KERNEL
GROUP OF COMPANIES

SELECTED FINANCIAL DATA (in US dollars and in thousands)	For the 3 months ended 31 December 2007	For the 3 months ended 31 December 2006
I. Revenue	156 406	79 088
II. Operating profit/(loss)	23 024	7 649
IV. Net profit/(loss)	11 100	2 407

Financial highlights.

- Revenue increased 98% compared to 2nd quarter 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.
- Net income has increased 337% compared to the 2nd quarter of the previous financial year.
- Listing on Warsaw Stock Exchange in November, raising $161 Mio for the company (before IPO expenses).

Andrey Verevskyy, Chairman of the Board, stated:

"I am pleased to report good results for the 2nd quarter 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 agricultural 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.

Our revenues for the 3 months ended 31 December 2007 have increased from USD 79 Mio to USD 156 Mio, a 98% increase over the 2nd quarter of our previous financial year. Pre-tax profit increased by 395% to $12,35 million ($2,5 million for the same period last year). Margins have also improved significantly, our operating margin increasing from 9.7% for the 2nd quarter of the previous financial year to 14,3% for the current reporting period, and our net profit margin, increasing from 3. 43% to 6.08%.

The increase in our processing capacities, as well as the present level of agricultural prices, have strongly impacted the level of our inventories, especially of sunflower seed, increasing from $83 million as of 31 December 2006 to $256 million as of 31 December 2007. For the same reasons, taxes prepaid (VAT) have increased from $21 million as of 31 December 2006 to $67 million as of 31 December 2007. 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 market 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 $71 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 2nd quarters of financial years 2006 and 2007).

Overall, the Group's oilseed processing activity performed well, while volumes in our grain activity suffered from the ban imposed on grain exports from Ukraine. Beginning of February, export quotas and licenses were allocated to various exporters. We have noted with satisfaction that our Company was allocated one of the largest licenses, equivalent to c.11% of the total volume allowed to be exported from Ukraine. With the present high margins on grain exports, we expect our grain activity to perform substantially better in the 2nd half of our financial year, providing for yearly Group performance well within expectations."

Kernel Holding S.A.

and Subsidiaries

Condensed Consolidated Financial Statements

For the 3 Months Ended 31 December 2007

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR 3 MONTHS ENDED 31 DECEMBER 2007

KERNEL HOLDING S.A. AND SUBSIDIARIES

SELECTED FINANCIAL DATA AS OF 31 DECEMBER 2007
(in thousands unless otherwise stated)

	USD		zloty		EUR	
	For the 3 months ended 31 December					
SELECTED FINANCIAL DATA	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
I. Revenue	156 406	79 088	394 722	236 004	107 995	61 324
II. Operating profit/(loss)	23 024	7 649	58 106	22 824	15 898	5 931
III. Profit/(loss) before income tax	12 926	2 496	32 621	7 447	8 925	1 935
IV. Net profit/(loss)	11 100	2 407	28 013	7 182	7 664	1 866
V. Net cash flow from operating activity	(178 183)	(43 545)	(449 680)	(29 940)	(123 031)	(33 764)
VI. Net cash flow from investment activity	(8 352)	(48 666)	(21 077)	(145 221)	(5 767)	(37 735)
VII. Net cash flow from financial activity	187 988	95 640	474 426	285 396	129 802	74 158
VIII. Total net cash flow	1 454	3 379	3 670	10 082	1 004	2 620
IX. Total assets	561 493	292 659	1 367 235	851 784	381 696	222 328
X. Current liabilities	162 485	89 350	395 651	260 053	110 455	67 878
XI. Non-current liabilities	157 185	135 020	382 745	392 976	106 852	102 572
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	241 823	60 757	588 839	176 833	164 388	46 156
XV. Number of shares	63 341 000	8 000	63 341 000	8 000	63 341 000	8 000
XVI. Profit/(loss) per ordinary share	0,17	290,84	0,44	867,90	0,12	225,52
XVII. Diluted profit/(loss) per ordinary share	-	-	-	-	-	-
XVIII. Book value per share	3,74	5 950,50	9,11	17 318,93	2,54	4 520,50
XIX. Diluted book value per share	-	-	-	-	-	-

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

The notes on pages 8 to 30 form an integral part of these condensed consolidated financial statements.

KERNEL GROUP OF COMPANIES

KERNEL HOLDING S.A. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2007

(in US dollars and in thousands unless otherwise stated)

	31 December 2007	30 September 2007	30 June 2007	31 December 2006
ASSETS				
CURRENT ASSETS:				
Cash	16 391	14 011	25 253	4 474
Trade accounts receivable, net	35 000	16 878	9 828	21 288
Prepayments to suppliers and other current assets, net	16 310	14 593	8 567	10 072
Taxes recoverable and prepaid, net	67 223	39 819	22 485	20 576
Inventory	256 372	122 709	40 163	83 442
Biological assets	1 919	3 636	9 672	1 373
Total current assets	**393 215**	**211 646**	**115 968**	**141 225**
NON-CURRENT ASSETS:				
Property, plant and equipment, net	126 431	126 106	127 865	120 988
Intangible assets, net	30 434	30 296	16 821	16 854
Goodwill	6 410	10 144	11 491	8 762
Other non-current assets	5 003	3 212	2 935	4 830
Total non-current assets	**168 278**	**169 758**	**159 112**	**151 434**
IX. TOTAL ASSETS	**561 493**	**381 404**	**275 080**	**292 659**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Trade accounts payable	6 996	18 212	5 809	4 233
Advances from customers and other current liabilities	7 766	7 684	8 935	8 163
Short-term borrowings	135 151	82 567	37 417	70 517
Current portion of long-term borrowings	12 572	11 420	7 018	6 437
X. Total current liabilities	**162 485**	**119 883**	**59 179**	**89 350**
NON-CURRENT LIABILITIES:				
Long-term borrowings	103 577	117 998	99 239	106 722
Obligations under finance lease	2 547	2 868	3 185	3 871
Corporate bonds issued	29 768	29 776	9 937	8 464
Deferred tax liabilities	21 293	18 611	18 247	15 963
XI. Total non-current liabilities	**157 185**	**169 253**	**130 608**	**135 020**
XII. SUBORDINATED LOAN	-	7 532	7 532	7 532
COMMITMENTS AND CONTINGENCIES				
EQUITY ATTRIBUTABLE TO KERNEL HOLDING S.A.SHAREHOLDERS				
XIII. Share capital	1 673	1 232	1 232	1 232
Share premium reserve	154 975	2 608	2 608	2 608
Additional paid-in capital	39 944	39 944	39 944	39 272
Retained earnings	40 332	29 248	20 826	4 492
Total equity attributable to Kernel Holding S.A. shareholders	**236 924**	**73 032**	**64 610**	**47 604**
MINORITY INTEREST	4 899	11 704	13 151	13 153
XIV. Total equity	**241 823**	**84 736**	**77 761**	**60 757**
TOTAL LIABILITIES AND EQUITY	**561 493**	**381 404**	**275 080**	**292 659**
Book value	236 924	73 032	64 610	47 604
XV. Number of shares	63 341 000	46 670 000	9 334	8 000
XVIII. Book value per one share (in USD)	3,74	1,56	6 922,01	5 950,50
Diluted number of shares				
XIX. Diluted book value per share (in USD)				

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

The notes on pages 8 to 30 form an integral part of these condensed consolidated financial statements.

KERNEL
GROUP OF COMPANIES

KERNEL HOLDING S.A. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT FOR 3 MONTHS ENDED 31 DECEMBER 2007

(in US dollars and in thousands unless otherwise stated)

	3 months ended 31 December 2007	6 months ended 31 December 2007	3 months ended 31 December 2006	6 months ended 31 December 2006
I. REVENUE	156 406	250 420	79 088	129 254
COST OF SALES	(120 137)	(189 793)	(62 228)	(102 981)
GROSS PROFIT	**36 269**	**60 627**	**16 860**	**26 273**
OTHER OPERATIONAL INCOME	2 654	4 246	1 290	1 980
OPERATING EXPENSES:				
Distribution costs	(10 973)	(17 018)	(7 556)	(12 460)
General and administrative expenses	(4 926)	(9 127)	(2 945)	(5 593)
TOTAL OPERATING EXPENSES	**(15 899)**	**(26 145)**	**(10 501)**	**(18 053)**
II. OPERATING PROFIT	**23 024**	**38 728**	**7 649**	**10 200**
Finance costs, net	(9 388)	(14 268)	(4 144)	(6 665)
Foreign exchange (loss)/gain, net	(989)	(1 757)	(135)	(318)
Other (expenses)/income, net	279	330	(874)	(911)
III. PROFIT/ (LOSS) BEFORE INCOME TAX	**12 926**	**23 033**	**2 496**	**2 306**
INCOME TAX	(1 826)	(3 495)	(89)	44
IV. NET PROFIT	**11 100**	**19 538**	**2 407**	**2 350**
NET PROFIT/(LOSS) ATTRIBUTABLE TO:				
Shareholders of Kernel Holding S.A.	**11 084**	**19 506**	**2 715**	**3 205**
Minority interest	**16**	**32**	**(308)**	**(855)**

Net profit/(loss) attributable to Shareholders of Kernel Holding S.A.	11 084	19 506	2 715	3 205
XV. Number of shares	63 341 000	63 341 000	9 334	8 000
XVI. Profit/(loss) per ordinary share (in USD)	0,17	0,31	290,84	400,63
Diluted number of shares				
XVII. Diluted profit/(loss) per ordinary share (in USD)				

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

The notes on pages 8 to 30 form an integral part of these condensed consolidated financial statements.

KERNEL
GROUP OF COMPANIES

KERNEL HOLDING S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR 3 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	XIV. Total equity
Balance at 30 June 2006	**964**	**-**	**39 425**	**1 287**	**41 676**	**5 880**	**47 556**
Net profit	-	-	-	490	**490**	(547)	**(57)**
Balance at 30 September 2006	**964**	**-**	**39 425**	**1 777**	**42 166**	**5 333**	**47 499**
Acquisition 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	-	-	-	2 715	**2 715**	(308)	**2 407**
Balance at 31 December 2006	**1 232**	**2 608**	**39 272**	**4 492**	**47 604**	**13 153**	**60 757**
Effect of changes on minority interest	-	-	(613)	-	**(613)**	613	**-**
Disposal of subsidiaries	-	-	-	-	**-**	(527)	**(527)**
Shareholders' loans set-off effect	-	-	1 285	-	**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**	**13 151**	**77 761**
Effect of changes on minority interest	-	-	-	-	**-**	(1 347)	(1 347)
Disposal of subsidiaries	-	-	-	-	**-**	(116)	(116)
Effect of foreign exchange differences	-	-	-	-	**-**	-	**-**
Net profit	-	-	-	8 422	**8 422**	16	**8 438**
Balance at 30 September 2007	**1 232**	**2 608**	**39 944**	**29 248**	**73 032**	**11 704**	**84 736**
Effect of changes on minority interest	-	-	-	-	**-**	(6 821)	(6 821)
Increase of share capital	441	160 997	-	-	161 438	-	161 438
Issued capital and IPO expenses	-	(8 630)	-	-	(8 630)	-	(8 630)
Effect of foreign exchange differences	-	-	-	-	**-**	-	**-**
Net profit	-	-	-	11 084	**11 084**	16	**11 100**
Balance at 31 December 2007	**1 673**	**154 975**	**39 944**	**40 332**	**236 924**	**4 899**	**241 823**

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

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KERNEL GROUP OF COMPANIES

KERNEL HOLDING S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR 3 MONTHS ENDED 31 DECEMBER 2007
(in US dollars and in thousands unless otherwise stated)

	3 months ended 31 December 2007	6 months ended 31 December 2007	3 months ended 31 December 2006	6 months ended 31 December 2006
OPERATING ACTIVITIES:				
Profit/(loss) before income tax	12 926	23 033	2 116	2 306
Adjustments to reconcile profit before income tax to net cash used in operating activities:				
Amortization and depreciation	2 362	4 786	1 695	2 939
Finance costs	9 388	14 268	4 144	6 665
Bad debt expenses and other accruals	394	692	531	741
Loss on disposal of property, plant and equipment	(70)	(91)	(8)	72
Foreign exchange losses, net	989	1 757	135	318
Income from "DAK Asset"	32	32	(109)	(191)
Gain on sales of equity investments	-	(2 034)	-	-
Operating profit before working capital changes	**26 021**	**42 443**	**8 504**	**12 850**
Changes in working capital:				
Decrease/(increase) in trade accounts receivable	(18 225)	(25 472)	(6 450)	(10 696)
Decrease/(increase) in prepayments and other current assets	(1 767)	(7 970)	(2 363)	(2 054)
(Increase)/decrease in restricted cash balance	(926)	(7 342)	(11)	(11)
Increase in taxes recoverable and prepaid	(27 876)	(45 320)	(3 179)	(10 819)
Increase in biological assets	1 717	7 753	1 428	2 046
Increase in inventories	(133 663)	(216 473)	(42 797)	(46 581)
Increase/(decrease) in trade accounts payable	(11 216)	1 564	(360)	275
Increase/(decrease) in advances from customers and other current liabilities	(2 662)	(1 727)	5 778	5 002
Cash obtained from/(used in) operations	**(168 597)**	**(252 544)**	**(39 450)**	**(49 988)**
Finance costs paid	(9 426)	(14 306)	(3 987)	(6 542)
Income tax paid	(160)	(259)	(108)	(189)
V. Net cash provided by operating activities	**(178 183)**	**(267 109)**	**(43 545)**	**(56 719)**
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	(5 529)	(8 582)	(228)	(756)
Proceeds from disposal of property, plant and equipment	424	932	626	1 134
Sales/(Purchase) of intangible and other non-current assets	(160)	(13 743)	(57)	(36)
Acquisition of Subsidiaries	(3 087)	(3 087)	(49 007)	(49 007)
Disposal of Subsidiaries	-	3 549	-	-
VI. Net cash used in investing activities	**(8 352)**	**(20 931)**	**(48 666)**	**(48 665)**
FINANCING ACTIVITIES:				
Proceeds from short-term and long-term borrowings	51 566	140 597	95 374	118 430
Repayment of short-term and long-term borrowings	(10 312)	(35 326)	(10 044)	(25 228)
Corporate bonds issued	-	19 831	-	-
Proceeds from subordinated loan	(7 532)	(7 532)	7 532	7 532
Proceeds from share capital increase	441	441	176	176
Proceeds from share premium reserve increase	160 997	160 997	2 602	2 602
Issued capital and IPO expenses paid	(7 172)	(7 172)	-	-
VII. Net cash provided by financing activities	**187 988**	**271 836**	**95 640**	**103 512**
TRANSLATION ADJUSTMENT	-	-	(50)	(50)
VIII. NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1 453	(16 204)	3 379	(1 922)
CASH AND CASH EQUIVALENTS, at the beginning of the period	7 095	24 752	682	5 983
CASH AND CASH EQUIVALENTS, at the end of the period	8 548	8 548	4 061	4 061

Andrey Verevskiy

Anastasiia Usachova

KERNEL GROUP OF COMPANIES

KERNEL HOLDING A.S. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR 3 MONTHS ENDED 31 DECEMBER 2007
(in US dollars and in thousands unless otherwise stated)

1. KEY DATA BY SEGMENT

The following table represents key data by segments for the 6 months ended 31 December 2007 and 2006:

	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)	178 184	59 619	62 953	68 498	9 283	1 137			250 420	129 254
Intersegment sales	785	187	18 386	4 782	-	-	(19 171)	(4 969)	-	-
	178 969	59 806	81 339	73 280	9 283	1 137	(19 171)	(4 969)	250 420	129 254
Other operating income	180	-	4 066	1 980	-	-			4 246	1 980
Operating profit	37 787	6 105	10 068	9 688	(9 127)	(5 593)			38 728	10 200
Total assets	386 131	149 856	157 358	138 329	18 004	4 474			561 493	292 659
Capital expenditures	18 514	33 807	1 204	26 911	434	147			20 152	60 865
Amortization and depreciation	3 355	1 558	1 321	1 352	111	29			4 787	2 939
Liabilities	18 936	16 165	11 609	12 194	289 125	203 543			319 670	231 902

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 30 June 2007 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 30 September 2007	Group's Effective Ownership Interest as of 30 June 2007
"Kernel-Capital", LLC	Holding company for grain elevators and other Subsidiaries in Ukraine. Performs transactions with financial instruments.	Ukraine	99.9%	99.9%	99.9%
“Etrecom Investments”, LTD	Holding company.	Cyprus	100.0%	100.0%	N/A
LLC "Yuzhtrans-Terminal"	Dormant company.	Ukraine	99.9%	99.9%	99.0%
Inerco Trade S.A.	Trade of sunflower seed oil, meal and grain.	Switzerland	99.0%	99.9%	99.9%
Lanen S.A.		Panama	100.0%	100.0%	100.0%
"Kernel-Trade", LLC		Ukraine	100.0%	99.8%	99.8%

Subsidiary	Principal Activity	Country of Incorpo-ration	Group's Effective Ownership Interest as of 31 December 2007	Group's Effective Ownership Interest as of 30 September 2007	Group's Effective Ownership Interest as of 30 June 2007
CJSC "Poltava oil crushing plant — Kernel Group"	Production plants. Production of sunflower seed oil and meal.	Ukraine	94.9%	94.9%	94.9%
CJSC "Vovchansk OEP"		Ukraine	99.0%	98.8%	98.8%
CJSC "Prykolotne OEP"		Ukraine	100.0%	69.9%	69.9%
CJSC "Prykolotnyanska oliya"		Ukraine	0.0%	0.0%	0.0%
LLC JE "Inerco-Ukraine"	Holding company. No significant activity since the date of foundation.	Ukraine	100.0%	99.9%	99.9%
CJSC "Poltavaavtotransservis"	Trucking company. Provision of transport services to Group companies.	Ukraine	99.9%	99.9%	98.5%
CJSC "Reshetylivka Hliboproduct"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	100.0%	79.9%	79.9%
JSC "Reshetilovski elevator”		Ukraine	0.0%	0.0%	0.0%
CJSC "Horol-Elevator"		Ukraine	100.0%	99.9%	99.9%
JSC "Horolskiy elevator"		Ukraine	0.0%	0.0%	0.0%
CJSC "Mirgorodsky elevator"		Ukraine	100.0%	99.9%	99.9%
CJSC "Globynsky elevator HP"		Ukraine	100.0%	100.0%	86.2%
JSC "Globinsky elevator kliboproduktiv"		Ukraine	0.0%	0.0%	0.0%
JSC "Poltavske khlibopriemalne pidpriemstvo"		Ukraine	88.2%	88.2%	86.2%
JSC "Golovanivske khlibopriemalne pidpriemstvo"		Ukraine	99.2%	99.2%	99.2%
CJSC "Galeschina-Agro"		Ukraine	99.9%	99.9%	99.9%
CJSC "Gogoleve-Agro"		Ukraine	99.9%	99.9%	99.8%

Subsidiary	Principal Activity	Country of Incorpo-ration	Group's Effective Ownership Interest as of 31 December 2007	Group's Effective Ownership Interest as of 30 September 2007	Group's Effective Ownership Interest as of 30 June 2007
CJSC "Sagaydak-Agro"		Ukraine	100.0%	99.9%	99.9%
CJSC "Karlivka-Agro"		Ukraine	99.9%	99.9%	99.9%
CJSC "Novo-Sanzharski elevator"		Ukraine	Disposed of on 31 August 2007.	Disposed of on 31 August 2007.	99.0%
CJSC "Lazorkovski Elevator"		Ukraine	99.9%	99.9%	99.9%
"Zherebkivsky elevator LTD"		Ukraine	99.9%	99.9%	99.9%
"Kononivsky elevator LTD"		Ukraine	99.9%	99.9%	99.9%
JSC "Pidgorodnanski elevator"		Ukraine	Disposed of on 30 July 2007.	Disposed of on 30 July 2007.	75.0%
LLC "Bandurskiy elevator"		Ukraine	100.0%	99.9%	99.9%
CJSC "Semenivski elevator"		Ukraine	99.9%	99.9%	99.9%
LLC "Kobelyaki hleboproduct"		Ukraine	0.1%	0.1%	0.1%
LLC "Sahnovshina hleboproduct"		Ukraine	100.0%	0.1%	0.1%
CJSC "Velykoburlutske HPP"		Ukraine	100.0%	99.8%	99.8%
CJSC "Vlasivskiy KHP"		Ukraine	In process of liquidation.	In process of liquidation.	99.8%
CJSC "Vovchansky KHP"		Ukraine	Disposed of on 23 July 2007.	Disposed of on 23 July 2007.	99.8%
CJSC "Gutnansky elevator"		Ukraine	100.0 %	99.8%	99.8%
CJSC "Lykhachivsky KHP"		Ukraine	100.0 %	99.8%	99.8%
CJSC "Shevchenkisky KHP"		Ukraine	100.0 %	99.8%	99.8%
CJSC "Orilske HPP"		Ukraine	100.0 %	99.8%	99.8%
CJSC "Kovyagivske KHP"		Ukraine	100.0 %	99.8%	99.8%
LLC “Ukrainian Agricultural Company”	Holding company agricultural farms.	Ukraine	Control relinquished.	Control relinquished.	0.3%
LLC "Agroservise"	Agricultural farms. Cultivation of agricultural	Ukraine	100.0%	99.9%	99.9%
LLC "Zernoservise"		Ukraine	100.0%	99.9%	99.9%
LLC "Unigrain-Agro" (Semenovka)		Ukraine	100.0%	99.9%	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 30 September 2007	Group's Effective Ownership Interest as of 30 June 2007
LLC "Unigrain-Agro" (Globino)	products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100.0%	99.9%	99.9%
LLC "Mrija-Agro"		Ukraine	100.0%	99.9%	99.9%
CJSC "Lozivske HPP"		Ukraine	100.0%	99.8%	99.8%
CJSC "Krasnopavlivsky KHP"		Ukraine	100.0%	99.8%	99.8%
CJSC "Agrofirma "Krasnopavlivska"		Ukraine	0.0%	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", 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 consolidated financial statements were authorized for issue by the Board of Directors of Kernel Holding S.A., on 14 February 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 December 2007**	**Share owned as of 31 December 2007, %**	**Shares allotted and fully paid as of 30 June 2007**	**Share owned as of 30 June 2007, %**
Namsen LTD (public limited company registered under the legislation of Cyprus) (hereinafter the "Majority Shareholder")	40 574 250	64,05%	7 999	85.79%
Evergreen Financial Limited (a company incorporated and registered in the Territory of the British Virgin Islands) (hereinafter Evergreen Financial Limited)	-		1 334	14.20%
Free-float	22 766 750	35,95%	-	-
Individual	-	-	1	0.01%
Total	**63 341 000**	**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 – 85,79 %) (hereinafter the "Beneficial Owner").
On November 19, 2007 Namsen LTD executed a call-option for 1,334 shares (14,2%), hold by Evergreen Financial Limited
On November 23, 2007 the Holding was listed on 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. These amendments did not have a material effect on the consolidated financial statements of the Group.

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

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

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

Basis of Consolidation - The consolidated financial statements incorporate the consolidated financial statements of the Holding and companies controlled by the Group ("its Subsidiaries") made up as of 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” and “Chumak” ("Chumak Zolota" and "Chumak 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” and “Chumak” ("Chumak Zolota" and "Chumak 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 30 June 2007**
UAH/USD	5.0500	5.0500	5.0500
PLZ/USD	2.4350	2.6413	2.7989
EUR/USD	0.6798	0.7096	0.7432

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred income tax assets and liabilities are offset when:

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

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

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

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

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

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

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

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

The segments' activities are as follows:

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

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

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

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

The segment data are calculated as follows:

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

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

Reclassifications – Certain reclassifications have been made to the corresponding amounts for the year ended 30 June 2007 so as to conform to the current reporting date presentation.

KERNEL
GROUP OF COMPANIES

5. PROPERTY PLANT AND EQUIPMENT, NET

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	(6 371)	-
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**

6. INTANGIBLE ASSETS, NET

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

	Trademarks	Other intangible assets	Total
Cost			
As of 30 June 2007	16 614	441	17 055
Additions	13 500	265	13 765
Disposals	-	(34)	(34)
As of 31 December 2007	**30 114**	**672**	**30 786**
Accumulated depreciation			
As of 30 June 2007	-	(234)	(234)
Amortization charge	-	(130)	(130)
Disposals	-	12	12
As of 31 December 2007	**-**	**(352)**	**(352)**
Net book value			
As of 31 December 2007	**30 114**	**320**	**30 434**
As of 30 June 2007	**16 614**	**207**	**16 821**

Included in intangible assets of Subsidiaries are the “Schedry Dar”, “Stozhar” and "Zolota" and "Domashnya" trademarks with the value of USD 7 229 thousand, USD 9 385 thousand and USD 13 500 thousand respectively. These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market. Trade mark “Stozhar” is pledged as security for long-term loans as of 31 December 2007 (as of 30 June 2007 trade marks “Schedry Dar” and “Stozhar” were pledged),

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” and "Zolota" and "Domashnya" sales of bottled oil under these trademarks and the current bottled oil market share enjoyed by the Group will be stable and thus the Group will obtain economic benefits from them during an indefinite period of time. Accordingly, the trademarks “Schedry Dar”, “Stozhar”, "Zolota" and "Domashnya" 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.

7. SHORT-TERM BORROWINGS

The balances of short-term borrowings as of 31 December 2007 and 30 June 2007 as follows:

	31 December 2007	30 June 2007
Bank credit lines	134 419	36 647
Overdrafts	-	-
Interest accrued on short-term credits	302	309
Interest accrued on long-term credits	430	461
Total	**135 151**	**37 417**

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

Lender	Interest rate	Loan currency	Maturity	Amount due
Ukrainian bank	LIBOR +2,35%	USD	July 2008	10 000
Ukrainian bank	LIBOR +4,5%	USD	November 2009	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%;	USD	June 2008	25 000
European Bank	LIBOR +2,125%; 1,125%; 0,125%	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 30 June 2007 were as follows:

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

On 19 December 2007 Inerco Trade SA, 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 35,000,000 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 142 890 thousand (as of 30 June 2007 USD 99 800 thousand). The increase of short-term financing corresponds to seasonality in inventories due to the nature of the business of the Group.

8. LONG-TERM BORROWINGS

The balances of long-term borrowings as of 31 December 2007 and 30 June 2007 were as follows:

	31 December 2007	30 June 2007
Long-term bank loans	116 149	106 257
Long-term borrowings from related parties	-	
Less: Current portion of long-term borrowings	(12 572)	(7 018)
Total	**103 577**	**99 239**

Long-term bank loans

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

Lender	Type of loan	Interest rate	Loan currency	Maturity	Amount due
Ukrainian bank	Credit line	14%	UAH	July 2010	7 042
Ukrainian bank	Credit line	12.0%	USD	June 2010	58 750
Ukrainian bank	Credit line	LIBOR +5%	USD	November 2013	50 357
Total					**116 149**

On December 3rd, 2007, the Group repaid a bridge loan in the amount of USD 13,500,000 obtained from an Ukrainian subsidiary of an European bank and provided for the purpose of funding the acquisition of the "Chumak Zolota" and "Chumak 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 loans as of 30 June 2007 were as follows:

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

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 126 750 thousand (as of 30 June 2007: USD 106 000 thousand from two banks).

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9. INCOME TAX

As of 31 December 2007 and 30 June 2007 the major components of deferred tax assets and liabilities were as follows:

	31 December 2007	30 June 2007
Deferred tax assets arising from:		
Valuation of advances from customers	1 345	734
Valuation of accrued expenses and other temporary differences	220	237
Tax losses carried forward	120	2 453
Valuation of accounts receivable	109	299
Valuation of property, plant and equipment	100	616
Valuation of inventories	2	-
Deferred tax asset	**1 896**	**4 339**
Less: valuation allowance	(125)	(428)
Net deferred tax asset after valuation allowance	**1 771**	**3 911**
Deferred tax liability arising from:		
Valuation of property, plant and equipment	(15 884)	(15 263)
Valuation of prepayments to suppliers and prepaid expenses	(3 178)	(2 979)
Valuation of intangible assets	(3 605)	(3 660)
Valuation of financial investments	(344)	(235)
Valuation of inventories	(53)	(21)
Deferred tax liability	**(23 064)**	**(22 158)**
Net deferred tax liability	**(21 293)**	**(18 247)**

As of 31 December 2007 and 30 June 2007 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 30 June 2007.

The components of income tax expense for the 6 months ended 31 December 2007 were as follows:

Current income tax expenses	119
Deferred tax expenses	3 376
Income tax expense	**3 495**

The income tax charge for the 6 months ended 31 December 2007 is reconciled to the profit before income tax per consolidated income statement as follows:

Profit/(loss) before income tax	23 033
Tax at the statutory income tax rate in Ukraine of 25%	5 758
Expenditures not allowable for income tax purposes and non-taxable income, net	(1 960)
Change in valuation allowance	(303)
Income tax benefit	**3 495**

10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The following entities were disposed of during the 6 months ended 31 December 2007:

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

Subsidiaries disposed of had been previously fully consolidated. Fair value of assets, liabilities and contingent liabilities was 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	2 102
Trade accounts payable	(377)
Advances from customers and other current liabilities	(292)
Deferred tax liabilities	(330)
Fair value of assets of disposed Subsidiaries, net	**1 743**
Minority interest of disposed Subsidiaries	**(116)**
Fair value of disposed assets, net	**1 627**
Gain on disposal of Subsidiaries	**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**

11. 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 30 June 2007:

	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 30 June 2007	Total category as per consolidated balance sheet as of 30 June 2007
Trade accounts receivable, net,	4	35 000	38	9 828
Prepayments to suppliers and other current assets, net,	1 357	16 310	218	8 567
Trade accounts payable	18	6 996	23	5 809
Advances from customers and other current liabilities	5	7 766	13	8 935
Subordinated loan	-	-	7 532	7 532

Transactions with related parties for the 6 months ended 31 December 2007 were as follows:

	Amount of operations with related parties, for 6 months ended 31 December 2007	Total category per consolidated income statement for 6 months ended 31 December 2007
Revenue	9	250 420
General, operational, administrative and distribution expenses	352	26 145
Finance costs	-	14 268
Other (expenses) /income, net	21	330

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

12. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

As of 31 December 2007 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.

Capital commitments – The Group signed in November 2007 three contracts with European suppliers for a total value of up to USD 21,5 million for supply of equipment and services required for the construction of a complete pre-pressing and solvent extraction plant, for the processing of sunflower seed, rapeseed and soybean. In December 2007 the Group signed contracts for a total value up to USD 4 million for supply of agricultural equipment and machinery.

"DAK Asset" - "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 30 June 2007: USD 1 981 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 was USD 810 thousand as of 31 December 2007 (as of 30 June 2007: zero).

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

As a result of such Government assistance programs, total liabilities to State representative bodies, recorded in the statutory accounting registers and off-balance sheet records of grain elevators of the Group amounted to USD 1 133 thousand as of 31 December 2007. The current Ukrainian legislation is uncertain in determining whether the liabilities under such Government assistance programs are to be repaid by the grain elevators involved or not and, therefore, there is a possibility that the State representative bodies may claim the repayment of the total amount of these liabilities in the amount of USD 1 133 thousand from the Group's grain elevators.

13. 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", IAS No. 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures". 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 30 June 2007 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.

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14. DESCRIPTION OF THE ESSENTIAL EVENTS FOR 6 MONTHS ENDED 31 DECEMBER 2007.

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

On November 23, 2007 the Holding was listed on Warsaw Stock Exchange (WSE). Including the exercise of the Over-allotment Option, the total size of the Offering was PLN 546,402,000, including gross proceeds in the amount of PLN 400,104,000 received by the Company from the issue of the New Shares.

Total subscription and IPO costs of USD 8,6 million, included preparation and carrying out of the Offering, including the Managers' fees, preparation of the Prospectus, advisers' fees and costs of the Offering promotion. In line with the cost recognition method and the manner of cost presentation in the Company's financial statements; issue expenses will decrease the share premium reserve. Average cost of subscription per one New Share: USD 0.14. The costs herein have been calculated based on the USD/PLN and EUR/PLN exchange rates announced by the National Bank of Poland on 27 November 2007. The total expenses incurred by the Company in connection with the New Share issue will be disclosed in the Company's financial statements for the financial year ended June 30, 2008.

On 21 December 2007 Kernel Trade LLC, a subsidiary of Kernel Holding S.A., fulfilled it's obligation under an agreement signed on 24 November 2006 and acquired a final 30% stake in CJSC "Prikolotne OEP" (Prikolotnoe crushing plant). Total consideration paid was EURO 2,054 thousand. This transaction was the final stage of the acquisition of Evrotek's production assets, which took place in 2006.

15. SUBSEQUENT EVENTS

On January 23, 2008 a preliminary agreement was signed between a subsidiary company of Kernel Holding S.A. and an Ukrainian enterprise on acquiring corporate rights of three Ukrainian firms which together are leasing 7,618 hectares of land in Poltava Oblast (with a 10-year lease term). The estimated value of the deal will come to USD 2,4 million. The transaction is to be finalized by the end of May 2008.

On 31 January, 2008 a preliminary agreement was signed between a subsidiary company of Kernel Holding SA and an Ukrainian enterprise to acquire an Ukrainian firm leasing 9,964 hectares of land in Poltava Oblast under a 10-year lease term. The transaction has an estimated value of USD 2,9 million and is intended to be finalized by the end of May 2008.

On 01 February 2008 Kernel Holding S.A. informed in the current report no 3/2008 that it has entered into a preliminary agreement with a reputable international investor to jointly finance the extensive farming development envisaged by Kernel. The farming operation held under the jointly owned company shall lease, manage and farm up to 250,000 ha of prime Ukraine farm land. Kernel shall manage and control all the extended farming operations, which shall be fully consolidated in Kernel Holding S.A.'s financial report.