

Financial and Production highlights.

- Achieving operational control of a major grain transshipment terminal in the port of Illichevsk, Black Sea.
- Net income increased 362% compared to fourth quarter of the previous financial year.
- Further farming expansion, with Company leasing and farming in excess of 80,000 ha of prime agricultural land as per 30 June 2008

	12 months ended 30.06.2007	12 months ended 30.06.2008
Crushing of sunflower seeds, tons	573 600	675 156
Oil refined volume, tons	105 092	116 663
Bottled oil, produced, tons	66 959	95 072

Andrey Verevskyy, Chairman of the Board, stated:

The last quarter of financial year 2008 was successful not only because of the good financial results achieved by our Company, but also, and maybe more significant for the long-term prospects of Kernel, because of the landmark achievements in implementing our strategic goals.

The Company has secured control of a world class grain transshipment terminal and thereby created a unique commodity pipeline for grain produced and exported from Ukraine.

In bottled oil, the company has increased sales by close to 25% in volume terms, achieving a significantly greater year-on-year increase than originally planned.

Kernel has also significantly expanded its farming operations and now controls and farms in excess of 80,000 ha of prime agricultural land in Ukraine.

Both the developments in our upstream operations and our down stream control of logistics from producer to customer strengthen our capacity to increase and improve the Group's margins, diversify our business portfolio within the agribusiness sphere and, finally, provide for sustainable results.

Results for 4th Quarter FY2008

Our revenues for the 3 months ended 30 June 2008 have increased from USD 122 Mio to USD 166 Mio, a 36% increase over the fourth quarter of our previous financial year. Pre-tax profit increased by 466% to \$44,7 million (\$7,9 million for the same period last year). Margins have also improved, with pre-tax profit margin increasing from 6.5% for the fourth quarter of the previous financial year to 26% for the current reporting period, and net profit margin increasing from 7.2% to 24%.

Our G&A expenses are steadily decreasing relative to our turnover, from 3,3% in the fourth quarter of the previous financial year to 2,7% for the present reporting period. Financial expenses relative to turnover have also decreased from 4,7% in the fourth quarter of the previous financial year to 4,5% in the fourth quarter of the current financial year.

Due to seasonality of our agribusiness, inventories have decreased from \$212 million as of 31 March 2008 to \$161 million as of 30 June 2008, as well as taxes prepaid (from \$61 million to \$23 million).

Also due to seasonality, operating cash flow IS positive for the fourth quarter of the financial year. However, and due to the significant growth in commodity prices and the development of our farming activity, cash-flow from operations shall be negative for the financial year.

Market Environment affecting FY2008

In financial year 2008, we took advantage of buoyant market conditions in both our grain and oil businesses. The significant price increases in the first 3 quarters of our financial year have helped improve our margins and earnings in absolute terms.

In addition to international market conditions, high expectations for the 2008 grain harvest enabled the government of Ukraine to fully lift the grain export ban, which had been imposed in the fall of 2007. Even though export volumes were not significant, we took advantage of the important spreads between the domestic and international markets to achieve high margins in our grain activity.

The strong increases in vegetable oil prices on the international and domestic markets led the Government of Ukraine to seek measures in the spring of 2008 to contain the increase in the price of oil in Ukraine, in particular by imposing oil export restrictions. However, the restrictions proved difficult to manage and ineffective, and were fully removed in May 2008. Our export sales of vegetable oil went unaffected by these temporary events.

In June 2008 the contaminated oil issue was also solved. The EU and Ukraine reached a global agreement for the import of vegetable oil produced in Ukraine and, in particular, agreed on quality control procedures to insure that such contamination will not happen in the future. We have resumed supplying sunflower oil to the EU without any restrictions and believe that this issue has been finally solved.

FY2009 markets expectations and company performance.

International grain markets have come off their highs experienced in the first half of 2008. This of course will affect our grain sourcing and merchandizing activity as well as our farming in FY2009. However, if prices reached on the international market have come down substantially, prices at which we source grain have also decreased, such downward movement being amplified by a bumper harvest and general harvest pressure in Ukraine. Our forecast on margins generated in the grain business remain therefore unchanged. Volumewise, we should benefit from the very substantial increase over FY2008 expected in the volumes of grain exported from Ukraine in FY2009, on the basis of which we have increased our planned export from 900,000 tons to 1.2 million tons.

The bumper harvest is also expected to have a significant positive impact on income generated by silo services. As of today, grain stored in Group silos has increased by 76 % over the previous year. The size of the harvest and lack of good storage capacity in the country has also led to a substantial increase in fees for our silo services.

On the down side, the decrease in grain prices is expected to have a negative impact on the farming activity of the Group, where we expect margins to be under pressure. Lower results expected in the farming business should however have a positive side effect in the development of our farming activity, with farming enterprises being more receptive to acquisition proposals by the Group, and showing more flexibility on acquisition prices. As deflation in agricultural prices is slowly sinking in, Kernel will continue to expand its farming business, but steadily and with caution, and seeking the best bargains.

In oil, our largest business, prices on the international market have also significantly corrected, decreasing some 30% to 35% from their recent highs. With the next capacity increase of the Group due to come on stream in spring 2009, and with a reasonably good sunflower seed harvest expected, our forecast for income generated by the oil activity remains unchanged.

Finally our bottled oil division, following impressive growth and results in FY2008, is forecasted to continue delivering healthy margins, in the range achieved in the previous year.

In conclusion, we see continued benefits and synergies in a diversified portfolio of activities focused on agribusiness and, while the farming sector is likely to come under pressure in this financial year, we should see the other businesses of the Group performing to our satisfaction. In consideration of this outlook, our guidance for the next financial year is as follows: revenues \$1100 million, EBITDA \$185 million and Net profit \$115 million.



Major Company developments

Overall the Company is following the course, which was mapped out in the fall of 2007.

Clearly, the major development in the quarter affecting the Company is control achieved over the grain transshipment terminal in Illichevsk on the Black Sea. As mentioned previously, finalization of the transaction was delayed by various legal matters, which management believes will be solved in the coming months. Kernel has been fully managing the grain terminal since 1st July. Capitalizing on a good 2008 grain harvest, we plan grain throughput in the range of 3 million tons over the season. Also, the terminal has allowed us to increase by 30% our plans in grain sourcing and international merchandizing, which we expect to reach circa 1.2 million tons. The territory of the terminal and its location will also provide the Company with an ideal expansion platform for the development of its future oil tank base, thereby achieving a fully integrated chain in the production and export of vegetable oil.

A second important Company development is the emphasis Kernel has put on large scale farming. Following the share capital increase effected early April, a number of farming enterprises have been acquired by the Company, thereby bringing prime farm land under control and management of the Company to 80,000 ha by end June 2008. As previously mentioned, the Company will take advantage of the decrease in grain prices and the expected effect on farmers results, to carefully seek the best opportunities for the development of its existing land clusters.

Last but not least, our planned expansion in crushing capacity is continuing apace. Necessary contracts have been concluded with equipment suppliers to increase the capacity and improve crushing efficiency of our existing crushing plant in Poltava. Construction works are continuing as planned at our green field multi-seed crushing plant located in the northern part of Nikolaev oblast, and should enable us to commission and be ready for the next coming crushing season. Overall, both developments will make Kernel the clear leader in the crushing industry in Ukraine.



Kernel Holding S.A.

and Subsidiaries

Condensed Consolidated Financial Statements

For the 3 Months Ended 30 June 2008



KERNEL HOLDING S.A. AND SUBSIDIARIES

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MONTHS ENDED 30 JUNE 2008

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KERNEL HOLDING S.A. AND SUBSIDIARIES

SELECTED FINANCIAL DATA AS OF 30 JUNE 2008

(in thousands unless otherwise stated)

SELECTED FINANCIAL DATA for the 3 months ended 30 June	thousand USD		thousand zloty		thousand EUR	
	2 008	2 007	2 008	2 007	2 008	2 007
I. Revenue	169 562	121 854	369 946	343 902	108 518	90 431
II. Operating profit/(loss)	44 691	14 665	97 506	41 388	28 602	10 883
III. Profit/(loss) before income tax	43 668	7 910	95 274	22 324	27 947	5 870
IV. Net profit/(loss)	40 518	8 762	88 401	24 729	25 931	6 502
V. Net cash flow from operating activity	37 365	50 523	81 523	142 588	23 914	37 494
VI. Net cash flow from investment activity	(30 340)	10 901	(66 195)	30 765	(19 417)	8 090
VII. Net cash flow from financial activity	49 509	(43 184)	108 017	(121 876)	31 685	(32 048)
VIII. Total net cash flow	56 534	18 240	123 345	51 478	36 181	13 536
IX. Total assets	792 961	275 080	1 680 602	769 921	501 044	204 451
X. Current liabilities	175 760	59 179	372 506	165 636	111 057	43 94
XI. Non-current liabilities	128 745	130 608	272 862	365 559	81 349	97 073
XII. Subordinated loan	-	7 532	-	21 081	-	5 598
XIII. Share capital	1 815	1 232	3 847	3 448	1 147	916
XIV. Total equity	488 456	77 761	1 035 234	217 645	308 638	57 795
XV. Number of shares	68 741 000	9 334	68 741 000	9 334	68 741 000	9 334
XVI. Profit/(loss) per ordinary share (in USD/zloty/EUR)	0,61	934,33	1,32	2 636,90	0,39	693,39
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)	0,61	-	1,32	-	0,39	-
XIX. Book value per share (in USD/zloty/EUR)	5,59	6 922,01	11,86	19 374,00	3,53	5 144,72
XX. Diluted book value per share (in USD/zloty/EUR)	5,59	-	11,86	-	3,53	-

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

The notes on pages 11 to 35 form an integral part of these condensed consolidated financial statements.

KERNEL HOLDING S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2008
(in US dollars and in thousands unless otherwise stated)

	Notes	30 June 2008	31 March 2008	30 June 2007
ASSETS				
<i>CURRENT ASSETS:</i>				
Cash		89 160	38 885	25 253
Trade accounts receivable, net		48 720	48 401	9 828
Prepayments to suppliers and other current assets, net		40 644	16 543	8 567
Taxes recoverable and prepaid, net		23 200	61 059	22 485
Inventory		161 367	212 249	40 163
Biological assets		25 761	4 735	9 672
Total current assets		388 852	381 872	115 968
<i>NON-CURRENT ASSETS:</i>				
Property, plant and equipment, net	5	234 349	142 378	127 865
Intangible assets, net	6	53 133	43 725	16 821
Goodwill		24 166	6 410	11 491
Other non-current assets	7	92 461	14 784	2 935
Total non-current assets		404 109	207 297	159 112
TOTAL ASSETS		792 961	589 169	275 080
LIABILITIES AND EQUITY				
<i>CURRENT LIABILITIES:</i>				
Trade accounts payable		5 738	4 018	5 809
Advances from customers and other current liabilities		11 876	12 624	8 935
Short-term borrowings	8	120 536	141 539	37 417
Short-term corporate bonds		30 984	9 900	-
Current portion of long-term borrowings		6 626	10 757	7 018
Total current liabilities		175 760	178 838	59 179
<i>NON-CURRENT LIABILITIES:</i>				
Long-term borrowings	9	91 148	100 089	99 239
Obligations under finance lease		6 907	2 089	3 185
Corporate bonds issued		-	19 857	9 937
Deferred tax liabilities		30 460	21 805	18 247
Other non-current liabilities		230	-	-
Total non-current liabilities		128 745	143 840	130 608
<i>SUBORDINATED LOAN</i>		-	-	7 532
<i>COMMITMENTS AND CONTINGENCIES</i>				
<i>EQUITY ATTRIBUTABLE TO KERNEL HOLDING S.A. SHAREHOLDERS</i>				
Share capital		1 815	1 673	1 232
Share premium reserve		236 793	154 912	2 608
Additional paid-in capital		39 944	39 944	39 944
Effect of foreign exchange differences		3 350	-	-
Retained earnings		102 613	60 992	20 826
Total equity attributable to Kernel Holding S.A. shareholders		384 515	257 521	64 610
MINORITY INTEREST		103 941	8 970	13 151

Total equity	488 456	266 491	77 761
TOTAL LIABILITIES AND EQUITY	792 961	589 169	275 080
Book value	384 515	257 521	64 610
Number of shares	68 741 000	63 341 000	9 334
Book value per one share (in USD)	5,59	4,07	6 922,01
Diluted number of shares	68 741 000	68 741 000	-
Diluted book value per share (in USD)	5,59	3,75	-

On behalf of the Board

Andrey Verevskiy

Chairman of the Board

The notes on pages 11 to 35 form an integral part of these condensed consolidated financial statements.

Anastasiia Usachova

CFO

KERNEL HOLDING S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE 3 MONTHS ENDED 30 JUNE 2008
(in US dollars and in thousands unless otherwise stated)

	3 months ended 30 June 2008	12 months ended 30 June 2008	3 months ended 30 June 2007	12 months ended 30 June 2007
REVENUE	169 562	663 140	121 854	350 379
COST OF SALES	(120 844)	(502 160)	(92 018)	(267 352)
GROSS PROFIT	48 718	160 980	29 836	83 027
OTHER OPERATIONAL INCOME	19 827	24 370	4 027	7 865
OPERATING EXPENSES:				
Distribution costs	(19 343)	(52 406)	(15 138)	(38 963)
General and administrative expenses	(4 511)	(19 436)	(4 060)	(13 295)
TOTAL OPERATING EXPENSES	(23 854)	(71 842)	(19 198)	(52 258)
OPERATING PROFIT	44 691	113 508	14 665	38 634
Finance costs, net	(7 688)	(28 127)	(5 756)	(18 863)
Foreign exchange (loss)/gain, net	12 839	10 892	(96)	(768)
Other (expenses)/income, net	(6 174)	(6 538)	(903)	(2 311)
PROFIT/(LOSS) BEFORE INCOME TAX	43 668	89 735	7 910	16 692
INCOME TAX	(3 150)	(8 945)	852	1 904
NET PROFIT	40 518	80 790	8 762	18 596
NET PROFIT/(LOSS) ATTRIBUTABLE TO:				
Shareholders of Kernel Holding S.A.	41 621	81 787	8 721	19 539
Minority interest	(1 103)	(997)	41	(943)
Number of shares	68 741 000	68 741 000	9 334	9 334
Profit/(loss) per ordinary share (in USD)	0,61	1,19	934,33	2093,31
Diluted number of shares	68 741 000	68 741 000	-	-
Diluted profit/(loss) per ordinary share (in USD)	0,61	1,19	-	-

On behalf of the Board

 Andrey Verevskiy
 Chairman of the Board

 Anastasiia Usachova
 CFO

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KERNEL HOLDING S.A. AND SUBSIDIARIES
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE 3 MONTHS ENDED 30 JUNE 2008**
(in US dollars and in thousands unless otherwise stated)

	Share capital	Share premium reserve	Additional paid-in capital	Effect of foreign exchange differences	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
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 foreign exchange differences	-	59	-	-	-	59	-	59
Net profit	-	-	-	-	7 613	7 613	(129)	7 484
Balance at 31 March 2007	1 232	2 667	39 272	-	12 105	55 276	13 024	68 300
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
Effect of foreign exchange differences	-	(59)	-	-	-	(59)	-	(59)
Net profit	-	-	-	-	8 721	8 721	41	8 762
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)
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	-	-	-	-	-	-	(6 814)	(6 814)
Increase of share capital	441	160 997	-	-	-	161 438	-	161 438
Issued capital and IPO expenses	-	(8 630)	-	-	-	(8 630)	-	(8 630)
Net profit	-	-	-	-	12 215	12 215	14	12 229
Balance at 31 December 2007	1 673	154 975	39 944	-	41 463	238 055	4 904	242 959
Effect of changes on minority interest	-	-	-	-	-	-	5 027	5 027
Acquisition of subsidiaries	-	-	-	-	-	-	6 563	6 563
Repurchase of minority share	-	-	-	-	-	-	(7 600)	(7 600)
Issued capital and IPO expenses	-	(63)	-	-	-	(63)	-	(63)
Net profit	-	-	-	-	19 529	19 529	76	19 605
Balance at 31 March 2008	1 673	154 912	39 944	-	60 992	257 521	8 970	266 491
Effect of changes on minority interest	-	-	-	-	-	-	96 074	96 074
Increase of share capital	142	83 712	-	-	-	83 854	-	83 854
Issued capital and IPO expenses	-	(1 831)	-	-	-	(1 831)	-	(1 831)
Effect of foreign exchange differences	-	-	-	3 350	-	3 350	-	3 350
Net profit	-	-	-	-	41 621	41 621	(1 103)	40 518
Balance at 30 June 2008	1 815	236 793	39 944	3 350	102 613	384 515	103 941	488 456

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

The notes on pages 11 to 35 form an integral part of these condensed consolidated financial statements.



KERNEL HOLDING S.A. AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 3 MONTHS ENDED 30 JUNE 2008**

(in US dollars and in thousands unless otherwise stated)

	3 months ended 30 June 2008	12 months ended 30 June 2008	3 months ended 30 June 2007	12 months ended 30 June 2007
OPERATING ACTIVITIES:				
Profit/(loss) before income tax	43 668	89 735	7 910	16 692
Adjustments to reconcile profit before income tax to net cash used in operating activities:				
Amortization and depreciation	4 513	12 487	2 397	7 723
Finance costs	7 688	28 127	5 756	18 863
Bad debt expenses and other accruals	1 695	1 851	4	1 070
Loss on disposal of property, plant and equipment	592	921	666	1 035
Foreign exchange losses, net	8 945	10 892	96	768
Income from "DAK Asset"	1	33	(54)	(324)
Gain on sales of equity investments	(901)	(2 935)	(427)	(427)
Operating profit before working capital changes	66 201	141 111	16 348	45 400
Changes in working capital:				
Decrease/(increase) in trade accounts receivable	(526)	(39 626)	844	248
Decrease/(increase) in prepayments and other current assets	(15 319)	(22 318)	2 264	1 246
Decrease/(increase) in restricted cash balance	6 259	(1 216)	(89)	(100)
Increase in taxes recoverable and prepaid	36 732	(817)	(3 339)	(13 048)
Increase in biological assets	(15 686)	(8 661)	(4 230)	(6 253)
Decrease/(increase) in inventories	50 666	(119 352)	39 618	(3 204)
Increase/(decrease) in trade accounts payable	1 256	(822)	3 576	1 965
Increase/(decrease) in advances from customers and other current liabilities	(83 600)	(90 465)	975	4 406
Cash obtained from/(used in) operations	45 983	(142 166)	55 967	30 660
Finance costs paid	(7 606)	(28 127)	(5 274)	(18 358)
Income tax paid	(1 012)	(3 361)	(170)	(708)

Net cash provided/(used in) by operating activities	37 365	(173 654)	50 523	11 594
INVESTING ACTIVITIES:				
Sales/(Purchase) of property, plant and equipment	(9 556)	(35 362)	(60)	(1 598)
Proceeds from disposal of property, plant and equipment	(1 027)	(60)	1 670	3 786
Sales/(Purchase) of intangible and other non-current assets	(15 468)	(29 416)	357	295
Sales/(Acquisition) of Subsidiaries	(5 607)	(14 218)	77 597	8 934
Disposal of Subsidiaries	1 318	4 867	(68 663)	(68 663)
Net cash used in investing activities	(30 340)	(74 189)	10 901	(57 246)
FINANCING ACTIVITIES:				
Proceeds/(Repayment) from short-term and long-term borrowings	84 077	215 853	55 436	190 068
Proceeds/(Repayment) of short-term and long-term borrowings	(100 121)	(135 905)	(98 561)	(135 907)
Corporate bonds issued	(19 820)	-	-	-
Proceeds/(Repayment) from subordinated loan	-	(7 532)	-	7 532
Proceeds from share capital increase	142	583	-	176
Proceeds from share premium reserve increase	83 712	244 709	-	2 602
Issued capital and IPO expenses paid	(1 831)	(10 524)	-	-
Net cash (used in)/provided by financing activities	46 159	307 184	(43 125)	64 471
TRANSLATION ADJUSTMENT	3 350	3 350	(59)	(50)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	56 534	62 691	18 240	18 769
CASH AND CASH EQUIVALENTS, at the beginning of the period	30 909	24 752	6 512	5 983
CASH AND CASH EQUIVALENTS, at the end of the period	87 443	87 443	24 752	24 752

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

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KERNEL HOLDING A.S. AND SUBSIDIARIES
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED 30 JUNE 2008**
(in US dollars and in thousands unless otherwise stated)
1. KEY DATA BY SEGMENT

The following table represents key data by segments for the 12 months ended 30 June 2008 and 2007:

	Oil		Port		Farming		Grain		Other		Reconciliation		Continuing Operations	
	30 June 2008	30 June 2007	30 June 2008	30 June 2007	30 June 2008	30 June 2007	30 June 2008	30 June 2007	30 June 2008	30 June 2007	30 June 2008	30 June 2007	30 June 2008	30 June 2007
Revenue (external)	473 640	216 574	-	-	3 180	904	167 946	129 442	18 374	3 459	-	-	663 140	350 379
Intersegment sales	-	437	-	-	17 100	6 300	50 894	9 078	-	-	(67 994)	(15 815)	-	-
Total	473 640	217 011	-	-	20 280	7 204	218 840	138 520	18 374	3 459	(67 994)	(15 815)	663 140	350 379
Other operating income	-	-	-	-	16 660	5 921	7 710	1 944	-	-	-	-	24 370	7 865
Operating profit (EBIT)	76 965	35 950	-	-	16 660	5 921	39 081	10 057	(19 198)	(13 294)	-	-	113 508	38 634
Total assets	537 921	169 129	90 073	-	80 153	13357	69 800	87 532	15 876	5 062	-	-	793 823	275 080
Capital expenditures	9 301	54 006	-	-	18 300	-	5 933	23 222	111	848	-	-	33 645	78 076
Amortization and depreciation	7 779	5 022	-	-	1 186	763	3 286	1 418	236	346	-	-	12 487	7 549
Liabilities	39 487	14 922	35 264	-	4 679	3 649	11 592	3 761	213 483	167 455	-	-	304 505	189 787

2. NATURE OF THE BUSINESS

Kernel Holding S.A. (hereinafter referred to as the "Holding") incorporated under the legislation of Luxembourg on 15 June 2005 (Number B-109 173 at the Luxembourg Register of Companies) is a holding company for a group of entities (hereinafter referred to as the "Subsidiaries"), which together form the Kernel Group (hereinafter referred to as the "Group").

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: 35 Olesya Gonchara str., 01034 Kyiv, Ukraine.

As of 30 June 2008, 31 March 2008 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 Incorporation	Group's Effective Ownership Interest as of		
			30 June 2008	31 March 2008	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", LLC	Holding company.	Cyprus	100%	100%	N/A
"Yuzhtrans-Terminal", LLC	Dormant company.	Ukraine	99.9%	99.9%	99.9%
Inercio Trade S.A.	Trade of sunflower oil, meal and grain.	Switzerland	99.9	99.9%	99.9%
Lanen S.A.		Panama	100%	100%	100%
"Kernel-Trade", LLC		Ukraine	100%	100%	99.8%
Jerste BV	Dormant company	Netherlands	100%	100%	N/A
CJSC "Poltava oil crushing plant — Kernel Group"	Production plants. Production of sunflower oil and meal.	Ukraine	95.2%	94.9%	94.9%
JSC "Vovchansk OEP"		Ukraine	99.3%	99.30%	98.9%
CJSC "Prykolotne OEP"		Ukraine	100%	100%	69.9%
CJSC "Prykolotnyanska oliya"		Ukraine	0.0%	0.0%	0.0%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 June 2008	31 March 2008	30 June 2007
LLC JE "Inerco-Ukraine"	Holding company. No significant activity since the date of foundation.	Ukraine	100%	100%	99.9%
CJSC "Poltavaavtotransservis"	Trucking company.	Ukraine	99.9%	99.9%	98.5%
CJSC "Reshetylivka Hliboproduct"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	99.9%	99.9%	79.9%
JSC "Reshetilovski elevator"		Ukraine	0.0%	0.0%	0.0%
CJSC "Horol-Elevator"		Ukraine	100%	100%	99.9%
JSC "Khorolskiy elevator"		Ukraine	0.0%	0.0%	0.0%
CJSC "Mirgorodsky elevator"		Ukraine	99.9%	99.9%	99.9%
CJSC "Globynsky elevator HP"		Ukraine	100%	99.9%	86.2%
JSC "Globinsky elevator kliboproduktiv"		Ukraine	0.0%	0.0%	0.0%
JSC "Poltavske khibopriemalne pidpriemstvo"		Ukraine	88.2%	88.2%	86.2%
JSC "Golovanivske khibopriemalne pidpriemstvo"		Ukraine	Disposed of on 01 April 2008	92.7%	99.2%
CJSC "Galeschina-Agro"		Ukraine	99.9%	99.9%	99.9%
CJSC "Gogoleve-Agro"		Ukraine	99.9%	99.9%	99.8%
CJSC "Sagaydak-Agro"		Ukraine	100%	99.9%	99.9%
CJSC "Karlivka-Agro"	Ukraine	99.9%	99.9%	99.9%	

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 June 2008	31 March 2008	30 June 2007
CJSC "Novo-Sanzharski elevator"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	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%
"Bandurskiy elevator", LLC		Ukraine	100%	100%	99.9%
CJSC "Semenivski elevator"		Ukraine	99.9%	99.9%	99.9%
"Kobelyaki hleboproduct", LLC		Ukraine	0.1%	0.1%	0.1%
"Sahnovshina hleboproduct", LLC		Ukraine	100%	100%	0.1%
CJSC "Velykoburlutske HPP"		Ukraine	100%	100%	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%	100%	99.8%
CJSC "Lykhachivsky KHP"		Ukraine	100%	100%	99.8%
CJSC "Shevchenkisky KHP"		Ukraine	100%	100%	99.8%
CJSC "Orilske HPP"		Ukraine	100%	100%	99.8%
CJSC "Kovyagivske KHP"	Ukraine	100%	100%	99.8%	

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 June 2008	31 March 2008	30 June 2007
"Ykragrobiznes", LLC	Holding company.	Ukraine	100%	100%	N/A
"Ukrainian Agricultural Company", LLC	Holding company agricultural farms.	Ukraine	Control relinquished	Control relinquished	0.3%
"Agroservice", LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	100%	99.9%
"Zeroservice", LLC		Ukraine	100%	100%	99.9%
"Unigrain-Agro" (Semenovka), LLC		Ukraine	100%	100%	99.9%
"Unigrain-Agro" (Globino), LLC		Ukraine	100%	100%	99.9%
"Mrija-Agro", LLC		Ukraine	100%	100%	99.9%
CJSC "Lozivske HPP"		Ukraine	100%	100%	99.9%
CJSC "Krasnopavlivsky KHP"		Ukraine	100%	100%	99.9%
"Agrofirma "Krasnopavlivska", LLC		Ukraine	0.0%	0.0%	0.0%
"Agrofirma "Arshitsa", LLC		Ukraine	100%	100%	N/A
"Agrotera-Kolos", LLC		Ukraine	0.0%	0.0%	N/A
"Chorna Kamyanka", LLC		Ukraine	100%	100%	N/A
"Govtva", ALLC		Ukraine	0.0%	0.0%	N/A
PRAC "Perebudova"		Ukraine	0.0%	0.0%	N/A
"Manjurka", LLC	Ukraine	0.0%	N/A	N/A	

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 June 2008	31 March 2008	30 June 2007
"Krutenske", LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean	Ukraine	0.0%	N/A	N/A
"Promin", LLC		Ukraine	0.0%	N/A	N/A
PRAC "Brovarki"		Ukraine	0.0%	N/A	N/A
"Troyanske", ALLC		Ukraine	0.0%	N/A	N/A
"Zorya", ALLC		Ukraine	0.0%	N/A	N/A
"Hleborob", ALLC		Ukraine	0.0%	N/A	N/A
PRAC by the name of Shorsa		Ukraine	0.0%	N/A	N/A
AC by the name of T. Shevchenko		Ukraine	0.0%	0.0%	N/A
PRAC "Drugba"		Ukraine	0.0%	N/A	N/A
"Transbulk Terminal", LLC	Grain handling and transshipment services. Provision of grain handling capacities for the Group.	Ukraine	0.0%	N/A	N/A
C.F.C Ukraine Ltd		Ukraine	0.0%	N/A	N/A
Estron Corporation Ltd		Cyprus	0.0%	N/A	N/A
Chorex Developments Limited		Cyprus	0.0%	N/A	N/A
Hamalex Developments LTD		Cyprus	0.0%	N/A	N/A

The Group consolidated the financial statements of CJSC "Prykolotnyanska oliya", JSC "Reshetilovski elevator", JSC "Khorolskiy elevator", JSC "Globinsky elevator kliboproduktiv", LLC "Kobelyaki hleboproduct", LLC "Agrofirma "Krasnopavlivska, LLC "Agrotera-Kolos", ALLC "Govtva", PRAC "Perebudova", "Manjurka", LLC, "Krutenske", LLC, "Promin", LLC, PRAC "Brovarki", "Troyanske", ALLC, "Zorya", ALLC, "Hleborob", ALLC, PRAC by the name of Shorsa and AC by the name of T. Shevchenko 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., 27 June 2008.

3. CHANGE IN SHARE CAPITAL

Since 15 June 2005 the holding company of the Group is Kernel Holding S.A. (Luxembourg) (the "Holding"), whose share capital as of 31 March 2008 consisted 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).

On 7 April 2008 an Extraordinary General Meeting ("EGM") of Shareholders was held. In accordance with the EGM resolutions, the Board of Directors was authorized to issue 5,400,000 new shares constituting a share capital increase of USD 142,592.40 (one hundred forty two thousand five hundred and ninety two US Dollars and forty cents). Following the issuance of the new shares, the Group's share capital is divided into 68,741,000 (sixty eight million seven hundred and forty one thousand) shares without indication of nominal value.

The shares were distributed as follows:

SHAREHOLDERS	30 June 2008		31 March 2008		30 June 2007	
	Shares allotted and fully paid as of	Share owned as of	Shares allotted and fully paid as of	Share owned as of	Shares allotted and fully paid as of	Share owned as of
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the "Majority Shareholder")	40 574 250	59.03%	40 574 250	64.05%	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%
Free-float Individual	28 166 750	40.97%	22 766 750	35.95%	-	-
	-	-	-	-	1	0.01%
Total	68 741 000	100.00%	63 341 000	100.00%	9 334	100.00%

As of 30 June 2008 and 2007 100% of the beneficial interest in the "Majority Shareholder" was held by Verevskiy Andrey Mikhaylovych (hereinafter the "Beneficial Owner").

On 19 November 2007 Namsen LTD executed a call-option for 1,334 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).

On 27 June 2008, an additional 5,400,000 ordinary bearer shares of the Company were admitted to trading on the main market of the Warsaw Stock Exchange.

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 2008 and 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 30 June 2008.

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 30 June 2008. 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 30 June 2008 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. As a result of the acquisition of new Subsidiaries (note 11) in the second half of financial year 2008, lease rights on agricultural land were valued at USD 22,056 thousand and acreage of leased land was increased by 46,417 hectares. This intangible asset will be amortized over the average rental term.

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

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

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

Currency	Closing rate as of 30 June 2008	Average rate for the 3 months ended 30 June 2008	Average rate for the 12 months ended 30 June 2008	Closing rate as of 30 June 2007	Average rate for the 3 months ended 30 June 2007	Average rate for the 12 months ended 30 June 2007
UAH/USD	4.8489	4.9628	5.0283	5.0500	5.0500	5.0500
EUR/USD	0.6319	0.6400	0.6824	0.7432	0.7421	0.7665
PLZ/USD	2.1194	2.1818	2.4621	2.7989	2.8222	2.9694

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 30 June 2008 and 2007 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 produces, and cattle 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, except cattle, 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 30 June 2008 the Group defined four 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
<i>Oil</i>	Production, refining, bottling, marketing and distribution of sunflower oil and meal.
<i>Grain</i>	Sourcing and merchandizing of wholesale grain. Provision of cleaning, drying and grain storage services.
<i>Grain handling and transshipment services</i>	Grain handling and transshipment services in the port of Ilyichevsk.
<i>Farming</i>	Agricultural farming. Production of wheat, barley, corn, soybean and sunflower seed.

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 30 June 2008 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. PROPERTY PLANT AND EQUIPMENT, NET

The following table represents movements in property, plant and equipment for the 12 months ended 30 June 2008:

	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 from acquisition of Subsidiaries	4	18 544	68 463	6 212	882	811	1 216	96 132
Additions							33 645	33 645
Transfers	99	5 402	7 061	18 300	1 595	1 188	(33 645)	-
Due to disposal of Subsidiaries	(11)	(1 994)	(958)	(62)	(97)	(74)	(7)	(3 203)
Other disposals	(119)	(1 106)	(358)	(7 888)	(196)	(130)	-	(9 797)
As of 30 June 2008	2 173	104 570	112 443	21 818	5 695	5 583	5 483	257 765
Accumulated depreciation								
As of 30 June 2007	-	(4 981)	(5 038)	(1 056)	(988)	(1 060)	-	(13 123)
Depreciation	-	(3 971)	(4 540)	(1 557)	(705)	(670)	-	(11 443)
Due to disposal of Subsidiaries	-	297	142	8	44	22	-	513
Other disposals	-	119	104	309	61	44	-	637
As of 30 June 2008	-	(8 536)	(9 332)	(2 296)	(1 588)	(1 664)	-	(23 416)
Net Book Value								
As of 30 June 2008	2 173	96 034	103 111	19 522	4 107	3 919	5 483	234 349
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 12 months ended 30 June 2008 and 2007:

Cost as of 30 June 2007	17 055	Cost as of 30 June 2006	7 491
Additions from acquisition of Subsidiaries	22 097	Additions from acquisition of Subsidiaries	9 466
Additions	15 262	Additions	104
Disposals	(3)	Disposals	(6)
Cost as of 30 June 2008	54 411	Cost as of 30 June 2007	17 055
Accumulated depreciation as of 30 June 2007	(234)	Accumulated depreciation as of 30 June 2006	(58)
Amortization charge	(1 044)	Amortization charge	(176)
Disposals	-	Disposals	-
Accumulated depreciation as of 30 June 2008	(1 278)	Accumulated depreciation as of 30 June 2007	(234)
Net book value as of 30 June 2008	53 133	Net book value as of 30 June 2007	16 821

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 30 June 2008 (as of 30 June 2007 trade marks "Stozhar" and "Schedry Dar" were pledged) (Note 8).

As a result of the acquisition of new Subsidiaries (note 11) in the second half of financial year 2008, lease rights on agricultural land were valued at USD 22,056 thousand and acreage of leased land was increased by 46,417 hectares. This intangible asset will be amortized over the average rental term.

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.

7. OTHER NON-CURRENT ASSETS

The amount of USD 91,148 thousand as of 30 June 2008 includes the prepayments affected by the Group as per the preliminary agreements to acquire the Subsidiaries, such a port terminal and farming enterprises.

8. SHORT-TERM BORROWINGS

The balances of short-term borrowings as of 30 June 2008 and 2007 were as follows:

	30 June 2008	30 June 2007
Bank credit lines	118 805	36 647
Interest accrued on short-term credits	1 069	309
Interest accrued on long-term credits	662	461
Total	120 536	37 417

The balances of short-term borrowings as of 30 June 2008 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 5; 4.5; 3%	USD	July 2008	15 213
European bank	Libor + 2%	USD	June 2008	12 423
Ukrainian bank	Libor + 4.5 %	USD	November 2008	35 000
Ukrainian bank	7.8%	USD	June 2009	28 000
Ukrainian bank	up to 17%	UAH	till June 2009	169
Ukrainian bank	15%	USD	May 2009	28 000
Total bank credit lines				118 805
Interest accrued on short-term loans				1 069
Interest accrued on long-term loans				662
Total				120 536

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

	Interest rate	Currency	Maturity	Amount due
Ukrainian bank	12%	USD	July 2007	150
Ukrainian bank	12%	USD	August 2007	1 746
Ukrainian bank	12.5%	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

As of 30 June 2008 the overall maximum credit limit for short-term bank credit lines amounted to USD 325,095 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.

As of 30 June 2008 and 2007 short-term loans from banks were secured as follows:

Assets pledged	30 June 2008	30 June 2007
Cash	28 000	-
Inventories	62 634	30 008
Property, plant and equipment	2 423	31 380
Intangible assets	16 872	-
Shares in company Kernel-Holding S.A., pledged by Namsen Ltd	180 000	-
Total	289 929	61 388

9. LONG-TERM BORROWINGS

The balances of long-term borrowings as of 30 June 2008 and 2007 were as follows:

	30 June 2008	30 June 2007
Long-term bank loans	97 774	106 257
Long-term borrowings from related parties	-	-
Less: current portion of long-term borrowings	(6 626)	(7 018)
Total	91 148	99 239

Long-term bank loans

The balances of long-term borrowings as of 30 June 2008 were as follows:

Lender	Interest rate	Currency	Maturity	Amount due
Ukrainian bank	12%	USD	July 2010	16 550
Ukrainian bank	12%	USD	June 2010	33 100
Ukrainian bank	16%	UAH	September 2010	27
Ukrainian bank	17%	UAH	till 2010	193
Ukrainian bank	18%	UAH	December 2010	78
Ukrainian bank	19%	UAH	till 2010	29
Ukrainian bank	Libor + 5%	USD	November 2013	47 797
Total				97 774

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.

On 4 April 2008 a Ukrainian subsidiary of Kernel Holding S.A. signed a USD 52 million credit agreement with a European bank. The purpose of the 7 year credit agreement is the financing of the green field crushing plant under construction by the Group. On 5 May 2008 the credit agreement was registered with the National Bank of Ukraine and came into force from that date.

Subsequent to 30 June 2008, 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%	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 30 June 2008 included revolving and non-revolving credit lines from two banks with the overall maximum credit limit of USD 163,240 thousand (as of 30 June 2007 USD 106,000 thousand).

As of 30 June 2008 and 2007 long-term loans from Ukrainian banks were secured as follows:

Assets pledged	30 June 2008	30 June 2007
Property, plant and equipment (Note 5)	152 763	87 701
Inventories	-	1 548
Intangible assets (Note 6)	16 614	16 614
Controlling stakes in Subsidiaries		
Total	169 377	105 863

In addition, controlling stakes in the following Subsidiaries were pledged to secure the long-term bank loans of the Group as of 30 June 2008 and 2007:

Name of Subsidiary, in which a stake was pledged	30 June 2008	30 June 2007
CJSC "Poltava oil crushing plant-Kernel Group"		CJSC "Poltava oil crushing plant-Kernel Group"
CJSC "Reshetylivka Hliboproduct"		CJSC "Reshetylivka Hliboproduct"
CJSC "Globynsky elevator HP"		CJSC "Horol-Elevator"
		CJSC "Karlivka-Agro"
CJSC "Gutnansky elevator"		CJSC "Sagaydak-Agro"
JSC "Poltavske khlibopriemalne pidpriemstvo"		CJSC "Galeschina-Agro"
CJSC "Prykolotne OEP"		CJSC "Lazorkovski Elevator"
CJSC "Velykoburlutske HPP"		CJSC "Novo-Sanzharski elevator"
CJSC "Lykhachivsky KHP"		CJSC "Mirgorodskiy elevator"
CJSC "Shevchenkisky KHP"		JSC "Golovanivske hlibopriemalne pidpriemstvo"
CJSC "Orilske HPP"		JSC "Pidgorodnanski elevator"
CJSC "Kovyagivske KHP"		JSC "Poltavske khlibopriemalne pidpriemstvo"
CJSC "Poltavaavtotransservis"		CJSC "Poltavaavtotransservis"
LLC "Bandurskiy elevator"		CJSC "Gogoleve-Agro"
		CJSC "Selesthchinski elevator"
		CJSC "JSC Selkhoztehnika"
		CJSC "Semenivski elevator"
		CJSC "Prykolotne OEP"
		CJSC "Velykoburlutske HPP"
		CJSC "Lykhachivsky KHP"
		CJSC "Shevchenkisky KHP"
		CJSC "Orilske HPP"
		CJSC "Kovyagivske KHP"
		CJSC "Gutnansky elevator"
		CJSC "Krasnopavlivsky KHP"
		CJSC "Lozivske HPP"
		CJSC "Kegychivske HPP"
		CJSC "Vlasivskiy KHP"
		CJSC "Bogodukhivske HPP"
		CJSC "Vovchansky KHP"
		CJSC "Zolochivske HPP"

10. INCOME TAX

As of 30 June 2008 and 2007 the major components of deferred tax assets and liabilities were as follows:

	30 June 2008	30 June 2007
Deferred tax assets arising from:		
Valuation of advances from customers	1 830	734
Valuation of accrued expenses and other temporary differences	368	237
Tax losses carried forward	20	2 453
Valuation of accounts receivable	299	299
Valuation of property, plant and equipment		616
Valuation of inventories	152	-
Deferred tax asset	2 669	4 339
Less: valuation allowance	(253)	(428)
Net deferred tax asset after valuation allowance	2 416	3 911
Deferred tax liability arising from:		
Valuation of property, plant and equipment	(14 784)	(15 263)
Valuation of prepayments to suppliers and prepaid expenses	(14 441)	(2 979)
Valuation of intangible assets	(3 569)	(3 660)
Valuation of finance investment	-	(235)
Valuation of inventories	(82)	(21)
Deferred tax liability	(32 876)	(22 158)
Net deferred tax liability	(30 460)	(18 247)

As of 30 June 2008 and 2007 all deferred taxes arose from temporary differences in value related to assets and liabilities of Subsidiaries located in Ukraine. The corporate income tax rate in Ukraine was 25% as of 30 June 2008 and 30 June 2007.

The components of income tax expense for the 12 months ended 30 June 2008 and 30 June 2007 were as follows:

	30 June 2008	30 June 2007
Current income tax expenses	3 361	614
Deferred tax expenses/ (income)	5 584	(2 518)
Income tax benefit/(expense)	(8 945)	1 904

The income tax charge for the 12 months ended 30 June 2008 and 12 months ended 30 June 2007 is reconciled to the profit before income tax per consolidated income statement as follows:

	30 June 2008	30 June 2007
Profit/(loss) before income tax	89 735	16 692
Tax at the statutory income tax rate in Ukraine of 25%	(22 434)	4 173
Expenditures not allowable for income tax purposes and non-taxable income, net	13 664	(6 505)
Change in valuation allowance	(175)	428
Income tax benefit/(expense)	(8 945)	(1 904)

11. ACQUISITION OF SUBSIDIARIES

The following entities were acquired during the 12 months ended 30 June 2008:

Subsidiary	Principal Activity	Country of Incorporation	Acquisition date	Group's Effective Ownership share as of 30 June 2008
"Agrofirma "Arshitsa", LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	30 January 2008	100 %
"Agrotera-Kolos", LLC		Ukraine	12 February 2008	0%
"Chorna Kamyanka", LLC		Ukraine	11 February 2008	100 %
"Govtva", ALLC		Ukraine	23 January 2008	0 %
PRAC "Perebudova"		Ukraine	22 January 2008	0 %
AC by the name of T. Shevchenko		Ukraine	22 January 2008	0 %
"Manjurka", LLC		Ukraine	07 May 2008	0 %
"Krutenke", LLC		Ukraine	07 May 2008	0 %
"Promin", LLC		Ukraine	22 May 2008	0 %
PRAC "Brovarki"		Ukraine	06 June 2008	0 %
"Troyanske", ALLC		Ukraine	09 June 2008	0 %
"Zorya", ALLC		Ukraine	02 June 2008	0 %
"Hleborob", ALLC		Ukraine	18 June 2008	0 %
PRAC by the name of Shorsa		Ukraine	04 June 2008	0 %
PRAC "Drugba"		Ukraine	25 June 2008	0 %

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

Acquired net assets:

Cash	1 211
Trade accounts receivable, net	969
Prepayments to suppliers and other current assets, net	1 451
Taxes recoverable and prepaid, net	1 194
Inventory	4 557
Biological assets, current	9 516
Property, plant and equipment, net	94 163
Land lease rights	21 360
Not-current biological assets, net	794
Trade accounts payable	(1 928)
Advances from customers and other current liabilities	(5 517)
Short-term borrowings	(4 941)
Current portion of long-term borrowings	(5 457)
Long-term borrowings	(1 301)
Deferred tax liabilities	(5 886)
Obligations under finance lease	(100)
Fair value of net assets of acquired Subsidiaries	110 085
Minority interest of acquired Subsidiaries	(112 412)
Fair value of acquired net assets	(2 327)
Goodwill	17 756
Total cash considerations paid	15 429
Less: acquired cash	<u>(1 211)</u>
Net cash outflow from acquisition of Subsidiaries	<u><u>14 218</u></u>

The following entities were disposed of during the 12 months ended 30 June 2008:

Subsidiary	Principal Activity	Country of Incorporation	Disposal date
CJSC "Novo-Sanzharski elevator"	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
JSC "Golovanivske khibopriemalne pidpriemstvo"		Ukraine	01 April 2008

Subsidiaries, which have been disposed of, had been previously fully consolidated. Fair value of assets, liabilities and contingent liabilities was as follows:

Assets disposed of, net:

Cash	49
Trade accounts receivable, net	108
Prepayments to suppliers and other current assets, net	168
Taxes recoverable and prepaid, net	91
Inventory	373
Property, plant and equipment, net	2 598
Other non-current assets	46
Short-term loans	(2)
Trade accounts payable	(513)
Advances from customers and other current liabilities	(312)
Deferred tax liabilities	(424)
	<hr/>
Fair value of assets of Subsidiaries disposed of, net	2 182
Minority interest of Subsidiaries disposed of	(148)
Fair value of assets disposed of, net	2 034
Gain on disposal of Subsidiaries	2 935
Total cash consideration received	4 969
Less: cash from assets disposed of, net	(49)
Less: accounts receivable of Subsidiaries disposed of, net	(53)
	<hr/>
Net cash inflow from Subsidiaries disposed of	4 867
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12. TRANSACTIONS WITH RELATED PARTIES

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

The Group had the following balances outstanding with related parties as of 30 June 2008 and 30 June 2007:

	Related party balances as of 30 June 2008	Total category as per consolidated balance sheet as of 30 June 2008	Related party balances as of 30 June 2007	Total category as per consolidated balance sheet as of 30 June 2007
Trade accounts receivable, net	-	48 720	38	9 828
Prepayments to suppliers and other current assets, net	7 468	40 644	218	8 567
Other non-current assets	81 477	92 461	-	2 935
Trade accounts payable, net	-	5 738	23	5 809
Advances from customers and other current liabilities	6	11 876	13	8 935
Subordinated debt	-	-	7 532	7 532

Transactions with related parties for the 12 months ended 30 June 2008 and 30 June 2007 were as follows:

	Amount of operations with related parties, for the 12 months ended 30 June 2008	Total category per consolidated income statement for the 12 months ended 30 June 2008	Amount of operations with related parties, for the 12 months ended 30 June 2007	Total category per consolidated income statement for the 12 months ended 30 June 2007
Revenue	-	663 140	152	350 379
General, operational, administrative and distribution expenses	705	19 436	757	52 258
Financial expenses	11	28 127	315	18 863
Other income/(expenses), net	(3)	(6 538)	29	(2 311)

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

13. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

As of 30 June 2008 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 January-April the Group signed the contracts for total amount of USD 7,5 million for supply of equipment and services required for the increasing the production capacity of CJSC "Poltava oil crushing plant-Kernel Group".

"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 30 June 2008 (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 could be material.

Contractual Commitments on Sales - As of 30 June 2008 the Group had entered into commercial contracts for export of 42,203 tons of grain and 62,458 tons of sunflower oil and meal, corresponding to an amount of USD 13,538 thousand and USD 63,700 thousand respectively in prices as of 30 June 2008. As of 30 June 2008 Kernel Trade LLC, a Ukrainian Subsidiary of Kernel Holding S.A., had entered into commercial contracts for export of 19,028 tons of grain and 5,843 tons of sunflower oil and meal, corresponding to an amount of USD 7,192 thousand and USD 3,235 thousand respectively in prices as of 30 June 2008.

14. 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 30 June 2008 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.

15. DESCRIPTION OF THE SIGNIFICANT EVENTS FOR THE 3 MONTHS PERIOD ENDED 30 JUNE 2008

On 7 April 2008 an Extraordinary General Meeting ("EGM") of Shareholders was held. In accordance with the EGM resolutions, the Board of Directors was authorized to issue 5,400,000 new shares constituting a share capital increase of USD 142,592.40 (one hundred forty two thousand five hundred and ninety two US Dollars and forty cents). Following the issuance of the new shares, the Group's share capital is divided into 68,741,000 (sixty eight million seven hundred and forty one thousand) shares without indication of nominal value.

On 4 April 2008 a Ukrainian subsidiary of Kernel Holding S.A. signed a USD 52 million credit agreement with a European bank. The purpose of the 7 year credit agreement is the financing of the green field crushing plant under construction by the Group. On 5 May 2008 the credit agreement was registered with the National Bank of Ukraine and came into force from that date.

On 15 April 2008 two subsidiaries of Kernel Holding S.A. signed final agreements with a Ukrainian enterprise to sell the subsidiary company OJSC "Golovanivske HPP" in Kirovograd Oblast for total consideration of USD 1,350 thousand. On 22 April 2008 shares of OJSC "Golovanivske HPP" were transferred to the Buyer in accordance with terms and conditions of the agreement.

On 7 May 2008 a Subsidiary of Kernel Holding S.A. signed a preliminary agreement with a Cyprus enterprise to acquire two Ukrainian firms which together are leasing 4,435 hectares of land in the Kirovograd Oblast (with 5- years lease term). The estimated value of the deal will come to USD 6,200 thousand. The transaction is to be finalized by the end of May 2008.

On 12 May 2008 a Ukrainian Subsidiary of Kernel Holding S.A. signed a USD 15 million 4 years financial lease agreement with the Ukrainian subsidiary of a European for financing of agricultural machinery and equipment.

On 13 May 2008 the Company received notification from Deutsche Bank AG that Deutsche Bank AG and its subsidiary companies DWS Investment SA, Luxembourg, and Deutsche Investment Management Americas Inc have together disposed of a number of shares in Kernel Holding S.A., and, as a result of such disposal, Deutsche Bank AG and subsidiaries hold together 2,859,617 shares, representing 4.16% of the outstanding shares of Kernel Holding S.A.

On 15 May 2008 a session of the Antimonopoly Committee took place where the fine in respect of Kernel Trade LLC, a Subsidiary of Kernel Holding S.A., and SSE Suntrade, a subsidiary of Bunge was revised from UAH 60,000 thousand (equivalent to USD 11,880 thousand) per company to UAH 1,000 thousand (equivalent to USD 198 thousand) per company. On 20 May 2008 final decision of the Antimonopoly Committee of Ukraine was received by Kernel Trade LLC, confirming its decision to fine the Company an amount of UAH 1,000 thousand. The Company will settle the fine on 21 May 2008.

On 22 May 2008 a Subsidiary of Kernel Holding S.A. signed a preliminary agreement with a Ukrainian enterprise to acquire a Ukrainian leasing 2,500 hectares of land in the central part of Ukraine (with 8-years lease term) for a total consideration of USD 3,200 thousand. The estimated value of the deal will come to USD 3,200 thousand.

On 4 June 2008 a Subsidiary of Kernel Holding S.A. signed a preliminary agreement with a Ukrainian enterprise to acquire a Ukrainian leasing 1,779 hectares of land in Kharkov oblast (with 25-years lease term). The estimated value of the deal will come to USD 2 150 thousand.

On 6 June 2008 a Subsidiary of Kernel Holding S.A. signed a preliminary agreement with a Ukrainian enterprise to acquire a Ukrainian firm leasing 3,132 hectares of land in Poltava oblast (with 10-years lease term). The estimated value of the deal will come to USD 4,120 thousand.

On 10 June 2008 a Subsidiary of Kernel Holding S.A. signed a preliminary agreement with a Ukrainian enterprise to acquire a Ukrainian firm leasing 2,479 hectares of land in the central part of Ukraine (with 5-years lease term). The estimated value of the deal will come to USD 3,252 thousand.

On 10 June 2008 Kernel Holding S.A. signed a \$90 million bridge finance facility with a Ukrainian subsidiary of a European bank. The facility has a 12 months maturity period and security provided by Namsen LTD, the majority shareholder of Kernel Holding S.A., in form of pledge of a 16% stake in Kernel Holding S.A. With the Group now developing several projects simultaneously (farming, logistics infrastructure), the loan will serve to finance various businesses of the Group, such as farming or logistics infrastructure.

On 18 June 2008 a Subsidiary of Kernel Holding S.A. signed an agreement with a Ukrainian enterprise to acquire a Ukrainian company leasing 1,940 hectares of land in the central part of Ukraine (with 10-15 years lease term). The value of the deal will come to USD 2,450 thousand.

On 23 June 2008 a Subsidiary of Kernel Holding S.A. signed an agreement with a Ukrainian enterprise to acquire a Ukrainian company leasing 2,817 hectares of land in the central part of Ukraine (with 10-years lease term). The value of the deal will come to USD 3,617 thousand.

On 26 June 2008 a Subsidiary of Kernel Holding S.A. signed an agreement with a Ukrainian enterprise to acquire a Ukrainian company leasing 3,322 hectares of land in the central part of Ukraine (with 10-15 years lease term). The value of the deal will come to USD 4,482,500.

In June 2008 Kernel Holding S.A. has entered into a transaction to purchase a grain handling terminal in Ilyichevsk Commercial Sea Port, Ukraine, for a total consideration of USD 93,000 thousand. The grain handling terminal is expected to provide the Group with grain handling capacities in port in excess of 3 million tons per year. The grain handling terminal will be purchased at cost from Namsen LTD, a Cyprus company and the majority shareholder in Kernel Holding S.A. The actual transfer of ownership to Kernel Holding S.A. will be completed following settlement of legal issues with a third party, such two step approach having been adopted in order to minimize possible claims against Kernel. The grain handling terminal is operated by Transbulk Terminal and fully consolidated in the accounts of Kernel Holding S.A. as of 30 June 2008.

16. SUBSEQUENT EVENTS

On 16 July 2008 a Subsidiary of Kernel Holding S.A. signed an agreement with a Ukrainian enterprise to acquire a Ukrainian company leasing 2,358 hectares of land in the central part of Ukraine (with 10-years lease term). The value of the deal will come to USD 3,200,000.

On 24 July 2008 a Subsidiary of Kernel Holding S.A. signed an agreement with a Ukrainian enterprise to acquire a Ukrainian company leasing 1,714 hectares of land in the central part of Ukraine (with 10-years lease term). The value of the deal will come to USD 2,300,000.