 236)	(375)
Total	**16 310**	**10 072**

8. TAXES RECOVERABLE AND PREPAID, NET

The balances of taxes recoverable and prepaid as of 31 December 2007 and 2006 were as follows:

	31 December 2007	31 December 2006
VAT («value-added tax») recoverable and prepaid	67 951	21 076
Other taxes recoverable and prepaid	142	101
Allowance for estimated irrecoverable amounts of VAT recoverable	(870)	(601)
Total	**67 223**	**20 576**

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 870 thousand as of 31 December 2007 (as of 31 December 2006: USD 601 thousand) as a result of uncertainty of recoverability of this balance from the Ukrainian State budget (Note 31).

9. INVENTORIES

The balances of inventories as of 31 December 2007 and 2006 were as follows:

	31 December 2007	31 December 2006
Raw materials	176 741	32 866
Finished products	18 399	10 270
Goods for resale	57 370	35 415
Packaging materials	603	336
Fuel	585	570
Products of agriculture	1720	251
Other inventories	954	3 734
Total	**256 372**	**83 442**

As of 31 December 2007 inventories with the carrying amount of USD 144 510 thousand (as of 31 December 2006: USD 82 565 thousand) were pledged by the Group as collateral against short-term and long-term bank loans obtained from Ukrainian banks (Notes 16, 17).

10. BIOLOGICAL ASSETS

The balances of biological assets as of 31 December 2007 and 2006 were as follows:

	31 December 2007		31 December 2006	
	Hectares	**Amount**	**Hectares**	**Amount**
Wheat crops	9 133	1 014	6 738	604
Sunflower seed crops	-	-	-	-
Soy crops	-	-	-	-
Barley crops	637	47	511	31
Corn crops	-	-	-	-
Pea crops	-	-	-	-
Other crops	19 935	858	20 296	738
Total	**29 705**	**1 919**	**27 545**	**1 373**

The following table represents the changes in the carrying amounts of biological assets during the year ended 31 December 2007 and 2006:

As of 31 December 2006	**1 373**
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2007)	2 877
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (included in operating income, harvest 2007)	5 422
As of 30 June 2007	**9 672**
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2007)	4 482
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (included in operating income, harvest 2007 Note 23)	1 456
Decrease due to harvest (harvest 2007)	(15 610)
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2008)	1 919
As of 31 December 2007	**1 919**

11. PROPERTY PLANT AND EQUIPMENT, NET

As of 31 December 2007 property, plant and equipment with the carrying amount of USD 99 783 thousand (as of 31 December 2006: USD 96 504 thousand) was pledged by the Group as collateral against short-term and long-term bank loans obtained from Ukrainian banks and foreign bank (Note 17).

As of 31 December 2007 production equipment with the carrying amount of USD 4 562 thousand was held under finance lease (as of 31 December 2006: USD 5 292 thousand) (Note 18).

The following table represents movements in property, plant and equipment for the 6 months ended 31 December 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 2007	**2 200**	**83 724**	**38 235**	**5 256**	**3 511**	**3 788**	**4 274**	**140 988**
Additions							6 387	6 387
Transfers	8	968	4 526	94	522	253	(6371)	-
Due to disposal of Subsidiaries	(11)	(1 480)	(803)	(59)	(60)	(49)	(17)	(2 479)
Other disposals	(114)	(623)	(163)	(206)	(149)	(15)	-	(1 270)
As of 31 December 2007	**2 083**	**82 589**	**41 795**	**5 085**	**3 824**	**3 977**	**4 273**	**143 626**
Accumulated depreciation								
As of 30 June 2007	**-**	**(4 981)**	**(5 038)**	**(1 056)**	**(988)**	**(1 060)**	**-**	**(13 123)**
Depreciation	-	(1 682)	(2 050)	(412)	(249)	(263)	-	(4 656)
Due to disposal of Subsidiaries	-	218	106	8	30	15	-	377
Other disposals	-	79	47	42	32	7	-	207
As of 31 December 2007	**-**	**(6 366)**	**(6 935)**	**(1 418)**	**(1 175)**	**(1 301)**	**-**	**(17 195)**
Net Book Value								
As of 31 December 2007	**2 083**	**76 223**	**34 860**	**3 667**	**2 649**	**2 676**	**4 273**	**126 431**
As of 30 June 2007	**2 200**	**78 743**	**33 197**	**4 200**	**2 523**	**2 728**	**4 274**	**127 865**

12. INTANGIBLE ASSETS, NET

The following table represents movements in intangible assets for the 6 months ended 31 December 2007 and 2006:

Cost as of 30 June 2007	17 055	Cost as of 30 June 2006	7 491
Additions from acquisition of Subsidiaries	-	Additions from acquisition of Subsidiaries	9 466
Additions	13 854	Additions	49
Disposals	(34)	Disposals	(6)
Cost as of 31 December 2007	**30 875**	**Cost as of 31 December 2007**	**17 000**
Accumulated depreciation as of 30 June 2007	(234)	Accumulated depreciation as of 30 June 2006	(58)
Amortization charge	(130)	Amortization charge	(88)
Disposals	12	Disposals	-
Accumulated depreciation as of 31 December 2007	**(352)**	**Accumulated depreciation as of 31 December 2006**	**(146)**
Net book value as of 31 December 2007	**30 523**	**Net book value as of 31 December 2006**	**16 854**

Included in intangible assets of Subsidiaries are the "Schedry Dar", "Stozhar”, "Zolota" and Domashnya" trademarks with the value of USD 7 229 thousand, USD 9 385 thousand, USD 13 289 thousand and USD 287 thousand respectively. These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market. Trade mark "Stozhar" was pledged as security for long-term loans as of 31 December 2007 (as of 31 December 2006 trade marks "Stozhar" and "Schedry Dar" were pledged) (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", "Stozhar", "Zolota" and "Domashnya" trademarks 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 which belong to the Group 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 6 months ended 31 December 2007 and 2006:

As of 31 December 2006	**8 762**
Goodwill arising on acquisition of Subsidiaries	2 729
As of 30 June 2007	**11 491**
Impairment	(5 081)
As of 31 December 2007	**6 410**

Impairment of goodwill has occurred owing to the final stage of the acquisition of the assets of the Group «Evrotek» in December 2007. As a result on 31 December the value of entities acquired corresponded to the fair value of acquired assets and goodwill was adjusted accordingly.

14. OTHER NON-CURRENT ASSETS

The balances of other non-current assets as of 31 December 2007 and 2006 were as follows:

	31 December 2007	31 December 2006
Grain elevators lease rights ("DAK Asset") (Note 30)	864	2 163
Guarantee bank account	-	423
Prepayments for property, plant and equipment	2 531	602
Expenses of future periods (will be used during 12 months from the date of balance)	1 312	42
Loan to Beneficial Owner	-	1 600
Other non-current assets	296	-
Total	**5 003**	**4 830**

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 three 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 description 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 43 thousand (aggregated)

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%.

Guarantee bank account

The guarantee bank account represents cash kept on interest-free deposit account, maturing in July 2007, at a 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.

Loan to Beneficial Owner

As of 31 December 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 29).

15. ADVANCES FROM CUSTOMERS AND OTHER CURRENT LIABILITIES

The balances of advances from customers and other current liabilities as of 31 December 2007 and 2006 were as follows:

	31 December 2007	31 December 2006
Advances from customers	2 977	3 507
Obligation under finance lease payable within one year (Note 18)	1 537	1 092
Accrued payroll, payroll related taxes and bonuses	736	975
Provision for unused vacations and other provisions	736	300
Short-term promissory notes issued	22	374
Taxes payable and provision for tax liabilities	289	545
Other current liabilities	1 654	1 370
Total	**7 951**	**8 163**

16. SHORT-TERM BORROWINGS

The balances of short-term borrowings as of 31 December 2007 and 31 December 2006 were as follows:

	31 December 2007	31 December 2006
Bank credit lines	134 419	79 281
Interest accrued on short-term credits	302	480
Interest accrued on long-term credits	430	633
Total	**135 151**	**80 394**

The balances of short-term borrowings as of 31 December 2007 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian bank	Libor + 2,35 %	USD	July 2008	10 000
Ukrainian bank	Libor + 4,5 %	USD	November 2008	41 019
European Bank	Libor + 2,35%	USD	June 2008	30 825
European Bank	Libor + 2,90%	USD	January 2008	12 000
European Bank	Libor + 2,0 %	USD	June 2008	25 000
European Bank	Libor +2,125%	USD	June 2008	15 575
Total bank credit lines				**134 419**
Interest accrued on short-term loans				302
Interest accrued on long-term loans				430
Total				**135 151**

The balances of short-term borrowings as of 31 December 2006 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian bank	17%	UAH	August 2007	44
Ukrainian bank	Libor + 4,5%	USD	November 2007	40 708
Ukrainian bank	14,5%	USD	April 2007	319
Ukrainian bank	7,7%	USD	April 2007	3 950
Ukrainian bank	12 %	USD	August 2007	6 971
Ukrainian bank	12,5%	USD	September 2007	567
European Bank	Libor + 2%	USD	July 2007	7 333
European Bank	Libor + 2-5%	USD	July 2007	18 243
European Bank	Libor + 1-5%	USD	July 2007	1 146
Total bank credit lines				**79 281**
Interest accrued on short-term loans				480
Interest accrued on long-term loans				633
Total				**80 394**

On 19 December 2007 Inerco Trade S.A., a subsidiary of Kernel Holding S.A., repaid a loan provided by a Dublin branch of an international bank, according to the terms and conditions of the facility agreement. The loan in amount of USD 35 000 thousand was obtained on 12 October 2007 to finance the purchase or procurement of sunflower seeds of Ukrainian origin by Kernel Trade for the purpose of processing them into sunflower crude oil.

As of 31 December 2007 the overall maximum credit limit for short-term bank credit lines amounted to USD 170 891 thousand (as of 31 December 2007 USD 92 279 thousand). The increase of short-term financing corresponds to seasonality in inventories due to the nature of the business of the Group.

As of 31 December 2007 and 2006 short-term loans from banks were secured as follows:

Assets pledged	31 December 2007	31 December 2006
Inventories (Note 9)	135 310	81 165
Total	**135 310**	**81 165**

17. LONG-TERM BORROWINGS

The balances of long-term borrowings as of 31 December 2007 and 31 December 2006 were as follows:

	31 December 2007	31 December 2006
Long-term bank loans	116 149	103 236
Long-term borrowings from related parties	-	3 208
Current portion of long-term borrowings	(12 572)	(5 567)
Total	**103 577**	**100 877**

Long-term bank loans

The balances of long-term borrowings as of 31 December 2007 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian bank	14%	UAH	July 2010	7 042
Ukrainian bank	12%	USD	June 2010	58 750
Ukrainian bank	Libor + 5 %	USD	November 2013	50 357
Total bank credit lines				**116 149**

On 3 December 2007 the Group repaid a bridge loan in the amount of USD 13 500 thousand obtained from Ukrainian and European banks and provided for the purpose of funding the acquisition of the "Zolota" and "Domashnya" bottled oil brands.

Subsequent to 31 December 2007, the Group was negotiating with Ukrainian commercial banks various loans to finance its operating and investment activities.

The balances of long-term borrowings as of 31 December 2006 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian bank	12%	USD	August 2008	50 520
Ukrainian bank	12,5%	USD	November 2010	12 300
Ukrainian bank	Libor + 6,75%	USD	November 2012	40 416
Total bank credit lines				**103 236**

a) Long-term loans from Ukrainian Banks

Long-term loans from Ukrainian banks as of 31 December 2007 were represented by revolving and non-revolving credit line facilities from two banks with the overall maximum credit limit of USD 126 670 thousand (as of 31 December 2006: USD 103 914 thousand from two banks).

As of 31 December 2007 and 2006 long-term loans from Ukrainian banks were secured as follows:

Assets pledged	31 December 2007	31 December 2006
Property, plant and equipment (Note 11)	99 783	96 504
Inventories (Note 9)	9 200	1 400
Intangible assets (Note 12)	9 385	16 614
Controlling stakes in Subsidiaries	100	150
Total	**118 468**	**114 668**

In addition, controlling stakes in the following Subsidiaries were pledged to secure the long-term bank loans of the Group as of 31 December 2007 and 2006:

Name of Subsidiary, in which a stake was pledged

31 December 2007	**31 December 2006**
CJSC "Poltava oil crushing plant-Kernel Group"	CJSC "Poltava oil crushing plant-Kernel Group"
"Reshetylivka Hliboproduct" CJSC	"Reshetylivka Hliboproduct" CJSC
"Horol-Elevator" CJSC	"Horol-Elevator" CJSC
"Globynsky elevator HP" CJSC	"Karlivka-Agro" CJSC
"Karlivka-Agro" CJSC	"Sagaydak-Agro" CJSC
"Galeschina-Agro" CJSC	"Galeschina-Agro" CJSC
"Lazorkovski Elevator" CJSC	"Lazorkovski Elevator" CJSC
"Sagaydak-Agro" CJSC	"Novo-Sanzharski elevator" CJSC
CJSC "Mirgorodskiy elevator"	CJSC "Mirgorodskiy elevator"
JSC "Golovanivske hlibopriemalne pidpriemstvo"	JSC "Golovanivske hlibopriemalne pidpriemstvo"
CJSC "Gutnansky elevator"	JSC "Pidgorodnanski elevator"
JSC "Poltavske khlibopriemalne pidpriemstvo"	JSC "Poltavske khlibopriemalne pidpriemstvo"
CJSC "Krasnopavlivsky KHP"	"Poltavaavtotransservis" CJSC
CJSC "Lozivske HPP"	"Gogoleve-Agro" CJSC
CJSC"Vovchansk OEP"	CJSC "Selesthchinski elevator"
CJSC "Prykolotne OEP"	CJSC “JSC Selkhoztehnika”
"Gogoleve-Agro" CJSC	CJSC "Semenivski elevator"
CJSC "Velykoburlutske HPP"	CJSC "Prykolotne OEP"
CJSC "Semenivski elevator"	CJSC "Velykoburlutske HPP"
CJSC "Lykhachivsky KHP"	CJSC "Lykhachivsky KHP"
CJSC "Shevchenkisky KHP"	CJSC "Shevchenkisky KHP"
CJSC "Orilske HPP"	CJSC "Orilske HPP"
CJSC "Kovyagivske KHP"	CJSC "Kovyagivske KHP"
"Poltavaavtotransservis" CJSC	CJSC "Gutnansky elevator"
	CJSC "Krasnopavlivsky KHP"
	CJSC "Lozivske HPP"
	CJSC "Kegychivske HPP"
	CJSC "Vlasivskiy KHP"
	CJSC "Bogodukhivske HPP"
	CJSC "Vovchansky KHP"
	CJSC "Zolochivske HPP"

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 31 December 2007 and 2006.

18. OBLIGATIONS UNDER FINANCE LEASE

As of 31 December 2007 and 2006 the major components of finance lease liabilities were as follows:

	Minimum lease payments **31 December 2007**	**Present value of minimum lease payments** **31 December 2007**
Amounts payable due to the finance lease:		
Within one year	1 923	1 537
Later than one year and not later than five years	2 639	2 362
	4 562	3899
Less future finance charges	(663)	N/A
Present value of lease obligations	**3 899**	**3 899**
Less: Amount due for settlement within one year (Note 15)		(1 537)
Amount due for settlement after one year		**2 362**

	Minimum lease payments **31 December 2006**	**Present value of minimum lease payments** **31 December 2006**
Amounts payable due to the finance lease:		
Within one year	1 335	1 092
Later than one year and not later than five years	3 957	3 871
	5 292	4 963
Less future finance charges	(329)	N/A
Present value of lease obligations	**4 963**	**4 963**
Less: Amount due for settlement within one year (Note 15)		(1 092)
Amount due for settlement after one year		**3 871**

In the period from April to 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 11.3% per annum.

19. CORPORATE BONDS ISSUED

As of 31 December 2007 corporate bonds issued were as follows:

Series	Amount due	Currency	Coupon	Maturity
Series A	4 950 495	USD	15%	11.09.2008
Series B	4 950 495	USD	15%	06.10.2008
Series C	19 801 980	USD	14%	18.09.2010
Total	**29 702 970**			

As of 31 December 2006 corporate bonds issued were as follows:

Series	Amount due	Currency	Coupon	Maturity
Series A	4 950 495	USD	15%	11.09.2008
Series B	4 950 495	USD	15%	06.10.2008
Total	**9 900 990**			

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. As of 31 December 2007 the coupon interest on these corporate bonds was 15% per annum (16% as of October 2006), payable on a quarterly basis. In December 2006 "Kernel-Trade" LLC bought back corporate bonds for an UAH amount equivalent to USD 1 485 thousand. Such bonds to be subsequently sold back to the market in January 2007.

In September 2007, “Kernel-Trade” LLC, a Subsidiary, issued corporate bonds denominated in UAH for the total equivalent amount of USD 19 802 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 and October respectively. Bondholders have a put option, which can be exercised during 30 days from the date the revised rate is announced.

20. INCOME TAX

As of 31 December 2007 and 2006 the major components of deferred tax assets and liabilities were as follows:

	31 December 2007	31 December 2006
Deferred tax assets arising from:		
Tax losses carried forward	100	2 100
Valuation of advances from customers	320	195
Valuation of property, plant and equipment	109	44
Valuation of accounts receivable	1 345	890
Valuation of inventories	120	-
Valuation of accrued expenses and other temporary differences	2	18
Deferred tax asset	**1 996**	**3 247**
Less: valuation allowance	(125)	(397)
Net deferred tax asset after valuation allowance	**1 871**	**2 850**
Deferred tax liability arising from:		
Valuation of property, plant and equipment	(15 884)	(12 017)
Valuation of intangible assets	(3 583)	(2 700)
Valuation of prepayments to suppliers and prepaid expenses	(397)	(3 128)
Valuation of inventories	(3 086)	(968)
Deferred tax liability	**(22 950)**	**(18 813)**
Net deferred tax liability	**(21 079)**	**(15 963)**

As of 31 December 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 31 December 2007 and 2006.

The components of income tax expense for the years ended 31 December 2007 and 2006 were as follows:

	31 December 2007	31 December 2006
Current income tax expenses	(119)	(63)
Deferred tax benefit	(3 162)	107
Income tax benefit	**(3 281)**	**44**

The income tax charge for the years ended 31 December 2007 and 2006 is reconciled to the profit before income tax per consolidated income statement as follows:

	31 December 2007	31 December 2006
Profit/(loss) before income tax:	23 948	2 306
Tax at the statutory income tax rate in Ukraine of 25%	(5 987)	(577)
Expenditures not allowable for income tax purposes and non-taxable income, net	2 403	224
Change in valuation allowance	303	397
Income tax benefit (expenses)	**(3 281)**	**44**

21. REVENUE

Revenue for the period of six months ended 31 December 2007 and 2006 was as follows:

	31 December 2007	31 December 2006
Revenue from bulk sunflower oil, cake and meal	104 557	31 641
Revenue from bottled sunflower oil	64 146	27 301
Revenue from oil business services	207	677
Revenue from grain trade	70 413	63 928
Revenue from grain business services	10 407	4 570
Other revenue	690	1 137
Total	**250 420**	**129 254**

For the above-stated period ended 31 December 2007 revenues from five European customers accounted for approximately 29.7% of the total revenue (for six months ended 31 December 2006 revenue from five European customers accounted for 22.0% of the total revenue).

22. COST OF SALES

The cost of sales for the period of six months ended 31 December 2007 and 2006 was as follows:

	31 December 2007	31 December 2006
Cost of goods for resale and raw materials used	175 803	96 759
Payroll and payroll related costs	5 593	1 448
Depreciation of property, plant and equipment	2 405	1 351
Rental payments	1 825	1 017
Other operating costs	4 167	2 406
Total	**189 793**	**102 981**

23. OTHER OPERATING INCOME

Other operating income for the period of six months ended 31 December 2007 and 2006 was as follows:

	31 December 2007	31 December 2006
Gain arising from changes in fair value attributable to physical changes and to changes in the market price for biological assets (Note 10)	1 456	499
Other operating income	2 790	1 481
Total	**4 246**	**1 980**

24. DISTRIBUTION COSTS

The distribution costs for the period of six months ended 31 December 2007 and 2006 were as follows:

	31 December 2007	31 December 2006
Carriage and freight	13 889	10 367
Marketing and advertising	1 744	452
Payroll and payroll related costs	779	417
Customs expenses	336	373
Certification	262	418
Sanitation services	67	130
Depreciation	13	97
Other expenses	145	206
Total	**17 235**	**12 460**

25. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses for the period of six months ended 31 December 2007 and 2006 were as follows:

	31 December 2007	31 December 2006
Payroll and payroll related costs	3 272	2 709
Bank services	524	254
Bad debts expenses	-	741
Amortization and depreciation	1 654	550
Taxes other than income tax	9	14
Audit, legal and other professional fees	104	88
Rental payments	730	359
Repairs and material costs	360	104
Information expenses and communication services	302	2
Business trip expenses	49	28
Communication expenses	88	71
Insurance	237	126
Other expenses	748	547
Total	**8 077**	**5 593**

26. FINANCE COSTS, NET

The finance costs for the period of six months ended 31 December 2007 and 2006 were as follows:

	31 December 2007	31 December 2006
Interest expense on bank loans and corporate bonds	13 495	5 921
Interest expense on borrowings from related parties	-	187
Other finance costs, net	773	557
Total	**14 268**	**6 665**
Including financial liabilities measured at amortized cost	**229**	**208**

27. OTHER INCOME/ (EXPENSES), NET

Other income/ (expenses) for the period of six months ended 31 December 2007 and 2006 were as follows:

	31 December 2007	31 December 2006
Income from "DAK Asset"	32	(191)
Gain on sale of equity investments (Note 28)	2034	-
Gain on acquisition of 30% minority stake in CJSC "Prykolotne OEP"	3 603	-
Gain on purchase of minority shareholding in LLC "Sahnovshina hleboproduct"	476	-
Gain on purchase of minority shareholding in LLC Kobelyaki hleboproduct	1002	-
Losses on impairment of Goodwill (Note 13)	(5 081)	-
Other income/expenses, net	(1 654)	(720)
Total	**412**	**(911)**

Income from "DAK Asset" for the six months ended 31 December 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 an asset at 31 December 2006, by additional set-offs with "DAK" (Note 14).

KERNEL
GROUP OF COMPANIES

28. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The following entities were disposed of during the six-month period ended 31 December 2007:

Subsidiary	Principal Activity	Country of Incorporation	Disposal date
JSC "Pidgorodnanski elevator"	Grain elevators. Provision of cleaning, drying and grain storage services.	Ukraine	30 July 2007
"Novo-Sanzharski elevator" CJSC		Ukraine	31 August 2007
CJSC "Vovchansky KHP"		Ukraine	23 July 2007

Subsidiaries disposed of had been fully consolidated as of disposal dates. Fair value of assets, liabilities and contingent liabilities were as follows:

Assets disposed of, net:	
Cash	(38)
Trade accounts receivable, net	(111)
Prepayments to suppliers and other current assets, net	(158)
Taxes recoverable and prepaid, net	(69)
Inventory	(264)
Property, plant and equipment, net (Note 11)	(2 102)
Deferred tax assets	(12)
Trade accounts payable	377
Advances from customers and other current liabilities	290
Short-term loans	2
Deferred tax liabilities	342
Fair value of assets of Subsidiaries disposed of, net	**(1 743)**
Minority interest of Subsidiaries disposed of	**116**
Fair value of assets disposed of, net	(1 627)
Gain on disposal of Subsidiaries (Note 27)	**2 034**
Total cash consideration received	**3 661**
Less: cash from assets disposed of, net	(38)
Less: accounts receivable of Subsidiaries disposed of, net	(74)
Net cash inflow from Subsidiaries disposed of	**3 549**

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 31 December 2007 and 2006:

	Related party balances as of 31 December 2007	Total category as per consolidated balance sheet as of 31 December 2007	Related party balances as of 31 December 2006	Total category as per consolidated balance sheet as of 31 December 2006
Trade accounts receivable, net, (Note 6)	4	36 050	316	21 288
Prepayments to suppliers and other current assets, net, (Note 7)	4 757	16 310	176	10 072
Loan to the Beneficial Owner (Note 14)	-	-	1 600	4 830
Other non-current assets (Note 14)	296	5 003	-	4 830
Trade accounts payable, net	18	7 213	-	4 233
Advances from customers and other current liabilities (Note 15)	5	7 951	323	8 163
Current portion of long-term borrowings (Note17)	-	12 572	31	5 567
Subordinated loan	-	-	7532	7 532

Transactions with related parties for the period of six months ended 31 December 2007 and 2006 were as follows:

	Amount of operations with related parties, for six months ended 31 December 2007	Total category per consolidated income statement for six months ended 31 December 2007	Amount of operations with related parties, for six months ended 31 December 2006	Total category per consolidated income statement for six months ended 31 December 2006
Revenue (Note 21)	9	250 420	28	129 254
General, operational, administrative and distribution expenses (Note 24, 25)	1019	25 312	563	18 053
Other (expenses) /income, net (Note 27)	21	412	18	(911)

a) As discussed in Note 14, 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.

b) 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. The loan was repaid in November 2007 at the moment when Namsen LTD executed a call-option for 1334 shares (14.2%) in Kernel Holding S.A., held by Evergreen Financial Limited.

c) For the six-month period ended 31 December 2007 remuneration of the Group's management, including members of the Board of Directors (6 persons), constituted USD 667 thousand (for the 6 months ended 31 December 2006 and for 3 persons – USD 270 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, 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 31 December 2007 and 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 864 thousand as of 31 December 2007 (as of 31 December 2006: USD 2 163 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.

Capital Commitments –The Group signed in November 2007 three contracts with European suppliers for a total value of up to USD 21 500 thousand for supply of equipment and services required for the construction of a complete pre-pressing and solvent extraction plant, for processing of sunflower seed, rapeseed and soybean. In December 2007 the Group signed contracts for a total value up to USD 4 000 thousand for supply of agricultural equipment and machineries.

Contractual Commitments on Sales - As of 31 December 2007 the Group had entered into commercial contracts for export of 149 thousand tons of sunflower oil and meal, corresponding to an amount of USD 144 000 thousand in prices as of 31 December 2007. As of 31 December 2006 the Group had entered into commercial contracts for the export of 148 thousand tons, corresponding to an amount of USD 55 000 thousand.

Operating Leases - As of 31 December 2007 and 2006 the Group had outstanding commitments under non-cancellable operating lease agreements with following maturities:

Lease term	**Future minimum lease payment as of 31 December 2007**	**Future minimum lease payment as of 31 December 2006**	**With Companies of the Group as of 31 December 2007**	**With Companies of the Group as of 31 December 2007**
Less than 1 year	2 174	1 619	495	495
From 1 to 5 years	4 123	3 482	-	-
More than 5 years	1 397	811	-	-
Total	**7694**	**5912**	**495**	**495**

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. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through a combination of debt and equity capital. In November 2007 the Group was listed on the Warsaw Stock Exchange (WSE). Net proceeds of additional capital from the placement constituted USD 152 367 thousand after deduction of total subscription cost.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in notes 16, 17, 18, 19, cash and cash equivalents, and equity attributable to Kernel Holding SA shareholders, comprising issued capital, reserves and retained earnings.

Gearing ratio

The Group's management reviews quarterly the capital structure of the Group, taking into consideration seasonality in activity of the Group. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Following listing on the WSE the Group's management considers that the gearing ratio should not exceed 150%.

	31 December 2007	31 December 2006
Debt liabilities* (Note 16, 17, 18, 19)	283 430	206 705
Cash and cash equivalents	16 391	7 636
Net debts	267 039	199 069
Equity**	238 055	47 604
Net debt liabilities to capital	**112%**	**418%**

*Debts include short-term and long term borrowings, corporate bonds issued, obligations under finance lease and subordinated loans.

** Equity includes the share capital, share-premium reserve, additional paid-in capital and retained earnings.

Due to it's activity, the Group is exposed to the following risks from its use of financial instruments:
• credit risk
• liquidity risk
• market risk.

This note provides information on the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing such risks, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

The risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of 31 December of 2007 and 2006 were as follows:

	31 December 2007	31 December 2006
Cash (Note 5)	16 391	7 636
Trade accounts receivable, net (Note 6)	36 050	21 288
VAT ("value-added tax") recoverable and prepaid, net (Note 8)	67 081	20 475
Total	**119 522**	**49 399**

The maximum exposure to credit risk for trade receivable at the reporting date by geographic region was:

	31 December 2007	31 December 2006
Domestic customers (accounts receivable, net)	20 659	16 278
International customers (account receivable, net)	15 391	5 010
Total	**36 050**	**21 288**

Almost all the clients of the Group are wholesale customers. The Group's most significant customer, an international customer, accounts for USD 4 165 thousand of the trade receivables as of 31 December 2007 (as of 31 December 2006 one customer accounted for USD 1837 thousand).

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The characteristics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 29.7% of the Group's revenue is attributable to sales transactions with 5 customers.

The Group's management has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, where available, and in some cases bank references, and also counterparty's recommendations. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from The Group's management; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. To reduce non-payment risk on international markets the Group presents the title documents via banking channels and uses payment instruments, such as letters of credit (LC) and bank guarantees.

Impairment losses

The aging of trade receivables as of 31 December 2007 and 2006 was as follows:

	Gross carrying amount 31 December 2007	Impairment 31 December 2007	Gross carrying amount 31 December 2006	Impairment 31 December 2006
Current	31 796	-	17 431	-
Past due 0-30 days	3 608	-	2 714	-
Past due 31-180 days	744	(123)	1 113	(167)
Past due 181-365 days	30	(5)	394	(197)
More than one year	397	(397)	402	(402)
Total	**36 575**	**(525)**	**22 054**	**(766)**

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance is a specific loss that relates to past-due trade receivables. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The movement in the allowance for impairment in respect of trade receivables for the 6 months ended 31 December 2007 and 2006 was as follows:

	31 December 2007	31 December 2006
Balance at 1 July	(1 386)	(973)
Impairment loss recognized	861	207
Balance at 31 December	**(525)**	**(766)**

As of 31 December 2007 the amount of VAT recoverable was USD 67 081 thousand (as of 31 December 2006 was USD 20 475 thousand). The schedule of VAT recovering specified below:

Terms of VAT return	**At 31 December 2007**	**At 31 December 2006**
January 2008/ 2007	4 465	4 712
February 2008/ 2007	6 553	974
March 2008/ 2007	16 876	2 373
April 2008/ 2007	12 971	2 015
May 2008/ 2007	8 890	1 131
June 2008/ 2007	7 426	1 745
July 2008/ 2007	4 455	1 169
August 2008/ 2007	2 475	3 070
September 2008/ 2007	2 475	2 971
October 2008/ 2007	495	315
Total	**67 081**	**20 475**

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned (controlled) subsidiaries. As of 31 December 2007 as well as at 31 December 2006 no guaranties were outstanding in favour of third parties.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The contractual maturities of financial liabilities, including interest payments as of 31 December 2007 were as follows:

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade accounts payable	7 213	(7 213)	(7 213)	-	-	-
Short-term borrowings (Note 16)	135 151	(137 699)	(137 699)	-	-	-
Long-term borrowings (Note 17)	116 149	(147 446)	(32 253)	(17 525)	(84 355)	(13 313)
Obligations under finance lease (Note 18)	3899	(4 562)	(1 922)	(1 605)	(1 035)	-
Corporate bond issued (Note 19)	29 768	(38 280)	(13 873)	(2 834)	(21 573)	-
Total	**292 180**	**(335 200)**	**(192 960)**	**(21 964)**	**(106 963)**	**(13 313)**

The contractual maturities of financial liabilities, including interest payments as of 31 December 2006 were as follows:

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade accounts payable	4 233	(4 233)	(4 233)	-	-	-
Short-term borrowings	80 394	(87 570)	(87 570)	-	-	-
Long-term borrowings (Note 17)	106 444	(130 921)	(29 700)	(56 453)	(38 908)	(5 860)
Obligations under finance lease (Note 18)	4 963	(5 292)	(1 335)	(1 600)	(2 357)	-
Corporate bonds issued (Note 19)	8 464	(10 794)	(1 376)	(9 418)	-	-
Subordinated loan	7 532	(7 532)	(7 532)	-	-	-
Total	**212 030**	**(246 342)**	**(131 746)**	**(67 471)**	**(41 265)**	**(5 860)**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The Group policy is to synchronize future cash-flow from sales and payments under financial liabilities, as well as limitation of open stocks position.

Currency risk

The major sources of finance of the Group, prices of sales contracts with customers and also prices of significant contracts for purchase of goods and services from suppliers are denominated in USD.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily USD. This provides a natural hedge and no derivatives are entered into.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group's exposure to foreign currency risk was as follows:

	31 December 2007	31 December 2006
Cash	11 308	5 383
Trade accounts receivable, net	15 391	5 010
Trade accounts payable	(27)	(18)
Short-term borrowings	(135 151)	(80 350)
Long-term borrowings (Note 17)	(109 107)	(106 444)
Obligations under finance lease (Note 18)	(3 899)	(4 963)
Gross balance sheet exposure	(221 485)	(181 382)
Estimated sales	(209 689)	(155 979)
Estimated purchases	-	-
Gross exposure	**209 689**	**155 979**
Net exposure	**(11 796)**	**(25 403)**

A 10 percent strengthening of UAH against USD at 31 December 2007 and 2006 would have increased (decreased) equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	31 December 2007	31 December 2006
USD	1 168	2 515

Conversely, a 10 percent fall of UAH against USD at 31 December 2007 and 2006 would have had the opposite effect, on the basis that all other variables remain constant.

Interest rate risk – the risk of changes in interest rates impact primarily borrowings by changing either their fair value (fixed rate debt) or future cash flows (variable rate debt). The Group obtains the borrowings with fixed and with variable rate.

The interest rate profile of the Group's interest-bearing financial instruments as of 31 December 2007 and 2006 was as follows:

	Carrying amount	
	31 December 2007	31 December 2006
Fixed rate instruments		
Financial liabilities	99 459	95 630
Variable rate instruments		
Financial liabilities	184 776	104 635
Total	**284 235**	**200 265**

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Other market price risk

The Group enters into commodity contracts for the delivery of physical goods only and does not use any hedging tools in respect of price hedging.

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 31 December 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) On 23 January 2008 a Subsidiary of Kernel Holding S.A. signed a preliminary agreement with a Ukrainian enterprise on acquiring corporate rights of three Ukrainian firms which together are leasing 7 618 hectares of land in the Poltava Oblast (with 10-years lease term). The estimated value of the deal will come to USD 2 400 thousand. The transaction is to be finalized by the end of May 2008.

b) On 31 January 2008 a Subsidiary of Kernel Holding S.A. signed a preliminary agreement with a Ukrainian enterprise to acquire a Ukrainian firm leasing 9 964 hectares of land in the Poltava Oblast under 10-years lease term. The transaction has an estimated value of USD 2 900 thousand and is intended to be finalized by the end of May 2008.

c) On 11 February 2008 a Subsidiary of Kernel Holding S.A. signed a preliminary agreement with a Ukrainian enterprise to acquire a Ukrainian firm leasing 1 063 hectares of land in Cherkassy Oblast under a 5-year lease term. The transaction has an estimated value of USD 426 thousand and is intended to be finalized by the end of May 2008.

d) On 11 February 2008 Kernel Holding S.A. signed an agreement with a Cyprus company to purchase 100% of the statutory fund of a Ukrainian enterprise leasing 8 558 hectares of land in Cherkassy oblast (with a lease period of 7 years with right of renewal). The transaction has a value of USD 8 848 thousand. The property of the purchased enterprise includes an elevator put into operation in 2006, with total capacity of 62 thousand tons e) On 20 February 2008 a Subsidiary of Kernel Holding SA signed a preliminary agreement with a Ukrainian enterprise to sell the subsidiary company OJSC "Golovanivske HPP" in Kirovograd Oblast. The transaction has an estimated value of USD 1 480 thousand and is intended to be finalized by the end of April 2008.

f) On 20 February, in accordance with management and Corporate Governance information provided in the Prospectus dated 25 October 2007, Kernel Holding S.A. signed a Management Incentive Plan providing to Management Team Members an option to purchase in aggregate up to 2 216 935 shares of Kernel Holding S.A., such number being equal to 3.5% of the issued and outstanding stock of Kernel Holding S.A. as at the adoption date of such plan. The option shall vest and become exercisable as to one third of the shares under option on 23 November 2008, as to further one third of the shares under option on 23 November 2009, and as to the remaining shares under option on 23 November 2010.

g) On 3 March a session of the Antimonopoly Committee of Ukraine was held where Kernel Trade LLC, a Subsidiary of Kernel Holding S.A., was informed that the Antimonopoly Committee would seek to impose on LLC Kernel Trade and SSE Suntrade, a subsidiary of Bunge, a fine of UAH 60 000 thousand (equivalent to USD 11 880 thousand) per company for abuse of their joint dominant position in the oil market in Ukraine. As of 21 April, no written notice has been provided to LLC Kernel Trade on such decision. The Management of the Group believes that LLC Kernel Trade conducts its business and pricing policy strictly on the basis of fair market prices.

h) On 7 March 2008 Kernel Holding S.A. announced the results of the offering (the "Offering") of 5 400 000 ordinary shares. The shares were placed at price PLN 36 per share ("the Offer Price"). The Offering raised gross proceeds of USD 84 000 thousand (PLN 194 000 thousand). The shares to be delivered to investors were already listed and therefore were tradable on the Warsaw Stock Exchange immediately after settlement of the transaction, 12 March. Namsen Limited, a company controlled by Andrey Verevskiy, which as of 7 March held 40 574 250 shares of the Company, representing 64.6% of the issued share capital, lent shares in Kernel Holding S.A. for the purpose of settlement and to ensure that investors in the Offering can receive and trade their allocation immediately after settlement. The Extraordinary General Meeting ("EGM") held for the purpose of issuing an equivalent amount of new shares was held on 7 April 2008. The Offering represented approximately 8,5% of the issued share capital before the Offering.

i) On 4th of April 2008 a Ukrainian subsidiary of Kernel Holding S.A. signed a USD 52 million credit agreement with an European bank. The purpose of the 7 year credit agreement is the financing of the green field crushing plant under construction by the Group. The credit agreement shall come into force from the date of registration of this agreement with the National Bank of Ukraine, as evidenced by the NBU Certificate, which is expected before end of April. Documentation in respect of the security structure of the loan is expected to be signed by the Parties until end of April 2008.