

Annual report 2009 of Kernel Holding SA



A word of introduction by the Chairman, Andrey Verevskiy

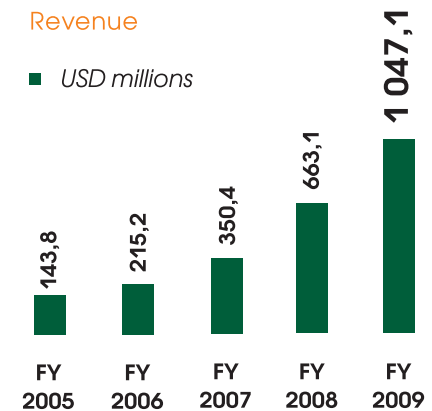
Dear Shareholders,

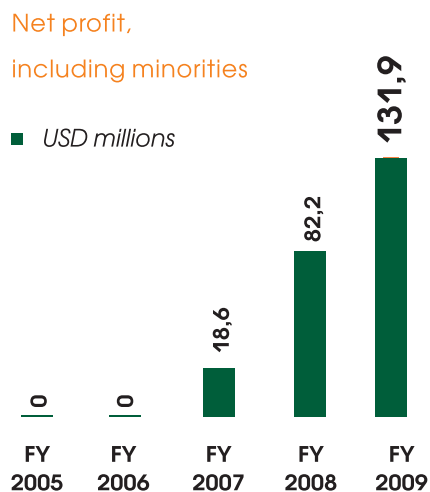
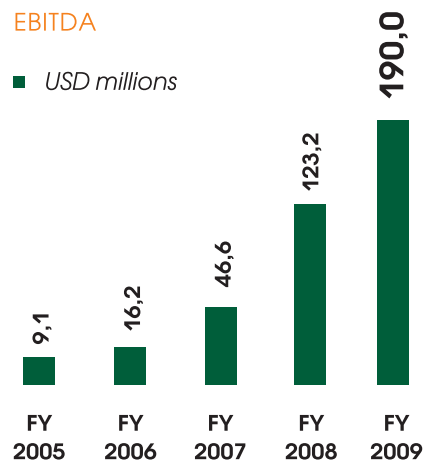
looking back on our financial year 2009, I am pleased to say that, this year again, our company has achieved another set of remarkable results. More remarkable, however, is the fact that these results have been achieved in a very challenging environment. The international environment throughout the year has been one of massive economic and financial contraction. In particular, prices for agricultural commodities handled by the company were strongly affected: from the highs seen in our financial year 2008, international prices for agricultural commodities decreased on average by 50% over the first half of our financial year 2009. This bear market was accompanied by a meltdown of the international banking sector, with most banks looking to shrink balance sheets, often leaving clients stranded. Ukraine, our home

market, was severely punished in this crisis for its dependence on export markets and financing from abroad. Notwithstanding such turbulent times, our company has stayed its course and increased turnover by 58%, EBITDA by 54% and Net income by 60% year-on-year. A number of factors contributed to this achievement.

Revenue

■ USD millions





First, the integrated and diversified agribusiness portfolio built over the years proves, once again, to deliver a sustainable stream of earnings. Our grain origination and marketing activity capitalized on the sizable crop harvested in 2008 and the twenty four million tons of grain Ukraine exported over the season. For the first time in its history, the Group delivered to the international market over 2 million tons of grain, supported by our extensive origination capacity deep in the country and our recently acquired grain terminal in Illichevsk. In our oil business segments, the 34% increase in bulk oil volumes delivered primarily to the international market largely compensated for the lackluster bottled oil market in Ukraine. Together, bulk oil, grain and the port grain terminal businesses have largely compensated for the poor results in farming.

Second, the Group has been increasing volumes in most business segments. With size a crucial factor in building a successful agri-business model, over the past four years grain handled by the company has increased by 350%, bulk oil by 267%, and bottled oil by 292%. As we grow, our overheads per ton handled by the company decrease steadily, and our operating margins improve. As a second and crucial benefit of our size, Kernel has now become the commercial partner of choice for many farmers across Ukraine looking to access the international market through a stable, reliable and professional trading partner. Third, we secured in a timely manner the acquisition of the grain

terminal in Illichevsk in order to fully capitalize on the 2008 bumper crop and subsequent increase in grain export volumes from Ukraine. Not only did Kernel improve considerably on grain logistics in Ukraine and consequently strengthen its marketing power, but the Company also added significantly to its fee-for-service businesses, making revenue and income less dependent on commodity prices and processing margins.

Fourth, we stick to our business model and conservative risk management policy. Our Company applies a "balanced-book" policy to manage commodity market risk: the volume of goods originated equals the volume of goods sold. Simply put, we do not try to second-guess the market, and our margins reflect our capacity to manage supply chains and processing, rather than our view of the market.

As we report on financial year 2009, the new financial year is already well under way. While we believe the company has achieved significant growth over the past three years, we see considerable opportunities ahead: opportunities to grow exist within the boundaries of our home market and also abroad. To capture growth in Ukraine, we are increasing our oil production facilities and, as Ukraine increases production not only of sunflower seed, but also of rapeseed and soybean, we are also investing in versatile processing technology to diversify our

feedstock base. We are strengthening our origination capacity by adding silos in regions which will not only provide feedstock to our new crushing plant in the Nikolaev region, but also increase our grain sourcing power and capacity to feed our port terminal operations. Abroad, we see opportunities in countries which offer an important feedstock base and the opportunity to replicate the business model successfully applied in Ukraine. In conclusion, as we close a successful year, we are already focusing on consolidating our leading positions at home and opening new positions for the Company abroad.



Andrey Verevskiy

Chairman of the Board

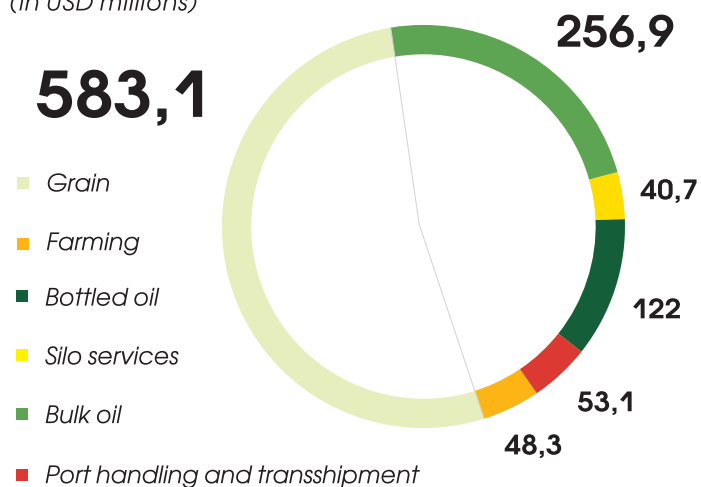


Kernel's business portfolio at a glance

Kernel's business portfolio at a glance

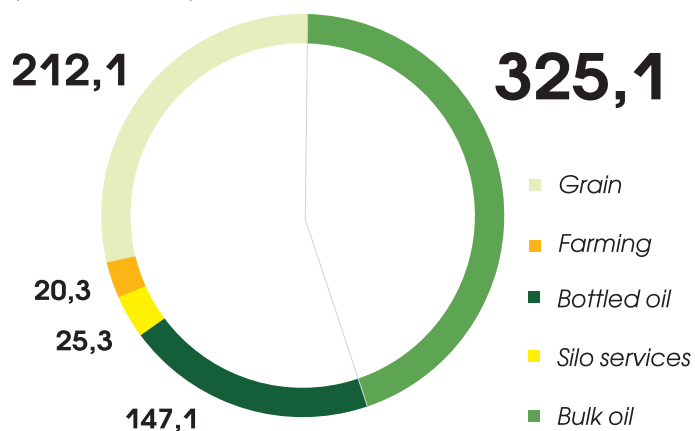
FY2009 revenue by segment*

(in USD millions)



FY2008 revenue by segment*

(in USD millions)

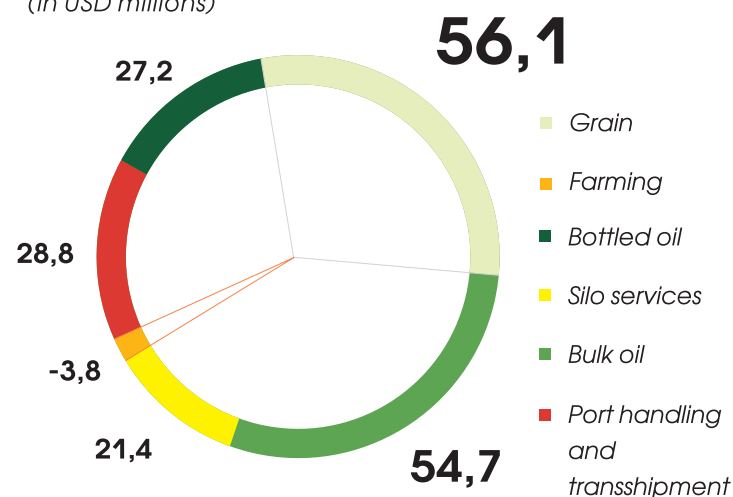


* amounts include inter-segment transactions

Kernel is Ukraine's largest agri-business company, with extensive operations across the agribusiness value chain: We operate in farming, in grain origination, handling and marketing, in the production, refining, bottling and marketing of bulk and bottled vegetable oil. We are the largest private provider of silo services in Ukraine and a major grain terminal owner and operator on the Black Sea. We service our clients both on the international markets and on our domestic Ukrainian market. Our business model is supported both by leading positions in all our segments and by diversity of products and markets, both being key components of sustainable earnings over the long-term. Also, and though each of our businesses is developed on the basis of its own intrinsic merits, we derive significant advantages from the synergies developed through integration. Finally, the nature of our earnings varies from one business segment to another. As a producer in the farming business, Kernel stands to gain or lose from absolute price changes in agricultural commodities. As a processor in our oil production and marketing businesses, our direct exposure to price changes is considerably reduced. Finally, our grain handling businesses, whether inland Ukraine or at port, are fee-for-service businesses. They are largely immune to the price volatility of commodity markets and depend essentially on production volumes generated by the Ukrainian agricultural sector or by grain transit from neighboring countries.

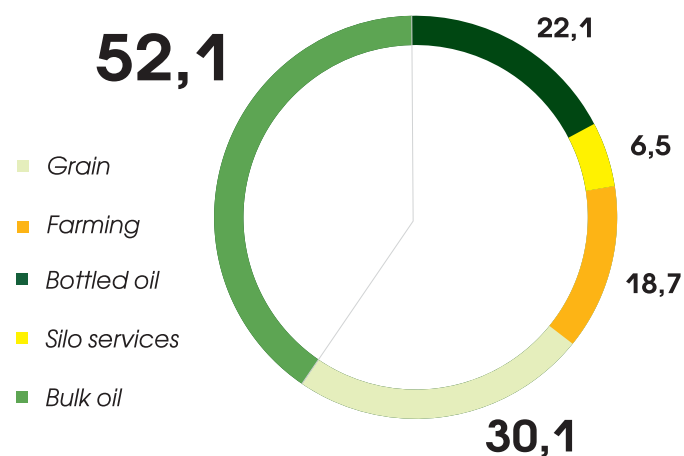
FY2009 operating profit by segment*

(in USD millions)



FY2008 operating profit by segment*

(in USD millions)



* prior to G&A allocation

Over the years, Kernel has built the largest integrated grain supply chain in Ukraine. We have secured dominant positions in key growing regions where we own and operate strategically located grain silos, in particular in the regions of Kharkov and Poltava. Altogether, we operate 1.7 million tons of inland storage capacity and provide silo services to hundreds of farmers in Ukraine, our primary suppliers of grain, and have thus established the largest origination base in the country. With the acquisition of the Transbulk grain terminal in June 2008, we have added not only a key element to our grain supply pipeline and to our capacity to service our customer base in our proprietary grain marketing operations, but also we have significantly enhanced our fee-for-service scope of businesses by adding new services to the range already provided by the Company and by servicing grain export operators. This unique asset base has been leveraged by the Company to expand the grain operations of the Group, making Kernel a leading marketer of grain from Ukraine: Our Company now originates in the range of 10% of grain and oil-bearing crops exported from Ukraine and delivers to the consumer markets of Europe, Africa and the Middle East.

In parallel to our expansion in the grain business, our Company has built a leading position in the oilseed processing and marketing industry of Ukraine. Following the commissioning of the Bandurka multi-seed crushing plant and the signing of a new long-term tolling agreement with the Black Sea Industries crushing plant in Illichevsk, Kernel shall be processing in the range of 30% of all sunflower seed grown in the country, becoming the undisputed No1 crusher in Ukraine. Our leadership position in the crushing industry in Ukraine is not only the result of increase in overall processing capacity of the Group, but also of the development of our processing activities in the southwest of the country. Our green field multi-seed crushing plant is strategically located on the southwestern edge of the sunflower seed belt and is ideally positioned to take full advantage of the growing crops of rapeseed and soybean in Ukraine. Our position in the southwest has been further strengthened by an oilseed processing agreement concluded with Black Sea Industries ("BSI"), a new multi-seed crushing plant built next to our grain terminal in the port of Illichevsk. Together, with significant oilseed processing capacity located in the northeast and

in the southwest of Ukraine, Kernel has created an optimal bargaining position for the purchase of oilseed produced in several key growing regions of Ukraine. Increased oilseed processing has created new oil marketing opportunities for the Group. Oil marketing is done both on the international market, where the Company sells primarily bulk crude oil in tankers, and on the domestic market, mostly as bottled oil under our trade-marks Shedry Dar, Stozhar, Chumak Zolota and Chumak Domaschnya, where Kernel has established itself as the No 1 producer and marketer of bottled oil, controlling approximately 35% of the domestic market.

Finally, Kernel has developed an 85,000 ha farming estate. Though contribution from our farming segment is and shall remain small compared to our other business segments, our farming operations are among the largest in Ukraine and produced in excess of 260,000 tons of grain and oil-bearing crops in 2008.



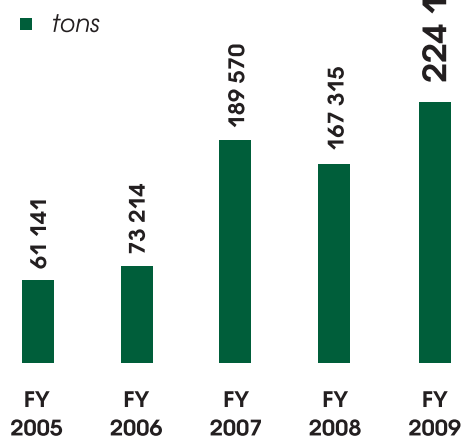
Bulk Oil Business



Bulk oil business

Financial year 2009 was a year of considerable success for our bulk oil business. We capitalized on high average oil prices for the season and a record crop of sunflower seed in Ukraine to deliver in excess of 224,000 tons of oil to the international market, increasing our bulk oil sales volumes by 34% year-on-year. In absolute terms, margin per ton of oil was remarkably high over the year, and, in relative terms, bulk oil operating margin increased from 16% in 2008 to 21% for financial year 2009.

Bulk oil tonnage



Ukraine - No1 sunflower oil exporter in the world

It is widely acknowledged that Ukraine is one of the last frontiers in agriculture and a land offering tremendous opportunities for low-cost and efficient farming. Dubbed the "bread basket of Europe" it has also developed into a significant producer of oil-bearing crops. In 2008, Ukraine produced an estimated 6.5 million tons of sunflower seed. The second largest producer of sunflower seed behind Russia, it is however the No 1 exporter in the world, due to a domestic market only one third the size of the Russian market. Most of the sunflower seed crop is processed by the domestic crushing industry, with the bulk of the oil and meal production being exported. Out of a total estimated oil production of 2.9 million tons, a mere 600 to 700,000 tons will stay in the country for domestic consumption or processing by the food industry. The balance, in excess of 2 million tons, will be sold onto the international market, the most important destinations being the European Union, Middle East and North Africa. While the 2008 sunflower seed harvest is undoubtedly a record crop for Ukraine, we expect sizable oil surpluses to be available for export in the coming years and Ukraine to consolidate its position as No1 exporter in the world.

Assets strategically located

Kernel has expanded oil production facilities with one clear guiding principle: To be as close as possible to the fields where the feedstock grows. This simple and basic rule guiding our development plans goes hand in hand with our goal to ensure sustainable future earnings in the bulk oil business segment: We have created a string of production facilities, which can be supplied in a cost effective manner from various sunflower seed growing regions in Ukraine, and to which the farmer will find a natural incentive to bring his produce. As this report goes to press, our Company owns and operates 3 crushing plants in the key agricultural regions of Poltava and Kharkov. We are commissioning in the current year a fourth crushing plant, located in the southwest of the country. Finally, we have concluded a processing agreement with a new crushing plant in the port of Illichevsk, allowing us to crush an additional 230,000 tons of seed over the season. Altogether, we have now created a string of cost-efficient facilities to capture close to a third of the sunflower seed produced by Ukraine. Volume is a clear driver of our business, and we have therefore endeavored to create a production network which will bear ever more fruit, as Ukraine continues to increase its oil-bearing crops production and the world steadily increases demand for vegetable oil.

No 1 crusher in Ukraine

In financial year 2010, following a major upgrade and capacity increase at our Poltava plant and the commissioning of the new Bandurka plant, Kernel becomes the undisputed No 1 crusher in Ukraine with 1.5 million tons of installed crushing capacity per year. This leadership position has a direct impact on our results, as the large tonnage processed by the Company enables us to drive overheads per ton steadily down.

Positioning Kernel for the future

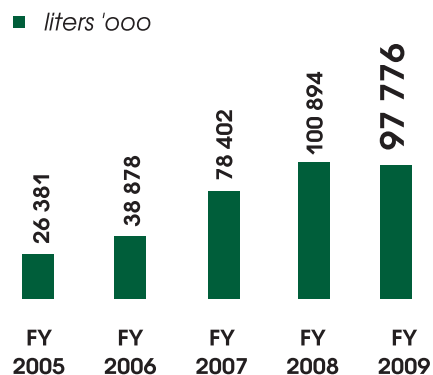
If location of our plants is a vital element to our growth prospects, so is our ability to adapt rapidly to market changes and forces. To stay abreast of competition, we have invested heavily in production technology: Today, Kernel is the leading investor in Ukraine in oil production, refining and bottling. Not only are we relentlessly expanding our production capacities to take advantage of the increase in crop production in Ukraine, but we are also positioning ourselves to capitalize on the increase of soybean and rapeseed produced in the country. Overall, our extensive investment program provides us a strong competitive advantage not only today, but also in anticipation of tomorrow, when we stand to benefit from the next wave of consolidation in the crushing industry in Ukraine and potentially a new uptrend in soft commodity prices, thanks to a more efficient and flexible asset base.



Bottled Oil Business

Bottled oil business

Bottled oil, liters



Financial year 2009 was a challenging year for our bottled oil segment. As the international crisis engulfed Ukraine, purchasing power in Ukraine was severely curtailed. Consumers responded to the new economic climate with changes in buying behavior and looked more aggressively for cheaper products. The financial condition of local retailers deteriorated as they suffered the heaviest fall in demand in years. In this extremely challenging environment, we chose to limit our exposure to the domestic bottled oil market and increase export sales of bulk oil instead. As a result, and while we managed nevertheless to improve operating margin from 15% to 22% year-on-year, bottled oil sales decreased year-on-year in tonnage, albeit moderately, and in US Dollar terms.

**Well positioned for recovery
in the domestic market**

As we publish our yearly report, more voices are heard confirming that the global economic crisis is now, hopefully, behind us. We expect improvements also in our domestic market and sales of bottled oil to pick up, though certainly not at a brisk pace to start with. Our company is well positioned to capitalize on any increase in sales volumes in Ukraine and the return of a more demanding consumer: Kernel has today 2 modern production sites to supply the Ukraine market with the highest quality oil. Equipped with the latest refining and bottling technology, our productions facilities can produce and bottle in excess of 160,000 tons of refined oil per year. Working with distributors and retailers in each and every regions of Ukraine, we deliver to our customers in 45,000 points of sale, across the entire country. As sales recover and the Ukrainian economy starts to grow again, we expect the consumer to become once again more demanding, and large retailers to shore up their finances. The environment will be once again conducive to Kernel increasing exposure to distributors and retailers and expanding sales on the domestic market, albeit at a modest annual rate in the range of 5%.

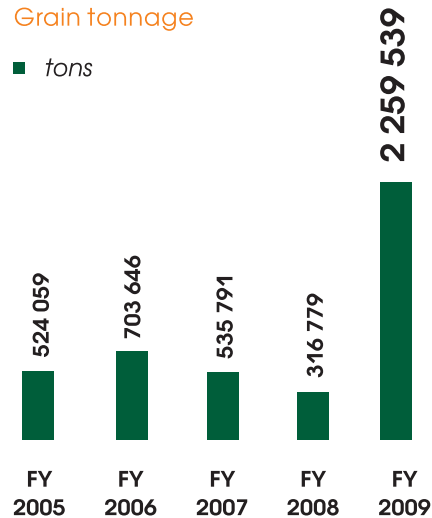


Grain Business

Grain business

Grain tonnage

■ tons



Our grain segment achieved record results in financial year 2009. The Company originated and exported in excess of 2.2 million tons of grain and oilseeds, equivalent to 10% of total grain exported from Ukraine over the season 2008/2009. While the volume of grain export achieved by the Company was undoubtedly boosted by the bumper harvest recorded by Ukraine in 2008, other essential factors enabled the Company to originate significant volumes without sacrificing margins: Strong presence on the ground and daily contact with the farming community, together with a network of strategically located silos in key growing regions of Ukraine, creates strong bargaining power and enables the Group to originate efficiently and at competitive prices. As a result, the Company handled record volumes of grain without compromising operating margin, standing at 10% for the year.

Ukraine - Bread basket of Europe

Ukraine has had an uneven ride in agricultural production since the country became independent in 1991. Grain production levels have been varying wildly, from as low as 20 million tons to 53 million tons in 2008. The important swings in production levels are a direct consequence of the massive disruptions to the farming sector brought by the demise of the Soviet Union and the structural changes, which then followed. Today, an average 15 million hectares of land are dedicated to the production of wheat and coarse grain, primarily barley and corn. With an average production of 3 tons of grain per hectare, Ukraine can easily reach 45 million tons of grain production per year, a reasonable harvest by present Ukrainian standards, however well below production levels achieved by leading grain producers. Domestic market needs, including feed for animals, average 20 to 22 million tons per year, leaving in excess of 20 million tons of grain for export as soon as production reaches 45 million tons per year. Looking forward, as the Ukrainian farming sector modernizes and becomes more efficient, we expect yields to steadily increase and the export surplus to grow.

Grain supply pipeline

The Ukraine is developing into a major supplier of grain to importing countries in Europe, Northern Africa, the Middle East and Asia. A key issue is to get the large surpluses from the rich fields of Ukraine to high population growth countries. Our Company has focused on building this essential link, an integrated supply chain for agricultural commodities, which can cost-efficiently originate grain directly from the farmer and guarantee stability and long-term supply to far-away destinations. We now operate an extensive network of purchasing offices and inland grain silos in key growing regions of Ukraine, providing the expertise and the key assets to build long-standing relationships with the farming commu-

nity, our primary supply base. From silos deep in the country, Kernel manages logistics and ships the grain essentially by rail to export outlets on the Black Sea. While a large portion of the grain we originate is shipped to Transbulkterminal, our grain terminal in the port of Illichevsk on the Black Sea, we also use other, third party grain terminals whenever grain is closer to such ports and transportation costs can be minimized. The Company will load grain onto a range of different vessels, from small vessels with 3,000 tons of cargo loaded from the shallow ports on the Sea of Azov, to Panamax vessels loading 55,000 tons, essentially from our own grain terminal in Illichevsk. Our grain supply pipeline will typically end on the shores of the importing country: As a rule we will charter vessels and deliver the grain on a cost and freight basis to our customers. Controlling freight will serve two purposes. First, we stand to improve our margin by cutting out intermediaries in the supply chain. Second, and more importantly, we can minimize time spent by cargo at port and therefore increase turnover through our terminal.

Export oriented industry

The grain market in Ukraine is largely free from State interference: After deducting transportation and transshipment costs, purchase prices for grain and oil-bearing crops essentially reflect prices offered on the international market. Our primary focus is international markets and the sale of bulk products. Over the 2008/2009 season, Kernel exported 860,000 tons of wheat, 370,000 tons of barley, 550,000 tons of corn, 250,000 tons of rapeseed and 80,000 tons of soy. We supply grain and oilseeds to over 40 customers, mostly regular importers into major markets such as the European Union, Northern Africa, the Middle East and Asia.



Silos Services

Silos services

Grain silos stand at the heart of our partnership with the farming community and are the linchpin between the agriculture production base and the market. On the back of the record 2008 harvest, our silo business segment handled in excess of 1.9 million tons of grain, a 70% year-on-year increase in turnover and 230% year-on-year increase in operating profit. While the size of the harvest provided a significant boost to throughput in our inland elevators over the season 2008/2009, the strong results showed by our Company elevators in financial year 2009 reflect the continuous effort to modernize our asset base and the emphasis put on quality of service provided to the farmer, our core customer.

Dominant position in key farming regions

From humble entrepreneurial origins, Kernel has gained critical assets over time to support the long-term prospects of the Company. Sustainable grain origination, reflecting our capacity to capitalize on bumper crops and also maximize throughput in poor harvest conditions, relies on a close relationship with the farmer and our capacity to service him efficiently. Year after year we strengthen these ties by investing in our storage assets and improving quality of services, primarily the weighing, drying, cleaning and storing of grain. Today, the Company owns and operates 25 grain silos, totaling 1.7 million tons of storage capacity. In the regions of Kharkov and Poltava, representing together over 2 million hectares of farmland dedicated to grain production, we have built a dominant position and purchase on average one third of the regions' grain and oilseed production. Though we operate by far the most extensive silo network in those key growing regions and are the largest buyer of grain and oilseeds produced in Poltava and Kharkov, in financial year 2009

we purchased only 50% of grain and oilseeds stored in Group elevators. We therefore still see considerable potential to expand our grain origination and marketing business on the back of our existing silo network.

We are also increasing our origination power in the southwest of the country, encompassing the regions of Cherkassy, Kirovograd, Nikolaev and Odessa and representing another 3.5 million hectares of prime farmland. Extending our reach to these regions will enhance Group grain origination power and our capacity to ship own grain to our Illichevsk grain terminal, as well as our capacity to feed our new crushing plant in Bandurka, Nikolaev oblast.



Grain Terminal Business

Grain terminal business

Financial year 2009 was our first year at the helm of Transbulkterminal, the grain terminal acquired in June 2008. While we cannot provide Company comparative figures, we can confidently say Kernel successfully operated the terminal close to its throughput maximum capacity: Total grain output achieved over the season was 3.4 million tons, translating into USD 32 million EBITDA and a 54% operating margin for the year. Going forward, on the basis of the existing terminal infrastructure, we plan to achieve a throughput between 3 and 4 million tons per year. Clearly, while volume achieved over the season 08/09 was also a consequence of Ukraine achieving a record 2008 crop, it should be noted that close to half the grain volume to flow through Transbulkterminal was shipped by Kernel for own account. Going forward, we would expect our share in the utilization of the port terminal to increase steadily as we strengthen and consolidate our origination capabilities inland.

Key gateway to the international grain market

Ukraine is and will remain an important player on the international grain market not only because of its vast farmland resources, but also because of its strategic location on the Black Sea. The ports in the Illichesvk - Odessa - Yuzhny range offer the best outlets in Ukraine to the international grain market. They are deep-water sea ports benefiting from all the infrastructure of modern commercial ports. They are directly linked by an extensive railway network to most of the grain elevators in the country. Over the season 2008/2009, a total of 12 million tons of grain was exported from the ports of Odessa, Yuzhny and Illichevsk, equivalent to 50% of all grain export from Ukraine over the season. Transbulkterminal itself handled 3.4 million tons, close to 15% of total grain exported from Ukraine over the season 2008/2009. Transbulkterminal has furthermore another considerable advantage: our grain

terminal offers a strategic location for grain in transit from Russia and Kazakhstan, two important grain producers and exporters, but with restricted outlets to the international grain markets. Going forward, throughput volumes at Transbulkterminal will therefore depend not only on harvests achieved in Ukraine but also in Russia and Kazakhstan.

Synergies and diversification

The acquisition of Transbulkterminal offers both significant synergies and further diversification to the Group. Undoubtedly this key element in our grain pipeline has boosted our capacity to service our customers abroad by adding significant flexibility in our marketing options, whether in terms of timing of delivery or size of cargo. Additional marketing flexibility translates into larger volumes handled by the Group and improved operating margins, as we spread our overheads over ever larger volumes. We believe the process of building synergies between our grain originating and merchandizing business and our grain handling and transshipment business has only started: Out of 3.4 million tons of throughput over the season, half the tonnage was grain originated and exported by other grain operators, primarily major trading houses, having concluded service agreements with Transbulkterminal. While our goal is to maximize throughput through our grain terminal, and we therefore actively service third parties and competitors in this field of business, we will seek over time to utilize an ever larger portion of our grain transshipment facilities for proprietary trading of grain.



Farming

Farming

Financial year 2009 was a disappointing year in farming. As a consequence of the acquisitions effected in the course of financial year 2008, bringing total farmland under management of the Company to 85,000 hectares, production volumes increased significantly year-on-year from 69,000 tons harvested in summer 2007, to 264,000 tons of grains and oil-bearing crops harvested in 2008 and impacting our financial year 2009. Operating result in our farming segment was however a negative 3.8 million USD, the result of a high level of depreciation and amortization, high input costs, largely incurred in the financial year up to June 2008, and falling commodity prices following the harvest in 2008.

A prime farmland opportunity

Kernel has been involved in farming since 2002. Our farming operations have been built progressively and in several stages. Growth in farming has been fueled primarily through acquisition of complete farms, ranging from a few thousand hectares and up to 10,000 hectares, the largest farms having been acquired over the season 2007/2008. We now own and operate 25 farms, located in 6 oblasts and totaling 85,000 hectares of prime farmland. All our farms are located in the black earth belt of Ukraine, a soil which is considered as one of the most fertile in the world and covers large tracts of Ukrainian farmland. Our average size of field is in the range of 80 hectares, with the largest in excess of 250 hectares. The sheer size of the fields enables us to use very large farming equipment and to lower our costs of production. In terms of crops produced, our farms concentrate on producing a crop mix including wheat, largely feed wheat, feed barley, corn, sunflower seed and soybean. In 2008, Kernel farms harvested a total of 264,000 tons of grains and oil-bearing crops. Crop yields for the Group, though better than the average yields achieved in

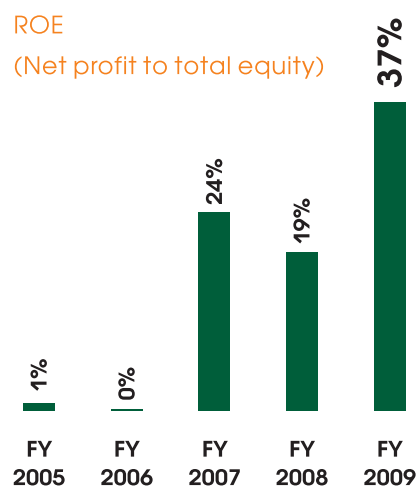
Ukraine, are still a far cry from yields achieved in regions such as the EU, the United States or South America, and, while we are confident that production yields will improve over the years, we do believe that the size of our operations is more suitable to extensive rather than intensive farming.

**Focus on return
on investment**

When developing our business segments, we focus on the intrinsic value of each business segment and its capacity to generate healthy returns. Kernel develops its farming operations in the same spirit, and previous years have certainly proved the sound rationale of farming in Ukraine. The Company does not seek to achieve vertical integration from farming to delivery, neither does it want to reach self sufficiency in either grain or oilseeds. Such goals would require controlling vast amounts of farmland and drive efficiency down to unprofitable levels. Going forward, we will seek to expand our farming business on an opportunistic basis, that is, by acquiring farms at competitive prices, located in prime locations and close to our existing operations to achieve maximum synergy. Overall, contribution of the farming segment to group revenue and income will remain limited, essentially due to the limits in scalability of the business.

Review of Financial Results

Revenue



Total revenue increased from US\$663 million as of 30 June 2008 to US\$1,047 million as of 30 June 2009, a 58% year-on-year increase. The increase was mainly driven by 34% growth in volume of sunflower oil sold in bulk, as well as 613% growth in volume of grains traded.

Grain sales increased from 26% of net sales in financial year 2008 to 56% in financial year 2009, primarily due to the record 2008 grain harvest in Ukraine and also as a result of the grain terminal acquisition.

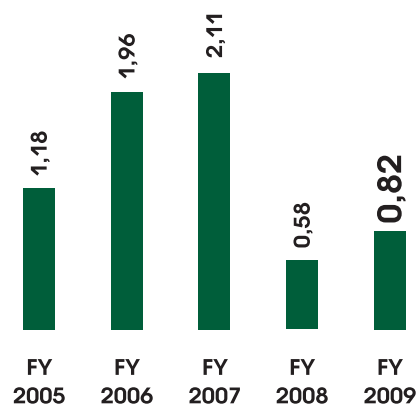
While the quantity of bulk sunflower oil sold has increased substantially over last two financial years, the revenue contribution of this product has decreased from 49% to 25% of our total net sales in financial year 2008 and financial year 2009 respectively, essentially as a result of the decrease in commodity prices.

Revenues from our bottled oil sales decreased from US\$147 million (22% of net sales) in financial year 2008 to US\$122 million (12% of net sales) for financial year to 30 June 2009.

With sales in volume terms largely flat, the 17% year-on-year decrease in bottled oil sales in US Dollar terms was primarily the result of the sharp fall in sunflower oil prices, decreasing by 55% over the season 2008/2009.

Cost of goods sold

Leverage
(Total interest-bearing
debt to total equity)



Cost of raw materials

Raw materials are the main cost item in our bulk oil, grain and bottled oil divisions. Cost of raw materials has increased from US\$473 million for the year ended 30 June 2008 to US\$673 million for the year ended 30 June 2009, now accounting for 92% of cost of goods sold, compared to 94% in financial year 2008.

Payroll and related charges

Payroll and related charges have increased from US\$16.4 million to US\$20.5 million, a 25% year-on-year increase. In relative terms, however, payroll charges remain flat at 3% of cost of sales.

Depreciation

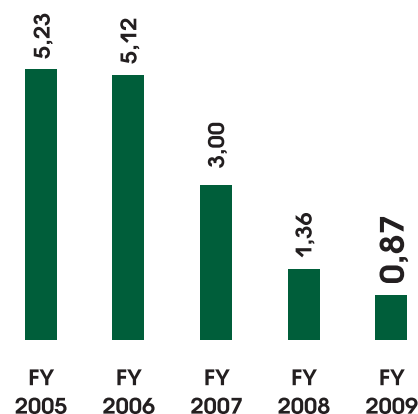
Depreciation and amortization expenses remain around 2 to 3% of sales for the year ended 30 June 2008 and 2009.

Gross profit

Gross profit increased from US\$159 million as of 30 June 2008 to US\$ 317 million as of 30 June 2009, a 99% year-on-year increase. The overall increase reflects the larger volumes handled in the grain and bulk oil businesses, as well as the acquisition of the grain terminal in the port of Illichevsk. This new business segment of the Group, together with the very good harvest in 2008 and abundance of feedstock, led to an improvement of the gross margin from 24% to 30% for the years ended 30 June 2008 and 2009 respectively.

Operating expenses

Net debt to EBITDA



Distribution costs

Distribution costs increased from US\$52 million in the financial year ended 30 June 2008 to US\$143 million in the financial year ended 30 June 2009. The 175% year-on-year increase reflects primarily the increase in tonnage of grain handled by our company and the continued development of sales effected on a cost and freight basis.

General and administrative expenses

General and administrative expenses increased from US\$ 19.6 million as of 30 June 2008 to US\$ 23.7 million as of 30 June 2009, a 21% year-on-year increase. In relation to sales, however, general and administrative expenses have decreased from 2.9% to 2.3% of sales for the year ended 30 June 2008 and 2009 respectively.

Operating profit

Income from operations increased from US\$111,6 million as of 30 June 2008 to US\$166,6 million as of 30 June 2009, a 49% year-on-year increase. The Company registered a stronger increase at operating level than in gross profit due to the economies of scale achieved in both the grain and bulk oil segments, as well as the low operating leverage of the Group.

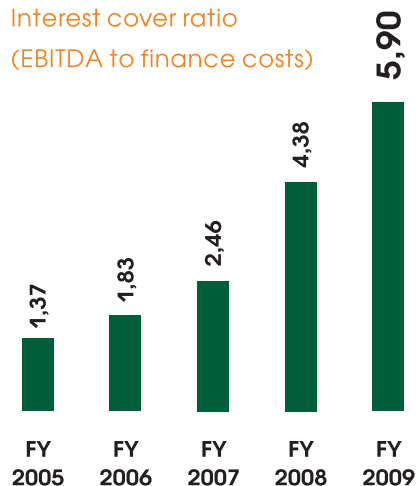
Finance costs

Finance costs have increased from US\$28.1 million as of 30 June 2008 to US\$32.2 million as of 30 June 2009, a 15% year-on-year increase. In relation to sales, finance costs have decreased from 4.2% to 3.1% of sales for the year ended 30 June 2008 and 2009 respectively.

Net income

Net income has increased from US\$82 million as of 30 June 2008 to US\$132 million as of 30 June 2009. As for the increase in operating income, the increase in net income reflects economies of scale, relatively low operating leverage and the decrease in financial leverage of the Group.

Interest cover ratio
(EBITDA to finance costs)



Cash flow

Our principal sources of liquidity are cash obtained from operations and borrowings under various short-term and long-term bank facilities and lines of credit. Our bank credit lines are provided largely by international banking institutions, some of which operate in Ukraine through their domestic subsidiaries. Banks provide financing to our Group primarily in US\$. While the beneficiaries of the financing will be our various operating subsidiaries responsible for international or Ukraine domestic sales, all our credit facilities are under the management and control of our centralized financial department operating out of Kiev. For detailed information on material loan facilities extended to our Group Subsidiaries, please see notes 16, 17 and 31.

In financial year to June 30, 2009, while Company sales grew by 58% year-on-year, our need for working capital funding increased only moderately, thanks to the sharp fall in agricultural prices largely offsetting the increase in volumes handled by the Company.

Strict management and control of accounts receivable and inventory level, together with falling commodity prices and the devaluation of the Ukrainian currency, have led to improved performance ratios over the last financial year and a positive cash flow from operating activity of USD 129 million, compared to a negative operating cash flow (- USD 126 million) in the previous financial year as a result of significant growth of commodity prices.

With our high cash levels and the strong liquidity of our agricultural commodities inventory, coupled to our "balanced book" trading policy, we believe our working capital levels satisfy our present business needs.

Cash used in investing activities was USD 95 million for the year ending 30 June 2009, primarily reflecting the investments to increase production capacity of the Poltava crushing plant, investment in a new green field plant and modernization of our grain silos.

Risk factors and risk management policies

We see the following industry-specific risks which can influence the financial results of the company.

- Poor harvest. Unexpected weather conditions can adversely affect harvests and the supply of raw materials, leading to a possible margin squeeze and decrease in capacity utilisation of our production plants or grain elevators. A low harvest could also bring the government of Ukraine to impose temporary regulatory measures to ensure adequate supply of the domestic market.
- Quality requirements and regulations in food, grain, oil and protein meal. In the course of our financial year 2008, the Ukraine sunflower oil industry suffered from several cases of sunflower oil contamination by mineral oil. While the contaminated oil issue led to a temporary freeze in EU imports of vegetable oil produced in Ukraine, authorities of both the Ukraine and the EU have since agreed on strict quality control procedures enabling normal trade in vegetable oil to resume without any restrictions. All of our crushing plants were certified as per HACCP standards in order to fully comply with the new EU requirements and allow our Company to export bulk sunflower oil without any restriction to the European Union.
- Export limitations and restrictions. In financial year 2009 no export limitations were imposed by the government of Ukraine. In the future, save in the case of a poor harvest, we do not expect such measures. Highly unusual circumstances should not, however, be excluded, such as in financial year 2008, when high inflation and rising soft commodity prices brought the Ukrainian government to introduce temporary export quotas on socially important and basic food products such as sunflower oil. Such measures could negatively impact the volumes of oil Kernel would normally export. History has shown, however, that,

under such a scenario, the company is likely to earn higher processing margins, compensating for a decrease in volumes.

- Increased competition from current and new players. As the Ukrainian agricultural sector develops and crop production increases, crushers see opportunities to expand business. We therefore do not exclude an increase in the overall crushing capacity of the country and, consequently, increased competition in this field of business.
- Bio-fuels industry slowdown. A slowdown in the bio-fuels industry could reduce demand for rapeseed and corn, which could reduce demand for other vegetable oils such as sunflower oil. This, in turn, may negatively affect the company's earnings.

The Group's risk management policies are established by the Board of Directors to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. A detailed overview of the Group's exposure to credit, liquidity and market risks is provided in note 31 to the consolidated financial statement.

Management remuneration

Management remuneration details for FY 2009 are disclosed in note 33 to the annual report.

Related party transactions

Information in respect of related party transactions is disclosed in note 29 to the annual report.

Changes in management

The following individuals were appointed Board Directors in September 2007 and November 2008:

Name	Position/Function	Appointment date	Term of office
Andrey Verevskiy	Chairman of the Board of Directors	September 21, 2007	until the end of the annual General Meeting of Shareholders of 2010
Patrick Conrad	Executive director	September 21, 2007	until the end of the annual General Meeting of Shareholders of 2010
Victoriia Lukyanenko	Executive director	September 21, 2007	until the end of the annual General Meeting of Shareholders of 2010
Anastasiia Usachova	Executive director	September 21, 2007	until the end of the annual General Meeting of Shareholders of 2010
Andrzej Danilczuk	Non-executive director	November 15, 2008	until the end of the annual General Meeting of Shareholders of 2009
Ton Schurink	Non-executive director	November 15, 2008	until the end of the annual General Meeting of Shareholders of 2009

No changes to the Board of Directors have occurred in the course of the reporting period.

Management statement

This statement is provided to confirm that to the best of our knowledge the consolidated annual financial statements and the comparable information have been prepared in compliance with IFRS and give a true, fair and clear view of Kernel Holding S.A. assets, financial standing and net results and that the directors' report on the operations of Kernel Group of companies truly reflects the development, achievements and situation of the Group, including a description of the key risk factors and threats.

This statement is also provided to confirm that LLP BAKER TILLY UKRAINE and TEAMAUDIT S.A. have been appointed in accordance with the applicable laws and performed the audit of the consolidated financial statements of Kernel Holding S.A. for the year ended 30 June 2009, and that the entities and the accountants performing the audit met the conditions necessary to issue an impartial and independent report on the audit in accordance with International Standards on Auditing.

On behalf of the Management

Patrick Conrad
Director

Anastasiia Usachova
Director

October 26, 2009



Kernel Holding S.A. and Subsidiaries

Consolidated Financial Statements

For the year ended 30 June 2009

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for the year ended 30 June 2009

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INDEPENDENT AUDITOR'S REPORT

To the board of Directors of

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

Report on the Consolidated Financial Statements

We have audited consolidated financial statements of KERNEL HOLDING S.A. and its Subsidiaries (collectively - the "Kernel Group" or the "Group"), which comprise the consolidated balance sheet as of June 30, 2009, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year ended June 30, 2009, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we

comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Kernel Group as of June 30, 2009, and of its financial performance and its cash flows for the year ended June 30, 2009 in accordance with International Financial Reporting Standards.

Managing Partner
"BAKER TILLY UKRAINE" LLP

TEMAUDIT S.A.
Reviseurs d'Entreprises
67, Rue Michel Welter
L-2730 Luxembourg

October 26, 2009
Kiev, Ukraine



Alexander Pochkun

Jean Bernard Zeimet

Management statement

LLP BAKER TILLY UKRAINE

Independent member of

Baker Tilly International

Fizkultury 28 st., Kyiv,

Ukraine, 01033

This representation letter is provided in connection with your audit of the consolidated financial statements of KERNEL HOLDING S.A. and its Subsidiaries (collectively - the "Kernel Group" or the "Group") for the year ended June 30, 2009 for the purpose of expressing an opinion as to whether the consolidated financial statements give a true and fair view of the financial position of the Group as of June 30, 2009 and results of its activities and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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

We understand that the purpose of your audit of our consolidated financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify, nor necessarily be expected to disclose any instances of fraud, shortages, errors and other irregularities, should exist.

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

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

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

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

There has been no known actual or possible noncompliance with laws and regulations that could have a material effect on the consolidated financial statements in the event of noncompliance. We acknowledge responsibility for the design and implementation of internal control to prevent and detect fraud and error.

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

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

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

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

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

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

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

Agreements and options to buy back assets previously sold.

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

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

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

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

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

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

On behalf of the Management

Andrey Verevskiy
Chairman of the Board

Anastasia Usachova
CFO

October 26, 2009

SELECTED FINANCIAL DATA AS OF 30 JUNE 2009
(in thousands unless otherwise stated)

SELECTED FINANCIAL DATA for the year ended 30 June 2009	thousand USD		thousand zloty		thousand EUR	
	2009	2008	2009	2008	2009	2008
I. Revenue	1 047 113	663 140	3 077 779	1 632 695	769 419	452 523
II. Operating profit/(loss)	166 648	111 577	489 828	274 710	122 453	76 139
III. Profit/(loss) before income tax	126 863	91 221	372 888	224 592	93 219	62 249
IV. Net profit/(loss)	131 982	82 203	387 935	202 389	96 980	56 095
V. Net cash flow from operating activity	129 289	(125 619)	380 019	(309 283)	95 002	(85 722)
VI. Net cash flow from investment activity	(95 313)	(170 114)	(280 154)	(418 832)	(70 036)	(116 085)
VII. Net cash flow from financial activity	5 283	329 794	15 528	811 875	3 882	225 049
VIII. Total net cash flow	39 259	34 061	115 394	83 860	28 848	23 242
IX. Total assets	699 706	755 608	2 220 377	1 601 436	496 791	477 442
X. Current liabilities	195 051	185 121	618 956	392 346	138 486	116 971
XI. Non-current liabilities	147 192	130 070	467 084	275 670	104 506	82 187
XII. Share capital	1 815	1 815	5 760	3 847	1 289	1 147
XIII. Total equity	357 463	440 417	1 134 337	933 420	253 799	278 284
XIV. Weighted average number of shares	68 741 000	40 074 247	68 741 000	40 074 247	68 741 000	40 074 247
XV. Profit/(loss) per ordinary share (in USD/PLN/EUR)	1,97	2,08	5,80	5,11	1,45	1,41
XVI. Diluted number of shares	68 741 000	40 196 769	68 741 000	40 196 769	68 741 000	40 196 769
XVII. Diluted profit/(loss) per ordinary share (in USD/PLN/EUR)	1,97	2,07	5,80	5,10	1,45	1,41
XVIII. Book value per share (in USD/PLN/EUR)	5,18	9,90	16,43	20,99	3,68	6,26
XIX. Diluted book value per share (in USD/PLN/EUR)	5,18	9,87	16,43	20,92	3,68	6,24

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasia Usachova
CFO

The notes on pages 49 to 92 form an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2009
(in US dollars and in thousands unless otherwise stated)

	Notes	30 June 2009 audited	30 June 2008 audited
ASSETS			
<i>CURRENT ASSETS:</i>			
Cash	5	129 263	88 530
Trade accounts receivable, net	6	32 419	48 720
Prepayments to suppliers and other current assets, net	7, 29	25 810	29 736
Taxes recoverable and prepaid, net	8	72 871	23 219
Inventory	9	99 086	144 707
Biological assets	10	18 932	42 421
Total current assets		378 381	377 333
<i>NON-CURRENT ASSETS:</i>			
Property, plant and equipment, net	11	221 770	231 624
Intangible assets, net	12	35 686	58 081
Goodwill	13	45 166	45 319
Other non-current assets	14, 29	18 703	43 251
Total non-current assets		321 325	378 275
TOTAL ASSETS		699 706	755 608
LIABILITIES AND EQUITY			
<i>CURRENT LIABILITIES:</i>			
Trade accounts payable	6	7 539	5 545
Advances from customers and other current liabilities	15, 29	25 806	21 879
Short-term borrowings	16	148 483	120 087
Short-term corporate bonds	19	1 993	30 984
Current portion of long-term borrowings	17	11 230	6 626
Total current liabilities		195 051	185 121
<i>NON-CURRENT LIABILITIES:</i>			
Long-term borrowings	17	121 369	91 148
Obligations under finance lease	18	11 491	6 907
Deferred tax liabilities	20	14 207	31 786
Other non-current liabilities		125	229
Total non-current liabilities		147 192	130 070
<i>COMMITMENTS AND CONTINGENCIES</i>			
EQUITY ATTRIBUTABLE TO KERNEL HOLDING S.A. SHAREHOLDERS			
Share capital		1 815	1 815
Share premium reserve		236 637	236 637
Additional paid-in capital		39 944	39 944
Translation reserve		(162 163)	14 358
Retained earnings		239 601	104 053
Total equity attributable to Kernel Holding S.A. shareholders		355 834	396 807
MINORITY INTEREST		1 629	43 610
Total equity		357 463	440 417
TOTAL LIABILITIES AND EQUITY		699 706	755 608
Book value		355 834	396 807
Weighted average number of shares	34	68 741 000	40 074 247
Book value per one share (in USD)		5,18	9,90
Diluted number of shares	34	68 741 000	40 196 769
Diluted book value per share (in USD)		5,18	9,87

On behalf of the Board

Andrey Verevskiy _____

Chairman of the Board

Anastasia Usachova _____

CFO

The notes on pages 49 to 92 form an integral part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009
(in US dollars and in thousands unless otherwise stated)

	Notes	Year ended 30 June 2009	Year ended 30 June 2008
		audited	audited
REVENUE	21	1 047 113	663 140
COST OF SALES	22	<u>(730 309)</u>	<u>(504 546)</u>
GROSS PROFIT		<u>316 804</u>	<u>158 594</u>
OTHER OPERATIONAL INCOME	23	16 880	24 951
OPERATING EXPENSES:			
Distribution costs	24, 29	(143 301)	(52 406)
General and administrative expenses	25, 29	<u>(23 735)</u>	<u>(19 562)</u>
TOTAL OPERATING EXPENSES		(167 036)	(71 968)
OPERATING PROFIT		166 648	111 577
Finance costs, net	26,29	(32 239)	(28 115)
Foreign exchange (loss)/gain, net		(3 095)	3 128
Other (expenses)/income, net	27,29	(4 451)	4 631
PROFIT/ (LOSS) BEFORE INCOME TAX		126 863	91 221
INCOME TAX	20	<u>5 119</u>	<u>(9 018)</u>
NET PROFIT		<u>131 982</u>	<u>82 203</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO:			
Shareholders of Kernel Holding S.A.		135 548	83 227
Minority interest		(3 566)	(1 024)
Weighted average number of shares	34	68 741 000	40 074 247
Profit/(loss) per ordinary share (in USD)		1,97	2,08
Diluted number of shares	34	68 741 000	40 196 769
Diluted profit/(loss) per ordinary share (in USD)		1,97	2,07

On behalf of the Board

 Andrey Verevskiy _____
 Chairman of the Board

 Anastasia Usachova _____
 CFO

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 30 JUNE 2009
(in US dollars and in thousands unless otherwise stated)

	Share capital	Share premium reserve	Additional paid-in capital	Translation reserve	Retained earnings	Total equity attributable to Kernel Holding S.A. shareholders	Minority interest	Total equity
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	-	-	-	-	-	-	(6 204)	(6 204)
Disposal of Subsidiaries	-	-	-	-	-	-	(148)	(148)
Acquisition of Subsidiaries	-	-	-	-	-	-	45 435	45 435
Repurchase of minority share	-	-	-	-	-	-	(7 600)	(7 600)
Increase of share capital	583	244 709	-	-	-	245 292	-	245 292
Issued capital and IPO expenses	-	(10 680)	-	-	-	(10 680)	-	(10 680)
Effect of foreign exchange differences	-	-	-	14 358	-	14 358	-	14 358
Net profit	-	-	-	-	83 227	83 227	(1 024)	82 203
Balance at 30 June 2008	1 815	236 637	39 944	14 358	104 053	396 807	43 610	440 417
Effect of changes on minority interest	-	-	-	-	-	-	(38 415)	(38 415)
Effect of foreign exchange differences	-	-	-	(176 521)	-	(176 521)	-	(176 521)
Net profit	-	-	-	-	135 548	135 548	(3 566)	131 982
Balance at 30 June 2009	1 815	236 637	39 944	(162 163)	239 601	355 834	1 629	357 463

On behalf of the Board

Andrey Verevskiy _____

Chairman of the Board

Anastasia Usachova _____

CFO

The notes on pages 49 to 92 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2009
(in US dollars and in thousands unless otherwise stated)

	Notes	Year ended 30 June 2009 audited	Year ended 30 June 2008 audited
OPERATING ACTIVITIES:			
Profit/(loss) before income tax		126 863	91 221
Amortization and depreciation	11, 12	23 408	11 641
Finance costs	26	32 239	28 115
Bad debt expenses and other accruals		(1 202)	285
Loss/(gain) on disposal of property, plant and equipment		4 306	(412)
Foreign exchange losses/(gain), net		3 095	(3 128)
Income from "DAK Asset"	27	(194)	(33)
Gain on sales of equity investments	28	(345)	(2 528)
Gain on acquisition of equity investments		-	(9 014)
Operating profit before working capital changes		188 170	116 147
<i>Changes in working capital:</i>			
Decrease/(increase) in trade accounts receivable		15 449	(37 972)
Increase in prepayments and other current assets		(1 150)	(18 814)
Increase in restricted cash balance		(1 474)	(29 216)
Decrease/(increase) in taxes recoverable and prepaid		(49 173)	97
Decrease/(increase) in biological assets		23 489	(23 201)
Increase in inventories		(7 341)	(100 360)
Increase/(decrease) in trade accounts payable		1 941	(1 373)
Increase/(decrease) in advances from customers and other current liabilities		(6 713)	549
Cash obtained from/(used in) operations		163 198	(94 143)
Finance costs paid		(32 239)	(28 115)
Income tax paid		(1 670)	(3 361)
Net cash provided by operating activities		129 289	(125 619)
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(91 531)	(33 272)
Proceeds from disposal of property, plant and equipment		2 885	8 846
Purchase of intangible and other non-current assets		(1 216)	(48 515)
Acquisition of Subsidiaries		(5 825)	(101 633)
Disposal of Subsidiaries		374	4 460
Net cash used in investing activities		(95 313)	(170 114)
FINANCING ACTIVITIES:			
Proceeds from short-term and long-term borrowings		541 093	294 232
Repayment of short-term and long-term borrowings		(476 532)	(226 923)
Corporate bonds issued		(28 991)	21 047
Proceeds from subordinated loan		-	(7 532)
Proceeds from share capital increase		-	583
Proceeds from share premium reserve increase		-	244 709
Issued capital and IPO expenses paid		-	(10 680)
Net cash provided by financing activities		35 570	315 436
TRANSLATION ADJUSTMENT		(30 287)	14 358
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		39 259	34 061
CASH AND CASH EQUIVALENTS, at the beginning of the period		58 813	24 752
CASH AND CASH EQUIVALENTS, at the end of the period	5	98 072	58 813

On behalf of the Board

Andrey Verevskiy _____

Chairman of the Board

Anastasia Usachova _____

CFO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009
(in US dollars and in thousands unless otherwise stated)
1. KEY DATA BY OPERATING SEGMENT FOR THE YEAR ENDED 30 JUNE 2009 (audited)

	Bottled sunflower oil	Sunflower oil in bulk	<i>Grain handling and transshipment services</i>	Farming	Grain	Silo services	Other	Reconciliation	Continuing Operations
Revenue (external)	121 974	256 871	29 102	8 697	583 084	30 635	16 750	-	1 047 113
Intersegment sales	-	-	24 015	39 619	-	10 065	-	(73 699)	-
Total	121 974	256 871	53 117	48 316	583 084	40 700	16 750	(73 699)	1 047 113
Other operating income	1 659	1 230	3 344	2 512	7 254	881	-	-	16 880
Operating profit (EBIT)	27 230	54 678	28 787	(3 757)	56 118	21 407	(17 815)	-	166 648
Finance costs net	-	-	-	-	-	-	-	-	(32 239)
Foreign exchange (loss)/gain, net	-	-	-	-	-	-	-	-	(3 095)
Other (expenses)/income, net	-	-	-	-	-	-	-	-	(4 451)
Income tax	-	-	-	-	-	-	-	-	5 119
Net profit	-	-	-	-	-	-	-	-	131 982
Capital expenditures	30 914	33 368	362	21 139	681	1 843	849	-	89 156
Amortization and depreciation	4 355	3 103	3 195	10 633	220	1 892	10	-	23 408
Liabilities	2 662	5 630	1 103	3 170	7 841	6 656	315 181	-	342 243
Total assets	108 131	155 975	102 217	70 248	124 785	62 163	76 187	-	699 706

During the year ended 30 June 2009 none of the Group's external customers accounted for more than 10% of total external revenue. During the year ended 30 June 2009 export sales amounted to 83% of total external sales revenue.

1. KEY DATA BY OPERATING SEGMENT FOR THE YEAR ENDED 30 JUNE 2008 (audited) (CONTINUED)

	Bottled sunflower oil	Sunflower oil in bulk	<i>Grain handling and transshipment services</i>	Farming	Grain	Silo services	Other	Reconciliation	Continuing Operations
Revenue (external)	147 100	325 110	-	3 180	167 946	18 585	1 219	-	663 140
Intersegment sales	-	-	-	17 100	44 130	6 764	-	(67 994)	-
Total	147 100	325 110	-	20 280	212 076	25 349	1 219	(67 994)	663 140
Other operating income	3 212	-	-	19 929	1 810	-	-	-	24 951
Operating profit (EBIT)	22 065	52 115	-	18 743	30 128	6 505	(17 979)	-	111 577
Finance costs net	-	-	-	-	-	-	-	-	(28 115)
Foreign exchange (loss)/gain, net	-	-	-	-	-	-	-	-	3 128
Other (expenses)/income, net	-	-	-	-	-	-	-	-	4 631
Income tax	-	-	-	-	-	-	-	-	(9 018)
Net profit	-	-	-	-	-	-	-	-	82 203
Capital expenditures	2 615	6 686	83 000	44 414	3 312	2 621	111	-	142 759
Amortization and depreciation	4 008	2 925	-	1 186	150	3 136	236	-	11 641
Liabilities	16 386	30 430	8 325	4 679	7 176	7 773	240 422	-	315 191
Total assets	165 551	307 451	101 319	95 324	37 610	33 352	15 001	-	755 608

During the year ended 30 June 2008 none of the Group's external customers accounted for more than 10% of total external revenue. During the year ended 30 June 2008 export sales amounted to 70 % of total external sales revenue.

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 bulk sunflower oil and meal, wholesale trade of grain (mainly wheat, barley and corn), farming and provision of logistics and transshipment services.

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 2009 and 30 June 2008 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 2009	30 June 2008
"Kernel-Capital", LLC	Holding company for grain elevators and other Subsidiaries in Ukraine.	Ukraine	99.8%	99.9%
"Etrecom Investments", LLC	Holding company.	Cyprus	100%	100%
"Yuzhtrans-Terminal", LLC	Dormant company.	Ukraine	Disposed of on 17 February, 2009	99.9%
Inerco Trade S.A.	Trade of sunflower oil, meal and grain.	Switzerland	100%	99.0%
Inerco Commodities S.A.		Switzerland	100%	N/A
Restomon LTD		British Virgin Islands	100%	N/A
Lanen S.A.		Panama	100%	100%
"Kernel-Trade", LLC		Ukraine	100%	100%
Jerste BV	Holding company	Netherlands	100%	100%
CJSC "Poltava oil crushing plant — Kernel Group"	Production plants. Production of sunflower oil and meal.	Ukraine	73.05%	95.2%
JSC "Vovchansk OEP"		Ukraine	99.3%	99.3%
CJSC "Prykolotne OEP"		Ukraine	100%	100%
CJSC "Prykolotnyanska oliya"		Ukraine	Disposed of on 31 March 2009	46.4%
LLC JE "Inerco-Ukraine"	Holding company. No significant activity since the date of foundation.	Ukraine	100%	100%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of	
			30 June 2009	30 June 2008
CJSC "Poltavaavtotransservis"	Trucking company	Ukraine	99.8%	99.9%
"Transagroinvest" LLC	No significant activity since the date of foundation.	Ukraine	Disposed of 30 June 2009	N/A
CJSC "Reshetylivka Hliboproduct"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	100%	99.9%
JSC "Reshetilovski elevator"		Ukraine	0.0%	0.0%
CJSC "Horol-Elevator"		Ukraine	100%	100%
JSC "Horolskiy elevator"		Ukraine	0.0%	0.0%
CJSC "Mirgorodsky elevator"		Ukraine	100%	99.9%
CJSC "Globynsky elevator HP"		Ukraine	100%	100%
JSC "Globinsky elevator kliboproduktiv"		Ukraine	0.0%	0.0%
JSC "Poltavske khlipriemalne pidpriemstvo"		Ukraine	88.1%	88.2%
CJSC "Galeschina-Agro"		Ukraine	99.8%	99.9%
CJSC "Gogoleve-Agro"		Ukraine	99.8%	99.9%
CJSC "Sagaydak-Agro"		Ukraine	100%	100%
CJSC "Karlivka-Agro"		Ukraine	99.8%	99.9%
CJSC "Lazorkovski Elevator"		Ukraine	99.8%	99.9%
"Zherebkivsky elevator LTD"		Ukraine	99.8%	99.9%
"Kononivsky elevator LTD"		Ukraine	99.8%	99.9%
"Bandurskiy elevator", LLC		Ukraine	100%	100%
CJSC "Semenivski elevator"		Ukraine	99.8%	99.9%
"Kobelyaki hleboproduct", LLC		Ukraine	100%	0.1%
CJSC "Vlasivskiy KHP"		Ukraine	Control relinquished	In process of liquidation

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of	
			30 June 2009	30 June 2008
"Sahnovshina hleboproduct", LLC	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	100%	100%
CJSC "Velykoburlutske HPP"		Ukraine	100%	100%
CJSC "Gutnansky elevator"		Ukraine	100%	100%
CJSC "Lykhachivsky KHP"		Ukraine	100%	100%
CJSC "Shevchenkisky KHP"		Ukraine	100%	100%
CJSC "Orilske HPP"		Ukraine	100%	100%
CJSC "Kovyagivske KHP"		Ukraine	100%	100%
"Ukragrobiznes", LLC	Holding company.	Ukraine	100%	100%
"Agroservice", LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	100%
"Zernoservice", LLC		Ukraine	100%	100%
"Unigrain-Agro" (Globino), LLC		Ukraine	100%	100%
"Unigrain-Agro" (Semenovka), LLC		Ukraine	100%	100%
"Mrija-Agro", LLC		Ukraine	100%	100%
CJSC "Lozivske HPP"		Ukraine	100%	100%
CJSC "Krasnopavlivsky KHP"		Ukraine	100%	100%
CJSC "Agrofirma "Krasnopavlivska"		Ukraine	0.0%	0.0%
"Agrofirma "Arshitsa", LLC		Ukraine	100%	100%
"Agrotera-Kolos", LLC		Ukraine	100%	0%
"Chorna Kamyanka", LLC		Ukraine	100%	100%
"Govtva", ALLC		Ukraine	100%	0%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of	
			30 June 2009	30 June 2008
PRAC "Perebudova"	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	0%
"Manjurka", LLC		Ukraine	100%	0%
"Krutenke", LLC		Ukraine	100%	0%
"Promin", LLC		Ukraine	100%	0%
PRAC "Brovarki"		Ukraine	100%	0%
PRAC by the name of Shorsa		Ukraine	100%	0%
"Troyanske", ALLC		Ukraine	100%	0%
"Zorya", ALLC		Ukraine	100%	0%
"Hleborob", ALLC		Ukraine	100%	0%
AC by the name of T. Shevchenko		Ukraine	100%	0%
PRAC "Drugba"		Ukraine	100%	0%
LLC "Agrofirma "Chkalova"		Ukraine	100%	N/A
LLC "Agrofirma "Vitchizna"		Ukraine	100%	N/A
"Transbulk Terminal", LLC	Provision of grain handling and transshipment services, including services to the Group.	Ukraine	100%	100%
C.F.C Ukraine Ltd		Ukraine	100%	100%
Estron Corporation Ltd		Cyprus	100%	100%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of	
			30 June 2009	30 June 2008
Chorex Developments Limited	Provision of grain handling and transshipment services, including services to the Group.	Cyprus	100%	100%
Hamalex Developments LTD		Cyprus	100%	100%

The Group consolidated the financial statements of JSC "Reshetilovski elevator", JSC "Horolskiy elevator", JSC "Globinsky elevator kliboproduktiv", LLC "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 21 October 2009.

3. CHANGE IN SHARE CAPITAL

Since 15 June 2005 the holding company of the Group is Kernel Holding S.A. (Luxembourg) (the "Holding"), whose share capital as of 30 June 2009 consisted of 68,741,000 (sixty eight million seven hundred and forty one thousand) ordinary bearer shares without indication of a nominal value, providing 68,741,000 voting rights (as of 30 June 2008 – 68,741,000 shares).

The shares were distributed as follows:

SHAREHOLDERS

	Shares allotted and fully paid as of 30 June 2009	Share owned as of	Shares allotted and fully paid as of 30 June 2008	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	59.03%
Free-float	28 166 750	40.97%	28 166 750	40.97%
Total	68 741 000	100.00%	68 741 000	100.00%

As of 30 June 2009 and 2008 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.

In order to perform an initial public offering of the shares of the Company on the Warsaw Stock Exchange, the general shareholders meeting resolved to split the existing shares of the Company at a split ratio of one to five thousand (1:5,000) and to consequently split the existing nine thousand three hundred thirty-four (9,334) shares of the Company without indication of a nominal value into 46,670,000 (forty-six million six hundred seventy thousand) shares of the Company without indication of a nominal value.

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, of which 16,671,000 were newly issued 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 of an amount of USD 125 thousand as of 30 June 2009, unchanged from 30 June 2008, 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 2009. The Group has adopted IFRS 8 Operating Segments in advance of its effective date, with effect from 1 July 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), Lanen S.A. (Panama), Estron Corporation Ltd, Chorex Developments Limited, Hamalex Developments LTD. Management has utilized USD as the measurement currency for Inerco Trade SA, Lanen SA, Estron Corporation Ltd, Chorex Developments Limited and Hamalex Developments LTD 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 2009. 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.

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

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

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

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

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

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

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

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

Currency	Closing rate as of 30 June 2009	Average rate for the 12 months ended 30 June 2009	Closing rate as of 30 June 2008	Average rate for the 12 months ended 30 June 2008
USD/UAH	7.6303	6.5948	4.8489	5.0283
USD/EUR	0.7100	0.7348	0.6319	0.6824
USD/PLN	3.1733	2.9393	2.1194	2.4621

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.

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

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.

Borrowing costs - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred. The interest expense component of finance lease payments is recognized in the income statement using the effective interest rate method.

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 2009 and 2008 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.

Equity-settled transactions – Starting from 01 July 07 the Group adopted IFRS 20 'Share-based Payment'.

The cost of equity-settled transactions with employees are measured by reference to the fair value at the grant date and are recognized as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is calculated using the Black-Scholes model. No expense is recognized for awards that do not ultimately vest. At each balance sheet date before vesting, the cumulative expense is calculated; representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognized in the income statement, with a corresponding entry in 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.

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

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 effective interest 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.

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

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.

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 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.

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

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.

Operating Segments - Operating segments are reported in a manner consistent with the internal reporting as provided to the chief operating decision makers in order to allocate resources to the segment and to assess its performance. The Management and the members of the Board of Directors of the Group are identified as the chief operating decision makers. Segments in the consolidated financial statements are defined in accordance with the type of activity, products sold or services provided.

The operating segments' activities are as follows:

Operating Segments	Activities
<i>Bottled sunflower oil</i>	Production, refining, bottling, marketing and distribution of bottled sunflower oil.
<i>Sunflower oil in bulk</i>	Production and sales of sunflower oil in bulk (crude and refined) and meal
<i>Grain</i>	Sourcing and merchandizing of wholesale grain.
<i>Grain handling and transshipment services</i>	Grain handling and transshipment services in the port of Ilyichevsk.
<i>Grain silo services</i>	Provision of cleaning, drying and grain storage services.
<i>Farming</i>	Agricultural farming. Production of wheat, barley, corn, soybean and sunflower seed.

The measure of profit and loss and assets and liabilities is based on the Group Accounting Policies which are in compliance with IFRS.

In the financial statements as of 30 June 2009 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.

The segment data is calculated as follows:

- the intersegment sales reflect intergroup transactions effected on an arm's-length basis.
- capital expenditures, amortization and depreciation related to property, plant and equipment and intangible assets are allocated to the segments when possible.

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

5. CASH

The balances of cash as of 30 June 2009 and 2008 were as follows:

	30 June 2009	30 June 2008
Cash with banks in USD	124 362	64 001
Cash with banks in UAH	4 656	22 039
Cash with banks in other currencies	241	2 219
Cash on transit bank account	-	258
Cash on hand	4	13
Total	129 263	88 530
Less restricted cash on Security bank account and blocked amount	(31 191)	(29 717)
Cash for the purposes of cash flow statement	98 072	58 813

As of 30 June 2009 cash on a bank account in the amount of USD 31,191 thousand (as of 30 June 2008: USD 29,717 thousand) was restricted in use based on short-term loan agreements with foreign and Ukrainian banks and thus was excluded from cash item for the purpose of cash flow statement.

As of 30 June 2009 cash on a bank account in the amount of USD 30,400 thousand was pledged by the Group as collateral against short-term bank loans obtained from Ukrainian banks (Note 16).

6. TRADE ACCOUNTS RECEIVABLE, NET

The balances of trade accounts receivable as of 30 June 2009 and 2008 were as follows:

	30 June 2009	30 June 2008
Trade accounts receivable	33 229	50 098
Allowance for estimated irrecoverable amounts (Note 31)	(810)	(1 378)
Total	32 419	48 720

As of 30 June 2009 accounts receivable from one European customer accounted for approximately 13% of the total carrying amount of trade accounts receivable (as of 30 June 2008 approximately 33%).

7. PREPAYMENTS TO SUPPLIERS AND OTHER CURRENT ASSETS, NET

The balances of prepayments to suppliers and other current assets as of 30 June 2009 and 2008 were as follows:

	30 June 2009	30 June 2008
Prepayments to suppliers	21 962	26 623
Other accounts receivable and other current assets	4 467	4 001
Allowance for estimated irrecoverable amounts of prepayments to suppliers and other current assets	(619)	(888)
Total	25 810	29 736

8. TAXES RECOVERABLE AND PREPAID, NET

The balances of taxes recoverable and prepaid as of 30 June 2009 and 2008 were as follows:

	30 June 2009	30 June 2008
VAT («value-added tax») recoverable and prepaid	70 539	23 482
Other taxes recoverable and prepaid	2 332	226
Allowance for estimated irrecoverable amounts of VAT recoverable	-	(489)
Total	72 871	23 219

VAT recoverable and prepaid mainly represents VAT credits in relation to purchases of agricultural products on domestic market in Ukraine. No allowance for estimated doubtful amounts of VAT recoverable was created as of 30 June 2009 (as of 30 June 2008: USD 489 thousand).

9. INVENTORIES

The balances of inventories as of 30 June 2009 and 2008 were as follows:

	30 June 2009	30 June 2008
Raw materials	35 822	51 311
Finished products	35 270	60 070
Goods for resale	23 359	26 576
Packaging materials	208	489
Fuel	1 289	2 307
Products of agriculture	439	683
Other inventories	2 699	3 271
Total	99 086	144 707

As of 30 June 2009 inventories with the carrying amount of USD 36,835 thousand (as of 30 June 2008: USD 62,634 thousand) were pledged by the Group as collateral against short-term loans obtained from Ukrainian and foreign banks (Note 16).

10. BIOLOGICAL ASSETS

The balances of biological assets as of 30 June 2009 and 2008 were as follows:

Agricultural Farming	30 June 2009		30 June 2008	
	Hectares	Value	Hectares	Value
Wheat crops	26 572	5 579	22 856	13 341
Sunflower seed crops	14 604	3 397	12 304	6 889
Soya beans crops	14 145	2 764	9 030	3 274
Barley crops	9 507	1 442	13 465	4 621
Corn crops	8 994	2 594	7 965	4 941
Pea crops	9 377	2 333	5 236	3 059
Buckwheat	253	28	2 067	779
Rapps seeds	609	185	1 902	2 184
Other crops	1 138	165	3 508	1 987
Total	85 199	18 487	78 333	41 075

10. BIOLOGICAL ASSETS (CONTINUED)

Breeding of cattle	30 June 2009		30 June 2008	
	Number of heads	Amount	Number of heads	Amount
Cattle	1 368	445	2 706	1 346
Total	1 368	445	2 706	1 346

The following table represents the changes in the carrying amounts of biological assets during the year ended 30 June 2009 and 2008

	Capitalized expenditures	Effect of biological transformation	Fair value of biological assets
As of 30 June 2007	4 250	5 422	9 672
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2007)	654	-	654
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (included in operating income, harvest 2007)	-	1 456	1 456
Decrease due to harvest (harvest 2007)	(4 904)	(6 878)	(11 782)
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2008)	24 415	-	24 415
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2008)	-	16 660	16 660
As of 30 June 2008	24 415	16 660	41 075
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2008)	9 808	-	9 808
Decrease due to harvest (harvest 2008)	(34 223)	(16 660)	(50 883)
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2009)	19 871	-	19 871
Gain/(Loss) arising from changes in fair value attributable to physical changes and to changes of the market price (sowing under harvest 2009)	-	(1 384)	(1 384)
As of 30 June 2009	19 871	(1 384)	18 487

11. PROPERTY PLANT AND EQUIPMENT, NET

As of 30 June 2009 property, plant and equipment with the carrying amount of USD 181,209 thousand (as of 30 June 2008: USD 155,186 thousand) was pledged by the Group as collateral against short-term and long-term bank loans obtained from Ukrainian and foreign banks (Note 16, 17).

As of 30 June 2009 production equipment with the carrying amount of USD 16,461 thousand was held under finance lease (as of 30 June 2008: USD 9,966 thousand) (Note 18).

11. PROPERTY PLANT AND EQUIPMENT, NET (CONTINUED)

The following table represents movements in property, plant and equipment for the year ended 30 June 2009 :

	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 2008	2 173	110 393	103 953	21 818	5 695	5 557	5 483	255 072
Additions from acquisition of Subsidiaries	-	2 339	11	380	30	135	-	2 895
Additions	-	-	-	-	-	-	82 793	82 793
Transfers	-	3 867	5 739	14 397	1 137	1 202	(26 342)	-
Due to disposal of Subsidiaries	(1)	(1)	-	-	-	(31)	(24)	(57)
Other disposals	-	(4 375)	(180)	(2 668)	(263)	(430)	-	(7 916)
Translation differences	(792)	(38 831)	(17 300)	(10 473)	(2 268)	(2 265)	(8 936)	(80 865)
As of 30 June 2009	1 380	73 392	92 223	23 454	4 331	4 168	52 974	251 922
Accumulated depreciation								
As of 30 June 2008	-	(8 581)	(9 287)	(2 296)	(1 588)	(1 696)	-	(23 448)
Depreciation	-	(5 030)	(6 556)	(4 748)	(1 024)	(846)	-	(18 204)
Due to disposal of Subsidiaries	-	-	-	-	-	19	-	19
Other disposals	-	102	280	78	123	144	-	727
Translation differences	-	3 978	3 845	1 508	704	719	-	10 754
As of 30 June 2009	-	(9 531)	(11 718)	(5 458)	(1 785)	(1 660)	-	(30 152)
Net Book Value								
As of 30 June 2009	1 380	63 861	80 505	17 996	2 546	2 508	52 974	221 770
As of 30 June 2008	2 173	101 812	94 666	19 522	4 107	3 861	5 483	231 624

As of 30 June 2009 amount of CIP and uninstalled equipment includes USD 2,313 thousand of capitalized interest on borrowed costs. Capitalization rate used to calculate the amount of capitalized interests is 11.67 % per annum.

12. INTANGIBLE ASSETS, NET

The following table represents movements in intangible assets for the year ended 30 June 2009 and 2008 :

Cost as of 30 June 2008	59 502	Cost as of 30 June 2007	17 055
Additions from acquisition of Subsidiaries	2 252	Additions from acquisition of Subsidiaries	26 825
Additions	1 216	Additions	15 625
Disposals	(3)	Disposals	(3)
Translation difference	(21 928)	Translation difference	-
Cost as of 30 June 2009	41 039	Cost as of 30 June 2008	59 502
Accumulated depreciation as of 30 June 2008	(1 421)	Accumulated depreciation as of 30 June 2007	(234)
Amortization charge	(5 204)	Amortization charge	(1 187)
Disposals	-	Disposals	-
Translation difference	1 272	Translation difference	-
Accumulated depreciation as of 30 June 2009	(5 353)	Accumulated depreciation as of 30 June 2008	(1 421)
Net book value as of 30 June 2009	35 686	Net book value as of 30 June 2008	58 081

Included in intangible assets of Subsidiaries are the "Schedry Dar", "Stozhar", "Zolota" and "Domashnya" trademarks with the value of USD 4,784 thousand, USD 6,211 thousand, USD 8,795 thousand and USD 190 thousand respectively. These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market. As of 30 June 2009 and 2008 trade mark "Stozhar" was pledged as security for long-term loans (Note 17). Trademarks "Zolota" and "Domashnya" were pledged as security for short-term loans as of 30 June 2008 (Note 16).

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

13. GOODWILL

The following table represents movements in goodwill for the year ended 30 June 2009 and 2008 :

As of 30 June 2007	11 491
Goodwill arising on acquisition of Subsidiaries	38 909
Impairment	(5 081)
As of 30 June 2008	45 319
Goodwill arising on acquisition of Subsidiaries	33
Translation differences	(186)
As of 30 June 2009	45 166

14. OTHER NON-CURRENT ASSETS

The balances of other non-current assets as of 30 June 2009 and 2008 were as follows:

	<u>30 June 2009</u>	<u>30 June 2008</u>
Grain elevators lease rights («DAK Asset») (Note 30)	733	502
Prepayments for property, plant and equipment	17 607	8 869
Expenses of future periods (will be used during 12 months from the date of balance)	-	32 269
Other non-current assets	363	1 611
Total	<u>18 703</u>	<u>43 251</u>

Grain elevators lease rights ("DAK Asset")

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

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

The description of the lease terms is as follows:

Assets leased	Storage capacity of leased grain elevators	Maturity	Monthly rental payment
Property of three grain elevators	296 thousand tons of wheat (aggregated)	December 2012	USD 43 thousand (aggregated)

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

15. ADVANCES FROM CUSTOMERS AND OTHER CURRENT LIABILITIES

The balances of advances from customers and other current liabilities as of 30 June 2009 and 2008 were as follows:

	30 June 2009	30 June 2008
Advances from customers	2 408	1 969
Obligation under finance lease payable within one year (Note 18)	4 970	3 059
Accrued payroll, payroll related taxes and bonuses	2 066	1 591
Accounts payable for property, plant and equipment	9 009	10 386
Provision for unused vacations and other provisions	1 062	938
Short-term promissory notes issued	1	259
Taxes payable and provision for tax liabilities	5 408	2 865
Other current liabilities	882	812
Total	25 806	21 879

16. SHORT-TERM BORROWINGS

The balances of short-term borrowings as of 30 June 2009 and 30 June 2008 were as follows:

	30 June 2009	30 June 2008
Bank credit lines	147 635	118 805
Interest accrued on short-term credits	502	620
Interest accrued on long-term credits	346	662
Total	148 483	120 087

The balances of short-term borrowings as of 30 June 2009 were as follows:

	Interest rate	Maturity	Currency	Amount due
European bank	Libor + 2.6%	August 2009	USD	30 000
European bank	Libor + 2.75%	September 2009	USD	50 000
European bank	Libor + 2.0%	July 2009	USD	5 098
Ukrainian subsidiary of European bank	Libor + 4.5%	September 2009	USD	1 737
Ukrainian subsidiary of European bank	7.8%	August 2009	USD	30 400
Ukrainian subsidiary of European bank	15%	July 2009	USD	30 400
Total bank credit lines				147 635
Interest accrued on short-term loans				502
Interest accrued on long-term loans				346
Total				148 483

16. SHORT-TERM BORROWINGS (CONTINUED)

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 subsidiary of European bank	Libor +4.5%	USD	November 2008	35 000
Ukrainian subsidiary of European bank	7.8%	USD	June 2009	28 000
Ukrainian subsidiary of European bank	up to 17%	UAH	June 2009	169
Ukrainian subsidiary of European bank	15%	USD	May 2009	28 000
Total bank credit lines				118 805
Interest accrued on short-term loans				620
Interest accrued on long-term loans				662
Total				120 087

As of 30 June 2009 the overall maximum credit limit for short-term bank credit lines amounted to USD 634,323 thousand (as of 30 June 2008: USD 325,095 thousand).

As of 30 June 2009 and 2008 short-term loans from banks were secured as follows:

Assets pledged	30 June 2009	30 June 2008
Cash (Note 5)	30 400	28 000
Inventories (Note 9)	36 835	62 634
Property, plant and equipment (Note 11)	61 811	2 423
Intangible assets (Note 12)	-	13 576
Total	129 046	106 633

In June 2008 Kernel Trade LLC and Kernel Holding S.A. signed loan agreements with the Ukrainian subsidiary of a European bank, each loan for a maximum amount of USD 90,000 thousand. The loan to Kernel Trade LLC was secured by pledge of Kernel Holding shares owned by Namsen LTD, the majority shareholder of the Group. Funds drawn by Kernel Trade LLC were placed on deposit and pledged as security for the loan provided to Kernel Holding S.A., which could then borrow the corresponding amount. As of 30 June 2009 USD 30,400 thousand had been drawn under both loans (30 June 2008 – USD 28,000 thousand).

17. LONG-TERM BORROWINGS

The balances of long-term borrowings as of 30 June 2009 and 2008 were as follows:

	30 June 2009	30 June 2008
Long-term bank loans	132 599	97 774
Current portion of long-term borrowings	(11 230)	(6 626)
Total	121 369	91 148

Long-term bank loans

The balances of long-term borrowings as of 30 June 2009 were as follows :

	Interest rate	Currency	Maturity	Amount due
Ukrainian subsidiary of European bank	11.25%	USD	July 2010	51 750
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	40 972
Ukrainian subsidiary of European bank	Libor + 3.75%	USD	September 2013	5 000
European bank	Libor + 3.52%	USD	2015	34 877
Total				132 599

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

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

On 17 July 2009 USD 45 million out of USD 51,750 thousand, bearing interest at 11.25% p.a. were repaid on account of a working capital line arranged with another Ukrainian subsidiary of European bank (Note 35). The maturity of the new facility is September 2010, and bears an interest rate – Libor + 5.7% p.a.

Assets pledged	30 June 2009	30 June 2008
Property, plant and equipment (Note 11)	119 398	152 763
Intangible assets (Note 12)	6 211	9 385
Controlling stakes in Subsidiaries	Not quantifiable	-
Total	125 609	162 148

17. LONG-TERM BORROWINGS (CONTINUED)

In addition, controlling stakes in the following Subsidiaries were pledged to secure the long-term bank loans of the Group as of 30 June 2009 and 2008:

Name of Subsidiary, in which a stake was pledged	
30 June 2009	30 June 2008
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 "Globynsky elevator HP"
CJSC "Gutnansky elevator"	CJSC "Orilske HPP"
JSC "Poltavske khlibopriemalne pidpriemstvo"	CJSC "Gutnansky elevator"
CJSC "Prykolotne OEP"	JSC "Poltavske khlibopriemalne pidpriemstvo"
CJSC "Velykoburlutske HPP"	CJSC "Prykolotne OEP"
CJSC "Shevchenkisky KHP"	CJSC "Velykoburlutske HPP"
CJSC "Kovyagivske KHP"	CJSC "Lykhachivsky KHP"
CJSC "Poltavaavtotransservis"	CJSC "Shevchenkisky KHP"
LLC "Bandurskiy elevator"	CJSC "Kovyagivske KHP"
	CJSC "Poltavaavtotransservis"
	LLC "Bandurskiy elevator"

18. OBLIGATIONS UNDER FINANCE LEASE

As of 30 June 2009 and 2008 the major components of finance lease liabilities were as follows:

	Minimum lease payments	Present value of minimum lease payments
	30 June 2009	30 June 2009
Amounts payable due to the finance lease:		
Within one year (Note 15)	6 089	4 970
Later than one year and not later than five years	12 754	11 491
	18 843	16 461
Less future finance charges	(2 382)	N/a
Present value of lease obligations	16 461	16 461
	Minimum lease payments	Present value of minimum lease payments
	30 June 2008	30 June 2008
Amounts payable due to the finance lease:		
Within one year (Note 15)	3 790	3 059
Later than one year and not later than five years	7 669	6 907
	11 459	9 966
Less future finance charges	(1 493)	N/a
Present value of lease obligations	9 966	9 966

In the period from April to July 2005 CJSC "Poltava oil crushing plant - Kernel Group", a Subsidiary, entered into four finance lease contracts to acquire equipment for production of bottled sunflower oil with the Ukrainian subsidiary of a European bank for the total amount of USD 5,628 thousand. The finance lease liability is denominated in USD and bears interest rate of 11.3% per annum.

On 12 May 2008 a Ukrainian Subsidiary of Kernel Holding S.A. signed a 4-year financial lease agreement with an overall total limit of USD 15 million, with the Ukrainian subsidiary of a European bank for financing of agricultural machinery and equipment. USD 8.6 million was outstanding as at 30 June 2009. The finance lease liability is denominated in USD and bears interest rate of 8.0% per annum.

19. CORPORATE BONDS ISSUED

As of 30 June 2009 corporate bonds issued were as follows:

Series	Coupon	Currency	Maturity	Amount due
Series C	17%	USD	18 September 2010	1 993
Total				1 993

As of September 2009, "Kernel-Trade" LLC, a Subsidiary, repaid corporate bonds (series C) denominated in UAH for the total equivalent of USD 1,993 thousand.

As of 30 June 2008 corporate bonds issued were as follows:

Series	Coupon	Currency	Maturity	Amount due, USD
Series A	16%	USD	11 September 2008	5 156
Series B	16%	USD	06 October 2008	5 156
Series C	14%	USD	18 September 2010	20 672
Total				30 984

In the period from September to October 2005, "Kernel-Trade" LLC, a Subsidiary, issued corporate bonds denominated in UAH for the equivalent amount of USD 9,892 thousand, repayable in September and October 2008, for series A and B respectively. As of 31 December 2007 the coupon interest on these corporate bonds was 15% per annum (16% as of October 2006), payable on a quarterly basis.

In September 2007, "Kernel-Trade" LLC, a Subsidiary, issued corporate bonds denominated in UAH for the total equivalent amount of USD 19,802 thousand and repayable in September 2010 (series C). The bonds bore coupon interest of 14% per annum, payable on a quarterly basis, and were guaranteed by Inerco Trade S.A. and "Kernel Capital" LLC, subsidiaries of Kernel Holding S.A. The interest rate was subject to review once a year in September. Bondholders had a put option, which could be exercised during 30 days from the date the revised rate was announced.

20. INCOME TAX

As of 30 June 2009 and 2008 the major components of deferred tax assets and liabilities were as follows:

	30 June 2009	30 June 2008
Deferred tax assets arising from:		
Valuation of advances from customers	6 401	1 612
Tax losses carried forward	1 321	184
Valuation of accounts receivable	658	336
Valuation of property, plant and equipment	690	538
Valuation of intangible assets	301	-
Valuation of inventories	1	-
Valuation of accrued expenses and other temporary differences	215	211
Deferred tax asset	9 587	2 881
Less: valuation allowance	(828)	(294)
Net deferred tax asset after valuation allowance	8 759	2 587
Deferred tax liability arising from:		
Valuation of property, plant and equipment	(11 644)	(16 281)
Valuation of prepayments to suppliers and prepaid expenses	(8 775)	(14 441)
Valuation of intangible assets	(2 511)	(3 569)
Valuation of inventories	(27)	(82)
Valuation of financial investments	(9)	-
Deferred tax liability	(22 966)	(34 373)
Net deferred tax liability	(14 207)	(31 786)

As of 30 June 2009 and 2008 all deferred taxes arose from temporary differences in value related to assets and liabilities of Subsidiaries. The corporate income tax rate in Ukraine was 25% as of 30 June 2009 and 2008.

The components of income tax expense for the 12 months ended 30 June 2009 and 30 June 2008 were as follows:

	30 June 2009	30 June 2008
Current income tax expenses	(1 047)	(3 361)
Deferred tax benefit/(expense)	6 166	(5 657)
Income tax benefit/(expenses)	5 119	(9 018)

The income tax charge for the 12 months ended 30 June 2009 and 2008 is reconciled to the profit before income tax per consolidated income statement as follows:

	30 June 2009	30 June 2008
Profit/(loss) before income tax:	126 863	91 221
Tax at the statutory income tax rate in Ukraine of 25%	(31 716)	(22 805)
Expenditures not allowable for income tax purposes and non-taxable income, net	37 369	14 082
Change in valuation allowance	(534)	(295)
Income tax benefit /(expenses)	5 119	(9 018)

21. REVENUE

Revenue for the period of 12 months ended 30 June 2009 and 2008 was as follows:

	<u>30 June 2009</u>	<u>30 June 2008</u>
Revenue from bulk sunflower oil, cake and meal	256 871	325 110
Revenue from bottled sunflower oil	121 974	147 100
Revenue from farming	8 697	3 180
Revenue from grain trade	583 084	167 946
Revenue from grain silo services	30 635	18 585
Revenue from transshipment services	29 102	-
Other revenue	16 750	1 219
Total	<u>1 047 113</u>	<u>663 140</u>

For the above-stated period ended 30 June 2009 revenues from five European customers accounted for approximately 24.5 % of the total revenue (for the year ended 30 June 2008 revenue from five European customers accounted for 22.5% of the total revenue).

22. COST OF SALES

The cost of sales for the period of 12 months ended 30 June 2009 and 2008 was as follows:

	<u>30 June 2009</u>	<u>30 June 2008</u>
Cost of goods for resale and raw materials used	672 532	472 605
Payroll and payroll related costs	20 518	16 358
Depreciation of property, plant and equipment	22 967	9 393
Rental payments	2 513	1 580
Other operating costs	11 779	4 610
Total	<u>730 309</u>	<u>504 546</u>

23. OTHER OPERATING INCOME

Other operating income for the period of 12 months ended 30 June 2009 and 2008 was as follows:

	<u>30 June 2009</u>	<u>30 June 2008</u>
Gain /(Loss) arising from changes in fair value attributable to physical changes and to changes in the market price for biological assets (Note 10)	(1 384)	18 116
VAT and other farming related exemptions	4 945	2 153
Contracts wash-out (price difference settlement)	2 357	2 435
Premiums for quality	6 489	1 738
Other operating income	4 473	509
Total	<u>16 880</u>	<u>24 951</u>

24. DISTRIBUTION COSTS

The distribution costs for the period of 12 months ended 30 June 2009 and 2008 were as follows :

	<u>30 June 2009</u>	<u>30 June 2008</u>
Carriage and freight	123 526	41 638
Marketing and advertising	8 254	7 061
Payroll and payroll related costs	953	1 538
Customs expenses	5 291	879
Certification	2 813	853
Sanitation services	1 248	164
Depreciation	50	203
Other expenses	1 166	70
Total	<u>143 301</u>	<u>52 406</u>

25. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses for the period of 12 months ended 30 June 2009 and 2008 were as follows:

	<u>30 June 2009</u>	<u>30 June 2008</u>
Payroll and payroll related costs	9 936	9 242
Bank services	1 350	1 110
Bad debts expenses	96	1 977
Amortization and depreciation	391	2 045
Taxes other than income tax	1 566	824
Audit, legal and other professional fees	2 986	1 053
Rental payments	2 374	861
Repairs and material costs	544	629
Information expenses	131	75
Business trip expenses	628	103
Communication expenses	713	454
Insurance	929	624
Other expenses	2 091	565
Total	<u>23 735</u>	<u>19 562</u>

The fair value of the share based payments (Note 33) as of 30 June 2009 in amount of USD 1,407 thousand (30 June 2008: USD 822 thousand) is recognized as the payroll and payroll related expenses for the period ended 30 June 2009. The auditors' remuneration for the period ended 30 June 2009 in amount of USD 276 thousand is included in audit, legal and other professional fees (30 June 2008: USD 285 thousand).

26. FINANCE COSTS, NET

The finance costs for the period of 12 months ended 30 June 2009 and 2008 were as follows:

	30 June 2009	30 June 2008
Interest expense on bank loans and corporate bonds	30 668	26 786
Other finance costs, net	1 571	1 329
Total	32 239	28 115
Including financial liabilities measured at amortized cost	-	249

27. OTHER INCOME/ (EXPENSES), NET

Other income/(expenses) for the period of 12 months ended 30 June 2009 and 2008 were as follows:

	30 June 2009	30 June 2008
Income from "DAK Asset"	194	33
Gain on sale of equity investments (Note 28)	345	2 528
Gain on acquisition of 30% minority stake in CJSC "Prykolotne OEP"	-	3 603
Gain on purchase of minority shareholding in LLC "Sahnovshina hleboproduct"	-	1 002
Gain on purchase of minority shareholding in LLC "Kobelyaki hleboproduct"	-	476
Losses on impairment of Goodwill	-	(5 081)
Gain/(Losses) on disposal of property, plant and equipment	302	921
Gain on acquisition of minority stake	-	9 037
Other income/(expenses), net	(5 292)	(7 888)
Total	(4 451)	4 631

Income from "DAK Asset" for the 12 months ended 30 June 2009 and 2008 represents change in value of the "DAK Asset" as a result of passage of time and partial realization of the nominal amount of the "DAK Debt", which was not recognized as an asset at 30 June 2008, by additional set-offs with "DAK" (Note 14).

28. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The following entities were disposed of during the year ended 30 June 2009 :

Subsidiary	Principal Activity	Country of Incorporation
"Yuzhtrans-Terminal", LLC	Dormant company	Ukraine
CJSC "Prykolotnyanska oliya"	The company held part of the assets of the production plants. The assets were transferred to the plant before the company was sold	Ukraine
"Transagroinvest" LLC	Dormant company	Ukraine
CJSC "Vlasivskiy KHP"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services	Ukraine

28. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

Subsidiaries, which have been disposed of, had been previously fully consolidated. Fair value of assets, liabilities and contingent liabilities disposed of during the year ended 30 June 2009 was as follows:

Assets disposed of, net:

Cash	4
Prepayments to suppliers and other current assets, net	559
Taxes recoverable and prepaid, net	74
Inventory	9
Property, plant and equipment, net (Note 11)	39
Advances from customers and other current liabilities	(93)
Deferred tax liabilities	(16)
Fair value of assets of Subsidiaries disposed of, net	576
Minority interest of Subsidiaries disposed of	(543)
Fair value of assets disposed of, net	33
Gain on disposal of Subsidiaries (Note 27)	345
Total cash consideration received	378
Less: cash from assets disposed of, net	(4)
Less: accounts receivable for Subsidiaries disposed of	-
Net cash inflow from Subsidiaries disposed of	374

The following entities were acquired during the year ended 30 June 2009:

Subsidiary	Principal Activity	Country of Incorporation	Acquisition date	Group's Effective Ownership share as of 30 June 2009
LLC "Agrofirma "Chkalova"	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	1 August 2008	100%
LLC "Agrofirma "Vitchizna"		Ukraine	1 August 2008	100%

28. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

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	23
Trade accounts receivable, net	38
Prepayments to suppliers and other current assets, net	3
Taxes recoverable and prepaid, net	64
Inventory	846
Biological assets, current	25
Property, plant and equipment, net	2 895
Intangible assets, net	2 252
Trade accounts payable	(53)
Advances from customers and other current liabilities	(233)
Long-term borrowings	(45)

Fair value of net assets of acquired Subsidiaries	5 815
----------------------------------------------------------	--------------

Minority interest of acquired Subsidiaries	-
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Fair value of acquired net assets	5 815
------------------------------------------	--------------

Goodwill	33
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Total cash considerations paid	5 848
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Less: acquired cash	(23)
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Net cash outflow from acquisition of Subsidiaries	5 825
----------------------------------------------------------	--------------

Goodwill attributable to minority shareholders	-
------------------------------------------------	---

Negative goodwill attributable to minority shareholders	-
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Net cash outflow from acquisition of Subsidiaries attributable to Kernel Holding S.A. shareholders	5 825
-----------------------------------------------------------------------------------------------------------	--------------

29. TRANSACTIONS WITH RELATED PARTIES

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

The Group had the following balances outstanding with related parties as of 30 June 2009 and 30 June 2008:

	Related party balances as of	Total category as per consolidated balance sheet as of	Related party balances as of	Total category as per consolidated balance sheet as of
	30 June 2009		30 June 2008	
Prepayments to suppliers and other current assets, net (Note 7)	6 327	25 810	710	29 736
Other non-current assets (Note 14)	16 300	18 703	32 269	43 251
Advances from customers and other current liabilities (Note 15)	-	25 806	6	21 879

Transactions with related parties for the period of 12 months ended 30 June 2009 and 30 June 2008 were as follows:

	Amount of operations with related parties	Total category per consolidated income statement	Amount of operations with related parties	Total category per consolidated income statement
	for the year ended 30 June 2009		for the year ended 30 June 2008	
General, administrative and distribution expenses (Note 24, 25)	(2 631)	(167 036)	(2 214)	(71 968)
Finance (costs)/income (Note 26)	(1 173)	(32 239)	(11)	(28 115)
Other (expenses) /income, net (Note 27)	(168)	(4 451)	(3)	4 631

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

30. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

As of 30 June 2009 and 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. During the period ended 30 June 2009 and 2008 the Group received, in particular, notifications of claims and possible litigation in connection with cases of contaminated Ukrainian oil. Management of the Group believes that the resolution of such legal matters will not have a material impact on its financial position.

Capital commitments – As of 30 June 2009 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 11 million for supply of equipment and services required for the new solvent extraction plant under construction, and for a total amount of USD 4,5 million for supply of equipment and services required for increase in production capacity at CJSC "Poltava oil crushing plant-Kernel Group".

As of 30 June 2008 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 13 million for supply of equipment and services required for construction of and the new solvent extraction plant under construction, and for a total amount of USD 8 million for supply of equipment and services required for the increasing the production capacity at CJSC "Poltava oil crushing plant-Kernel Group".

Contractual Commitments on Sales - As of 30 June 2009 the Group had entered into commercial contracts for export of 97 thousand tons of grain and 137 thousand tons of sunflower oil and meal, corresponding to an amount of USD 22,600 thousand and USD 56,000 thousand respectively in prices as of 30 June 2009.

As of 30 June 2008 the Group had entered into commercial contracts for export of 61,231 tons of grain and 68,301 tons of sunflower oil and meal, corresponding to an amount of USD 20,730 thousand and USD 66,935 thousand respectively in prices as of 30 June 2008.

On 15 October 2008, Kernel Holding SA signed an agreement with a large international grain trader for the provision of grain throughput services, such agreement to expire on 30 June 2027. The parties to the agreement have agreed a throughput of 500,000 tons of grain in the first year following signing, followed by 1 million tons per year in the following years, subject to the throughput rate to be mutually agreed prior to the beginning of each grain season. For financial year 2010, the trader did not execute the throughput option.

30. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases - As of 30 June 2009 and 30 June 2008 the Group had outstanding commitments under non-cancellable operating lease agreements with following maturities:

Lease term	Future minimum lease payment as of 30 June 2009	Future minimum lease payment as of 30 June 2008	With Companies of the Group as of 30 June 2009	With Companies of the Group as of 30 June 2008
Less than 1 year	4 669	3 038	1 937	3 510
From 1 to 5 years	10 753	9 238	-	-
More than 5 years	4 452	4 414	-	-
Total	19 874	16 690	1 937	3 510

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

31. FINANCIAL INSTRUMENTS
Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through a combination of debt and equity capital. In November 2007 the Group was listed on the Warsaw Stock Exchange (WSE). Net proceeds of additional capital from the placement constituted USD 152,367 thousand after deduction of total subscription cost. In April 2008 the Group increased the equity by USD 81,725 thousand as a result of a secondary offering of shares.

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

Gearing ratio

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

	30 June 2009	30 June 2008
Debt liabilities* (Note 16, 17, 18, 19)	299 536	255 752
Cash and cash equivalents (Note 5)	(129 263)	(88 530)
Net debts	170 273	167 222
Equity**	355 834	396 807
Gearing ratio	48%	42%

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

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

31. FINANCIAL INSTRUMENTS (CONTINUED)

Due to its activity, the Group is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note provides information on the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing such risks, and the Group's management of capital.

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

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

Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of 30 June 2009 and 30 June 2008 were as follows:

	<u>30 June 2009</u>	<u>30 June 2008</u>
Cash (Note 5)	129 263	88 530
Trade accounts receivable, net (Note 6)	32 419	48 720
VAT ("value-added tax") recoverable, net (Note 8)	72 871	23 219
Total	<u>234 553</u>	<u>160 469</u>

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

	<u>30 June 2009</u>	<u>30 June 2008</u>
Domestic customers (accounts receivable, net)	10 392	22 548
International customers (account receivable, net)	22 027	26 172
Total	<u>32 419</u>	<u>48 720</u>

Almost all the clients of the Group are wholesale customers. The Group's most significant customer, an international customer, accounted for USD 8,000 thousand of the trade receivables as of 30 June 2009 (as of 30 June 2008 one customer accounted for USD 16,160 thousand).

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The characteristics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 24.5% of the Group's revenue is attributable to sales transactions with 5 customers.

31. FINANCIAL INSTRUMENTS (CONTINUED)

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

Impairment losses

The aging of trade receivables as of 30 June 2009 and 30 June 2008 was as follows (Note 6):

	Gross carrying amount 30 June 2009	Impairment 30 June 2009	Gross carrying amount 30 June 2008	Impairment 30 June 2008
Current	31 350	-	41 614	-
Past due 0-30 days	803	-	4 801	-
Past due 31-180 days	152	(23)	2 346	(352)
Past due 181-365 days	274	(137)	622	(311)
More than one year	650	(650)	715	(715)
Total	33 229	(810)	50 098	(1 378)

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

The movement in the allowance for impairment in respect of trade receivables for the 12 months ended 30 June 2009 and 30 June 2008 was as follows:

	30 June 2009	30 June 2008
Balance at 30 June	(1 378)	(1 386)
Impairment loss recognized	568	8
Balance at 30 June	(810)	(1 378)

VAT recoverable

For the period 12 months ended 30 June 2009 the amount of VAT returned was USD 49,828 thousand.

Schedule of VAT return

July 2008	6 613
September 2008	1 706
December 2008	8 019
January 2009	5 251
March 2009	22 703
April 2009	1 718
May 2009	3 818
Total	49 828

31. FINANCIAL INSTRUMENTS (CONTINUED)

For the 12 months ended 30 June 2008 the amount of VAT returned was USD 64,706 thousand.

Schedule of VAT return

July 2007	1 169
August 2007	3 070
September 2007	2 971
October 2007	315
January 2008	4 465
February 2008	6 553
March 2008	16 876
April 2008	12 971
May 2008	8 890
June 2008	7 426
Total	64 706

As of 30 June 2009 the amount of VAT recoverable was USD 70,539 thousand (as of 30 June 2008 was USD 23,219 thousand). The schedule of estimated VAT recovering is specified below:

Expected schedule of VAT return

August 2009	9 418
September 2009	2 470
November 2009	8 460
December 2009	6 570
January 2009	6 580
February 2009	7 100
March 2009	9 700
April 2009	8 810
May 2009	9 300
June 2009	2 131
Total	70 539

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned (controlled) subsidiaries. As of 30 June 2009 as well as at 30 June 2008 no guarantees were outstanding in favor of third parties.

Liquidity risk

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

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

31. FINANCIAL INSTRUMENTS (CONTINUED)

The contractual maturities of financial liabilities, including interest payments as of 30 June 2009 were as follows:

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade accounts payable	7 539	(7 539)	(7 539)	-	-	-
Short-term borrowings (Note 16)	147 635	(148 067)	(148 067)	-	-	-
Long-term borrowings (Note 17)	132 599	(151 295)	(21 954)	(68 944)	(47 897)	(12 500)
Obligations under finance lease (Note 18)	16 461	(18 801)	(6 304)	(4 970)	(7 527)	-
Corporate bond issued (Note 19)	1 993	(2 049)	(2 049)	-	-	-
Total	306 227	(327 751)	(185 913)	(73 914)	(55 424)	(12 500)

The contractual maturities of financial liabilities, including interest payments as of 30 June 2008 were as follows:

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade accounts payable	5 545	(5 545)	(5 545)	-	-	-
Short-term borrowings (Note 16)	120 087	(126 967)	(126 967)	-	-	-
Long-term borrowings (Note 17)	91 148	(122 316)	(13 496)	(56 078)	(35 494)	(17 248)
Obligations under finance lease (Note 18)	6 907	(11 459)	(3 790)	(3 660)	(4 009)	-
Corporate bond issued (Note 19)	30 984	(37 760)	(13 816)	(2 951)	(20 993)	-
Total	254 671	(304 047)	(163 614)	(62 689)	(60 496)	(17 248)

Market risk

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

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

Currency risk

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

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

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

31. FINANCIAL INSTRUMENTS (CONTINUED)

The Group's exposure to foreign currency risk as at 30 June 2009 was as follows:

	<u>UAH</u>	<u>USD</u>	<u>EUR</u>
Cash	4 660	124 362	241
Trade accounts receivable, net	10 392	22 027	-
Inventory	98 423	663	-
Property, plant and equipment	159 530	62 240	-
Trade accounts payable	(7 406)	(133)	-
Short-term borrowings (Note 16):			
<i>Ukrainian subsidiary of European bank</i>	-	(63 039)	-
<i>European banks</i>	-	(85 444)	-
Long-term borrowings (Note 17):			
<i>Ukrainian subsidiary of European bank</i>	-	(97 722)	-
<i>European banks</i>	-	(34 877)	-
Obligations under finance lease (Note 18)	-	(11 491)	-
Corporate bonds issued (Note 19)	(1 993)	-	-
Balance sheet gross exposure	263 606	(83 414)	241
Estimated sales	-	78 600	-
Estimated purchases	-	-	-
Gross exposure	-	78 600	-
Net exposure	263 606	(4 814)	241

A 10 percent strengthening of UAH against USD as at 30 June 2009 would have increased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<u>USD</u>	<u>EUR</u>
USD	(458)	23

Conversely, a 10 percent fall of UAH against USD as at 30 June 2009 would have had the opposite effect, on the assumption that all other variables remain constant.

31. FINANCIAL INSTRUMENTS (CONTINUED)

The Group's exposure to foreign currency risk as at 30 June 2008 was as follows:

	UAH	USD	EUR	Other currencies
Cash	22 287	64 001	2 214	28
Trade accounts receivable, net	22 548	26 145	27	-
Inventory	141 663	3 044	-	-
Property, plant and equipment	167 253	64 371	-	-
Trade accounts payable	(5 271)	(274)	-	-
Short-term borrowings (Note 16)				
<i>Ukrainian subsidiary of European bank</i>	(169)	(91 000)	-	-
<i>European banks</i>	-	(27 636)	-	-
Long-term borrowings (Note 17)				
<i>Ukrainian subsidiary of European bank</i>	(327)	(97 447)	-	-
<i>European banks</i>	-	-	-	-
Obligations under finance lease (Note 18)	-	(6 907)	-	-
Corporate bonds issued (Note 19)	(30 984)	-	-	-
Balance sheet gross exposure	317 000	(65 703)	2 241	28
Estimated sales	-	94 060	-	-
Estimated purchases	-	-	-	-
Gross exposure	-	94 060	-	-
Net exposure	317 000	28 357	2 241	28

A 10 percent strengthening of UAH against USD as at 30 June 2008 would have increased equity and profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	USD	EUR	Other currencies
USD	2 574	203	3

Conversely, a 10 percent fall of UAH against USD as at 30 June 2008 would have had the opposite effect, on the assumption that all other variables remain constant.

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

The interest rate profile of the Group's interest-bearing financial instruments as of 30 June 2009 and 2008 was as follows :

	Carrying amount	
	30 June 2009	30 June 2008
Fixed rate instruments (financial liabilities)	131 852	145 150
Variable rate instruments (financial liabilities)	167 684	110 602
Total	299 536	255 752

31. FINANCIAL INSTRUMENTS (CONTINUED)

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

Other market price risk

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

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

As of 30 June 2009 and 2008 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

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

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

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

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

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

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

33. SHARE BASED PAYMENTS AND MANAGEMENT REMUNERATION

On 20 February 2008, in accordance with management and Corporate Governance information provided in the Prospectus dated 25 October 2007, Kernel Holding S.A. signed a Management Incentive Plan providing to the management an option to purchase in aggregate up to 2,216,935 shares of Kernel Holding S.A., such number being equal to 3.5% of the issued and outstanding stock of Kernel Holding S.A. as at the adoption date of such plan, at IPO price (24 PLN). The management considers IPO date (23 November 2007) as the date of grant of the Management Incentive Plan. The option shall vest and become exercisable as to one third of the shares under option on 23 November 2008, as to a further one third of the shares under option on 23 November 2009, and as to the remaining shares under option on 23 November 2010, and is in force till 23 November 2018. There are no cash settlement alternatives. As of 30 June 2009 and 30 June 2008: 316,705 options out of 2,216,935 were not granted.

33. SHARE BASED PAYMENTS AND MANAGEMENT REMUNERATION (CONTINUED)

	Weighted average fair value in USD, per option		Number of options	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
Beginning of the year	2.2215	-	1 900 230	-
Options granted during the year	-	2.2215	-	1 900 230
Vested during the year	2.2215	-	633 410	-
Outstanding at end of year	2.2215	2.2215	1 900 230	1 900 230

		Number of options			Fair value recognized as an expense during the year
		at beginning of the year	granted during the year	executed during the year	
Patrick Conrad	Member of the Board, Executive Director, Head of investor relations	633 410	-	-	469
Konstantin Litvinsky	Head of Trade Department	633 410	-	-	469
Anastasiia Usachova	Member of the Board, Executive Director, CFO	633 410	-	-	469

The fair value of the share based transactions as of 30 June 2009 in amount of USD 1,407 thousand is recognized as an expense (part of the payroll and payroll related expenses) and a corresponding increase in equity over the vesting period (30 June 2008: USD 822 thousand).

The fair value of employee share based payments is calculated using the Black-Scholes model that uses the assumptions noted in the following table. The expected volatility of the shares is based on historical volatility calculated using the daily close price of the Group shares up to 15 September 2008. It has been assumed that all options will vest. The expected option term of options granted represents the period of time when the options granted are expected to be outstanding and is based on the contractual terms, vesting period and expectations of future employee behavior. The risk-free interest rate is based on the rate of Polish Treasury zero-coupon bond with a term equal to the expected option term of the option grants on the date of grant.

Assumptions:

	30 June 2008
Expected option term (in years)	4
Expected dividend yield	0 %
Expected volatility	15%
Risk-free interest rate	5.25%

33. SHARE BASED PAYMENTS AND MANAGEMENT REMUNERATION (CONTINUED)

Directors' remuneration for the year ended 30 June 2009:

Name	Position	Total
Andrey Verevskiy	Chairman of the Board	-
Patrick Conrad	Member of the Board, Executive Director, Head of investor relations	192
Konstantin Litvinsky	Head of Trade Department	138
Anastasiia Usachova	Member of the Board, Executive Director, CFO	150
Viktoriia Lukianenko	Member of the Board, Executive Director, Head of Legal Department	96
Andrzej Danilczuk *	Member of the Board, Non-executive Director	45
Ton Schurink *	Member of the Board, Non-executive Director	50

Directors' remuneration for the year ended 30 June 2008:

Name	Position	Salary	IPO Bonus	Total
Patrick Conrad	Member of the Board, Executive Director, Head of investor relations	195	250	445
Konstantin Litvinsky	Head of Trade Department	126	350	476
Anastasiia Usachova	Member of the Board, Executive Director, CFO	117	250	367
Viktoriia Lukianenko	Member of the Board, Executive Director, Head of Legal Department	54	98	152
Andrzej Danilczuk *	Member of the Board, Non-executive Director	33	-	33
Ton Schurink *	Member of the Board, Non-executive Director	36	-	36

*Non-executive directors were appointed on 12 October 2007 and reappointed on 17 November 2008. Non-executive directors provide their services pursuant to a letter of appointment and a service contract.

The executive directors are not entitled to remuneration for their services as Board members but are refunded, to a reasonable extent, for any expenses incurred by them in performing their duties, including reasonable travelling expenses. The Members of the Board of Directors and the Management Team members are not granted any pensions, retirement or similar benefits by the Group.

34. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of ordinary shares outstanding (68,741,000 for the period ended 30 June 2009 and 40,074,247 for the period ended 30 June 2008), excluding any dilutive effects of stock options. Diluted earnings per share is computed similar to basic earnings per share, except that the weighted-average number of ordinary shares outstanding is increased to include additional shares from the assumed exercise of stock options. The number of additional shares is calculated by assuming that outstanding stock options, except those which are not dilutive, were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting period. For calculating diluted earnings per share an average number of 68,741,000 ordinary shares are taken into account as the outstanding stock options were out of money based on the average market price during the reporting period (30 June 2008: 40,196,769).

35. DESCRIPTION OF SUDSEQUENT EVENTS

On 17 July 2009 a USD 45 million working capital facility with the Ukrainian subsidiary of an European bank was repaid from the proceeds of a new credit line for general corporate purposes. Fixed assets pledged as security for the loan repaid have been transferred to secure the new facility. The maturity of the new credit line is September 2010. The refinancing was effected in the frame of the company's loan portfolio cost optimization program.

On 28 August 2009 an Addendum in respect of the renewal of 225 million trade finance facility, of which 170 million are committed for 1 year, was registered with the National Bank of Ukraine and came into force. The purpose of the credit agreement is the financing of sunflower seeds procurement, crushing and transportation costs.

On 10 September 2009 Kernel Trade LLC, a Ukrainian subsidiary of Kernel Holding S.A., signed a tolling agreement for the crushing of 230,000 tons of sunflower seeds per year. The agreement, signed with the Ukrainian subsidiary of an international company, expires on 31 August 2010 and can be extended upon mutual agreement.

On 21 September 2009 the Company fully repaid a USD 50 million short-term credit facility provided for the financing of the grain terminal in Illichevsk Commercial Sea Port.

On 30 September 2009 a USD 40 million credit agreement was signed between Kernel Holding S.A. and a banking syndicate. The purpose of the 3 years credit agreement is the refinancing of the Illichevsk grain terminal of the Group. The disbursement of the loan was made on 15 October 2009.

Kernel Holding S.A.

Capital: USD 1,815,174.84

R.C.S. Luxembourg B-109.173

Annual accounts as at 30.06.2009

Registered office: L-1331 Luxembourg
65, Boulevard Grange-Duchesse Charlotte

Fortis Intertrust Luxembourg S.A
65, Boulevard Grande-Duchesse Charlotte
L-1331 Luxembourg

Kernel Holding S.A.

A public limited company

65, Boulevard Grande-Duchesse Charlotte

L-1331 Luxembourg

R.C.S. Luxembourg Section B n° 109.173

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TEAMAUDIT S.A.

Réviseurs d'Entreprises
67, Rue Michel Welter
L-2730 Luxembourg
Tél : (00352) 26 12 841
Fax : (00352) 26 12 84 84

REPORT OF THE REVISEUR D'ENTREPRISES

KERNEL HOLDING S.A.

Report on the opening balance

Following our appointment, we have audited the accompanying financial statements of KERNEL HOLDING S.A., which comprise the balance sheet as at June 30, 2009, and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Director's responsibility for the financial statements for the opening balance

The Board of Directors is responsible for the preparation and fair presentation of the financial statements for this opening balance in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of opening balance that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'entreprises

Our responsibility is to express an opinion on the financial statements for this opening balance based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements for the opening balance. The procedures selected depend on the judgment of the réviseur d'entreprises, including the assessment of the risks of material misstatement of the financial statements for the opening balance, whether due to fraud or error. In making those risks assessments, the réviseur d'entreprises considers internal control relevant to the entity's preparation and fair presentation of the opening balance in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements for the opening balance.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of KERNEL HOLDING S.A. as of June 30, 2009, and its operations for the period from July 1, 2008 to June 30, 2009 in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

Luxembourg, October 26, 2009



TEAMAUDIT S.A.
Réviseurs d'Entreprises

Jean Bernard ZEIMET

JEAN BERNARD ZEIMET
Réviseur d'Entreprises
67, Rue Michel Welter
L-2730 Luxembourg

This representation letter is provided in connection with your audit of the financial statements of KERNEL HOLDING S.A. for the year ended June 30, 2009 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of (present fairly, in all material respects) the financial position of KERNEL HOLDING S.A. as of June 30, 2009 and of the results of its operations then ended in accordance with Luxembourg Financial Reporting Standards (Lux Gap).

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

Such representations may include the following:

* There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

*We have made available to you all books of account and supporting documentation and all minutes of meetings of shareholders and the board of directors for the period July 1, 2008 to June 30, 2009.

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

*The financial statements are free of material misstatements, including omissions.

*The Company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of noncompliance.

*There has been no noncompliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of noncompliance.

*The following have been properly recorded and, when appropriate, adequately disclosed in the financial statements:

- . The identity of, and balances and transactions with, related parties.
- . Losses arising from sale and purchase commitments.
- . Agreements and options to buy back assets previously sold.

Assets pledged as collateral.

*We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

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

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

*We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and have disclosed in the notes to the financial statements all guarantees that we have given to third parties.

*There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or Notes thereto.

*There are no formal or informal compensating balance arrangements with any of our cash and investment accounts

*We have properly recorded or disclosed in the financial statements the capital stock repurchase options and agreements, and capital stock reserved for options, warrants, conversions and other requirements.

On behalf of the Management

Verevskiy Andrey
Chairman of the Board

Usachova Anastasia
CFO

October 26, 2009

Kernel Holding S.A.

A public limited company

65, Boulevard Grande-Duchesse Charlotte

L-1331 Luxembourg

R.C.S. Luxembourg Section B n° 109.173

BALANCE SHEET AS OF 30 JUNE 2009*(in US dollars and in thousands unless otherwise stated)*

	Notes	30 June 2009	30 June 2008
ASSETS			
Formation expenses		7 730	9 785
Financial Assets	4, 2	270 159	58 009
Other accounts receivable:	5		
Becoming due within one year		5 164	83 012
Becoming due after more than one year		50 073	139 585
Prepayments and accrued income	6	4	15
Cash	2	1 585	484
TOTAL ASSETS		334 715	290 890
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable:			
Becoming due within one year		5 927	303
Becoming due after more than one year	11	80 400	28 779
Provisions for liabilities and charges	10	857	93
TOTAL LIABILITIES		87 184	29 175
CAPITAL AND RESERVES			
Subscribed capital	7	1 815	1 815
Share premium reserve		247 316	247 316
Additional paid in capital	8	123	123
Retained earnings	9	12 461	17 572
Profit/(loss) for the year		(14 184)	(5 111)
TOTAL CAPITAL		247 531	261 715
TOTAL LIABILITIES AND EQUITY		334 715	290 890

On behalf of the Board

 Andrey Verevskiy
 Chairman of the Board

 Anastasiia Usachova
 CFO

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INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009*(in US dollars and in thousands unless otherwise stated)*

	Year ended 30 June 2009	Year ended 30 June 2008
Income derived from affiliated undertakings and interest income received	-	11
GROSS PROFIT	-	11
OPERATING EXPENSES:		
General and administrative expenses	(2 061)	(2 448)
Other operating expenses	(2 372)	(587)
TOTAL OPERATING EXPENSES	(4 433)	(3 035)
OPERATING PROFIT (LOSS)	(4 433)	(3 024)
Financial expenses, net	(9 156)	(2 358)
Other income, net	166	271
PROFIT/(LOSS) BEFORE INCOME TAX	(13 423)	(5 111)
Income tax	(761)	-
NET PROFIT/(LOSS)	(14 184)	(5 111)

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

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APPENDIX TO THE ANNUAL ACCOUNTS AS AT JUNE 30, 2009

NOTE 1 – GENERAL COMMENTS

Kernel Holding S.A. (herein refer to as the “Company”), was incorporated on June 15, 2005 in the form of a public limited company under Luxembourg law. Its registered office is established in Luxembourg, 65, Boulevard Grande-Duchesse Charlotte. The Company is registered at the Luxembourg company register under number B 109 173.

The Company object is the acquisition, the management, the enhancement and the disposal of participations in whichever form in domestic and foreign companies.

The company may also contract loans and grant all kinds of support, loans, advances and guarantees to companies, in which it has a direct or indirect participation or which are members of the same group.

It may open branches in Luxembourg and abroad. Furthermore, the company may acquire and dispose of all other securities by way of subscription, purchase, exchange, sale or otherwise.

In addition, the company may acquire, manage, enhance and dispose of real estate located in Luxembourg or abroad.

The Company’s financial year runs from July 1 to June 30.

On the basis of the offering prospectus (the “Prospectus”) approved on October 25, 2007 by the *Commission de Surveillance du Secteur Financier*, shares in the Company were offered to investors in the offering consisting of a public offering in Poland and an international offering by way of private placements to selected institutional investors in certain jurisdictions outside of Poland.

NAMSEN Limited, a company registered in Cyprus, 13, Agiou Prokopiou Street holds 54% of the shares of the Company. As parent company to the Kernel Group, NAMSEN Ltd prepares consolidated annual accounts. These consolidated accounts are available at the registered office of NAMSEN Ltd.

NOTE 2 – PRINCIPAL ACCOUNTING METHODS AND VALUATION RULES

2.1. General principles

The annual accounts are established in accordance with Luxembourg legal and regulatory provisions and generally accepted accounting principles.

2.2. Principal valuation rules

The following are the principal valuation rules, in compliance with the principles described above.

Currency conversion

The accounts are expressed in United-States Dollars (USD).

On the balance sheet date:

Kernel Holding S.A.

A public limited company
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APPENDIX TO THE ANNUAL ACCOUNTS AS AT JUNE 30, 2009 (CONTINUED)**Currency conversion (continued)**

- The assets expressed in a currency other than the balance sheet currency are valued individually at the lower of either their value at the historic exchange rate or their value determined on the basis of the exchange rate in effect on the balance sheet date.
- The liabilities expressed in a currency other than the balance sheet currency are valued individually at the higher of either their value at the historic exchange rate or their value determined on the basis of the exchange rate in effect on the balance sheet date.

Income and charges denominated in currencies other than USD are translated at rates of exchange prevailing at the date of the relevant transaction.

Formation expenses

Formation expenses and capital increase expenses are amortised on a straight line basis over a period of 5 years.

Financial assets

Investments are valued at the lower of either their acquisition price or their fair market value estimated on the balance sheet date by the Board of Directors. To estimate the value of investments, the Board of Directors uses the company's latest financial statements.

Long-term loans are valued at their nominal value. Value adjustments are made when the estimated fair market value is lower than the nominal value.

Current asset receivables

Current asset receivables are valued at their nominal value. Value adjustments are made when the estimated fair market value is lower than the nominal value.

Cash at bank

This item is valued at its nominal value.

Assets: prepayments and accrued income

This item consists of accrued income and charges paid or recorded in advance.

Creditors

Debts are valued at their nominal value.

Liabilities: accruals and deferred income

This item consists of accrued charges and income paid or recorded in advance.

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APPENDIX TO THE ANNUAL ACCOUNTS AS AT JUNE 30, 2009 (CONTINUED)**NOTE 3 – FORMATION EXPENSES****The Company records its formation and capital increase expenses under this caption.**

	2009 USD	2008 USD
Acquisition cost at July 1, 2008	12,241,311.42	18,946.31
Capital increase expenses	6,323.86	12,222,365.11
Acquisition cost at June 30, 2009	12,247,635.28	12,241,311.42
Value adjustments at July 1, 2008	(2,455,840.82)	(7,578.52)
Value adjustments of the period	(2,061,755.43)	(2,448,262.30)
Value adjustments at June 30, 2009	(4,517,596.25)	(2,455,840.82)
Net value at June 30, 2009	7,730,039.03	9,785,470.60

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APPENDIX TO THE ANNUAL ACCOUNTS AS AT JUNE 30, 2009 (CONTINUED)**NOTE 4 – FINANCIAL ASSETS**

	Shares in affiliated companies USD	Loans to affiliated companies USD	Total USD
Acquisition cost at July 1, 2008	58,009,377.92	=	58,009,377.92
<i>Additions</i>	<i>234,285,094.42</i>	<i>=</i>	<i>234,285,094.42</i>
<i>Disposals</i>	<i>(22,135,478.47)</i>	<i>=</i>	<i>(22,135,478.47)</i>
<i>Transfers</i>		<i>=</i>	
Acquisition cost at June 30, 2009	270,158,993.87	=	270,158,993.87
Value adjustments at July 1, 2008			
<i>Provisions for the period</i>	<i>=</i>	<i>=</i>	<i>=</i>
<i>Write-back for the period</i>	<i>=</i>	<i>=</i>	<i>=</i>
Value adjustments at June 30, 2009			
Net value at June 30, 2009	270,158,993.87		270,158,993.87

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APPENDIX TO THE ANNUAL ACCOUNTS AS AT JUNE 30, 2009 (CONTINUED)**NOTE 4 – FINANCIAL ASSETS (CONTINUED)**

Company name + registered office	Shareholding held as % of the capital	Curren cy	Year End	Equity	Result
JERSTE B.V Prins Bernhardplein 200 1097 JB Amsterdam The Netherlands	100 %	USD (EUR)	31/12/2008	68,586,733 48,899,710	(4,515,741) (3,219,550)
INERCO TRADE S.A Genève, Switzerland	99,94 %	USD (CHF)	30/06/2008	4,964,997.79 5,398,806.77	524,606.17 570,442.82
KERNEL CAPITAL LLC 35, Olesya Gonchara str 01034 Kiev, Ukraine	99 %	USD (UAH)	31/12/2008	22,757,767 175,715,000	3,719,677 28,720,000
KERNEL TRADE 35, Olesya Gonchara str 01034 Kiev, Ukraine	99 %	USD (UAH)	30/06/2009	8,094,701 62,500,000	(5,117,405) (39,512,000)
INERCO-UKRAINE LLC 17, Marshala Biruzova str. Poltava, Ukraine	99,91 %	USD (UAH)	30/06/2009	5,379,480 41,535,500	121,589 938,800
UKRAGROBIZNES LL 35, Olesya Gonchara str 01034 Kiev, Ukraine	88,53 %	USD (UAH)	30/06/2009	51,936 401,000	(518) (4,000)
INERCO COMMODITIES S.A. Route de Berne, 52 1010 Lausanne, Switzerland	100 %	USD (CHF)	30/06/2009	N/A N/A	N/A N/A
ESTRON CORPORATION LTD Annis Komninis, 29A,P.C.1061 Nicosia, Cyprus	100 %	USD	31/12/2008	7,044,634.26	(5,390,038.86)
CHOREX DEVELOPMENTS LTD Egypt Street 10, P.C.1097 Nicosia, Cyprus	100 %	USD	30/06/2009	70,794.39	(840.25)
HAMALEX DEVELOPMENTS LTD Salaminas, 10 Lympia Nicosia, Cyprus	100%	USD	30/06/2009	(4,779.70)	(3,541.77)

Kernel Holding S.A.

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APPENDIX TO THE ANNUAL ACCOUNTS AS AT JUNE 30, 2009 (CONTINUED)**NOTE 5 – DEBTORS**

This item consists mainly of:

- Loan of USD 11,560,000 (initially USD 10,000,000) to INERCO TRADE S.A. bearing an interest of 0.01%, with a term of 8 years (31.12.2014)
- Loan of USD 35,558,000 (initially USD 150,000,000) to LANEN S.A. bearing an interest of 0.01% with a term of 3 years (18.11.2010)
- Loan of USD 2,955,208.50 (initially USD 60,000,000) to INERCO TRADE S.A. bearing an interest of 0.01% with a term of 3 years (19.11.2010)
- Interest receivable on loans from Inerco Trade and Lanen for USD 20,908.84
- Advance to Bissani Investment S.A. for EUR 7,000 (USD 9,604.53)
- Receivable from Siolian Holdings Limited for EUR 3,739,225 (USD 5,032,996.85) due to the sale of KERNEL GROUP INTL LLC
- Advance paid to the insurance company Zheleznodorozhnye for USD 100,000

NOTE 6 – PREPAYMENTS AND ACCRUED INCOME

The prepayments and accrued incomes consist mainly of:

- Prepaid expenses for USD 4,377.81 (EURO 3,306.25)

NOTE 7 – SUBSCRIBED CAPITAL

The subscribed and fully paid-up capital of 1,815,174.84 USD is represented by 68,741,000 shares without indication of a nominal value.

NOTE 8 – LEGAL RESERVE

Under Luxembourg law, the Company is obliged to transfer to a legal reserve 5% of its net profit each year until the reserve reaches 10% of the issued share capital. This reserve is not available for dividend distribution.

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APPENDIX TO THE ANNUAL ACCOUNTS AS AT JUNE 30, 2009 (CONTINUED)**NOTE 9 – RETAINED EARNINGS**

		USD
Retained earning	July 1, 2008	17,572,125.74
Profit for the financial year	2007/2008	(5,111,215.60)
Retained earning	June 30, 2009	12,460,910.14

The allocation of retained earnings was approved by the General Shareholders' Meeting of November 17, 2008.

NOTE 10 – PROVISIONS FOR RISKS AND CHARGES

The provision for risks and charges is composed out of the following items:

- Capital tax (taxe d'abonnement) provision previous years for an amount of USD 19,509.88
- Audit and advisory services fees for a total amount of USD 75,788.56
- Net Wealth Tax provision 2008 for an amount of USD 760,945.57 (EURO 542,525)
- Net Wealth Tax provision 2009 for an amount of USD 86.96 (EURO 62)

NOTE 11 – CREDITORS

The creditors are composed of:

- Loan of USD 30,400,000 due to Joint Stock Innovation Bank UkrSibbank, bearing an interest of 15 %
- Loan of USD 50,000,000 due to ABN AMRO Bank
- Interests payable on borrowings to the banks for USD 483,462.50
- A short-term payable to Inerco Trade S.A. for the acquisition of 99.911% of Inerco Ukraine LLC for USD 5,380,000

No debt is covered by an actual surety.

NOTE 12 – EXTRAORDINARY INCOME

The extraordinary income consist of:

- Profit on sale of participations for an amount of USD 101,398.47
- Reversal of the provisions for risks and charges for an amount of EUR 41,004.22

NOTE 13 - TAX STATUS

The Company was incorporated as a Holding company and, according to the Luxembourg tax law, was exempt from income and wealth tax.

On July 31, 2007, the company adopted the corporate objects of a fully taxable company. Since that date, the Company is fully taxable under Luxembourg tax regulations.

Kernel Holding S.A.

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NOTE 14 – OFF BALANCE SHEET COMMITMENTS

The Company is engaged as guarantor in the facility agreement of April 4, 2008 existing between the limited liability Company “Bandurskyi Elevator” (Borrower) a company incorporated and existing under the laws of Ukraine with its registered office at 40 Tsentral’na Street, village of Bandurka, 55 247 Mykolayiv Oblast, Ukraine and the credit institution “Investkredit Bank AG” (Lender) organized and existing under the laws of the Republic of Austria with its registered office in Vienna.

The facility agreement is set up to finance part of the project which consist on the construction of a Greenfield multi-seed crushing plant for processing of up to 900 metric tons of rapeseed, up to 1,500 metric tons of sunflower seed and up to 1,180 metric tons of soybeans per day; the crushing plant shall produce crude vegetable oil and meal, destined mostly for export with a total annual capacity of 230,000 metric tons of oil, 195,000 metric tons of meal and 86,700 metric tons of hulls.

Therefore, the credit institution has provided to the borrower a loan facility for a principal amount of up to USD 52,000,000, (USD fifty two million) granted for 7 years (April 1, 2015). The reference interest rate shall be LIBOR with a margin of 3.52% p.a. until project physical completion, 3.316% p.a. after project physical completion and 2.653% p.a. from the earlier of financial completion and fulfilment of the Guarantor Target Ratios.

Kernel Holding S.A. as guarantor guarantees all the obligations (including principal, interest, costs, fees and charges) at any time owned by the borrower “Bandurskyi Elevator” to the lender “Investkredit Bank AG”.

NOTE 15 – SUBSEQUENTS EVENTS

No event occurred after the financial year end.