OVERVIEW

Andrey Verevskiy, Chairman of Kernel Holding S.A., stated:

First half results of Kernel Holding S.A., as reviewed by the auditors, mostly reiterate the company's management figures, published for the 1st and 2nd quarters of our financial year 2009. Since February, when our 2nd quarter results were published, some additional elements have been added to comfort our view on the development of the current season.

On the macroeconomic side, in an international environment of continued financial stress, we see some initial positive elements: devaluation of the Hrivnia, the Ukrainian currency, has slowed and, possibly, we could expect some stabilization of the currency at the present levels; the government of Ukraine has seemingly reached an agreement with the IMF, which will lead to further disbursements under the SBA and support state finances.

More directly related to our businesses, the decline in soft commodity prices has halted, with prices having regained some ground from the lows seen around December of last year. We expect present levels in soft commodity prices to provide the necessary incentive and support to the farming sector in Ukraine. However, as mentioned in our 2nd quarter report, it is still early to assess spring plantings in Ukraine.

Financial and production highlights

- Revenues for the first six months have increased 165% compared to the 1st half of the previous financial year;
- Operating profit for the period increased 136% compared to the first 6 months of the previous financial year;
- Net income increased 205% compared to 1st half of the previous financial year and
- EBITDA increased 140% compared to the first half of the previous financial year.

	6-month period ended 31 December 2008	**6-month period ended 31 December 2007**
Grain sales, tons	1 160 851	81 590
Crushing of sunflower seeds, tons	314 747	295 285
Production of refined oil, tons	70 368	61 530
Production of bottled oil, tons	55 495	46 741

Results for the 6 months of FY2009

Our revenues for the 6-month period ended 31 December 2008 have increased year-on-year from USD 250 Mio to USD 663 Mio, a 165% increase over the first half of our previous financial year. Our operating profit for the 6-month period increased year-on-year 136% from USD 40 Mio to 94 Mio and pre-tax profit increased 144% to USD 58.5 million (USD 23.9 million for the same period last year).

While gross margin for the Group increased from 24% to 27% due to the positive impact of the Hrivnia devaluation on cost of goods sold, operating margin has decreased year-on-year from 15.8% to 14,1% due to the relatively high transportation costs in the grain trading segment and there negative impact on the operating margin.

Largely as a consequence of the significant decrease in soft commodity prices, our Net debt position decreased from USD 267 million as of 31 December 2007 to USD 187 million as of 31 December 2008.

The significant devaluation of the Hrivnia versus the US Dollar in the period from October to December 2008 led to USD 11.3 million in foreign exchange losses. These foreign exchange losses were however partially offset, and should continue to be offset in the next coming quarters, by the positive impact of the Hrivnia devaluation on the gross margin of the company and also on Hrivnia denominated administrative and distribution costs.

Our G&A expenses have decreased relative to our turnover, from 3.2% in the first half of the previous financial year to 2.2% for the present reporting period.

Financial expenses relative to turnover have decreased year-on-year from 5.7% in the first half of the previous financial year to 3.5% in the same period of the current financial year. The decrease is a direct consequence of both the increase in revenue and the lower debt level of the company.

As a consequence of tight management over accounts receivables and inventory levels, together with falling commodity prices and the devaluation of the Ukrainian currency, performance ratios over the 6-month period have improved and, unusual for this period of high inventories, have resulted in positive cash flow from operating activity.

Segmental review

Sunflower oil in bulk

As mentioned above, over the six-month period to December 2008, the international bulk oil price dropped more than 40%. In an environment of falling prices, the company nevertheless managed to maintain a healthy crush margin and pass on to the farmer the fall in the oil price. Volume wise, the company has been operating at close to full capacity since the beginning of the financial year.

Bottled sunflower oil

In the wake of the fall in international vegetable oil prices, we decreased prices for bottled oil on our domestic market by 14% on average. Due however to the devaluation of the Hrivnia, bottled oil prices of our competitors were at one point lower than international prices for bulk oil. We consequently chose to export the oil to maintain margins and decrease our bottled oil sales volumes. We expect to resume production and sales of bottled oil once supply of cheap oil dries up on the domestic market.

Grain

The grain origination and marketing segment has showed strong performance in the first half of our financial year. By 31 December 2008, the company had originated and sold a total of 1.5 million tons of grain, of which 1.16 million tons had been delivered and exported. Margins remain quite healthy, in the range of 11 to 12%.

Farming

The company has now planted most of the 85,000 ha of farm land managed by the company and expects to finish planting in the next coming weeks. While the company is actively considering further transactions in the farming business, it is still unclear whether further acreage could be added to impact the next coming season.

Grain handling and transshipment services in Illichevsk port

Volumes of grain handled through our port terminal in Illichevsk over the first half of the current financial year have reached a total of 1.68 million tons of grain and are expected to reach 3 million tons by end of the current year. Margins achieved have been in line with initial expectations.

Silo services

The silo services division exceeded initial expectations for the current financial year. The total volume in storage as of 31 December 2008 reached 1.2 million tons, a 58% increase compared to the previous financial year. The shortage of good storage capacity throughout the country has also pushed up rates for services provided by the silos, increasing by 40% year-on-year. Both these factors have positively impacted the financial performance of the silo services segment.

OUTLOOK

Since publishing its 2nd quarter results, no significant change has occurred. The company's guidance therefore remains unchanged, with revenue forecasted at USD 1,100 million, EBITDA at USD 185 million and Net income at USD 115 million.

MANAGEMENT STATEMENT

This statement is provided to confirm that LLP BAKER TILLY UKRAINE and Reˆviseur d'Entreprises TEAMAUDIT S.A. have been appointed in accordance with the applicable laws and performed the review of the condensed consolidated financial statements of Kernel Holding S.A. for the six month period ended 31 December 2008, and that the entities and the accountants performing the review met the conditions necessary to issue an impartial and independent report on the review in accordance with International Standards on Auditing.

April 27, 2009

On behalf of the Management

Patrick Conrad	Anastasiia Usachova
Director	Director

Kernel Holding S.A. and

Subsidiaries

Condensed Consolidated Financial Statements

For the 6 Months Ended 31 December 2008

BAKER TILLY
UKRAINE

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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 Review of Interim Condensed Consolidated Financial Statements

Introduction

We have reviewed the Interim Condensed Consolidated Financial Statements of KERNEL HOLDING S.A. and its Subsidiaries (collectively - the "Kernel Group" or the "Group"), which comprise the condensed consolidated balance sheet as at December 31, 2008, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this Interim Condensed Consolidated Financial Statements in accordance with International Financial Reporting Standards. Our responsibility is to express a conclusion on this Interim Condensed Consolidated Financial Statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Condensed Consolidated Financial Statements do not give a true and fair view of the financial position of the entity as at December 31, 2008, and of its financial performance and its cash flows for the six-month period ended December 31, 2008 in accordance with International Financial Reporting Standards.

Managing Partner
"BAKER TILLY UKRAINE" LLP

Alexander Pochkun

TEAMAUDIT S.A.
Reviseurs d'Entreprises
67, Rue Michel Welter
L-2730 Luxemburg

Jean Bernard Zeimet

БЕЙКЕР ТІЛЛІ УКРАЇНА
30373906

28 April 2009
Kiev, Ukraine

Registration # 1138

an independent member of
BAKER TILLY
INTERNATIONAL

MANAGEMENT REPRESENTATION LETTER

LLP BAKER TILLY UKRAINE
Independent member of Baker Tilly International
Fizkultury 28, Kyiv,
Ukraine, 03150

This representation letter is provided in connection with your review of the interim condensed consolidated financial statements of KERNEL HOLDING S.A. and its Subsidiaries (collectively - the "Kernel Group" or the "Group") as of December 31, 2008 for the purposes of expressing a conclusion whether anything has come to your attention that causes you to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS).

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

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

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

The interim condensed 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 interim condensed consolidated financial statements.

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

On behalf of the Management

Verevskiy Andrey	Usachova Anastasia
Chairman of the Board	CFO

Kyiv, Ukraine

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 31 DECEMBER 2008

SELECTED FINANCIAL DATA AS OF 31 DECEMBER 2008
(in thousands unless otherwise stated)

SELECTED FINANCIAL DATA for 6 months ended 31 December 2008	thousand USD 2 008	thousand USD 2 007	thousand zloty 2 008	thousand zloty 2 007	thousand EUR 2 008	thousand EUR 2 007
I. Revenue	662 505	250 420	1 677 595	661 434	473 830	177 698
II. Operating profit/(loss)	93 519	39 561	236 809	104 492	66 886	28 073
III. Profit/(loss) before income tax	58 459	23 948	148 030	63 254	41 810	16 994
IV. Net profit/(loss)	63 123	20 667	159 840	54 588	45 146	14 665
V. Net cash flow from operating activity	49 854	(265 250)	126 240	(700 605)	35 656	(188 222)
VI. Net cash flow from investment activity	(39 720)	(22 567)	(100 579)	(59 606)	(28 408)	(16 014)
VII. Net cash flow from financial activity	(15 252)	271 613	(38 621)	717 411	(10 908)	192 737
VIII. Total net cash flow	(5 118)	(16 204)	(12 960)	(42 800)	(3 660)	(11 498)
IX. Total assets	600 800	562 632	1 779 449	1 370 009	426 481	382 470
X. Current liabilities	200 621	172 787	594 199	420 736	142 412	117 458
XI. Non-current liabilities	134 623	146 886	398 726	357 667	95 563	99 851
XII. Share capital	1 815	1 673	5 376	4 074	1 288	1 137
XIII. Total equity	265 556	242 959	786 524	591 605	188 506	165 161
XIV. Weighted average number of shares	68 741 000	63 341 000	68 741 000	63 341 000	68 741 000	63 341 000
XV. Profit/(loss) per ordinary share (in USD/zloty/EUR)	0,97	0,33	2,45	0,86	0,69	0,22
XVI. Diluted number of shares	68 741 000	63 341 000	68 741 000	63 341 000	68 741 000	63 341 000
XVII. Diluted profit/(loss) per ordinary share (in USD/zloty/EUR)	0,97	0,33	2,45	0,86	0,69	0,22
XVIII. Book value per share (in USD/zloty/EUR)	3,79	3,76	11,22	9,15	2,69	2,55
XIX. Diluted book value per share (in USD/zloty/EUR)	3,79	3,76	11,22	9,15	2,69	2,55

On behalf of the Board

Andrey Verevskiy Chairman of the Board	Anastasia Usachova CFO

CONDENSED CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2008

(in US dollars and in thousands unless otherwise stated)

	Notes	31 December 2008 reviewed	30 June 2008 audited	31 December 2007 reviewed
ASSETS				
CURRENT ASSETS:				
Cash	5	97 398	88 530	16 391
Trade accounts receivable, net	6, 29	44 149	48 720	36 050
Prepayments to suppliers and other current assets, net	7, 29	34 383	29 736	16 310
Taxes recoverable and prepaid, net	8	55 649	23 219	67 223
Inventory	9	100 067	144 707	256 372
Biological assets	10	5 269	42 421	1 919
Total current assets		**336 915**	**377 333**	**394 265**
NON-CURRENT ASSETS:				
Property, plant and equipment, net	11	190 486	231 624	126 431
Intangible assets, net	12	37 083	58 081	30 523
Goodwill	13	28 727	45 319	6 410
Other non-current assets	14, 29	7 589	43 251	5 003
Total non-current assets		**263 885**	**378 275**	**168 367**
TOTAL ASSETS		**600 800**	**755 608**	**562 632**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Trade accounts payable	29	7 962	5 545	7 213
Advances from customers and other current liabilities	15, 29	22 572	21 879	7 951
Short-term borrowings	16	160 448	120 087	135 151
Short-term corporate bonds	19	1 957	30 984	9 900
Current portion of long-term borrowings	17	7 682	6 626	12 572
Total current liabilities		**200 621**	**185 121**	**172 787**
NON-CURRENT LIABILITIES:				
Long-term borrowings	17	102 878	91 148	103 577
Obligations under finance lease	18	11 717	6 907	2 362
Long-term corporate bonds		-	-	19 868
Deferred tax liabilities	20	19 899	31 786	21 079
Other non-current liabilities		129	229	-
Total non-current liabilities		**134 623**	**130 070**	**146 886**
COMMITMENTS AND CONTINGENCIES				
EQUITY ATTRIBUTABLE TO KERNEL HOLDING S.A.SHAREHOLDERS				
Share capital		1 815	1 815	1 673
Share premium reserve		236 637	236 637	154 975
Additional paid-in capital		39 944	39 944	39 944
Translation reserve		(188 650)	14 358	-
Retained earnings		170 685	104 053	41 463
Total equity attributable to Kernel Holding S.A.		**260 431**	**396 807**	**238 055**
MINORITY INTEREST		5 125	43 610	4 904
Total equity		**265 556**	**440 417**	**242 959**
TOTAL LIABILITIES AND EQUITY		**600 800**	**755 608**	**562 632**
Book value		260 431	396 807	238 055
Weighted average number of shares	33	68 741 000	40 074 247	63 341 000
Book value per one share (in USD)		**3,79**	**9,90**	**3,76**
Diluted number of shares	33	68 741 000	40 196 769	63 341 000
Diluted book value per share (in USD)		**3,79**	**9,87**	**3,76**

On behalf of the Board

Andrey Verevskiy ________________________ Anastasia Usachova________________________

Chairman of the Board CFO

The notes on pages 8 to 48 form an integral part of these condensed consolidated financial statements

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 6 MONTHS ENDED 31 DECEMBER 2008
(in US dollars and in thousands unless otherwise stated)

	Notes	6 months ended 31 December 2008	6 months ended 31 December 2007
		reviewed	reviewed
REVENUE	21, 29	662 505	250 420
COST OF SALES	22	(480 935)	(189 793)
GROSS PROFIT		**181 570**	**60 627**
OTHER OPERATIONAL INCOME	23	10 778	4 246
OPERATING EXPENSES:			
Distribution costs	24, 29	(84 201)	(17 235)
General and administrative expenses	25, 29	(14 628)	(8 077)
TOTAL OPERATING EXPENSES		**(98 829)**	**(25 312)**
OPERATING PROFIT		**93 519**	**39 561**
Finance costs, net	26,29	(23 335)	(14 268)
Foreign exchange (loss)/gain, net		(11 339)	(1 757)
Other (expenses)/income, net	27,29	(386)	412
PROFIT/ (LOSS) BEFORE INCOME TAX		**58 459**	**23 948**
INCOME TAX	20	4 664	(3 281)
NET PROFIT		**63 123**	**20 667**
NET PROFIT/(LOSS) ATTRIBUTABLE TO:			
Shareholders of Kernel Holding S.A.		**66 632**	**20 637**
Minority interest		**(3 509)**	**30**
Weighted average number of shares	33	68 741 000	63 341 000
Profit/(loss) per ordinary share (in USD)		**0,97**	**0,33**
Diluted number of shares	33	68 741 000	63 341 000
Diluted profit/(loss) per ordinary share (in USD)		**0,97**	**0,33**

On behalf of the Board

Andrey Verevskiy _________________________
Chairman of the Board

Anastasia Usachova_______________________
CFO

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE 6 MONTHS ENDED 31 DECEMBER 2008
(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	-	-	-	-	-	-	(8 161)	(8 161)
Increase of share capital	441	160 997	-	-	-	161 438	-	161 438
Acquisition/ Disposal of Subsidiaries	-	-	-	-	-	-	(116)	(116)
Issued capital and IPO expenses	-	(8 630)	-	-	-	(8 630)	-	(8 630)
Net profit	-	-	-	-	20 637	20 637	30	20 667
Balance at 31 December 2007	**1 673**	**154 975**	**39 944**	**-**	**41 463**	**238 055**	**4 904**	**242 959**
Effect of changes on minority interest	-	-	-	-	-	-	1 957	1 957
Disposal of Subsidiaries	-	-	-	-	-	-	(32)	(32)
Acquisition of Subsidiaries	-	-	-	-	-	-	45 435	45 435
Repurchase of minority share	-	-	-	-	-	-	(7 600)	(7 600)
Increase of share capital	142	83 712	-	-	-	83 854	-	83 854
Issued capital and IPO expenses	-	(2 050)	-	-	-	(2 050)	-	(2 050)
Effect of foreign exchange differences	-	-	-	14 358	-	14 358	-	14 358
Net profit	-	-	-	-	62 590	62 590	(1 054)	61 536
Balance at 30 June 2008 (audited)	**1 815**	**236 637**	**39 944**	**14 358**	**104 053**	**396 807**	**43 610**	**440 417**
Effect of changes on minority interest	-	-	-	-	-	-	(34 976)	(34 976)
Effect of foreign exchange differences	-	-	-	(203 008)	-	(203 008)	-	(203 008)
Net profit	-	-	-	-	66 632	66 632	(3 509)	63 123
Balance at 31 December 2008 (reviewed)	**1 815**	**236 637**	**39 944**	**(188 650)**	**170 685**	**260 431**	**5 125**	**265 556**

On behalf of the Board
Andrey Verevskiy ___________________________ Anastasia Usachova ___________________________
Chairman of the Board CFO

The notes on pages 8 to 48 form an integral part of these condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 6 MONTHS ENDED 31 DECEMBER 2008 *(in US dollars and in thousands unless otherwise stated)*

	Notes	6 months ended 31 December 2008 reviewed	6 months ended 31 December 2007 reviewed
OPERATING ACTIVITIES:			
Profit/(loss) before income tax		58 459	23 948
Adjustments to reconcile profit before income tax to net cash used in operating activities:			
Amortization and depreciation	11, 12	12 885	4 786
Finance costs	26	23 335	14 268
Bad debt expenses and other accruals		626	(344)
Loss/(gain) on disposal of property, plant and equipment		(288)	153
Foreign exchange losses/(gain), net		11 339	1 757
Income from "DAK Asset"	27	174	32
Gain on sales of equity investments		-	(2 034)
Operating profit before working capital changes		**106 530**	**42 566**
Changes in working capital:			
Decrease/(increase) in trade accounts receivable		3 450	(25 472)
Increase in prepayments and other current assets		(14 958)	(7 970)
Increase in restricted cash balance		(13 986)	(7 342)
Increase in taxes recoverable and prepaid		(32 591)	(45 320)
Decrease in biological assets		37 176	7 753
Increase in inventories		(8 095)	(216 473)
Increase in trade accounts payable		2 364	1 781
Increase in advances from customers and other current liabilities		(5 292)	(246)
Cash obtained from/(used in) operations		**74 598**	**(250 723)**
Finance costs paid		(23 335)	(14 268)
Income tax paid		(1 409)	(259)
Net cash provided by operating activities		**49 854**	**(265 250)**
INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(35 478)	(10 114)
Proceeds from disposal of property, plant and equipment		2 595	932
Purchase of intangible and other non-current assets		(1 012)	(13 854)
Acquisition of Subsidiaries		(5 825)	(3 080)
Disposal of Subsidiaries		-	3 549
Net cash used in investing activities		**(39 720)**	**(22 567)**
FINANCING ACTIVITIES:			
Proceeds from short-term and long-term borrowings		424 531	140 559
Repayment of short-term and long-term borrowings		(380 938)	(35 511)
Corporate bonds issued		(29 027)	19 831
Proceeds from subordinated loan		-	(7 532)
Proceeds from share capital increase		-	441
Proceeds from share premium reserve increase		-	160 997
Issued capital and IPO expenses paid		-	(7 172)
Net cash provided by financing activities		**14 566**	**271 613**
TRANSLATION ADJUSTMENT		(29 818)	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(5 118)	(16 204)
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	**53 695**	**8 548**

On behalf of the Board

Andrey Verevskiy ________________________ Anastasia Usachova________________________

Chairman of the Board CFO

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 31 DECEMBER 2008
(in US dollars and in thousands unless otherwise stated)

1. KEY DATA BY OPERATING SEGMENT FOR THE 6-MONTH PERIOD ENDED 31 DECEMBER 2008 (reviewed)

	Bottled sunflower oil	**Sunflower oil in bulk**	***Grain handling and transshipment services***	**Farming**	**Grain**	**Silo services**	**Other**	**Reconciliation**	**Continuing Operations**
Revenue (external)	83 497	150 884	13 156	4 840	373 878	23 905	12 345	-	662 505
Intersegment sales	-	-	14 063	37 757	-	5 512	-	(57 332)	-
Total	83 497	150 884	27 219	42 597	373 878	29 417	12 345	(57 332)	662 505
Other operating income	1 659	1 230	1 407	2 721	3 021	740	-	-	10 778
Operating profit (EBIT)	18 052	25 650	12 365	(975)	41 527	11 528	(14 628)	-	93 519
Finance costs net	-	-	-	-	-	-	-	-	(23 335)
Foreign exchange (loss)/gain, net	-	-	-	-	-	-	-	-	(11 339)
Other (expenses)/income, net	-	-	-	-	-	-	-	-	(386)
Income tax	-	-	-	-	-	-	-	-	4 664
Net profit	-	-	-	-	-	-	-	-	63 123
Total assets	109 939	103 735	87 005	60 379	178 510	43 491	17 741	-	600 800
Capital expenditures	10 635	12 293	1 480	15 561	3 354	4 207	63	-	47 593
Amortization and depreciation	2 676	2 272	1 878	4 366	481	1 093	119	-	12 885
Liabilities	3 346	4 957	918	1 654	5 705	7 427	311 237	-	335 244

During the 6-month period ended 31 December 2008 none of the Group's external customers accounts for more than 10% of the total external revenue. During the 6-month period ended 31 December 2008 export sales amount to 80% of total external sales revenue.

1. KEY DATA BY OPERATING SEGMENT FOR THE 6-MONTH PERIOD ENDED 31 DECEMBER 2007 (reviewed) (CONTINUED)

	Bottled sunflower oil	Sunflower oil in bulk	*Grain handling and transshipment services*	Farming	Grain	Silo services	Other	Reconciliation	Continuing Operations
Revenue (external)	64 353	104 557	-	2 238	68 175	10 407	690	-	250 420
Intersegment sales	785	-	-	15 794		2 592	-	(19 171)	-
Total	65 138	104 557	-	18 032	68 175	12 999	690	(19 171)	250 420
Other operating income	124	56	-	1 968	243	1 855	-	-	4 246
Operating profit (EBIT)	16 608	20 962	-	1 338	7 107	1 623	(8 077)	-	39 561
Finance costs net	-	-	-	-	-	-	-	-	(14 268)
Foreign exchange (loss)/gain, net	-	-	-	-	-	-	-	-	(1 757)
Other (expenses)/income, net	-	-	-	-	-	-	-	-	412
Income tax	-	-	-	-	-	-	-	-	(3 281)
Net profit	-	-	-	-	-	-	-	-	20 667
Total assets	158 946	227 185	-	15 926	94 795	46 637	19 143	-	562 632
Capital expenditures	7 813	10 701	-	1 143	-	61	434	-	20 152
Amortization and depreciation	1 175	2 180	-	557	-	634	240	-	4 786
Liabilities	6 745	12 194	-	994	6 718	3 897	289 125	-	319 673

During the 6-month period ended 31 December 2007 none of the Group's external customers accounts for more than 10% of the total external revenue. During the 6-month period ended 31 December 2007 export sales amount to 60% 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 31 December 2008, 30 September 2008 and 31 December 2007 the structure of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			31 December 2008	30 September 2008	31 December 2007
"Kernel-Capital", LLC	Holding company for grain elevators and other Subsidiaries in Ukraine. Performs transactions with financial instruments.	Ukraine	100%	99.9%	99.9%
"Etrecom Investments", LLC	Holding company.	Cyprus	100%	100%	100%
"Yuzhtrans-Terminal", LLC	Dormant company.	Ukraine	100%	99.9%	99.9%
Inerco Trade S.A.	Trade of sunflower oil, meal and grain.	Switzerland	99.0%	99.0%	99.0%
Lanen S.A.		Panama	100%	100%	100%
"Kernel-Trade", LLC		Ukraine	100%	100%	100%
Jerste BV	Holding company	Netherlands	100%	100%	N/A
CJSC "Poltava oil crushing plant — Kernel Group"	Production plants. Production of sunflower oil and meal.	Ukraine	95.2%	95.2%	94.9%
JSC "Vovchansk OEP"		Ukraine	99.3%	99.3%	99.0%
CJSC "Prykolotne OEP"		Ukraine	100%	100%	100%
CJSC "Prykolotnyanska oliya"		Ukraine	0.0%	46.4%	0.0%
LLC JE "Inerco-Ukraine"	Holding company. No significant activity since the date of foundation.	Ukraine	100%	100%	100%
“Transagroinvest” LLC	No significant activity since the date of foundation.	Ukraine	100%	100%	N/A
CJSC "Poltavaavtotransservis"	Trucking company.	Ukraine	100%	99.9%	99.9%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			31 December 2008	30 September 2008	31 December 2007
CJSC "Reshetylivka Hliboproduct"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	100%	100%	100%
JSC "Reshetilovski elevator"		Ukraine	0.0%	0.0%	0.0%
CJSC "Horol-Elevator"		Ukraine	100%	100%	100%
JSC "Horolskiy elevator"		Ukraine	0.0%	0.0%	0.0%
CJSC "Mirgorodsky elevator"		Ukraine	100%	100%	100%
CJSC "Globynsky elevator HP"		Ukraine	100%	100%	100%
JSC "Globinsky elevator kliboproduktiv"		Ukraine	0.0%	0.0%	0.0%
JSC "Poltavske khlibopriemalne pidpriemstvo"		Ukraine	88.2%	88.2%	88.2%
JSC "Golovanivske khlibopriemalne pidpriemstvo"		Ukraine	Disposed of on 01 April 2008	Disposed of on 01 April 2008	99.2%
CJSC "Galeschina-Agro"		Ukraine	99.9%	99.9%	99.9%
CJSC "Gogoleve-Agro"		Ukraine	99.9%	99.9%	99.9%
CJSC "Sagaydak-Agro"		Ukraine	100%	100%	100%
CJSC "Karlivka-Agro"		Ukraine	99.9%	99.9%	99.9%
CJSC "Lazorkovski Elevator"		Ukraine	99.9%	99.9%	99.9%
"Zherebkivsky elevator LTD"		Ukraine	99.9%	99.9%	99.9%
"Kononivsky elevator LTD"		Ukraine	99.9%	99.9%	99.9%
"Bandurskiy elevator", LLC		Ukraine	100%	100%	100%
CJSC "Semenivski elevator"		Ukraine	100%	99.9%	99.9%
"Kobelyaki hleboproduct", LLC		Ukraine	100%	0.1%	0.1%
CJSC "Vlasivskiy KHP"		Ukraine	In process of liquidation	In process of liquidation	In process of liquidation
"Sahnovshina hleboproduct", LLC		Ukraine	100%	100%	100%
CJSC "Velykoburlutske HPP"		Ukraine	100%	100%	100%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			31 December 2008	30 September 2008	31 December 2007
CJSC "Gutnansky elevator"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	100%	100%	100%
CJSC "Lykhachivsky KHP"		Ukraine	100%	100%	100%
CJSC "Shevchenkisky KHP"		Ukraine	100%	100%	100%
CJSC "Orilske HPP"		Ukraine	100%	100%	100%
CJSC "Kovyagivske KHP"		Ukraine	100%	100%	100%
"Ykragrobiznes", LLC	Holding company.	Ukraine	100%	100%	N/A
"Agroservise", LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	100%	100%
"Zernoservise", LLC		Ukraine	100%	100%	100%
"Unigrain-Agro" (Globino), LLC		Ukraine	100%	100%	100%
"Unigrain-Agro" (Semenovka), LLC		Ukraine	100%	100%	100%
"Mrija-Agro", LLC		Ukraine	100%	100%	100%
CJSC "Lozivske HPP"		Ukraine	100%	100%	100%
CJSC "Krasnopavlivsky KHP"		Ukraine	100%	100%	100%
CJSC "Agrofirma "Krasnopavlivska"		Ukraine	0.0%	0.0%	0.0%
"Agrofirma "Arshitsa", LLC		Ukraine	100%	100%	N/A
"Agrotera-Kolos", LLC		Ukraine	100%	0.0%	N/A
"Chorna Kamyanka", LLC		Ukraine	100%	100%	N/A

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			31 December 2008	30 September 2008	31 December 2007
"Govtva", ALLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	0.0%	N/A
PRAC "Perebudova"		Ukraine	100%	0.0%	N/A
"Manjurka", LLC		Ukraine	100%	0.0%	N/A
"Krutenke", LLC		Ukraine	100%	0.0%	N/A
"Promin", LLC		Ukraine	100%	0.0%	N/A
PRAC "Brovarki"		Ukraine	0.0%	0.0%	N/A
PRAC by the name of Shorsa		Ukraine	100%	0.0%	N/A
"Troyanske", ALLC		Ukraine	100%	0.0%	N/A
"Zorya", ALLC		Ukraine	100%	0.0%	N/A
"Hleborob", ALLC		Ukraine	100%	0.0%	N/A
AC by the name of T. Shevchenko		Ukraine	100%	0.0%	N/A
PRAC "Drugba"		Ukraine	100%	0.0%	N/A
LLC "Agrofirma "Chkalova"		Ukraine	100%	100%	N/A
LLC "Agrofirma "Vitchizna"		Ukraine	100%	100%	N/A
"Transbulk Terminal", LLC	Provision of grain handling and transshipment services, including services to the Group.	Ukraine	100%	100%	N/A
C.F.C Ukraine Ltd		Ukraine	100%	100%	N/A
Estron Corporation Ltd		Cyprus	100%	100%	N/A

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			31 December 2008	30 September 2008	31 December 2007
Chorex Developments Limited	Provision of grain handling and transshipment services, including services to the Group.	Cyprus	100%	100%	N/A
Hamalex Developments LTD		Cyprus	100%	100%	N/A

The Group consolidated the financial statements of CJSC "Prykolotnyanska oliya", JSC "Reshetilovski elevator", JSC "Horolskiy elevator", JSC "Globinsky elevator kliboproduktiv", LLC "Agrofirma "Krasnopavlivska, PRAC "Brovarki", 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 27 April 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 31 December 2008 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 31 December 2007 – 63,341,000 shares).

The shares were distributed as follows:

SHAREHOLDERS	Shares allotted and fully paid as of	Share owned as of	Shares allotted and fully paid as of	Share owned as of
	31 December 2008		31 December 2007	
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the "Majority Shareholder")	40 739 667	59.27%	40 574 250	64.05%
Free-float	28 001 333	40.73%	22 766 750	35.95%
Total	**68 741 000**	**100.00%**	**63 341 000**	**100.00%**

As of 31 December 2008 and 2007 100% of the beneficial interest in the “Majority Shareholder” was held by Verevskiy Andrey Mikhaylovych (hereinafter the “Beneficial Owner”).

In order to perform an initial public offering of the shares of the Company on the Warsaw Stock Exchange, the general shareholders meeting resolves 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.

3. CHANGE IN SHARE CAPITAL (CONTINUED)

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 primary offering (newly issued)).

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 31 December 2008, unchanged from 31 December 2007, may not be distributed as dividends.

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

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

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

The present financial statements have been prepared in accordance with amendments to IFRS which became effective on 31 December 2008. 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 31 December 2008. Control is achieved where the parent company has the power to govern the financial and operating policies of an investee enterprise, either directly or indirectly, so as to obtain benefits from its activities.

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

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

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

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

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

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

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

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

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

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

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

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

Currency	Closing rate as of 31 December 2008	Average rate for the 3 months ended 31 December 2008	Average rate for the 6 months ended 31 December 2008	Closing rate as of 31 December 2007	Average rate for the 3 months ended 31 December 2007	Average rate for the 6 months ended 31 December 2007
USD/UAH	7.7000	6.2117	5.5293	5.0500	5.0500	5.0500
USD/EUR	0.7099	0.7583	0.7152	0.6798	0.6906	0.7096
USD/PLN	2.9618	2.8628	2.5322	2.4350	2.5240	2.6413

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.

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

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

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

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

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 31 December 2008 and 2007 there were no investments in non-consolidated subsidiaries and associates.

Share capital and earnings per share

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

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

Equity-settled transactions - The Group has adopted Financial Reporting Standard (FRS) 20 'Share-based Payment' during the financial year 2008.

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.

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

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.

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.

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

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

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

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

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

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

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

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

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

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

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

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

Deferred income tax assets and liabilities are offset when:

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

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

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

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

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

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

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

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
Bottled sunflower oil	Production, refining, bottling, marketing and distribution of bottled sunflower oil.
Sunflower oil in bulk	Production and sales of sunflower oil in bulk (crude and refined) and meal
Grain	Sourcing and merchandizing of wholesale grain.
Grain handling and transshipment services	Grain handling and trans-shipment services in the port of Ilyichevsk.
Grain silo services	Provision of cleaning, drying and grain storage services.
Farming	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 compliant with IFRS.

In the financial statements as of 31 December 2008 the segment table reflects continuing operations only. The prior-year figures have been reclassified to ensure comparability.

The reconciliation eliminates intersegment items and reflects income and expenses not allocable to segments.

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 31 December 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
Cash with banks in USD	91 942	11 308
Cash with banks in UAH	5 388	2 702
Cash with banks in other currencies	8	25
Cash on transit bank account	52	2 354
Cash on hand	8	2
Total	**97 398**	**16 391**
Less restricted cash on Security bank account and blocked amount	(43 703)	(7 843)
Cash for the purposes of cash flow statement	**53 695**	**8 548**

As of 31 December 2008 cash on the bank account in the amount of USD 43,703 thousand (as of 31 December 2007: USD 7,843 thousand) was restricted in use based on short-term loan agreements with foreign and Ukrainian banks and thus was excluded from cash for the purpose of cash flow statement.

As of 31 December 2008 cash on the 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 (Notes 16).

6. TRADE ACCOUNTS RECEIVABLE, NET

The balances of trade accounts receivable as of 31 December 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
Trade accounts receivable	44 368	36 575
Allowance for estimated irrecoverable amounts (Note 31)	(219)	(525)
Total	**44 149**	**36 050**

As of 31 December 2008 accounts receivable from one European customer accounted for approximately 17% of the total carrying amount of trade accounts receivable (as of 31 December 2007 approximately 11%).

7. PREPAYMENTS TO SUPPLIERS AND OTHER CURRENT ASSETS, NET

The balances of prepayments to suppliers and other current assets as of 31 December 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
Prepayments to suppliers	31 391	9 798
Expenses of future periods (will be used during 12 months from the date of balance)	2 685	977
Other accounts receivable and other current assets	1 891	6 771
Allowance for estimated irrecoverable amounts of prepayments to suppliers and other current assets	(1 584)	(1 236)
Total	**34 383**	**16 310**

8. TAXES RECOVERABLE AND PREPAID, NET

The balances of taxes recoverable and prepaid as of 31 December 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
VAT («value-added tax») recoverable and prepaid	53 529	67 951
Other taxes recoverable and prepaid	2 384	142
Allowance for estimated irrecoverable amounts of VAT recoverable	(264)	(870)
Total	**55 649**	**67 223**

VAT recoverable and prepaid mainly represents VAT credits in relation to purchases of agricultural products on domestic market in Ukraine. Allowance for estimated doubtful amounts of VAT recoverable was created in the amount of USD 264 thousand as of 31 December 2008 (USD 870 thousand as of 31 December 2007) as a result of uncertainty of recoverability of this balance from the Ukrainian State budget (Note 31).

9. INVENTORIES

The balances of inventories as of 31 December 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
Raw materials	37 047	176 741
Finished products	11 297	18 399
Goods for resale	47 342	57 370
Packaging materials	366	603
Fuel	775	585
Products of agriculture	1 504	1 720
Other inventories	1 736	954
Total	**100 067**	**256 372**

As of 31 December 2008 inventories with the carrying amount of USD 60,770 thousand (as of 31 December 2007: USD 144,510 thousand) were pledged by the Group as collateral against short-term and long-term bank loans obtained from Ukrainian banks (Notes 16, 17).

10. BIOLOGICAL ASSETS

The balances of biological assets as of 31 December 2008 and 2007 were as follows:

Agricultural Farming	31 December 2008		31 December 2007	
	Hectares	**Amount**	**Hectares**	**Amount**
Wheat crops	25 897	2 488	9 133	1 014
Sunflower seed crops	13 804	386	-	-
Soya beans crops	13 818	387	-	-
Barley crops	9 399	479	637	47
Corn crops	8 807	246	-	-
Pea crops	9 064	254	-	-
Other crops	3 156	282	19 935	858
Total	**83 945**	**4 522**	**29 705**	**1 919**

10. BIOLOGICAL ASSETS (CONTINUED)

Breeding of cattle	31 December 2008	31 December 2008
	Number of heads	Amount
Cattle	1 922	747
Total	**1 922**	**747**

The following table represents the changes in the carrying amounts of biological assets during the year ended 31 December 2008:

As of 31 December 2007	**1 919**
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2008)	22 496
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (included in operating income, harvest 2008)	16 660
As of 30 June 2008	**41 075**
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2008)	9 808
Gain arising from changes in fair value attributable to physical changes and to changes of the market price (included in operating income, harvest 2008 Note 23)	-
Decrease due to harvest (harvest 2008)	(50 883)
Increase due to purchases and subsequent expenditures capitalized in biological assets (harvest 2009)	4 522
As of 31 December 2008	**4 522**

11. PROPERTY PLANT AND EQUIPMENT, NET

As of 31 December 2008 property, plant and equipment with the carrying amount of USD 114,944 thousand (as of 31 December 2007: USD 99,783 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 31 December 2008 production equipment with the carrying amount of USD 18,379 thousand was held under finance lease (as of 31 December 2007: USD 4,562 thousand) (Note 18).

11. PROPERTY PLANT AND EQUIPMENT, NET (CONTINUED)

The following table represents movements in property, plant and equipment for the 6 months ended 31 December 2008 :

	Land	Buildings and Constructions	Production machinery and equipment	Agricultural vehicles and equipment	Transport vehicles	Fixtures, fittings and other fixed assets	CIP and uninstalled equipment	Total
Cost								
As of 30 June 2008	**2 173**	**110 393**	**103 953**	**21 818**	**5 695**	**5 557**	**5 483**	**255 072**
Additions from acquisition of Subsidiaries	-	2 408	45	381	**30**	31	-	2 895
Additions	-	-	-	-	**-**	-	41 434	41 434
Transfers	-	1 670	1 426	10 956	**827**	583	(15 462)	-
Other disposals	-	(2 143)	(325)	(2 236)	**(167)**	(51)	-	(4 922)
Translation differences	(805)	(39 101)	(16 412)	(10 535)	**(2 419)**	(3 313)	(9 352)	(81 937)
As of 31 December 2008	**1 368**	**73 227**	**88 687**	**20 384**	**3 966**	**2 807**	**22 103**	**212 542**
Accumulated depreciation								
As of 30 June 2008	**-**	**(8 581)**	**(9 287)**	**(2 296)**	**(1 588)**	**(1 696)**	**-**	**(23 448)**
Depreciation	-	(3 262)	(3 395)	(2 574)	**(522)**	(338)	-	(10 091)
Other disposals	-	21	220	87	**58**	24	-	410
Translation differences	-	4 109	3 799	1 455	**787**	923	-	11 073
As of 31 December 2008	**-**	**(7 713)**	**(8 663)**	**(3 328)**	**(1 265)**	**(1 087)**	**-**	**(22 056)**
Net Book Value								
As of 31 December 2008	**1 368**	**65 514**	**80 024**	**17 056**	**2 701**	**1 720**	**22 103**	**190 486**
As of 30 June 2008	**2 173**	**101 812**	**94 666**	**19 522**	**4 107**	**3 861**	**5 483**	**231 624**

12. INTANGIBLE ASSETS, NET

The following table represents movements in intangible assets for the 6 months ended 31 December 2008 and 2007:

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	-
Additions	1 012	Additions	13 854
Disposals	(2)	Disposals	(34)
Translation difference	(22 794)	Translation difference	-
Cost as of 31 December 2008	**39 970**	**Cost as of 31 December 2007**	**30 875**
Accumulated depreciation as of 30 June 2008	**(1 421)**	**Accumulated depreciation as of 30 June 2007**	**(234)**
Amortization charge	(2 794)	Amortization charge	(130)
Disposals	-	Disposals	12
Translation difference	1 328	Translation difference	-
Accumulated depreciation as of 31 December 2008	**(2 887)**	**Accumulated depreciation as of 31 December 2007**	**(352)**
Net book value as of 31 December 2008	**37 083**	**Net book value as of 31 December 2007**	**30 523**

Included in intangible assets of Subsidiaries are the "Schedry Dar", "Stozhar”, "Zolota" and “Domashnya” trademarks with the value of USD 4,741 thousand, USD 6,155 thousand, USD 8,716 thousand and USD 188 thousand respectively. These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market. Trade mark "Stozhar" was pledged as security for long-term loans as of 31 December 2008 (as of 31 December 2007 trade mark "Stozhar" was also pledged) (Note 17).

Management of the Group expects the demand for bottled sunflower oil to be stable in the foreseeable future. The Group believes that, as a result of further promotion of the "Schedry Dar", "Stozhar", "Zolota" and "Domashnya" trademarks sales of bottled oil under these trademarks and the current bottled oil market share enjoyed by the Group will be stable and thus the Group will obtain economic benefits from them during an indefinite period of time. Accordingly, the trademarks which belong to the Group are considered to have indefinite useful life and thus ae 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 6 months ended 31 December 2008 and 2007:

As of 31 December 2007	**6 410**
Goodwill arising on acquisition of Subsidiaries	38 909
As of 30 June 2008	**45 319**
Goodwill arising on acquisition of Subsidiaries	33
Translation differences	(16 625)
As of 31 December 2008	**28 727**

14. OTHER NON-CURRENT ASSETS

The balances of other non-current assets as of 31 December 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
Grain elevators lease rights («DAK Asset») (Note 30)	544	864
Prepayments for property, plant and equipment	3 392	2 531
Expenses of future periods (will be used during 12 months from the date of balance)	-	1 312
Other non-current assets	3 653	296
Total	**7 589**	**5 003**

Grain elevators lease rights ("DAK Asset")

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

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

The description of the lease terms is as follows:

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

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

15. ADVANCES FROM CUSTOMERS AND OTHER CURRENT LIABILITIES

The balances of advances from customers and other current liabilities as of 31 December 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
Advances from customers	14 258	2 977
Obligation under finance lease payable within one year (Note 18)	4 325	1 537
Accrued payroll, payroll related taxes and bonuses	802	736
Accounts payable for property, plant and equipment	1 282	-
Provision for unused vacations and other provisions	1 000	736
Short-term promissory notes issued	-	22
Taxes payable and provision for tax liabilities	586	289
Other current liabilities	319	1 654
Total	**22 572**	**7 951**

16. SHORT-TERM BORROWINGS

The balances of short-term borrowings as of 31 December 2008 and 31 December 2007 were as follows:

	31 December 2008	31 December 2007
Bank credit lines	159 173	134 419
Interest accrued on short-term credits	907	302
Interest accrued on long-term credits	368	430
Total	**160 448**	**135 151**

The balances of short-term borrowings as of 31 December 2008 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 2.6%	USD	July 2009	29 000
European bank	Libor + 2.2%	USD	July 2009	2 497
European bank	Libor + 2.75%	USD	July 2009	50 000
European bank	Libor + 2.75%	USD	August 2009	2 597
Ukrainian bank	Libor + 2.0%	USD	July 2009	12 542
Ukrainian bank	Libor + 4.5%	USD	September 2009	1 737
Ukrainian bank	7.8%	USD	June 2009	30 400
Ukrainian bank	15.0%	USD	May 2009	30 400
Total bank credit lines				**159 173**
Interest accrued on short-term loans				907
Interest accrued on long-term loans				368
Total				**160 448**

16. SHORT-TERM BORROWINGS (CONTINUED)

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

	Interest rate	Currency	Maturity	Amount due
Ukrainian bank	Libor + 2.35%	USD	July 2008	10 000
Ukrainian bank	Libor + 4.5%	USD	November 2008	41 019
European Bank	Libor + 2.35%	USD	June 2008	30 825
European Bank	Libor + 2.9%	USD	January 2008	12 000
European Bank	Libor + 2.0%	USD	June 2008	25 000
European Bank	Libor + 2.125%	USD	June 2008	15 575
Total bank credit lines				**134 419**
Interest accrued on short-term loans				302
Interest accrued on long-term loans				430
Total				**135 151**

As of 31 December 2008 the overall maximum credit limit for short-term bank credit lines amounted to USD 701,948 thousand (as of 31 December 2007 USD 170,891 thousand).

As of 31 December 2008 and 2007 short-term loans from banks were secured as follows:

Assets pledged	31 December 2008	31 December 2007
Cash (Note 5)	30 400	-
Inventories (Note 9)	60 770	135 310
Property, plant and equipment (Note 11)	542	-
Total	**91 712**	**135 310**

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 is secured by pledge of Kernel Holding shares owned by Namsen LTD, the majority shareholder of the Group. Funds drawn by Kernel Trade LLC are placed on deposit and pledged as security for the loan provided to Kernel Holding S.A., which can then borrow the corresponding amount. The total amount outstanding as per 31 December 2008 under both loan agreements was USD 30,400 thousand.

17. LONG-TERM BORROWINGS

The balances of long-term borrowings as of 31 December 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
Long-term bank loans	110 560	116 149
Current portion of long-term borrowings	(7 682)	(12 572)
Total	**102 878**	**103 577**

Long-term bank loans

The balances of long-term borrowings as of 31 December 2008 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian bank	11.25%	USD	July 2010	51 750
Ukrainian bank	Libor + 5.0%	USD	November 2013	44 810
European Bank	Libor + 3.52%	USD	2015	14 000
Total bank credit lines				**110 560**

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

	Interest rate	Currency	Maturity	Amount due
Ukrainian bank	14.0%	UAH	July 2010	7 042
Ukrainian bank	12.0%	USD	June 2010	58 750
Ukrainian bank	Libor + 5.0%	USD	November 2013	50 357
Total bank credit lines				**116 149**

Long-term loans from Ukrainian Banks

Long-term loans from Ukrainian banks as of 31 December 2008 included revolving and non-revolving credit lines from three banks with the overall maximum credit limit of USD 162,750 thousand (as of 31 December 2007 USD 126,670 thousand).

As of 31 December 2008 and 2007 long-term loans from Ukrainian banks were secured as follows:

Assets pledged	31 December 2008	31 December 2007
Inventories (Note 9)	-	9 200
Property, plant and equipment (Note 11)	114 402	99 783
Intangible assets (Note 12)	6 155	9 385
Controlling stakes in Subsidiaries	Not quantifiable	100
Total	**120 557**	**118 468**

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 31 December 2008 and 2007:

Name of Subsidiary, in which a stake was pledged	
31 December 2008	**31 December 2007**
CJSC "Poltava oil crushing plant-Kernel Group"	CJSC "Poltava oil crushing plant-Kernel Group"
CJSC "Reshetylivka Hliboproduct"	CJSC "Reshetylivka Hliboproduct"
CJSC "Globynsky elevator HP"	CJSC "Horol-Elevator"
CJSC "Gutnansky elevator"	CJSC "Globynsky elevator HP"
JSC "Poltavske khlibopriemalne pidpriemstvo"	CJSC "Karlivka-Agro"
CJSC "Prykolotne OEP"	CJSC "Galeschina-Agro"
CJSC "Velykoburlutske HPP"	CJSC "Lazorkovski Elevator"
CJSC "Shevchenkisky KHP"	CJSC "Sagaydak-Agro"
CJSC "Orilske HPP"	CJSC "Mirgorodskiy elevator"
CJSC "Kovyagivske KHP"	JSC "Golovanivske hlibopriemalne pidpriemstvo"
CJSC "Poltavaavtotransservis"	CJSC "Gutnansky elevator"
LLC "Bandurskiy elevator"	JSC "Poltavske khlibopriemalne pidpriemstvo"
	CJSC "Krasnopavlivsky KHP"
	CJSC "Lozivske HPP"
	JSC "Vovchansk OEP"
	CJSC "Prykolotne OEP"
	CJSC "Gogoleve-Agro"
	CJSC "Velykoburlutske HPP"
	CJSC "Semenivski elevator"
	CJSC "Lykhachivsky KHP"
	CJSC "Shevchenkisky KHP"
	CJSC "Orilske HPP"
	CJSC "Kovyagivske KHP"
	CJSC "Poltavaavtotransservis"

18. OBLIGATIONS UNDER FINANCE LEASE

As of 31 December 2008 and 2007 the major components of finance lease liabilities were as follows:

	Minimum lease payments **31 December 2008**	**Present value of minimum lease payments** **31 December 2008**
Amounts payable due to the finance lease:		
Within one year	5 403	4 325
Later than one year and not later than five years	12 976	11 717
	18 379	16 042
Less future finance charges	(2 337)	N/A
Present value of lease obligations	**16 042**	**16 042**
Less: Amount due for settlement within one year (Note 15)		(4 325)
Amount due for settlement after one year		**11 717**

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

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

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 14 million was outstanding as per 31 December 2008.

19. CORPORATE BONDS ISSUED

As of 31 December 2008 corporate bonds issued were as follows:

Series	Amount due, USD	Currency	Coupon	Maturity
Series C	1 957 052	USD	17%	18 September 2010
Total	**1 957 052**			

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

Series	Amount due, USD	Currency	Coupon	Maturity
Series A	4 950 495	USD	15%	11 September 2008
Series B	4 950 495	USD	15%	06 October 2008
Series C	19 801 980	USD	14%	18 September 2010
Total	**29 702 970**			

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 bear coupon interest of 14% per annum, payable on a quarterly basis, and guaranteed by Inerco Trade S.A. and "Kernel Capital" LLC, subsidiaries of Kernel Holding S.A. The interest rate is subject to review once a year in September. Bondholders have a put option, which can be exercised during 30 days from the date the revised rate is announced.

As of 31 December 2008 the coupon interest of these corporate bonds was 17% per annum.

20. INCOME TAX

As of 31 December 2008 and 2007 the major components of deferred tax assets and liabilities were as follows:

	31 December 2008	31 December 2007
Deferred tax assets arising from:		
Valuation of advances from customers	5 087	320
Tax losses carried forward	570	100
Valuation of accounts receivable	395	1 345
Valuation of property, plant and equipment	161	109
Valuation of intangible assets	125	-
Valuation of inventories	9	120
Valuation of accrued expenses and other temporary differences	202	2
Deferred tax asset	**6 549**	**1 996**
Less: valuation allowance	(282)	(125)
Net deferred tax asset after valuation allowance	**6 267**	**1 871**
Deferred tax liability arising from:		
Valuation of property, plant and equipment	(16 539)	(15 884)
Valuation of prepayments to suppliers and prepaid expenses	(7 070)	(397)
Valuation of intangible assets	(2 538)	(3 583)
Valuation of inventories	(10)	(3 086)
Valuation of financial investments	(9)	-
Deferred tax liability	**(26 166)**	**(22 950)**
Net deferred tax liability	**(19 899)**	**(21 079)**

As of 31 December 2008 and 2007 all deferred taxes arose from temporary differences in value related to assets and liabilities of Subsidiaries located in Ukraine. The corporate income tax rate in Ukraine was 25% as of 31 December 2008 and 31 December 2007.

The components of income tax expense for the 6 months ended 31 December 2008 and 31 December 2007 were as follows:

	31 December 2008	31 December 2007
Current income tax benefit/(expenses)	(926)	(119)
Deferred tax benefit/(expenses)	5 590	(3 162)
Income tax benefit/(expenses)	**4 664**	**(3 281)**

20. INCOME TAX (CONTINUED)

The income tax charge for the 6 months ended 31 December 2008 and 2007 is reconciled to the profit before income tax per consolidated income statement as follows:

	31 December 2008	31 December 2007
Profit/(loss) before income tax:	58 459	23 948
Tax at the statutory income tax rate in Ukraine of 25%	(14 615)	(5 987)
Expenditures not allowable for income tax purposes and non-taxable income, net	19 267	2 403
Change in valuation allowance	12	303
Income tax benefit (expenses)	**4 664**	**(3 281)**

21. REVENUE

Revenue for the period of 6 months ended 31 December 2008 and 2007 was as follows:

	31 December 2008	31 December 2007
Revenue from bulk sunflower oil, cake and meal	150 884	104 557
Revenue from bottled sunflower oil	83 497	64 146
Revenue from farming	4 840	2 238
Revenue from grain trade	373 878	68 175
Revenue from grain silo services	23 905	10 407
Revenue from transshipment services	13 156	-
Other revenue	12 345	897
Total	**662 505**	**250 420**

For the above-stated period ended 31 December 2008 revenues from five European customers accounted for approximately 28.9 % of the total revenue (for the 6 months ended 31 December 2007 revenue from five European customers accounted for 29.7% of the total revenue).

22. COST OF SALES

The cost of sales for the period of 6 months ended 31 December 2008 and 2007 was as follows:

	31 December 2008	31 December 2007
Cost of goods for resale and raw materials used	441 830	175 803
Payroll and payroll related costs	11 545	5 593
Depreciation of property, plant and equipment	10 577	2 405
Rental payments	5 351	1 825
Other operating costs	11 632	4 167
Total	**480 935**	**189 793**

23. OTHER OPERATING INCOME

Other operating income for the period of 6 months ended 31 December 2008 and 2007 was as follows:

	31 December 2008	31 December 2007
Gain /(Loss) arising from changes in fair value attributable to physical changes and to changes in the market price for biological assets	-	1 456
Other operating income	10 778	2 790
Total	**10 778**	**4 246**

24. DISTRIBUTION COSTS

The distribution costs for the period of 6 months ended 31 December 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
Carriage and freight	73 365	13 889
Marketing and advertising	5 215	1 744
Payroll and payroll related costs	837	779
Customs expenses	1 360	336
Certification	1 582	262
Sanitation services	656	67
Depreciation	20	13
Other expenses	1 166	145
Total	**84 201**	**17 235**

25. GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses for the period of 6 months ended 31 December 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
Payroll and payroll related costs	3 738	3 272
Bank services	829	524
Bad debts expenses	366	-
Amortization and depreciation	2 288	1 654
Taxes other than income tax	772	9
Audit, legal and other professional fees	2 459	104
Rental payments	1 224	730
Repairs and material costs	161	360
Information expenses	22	302
Business trip expenses	556	49
Communication expenses	311	88
Insurance	420	237
Other expenses	1 482	748
Total	**14 628**	**8 077**

25. GENERAL AND ADMINISTRATIVE EXPENSES (CONTINUED)

The fair value of the share based transactions as of 31 December 2008 in amount of USD 411 thousand (31 December 2007: USD nil) is recognized as the payroll and payroll related expenses for the period ended 31 December 2008. The auditors' remuneration for the period ended 31 December 2008 in amount of USD 170 thousand is included in audit, legal and other professional fees.

26. FINANCE COSTS, NET

The finance costs for the period of 6 months ended 31 December 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
Interest expense on bank loans and corporate bonds	19 901	13 495
Other finance costs, net	3 434	773
Total	**23 335**	**14 268**
Including financial liabilities measured at amortized cost	**-**	**229**

27. OTHER INCOME/ (EXPENSES), NET

Other income/(expenses) for the period of 6 months ended 31 December 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
Income from "DAK Asset"	174	32
Gain on sale of equity investments	-	2 034
Gain on acquisition of 30% minority stake in CJSC "Prykolotne OEP"	-	3 603
Gain on purchase of minority shareholding in LLC "Sahnovshina hleboproduct"	-	476
Gain on purchase of minority shareholding in LLC Kobelyaki hleboproduct	-	1 002
Losses on impairment of Goodwill	-	(5 081)
Gain/(Losses) on disposal of property, plant and equipment	288	-
Other income/expenses, net	(848)	(1 654)
Total	**(386)**	**412**

Income from "DAK Asset" for the 6 months ended 31 December 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 31 December 2007, by additional set-offs with "DAK" (Note 14).

28. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

No entities were disposed of during the period of 6 months ended 31 December 2008.

The following entities were acquired during the 6 months ended 31 December 2008:

Subsidiary	Principal Activity	Country of Incorporation	Acquisition date	Group's Effective Ownership share as of 31 December 2008
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%

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	-
Fair value of acquired net assets	**5 815**
Goodwill	33
Total cash considerations paid	**5 848**
Less: acquired cash	(23)
Net cash outflow from acquisition of Subsidiaries	**5 825**
Goodwill attributable to minority shareholders	-
Negative goodwill attributable to minority shareholders	-
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 31 December 2008 and 2007:

	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
	31 December 2008		31 December 2007	
Trade accounts receivable, net (Note 6)	1 571	44 149	4	36 050
Prepayments to suppliers and other current assets, net (Note 7)	7 472	34 383	4 757	16 310
Other non-current assets (Note 14)	-	7 589	296	5 003
Trade accounts payable, net	12	7 962	18	7 213
Advances from customers and other current liabilities (Note 15)	-	22 572	5	7 951

Transactions with related parties for the period of 6 months ended 31 December 2008 and 2007 were as follows:

	Amount of operations with related parties, for the 6 months ended 31 December 2008	Total category per consolidated income statement for the 6 months ended 31 December 2008	Amount of operations with related parties, for the 6 months ended 31 December 2007	Total category per consolidated income statement for the 6 months ended 31 December 2007
Revenue (Note 21)	-	662 505	9	250 420
General, administrative and distribution expenses (Note 24, 25)	1 059	98 829	1 019	25 312
Finance costs (Note 26)	1 173	23 335	-	14 268
Other (expenses) /income, net (Note 27)	(375)	(386)	21	412

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 31 December 2008 and 31 December 2007 the Group was not liable for any significant supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

Legal Issues - The Group is involved in litigation and other claims that are in the ordinary course of its business activities. In the period ended 31 December 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 31 December 2008 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 12 million for supply of equipment and services required for the new solvent extraction plant under construction, and for a total amount of USD 5 million for supply of equipment and services required for increase in production capacity at CJSC "Poltava oil crushing plant-Kernel Group".

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

Contractual Commitments on Sales - As of 31 December 2008 the Group had entered into commercial contracts for export of 507 thousand tons of grain and 123 thousand tons of sunflower oil and meal, corresponding to an amount of USD 101,500 thousand and USD 42,000 thousand respectively in prices as of 31 December 2008.

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

30. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases - As of 31 December 2008 and 2007 the Group had outstanding commitments under non-cancellable operating lease agreements with following maturities:

Lease term	Future minimum lease payment as of 31 December 2008	Future minimum lease payment as of 31 December 2007	With Companies of the Group as of 31 December 2008	With Companies of the Group as of 31 December 2007
Less than 1 year	3 465	2 174	6 905	495
From 1 to 5 years	7 227	4 123	-	-
More than 5 years	1 591	1 397	-	-
Total	**12 283**	**7 694**	**6 905**	**495**

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

31. FINANCIAL INSTRUMENTS

Capital risk management

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

	31 December 2008	31 December 2007
Debt liabilities* (Note 16, 17, 18, 19)	284 682	283 430
Cash and cash equivalents (Note 5)	(97 398)	(16 391)
Net debts	187 284	267 039
Equity**	260 431	238 055
Gearing retio	**72%**	**112%**

*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 it's activity, the Group is exposed to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

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

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

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

Credit risk

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as of 31 December of 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
Cash (Note 5)	97 398	16 391
Trade accounts receivable, net (Note 6)	44 149	36 050
VAT ("value-added tax") recoverable, net (Note 8)	53 265	67 081
Total	**194 812**	**119 522**

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

	31 December 2008	31 December 2007
Domestic customers (accounts receivable, net)	15 260	20 659
International customers (account receivable, net)	28 889	15 391
Total	**44 149**	**36 050**

Almost all the clients of the Group are wholesale customers. The Group's most significant customer, an international customer, accounted for USD 7,560 thousand of the trade receivables as of 31 December 2008 (as of 31 December 2007 one customer accounted for USD 4,165 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 28.9% 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 31 December 2008 and 2007 was as follows (Note 6):

	Gross carrying amount 31 December 2008	Impairment 31 December 2008	Gross carrying amount 31 December 2007	Impairment 31 December 2007
Current	36 740	-	31 796	-
Past due 0-30 days	6 022	-	3 608	-
Past due 31-180 days	1 366	(14)	744	(123)
Past due 181-365 days	71	(36)	30	(5)
More than one year	169	(169)	397	(397)
Total	**44 368**	**(219)**	**36 575**	**(525)**

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

The movement in the allowance for impairment in respect of trade receivables for the 6 months ended 31 December 2008 and 2007 was as follows:

	31 December 2008	31 December 2007
Balance at 1 July	(1 378)	(1 386)
Impairment loss recognized	1 159	861
Balance at 31 December	**(219)**	**(525)**

For the period 6 month ended 31 December 2008 the amount of VAT returned was USD 9,724 thousand.

Terms of VAT return	31 December 2008
September 2008	1 705
December 2008	8 019
Total	**9 724**

For the 6 month period ended 31 December 2007 the amount of VAT returned was USD 7,525 thousand.

Terms of VAT return	31 December 2007
July 2007	1 169
August 2007	3 070
September 2007	2 971
October 2007	315
Total	**7 525**

31. FINANCIAL INSTRUMENTS (CONTINUED)

As of 31 December 2008 the amount of VAT recoverable was USD 53,265 thousand (as of 31 December 2007 was USD 67,081 thousand). The schedule of VAT recovering is specified below:

Terms of VAT return	31 December 2008
January 2009	5 251
February 2009	22 702
March 2009	1 717
April 2009	680
May 2009	1 100
June 2009	5 328
July 2009	8 219
September 2009	8 268
Total	**53 265**

Terms of VAT return	31 December 2007
January 2008	4 465
February 2008	6 553
March 2008	16 876
April 2008	12 971
May 2008	8 890
June 2008	7 426
July 2008	4 455
August 2008	2 475
September 2008	2 475
October 2008	495
Total	**67 081**

Guarantees

The Group's policy is to provide financial guarantees only to wholly-owned (controlled) subsidiaries. As of 31 December 2008 as well as at 31 December 2007 no guaranties 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 31 December 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	7 962	(7 962)	(7 962)	-	-	-
Short-term borrowings (Note 16)	160 448	(164 451)	(164 451)	-	-	-
Long-term borrowings (Note 17)	110 560	(152 982)	(15 535)	(70 608)	(51 015)	(15 824)
Obligations under finance lease (Note 18)	16 042	(19 102)	(4 325)	(5 256)	(9 521)	-
Corporate bond issued (Note 19)	1 957	(2 122)	(2 122)	-	-	-
Total	**296 969**	**(346 619)**	**(194 395)**	**(75 864)**	**(60 536)**	**(15 824)**

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

Non-derivative financial liabilities	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Trade accounts payable	7 213	(7 213)	(7 213)	-	-	-
Short-term borrowings (Note 16)	135 151	(137 699)	(137 699)	-	-	-
Long-term borrowings (Note 17)	116 149	(147 446)	(32 253)	(17 525)	(84 355)	(13 313)
Obligations under finance lease (Note 18)	3 899	(4 562)	(1 922)	(1 605)	(1 035)	-
Corporate bond issued (Note 19)	29 768	(38 280)	(13 873)	(2 834)	(21 573)	-
Total	**292 180**	**(335 200)**	**(192 960)**	**(21 964)**	**(106 963)**	**(13 313)**

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 31 December 2008 was as follows:

	UAH	USD	EUR	Other currencies
Cash	5 396	91 942	52	8
Trade accounts receivable, net	15 260	15 317	13 572	-
Inventory	100 067	-	-	-
Property, plant and equipment	127 585	62 901	-	-
Trade accounts payable	(6 083)	(1 879)	-	-
Short-term borrowings (Note 16)				
Ukrainian banks	-	(75 662)	-	-
European banks	-	(84 786)	-	-
Long-term borrowings (Note 17)				
Ukrainian banks	-	(96 560)	-	-
European banks	-	(14 000)	-	-
Obligations under finance lease (Note 18)	(1 285)	(14 757)	-	-
Corporate bonds issued (Note 19)	(1 957)	-	-	-
Balance sheet gross exposure	**238 983**	**(117 484)**	**13 624**	**8**
Estimated sales	-	143 500	-	-
Estimated purchases	-	-	-	-
Gross exposure	**-**	**143 500**	**-**	**-**
Net exposure	**238 983**	**26 016**	**13 624**	**8**

A 10 percent strengthening of UAH against USD as at 31 December 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	2 365	1 239	1

Conversely, a 10 percent fall of UAH against USD as at 31 December 2008 would have had the opposite effect, on the basis that all other variables remain constant.

31. FINANCIAL INSTRUMENTS (CONTINUED)

The Group's exposure to foreign currency risk as at 31 December 2007 was as follows:

	UAH	USD	EUR	Other currencies
Cash	5 058	11 308	10	15
Trade accounts receivable, net	20 659	15 391	-	-
Inventory	256 372	-	-	-
Property, plant and equipment	126 431	-	-	-
Trade accounts payable	(7 186)	(27)	-	-
Short-term borrowings (Note 16)				
Ukrainian banks	-	(51 238)	-	-
European banks	-	(83 913)	-	-
Long-term borrowings (Note 17)				
Ukrainian banks	(7 042)	-	-	-
European banks	-	(109 107)	-	-
Obligations under finance lease (Note 18)	-	(3 899)	-	-
Corporate bonds issued (Note 19)	(29 768)	-	-	-
Balance sheet gross exposure	**364 524**	**(221 485)**	**10**	**15**
Estimated sales	-	209 689	-	-
Estimated purchases	-	-	-	-
Gross exposure	**-**	**209 689**	**-**	**-**
Net exposure	**364 524**	**(11 796)**	**10**	**15**

A 10 percent strengthening of UAH against USD as at 31 December 2007 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	1 168	1	2

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

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

The interest rate profile of the Group's interest-bearing financial instruments as of 31 December 2008 and 2007 was as follows:

	Carrying amount	
	31 December 2008	31 December 2007
Fixed rate instruments		
Financial liabilities	131 456	99 459
Variable rate instruments		
Financial liabilities	157 551	184 776
Total	**289 007**	**284 235**

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 31 December 2008 and 2007 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

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

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

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

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

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

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

33. EARNINGS PER SHARE

Basic earning 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 31 December 2008 and 63,341,000 for the period ended 31 December 2007), excluding any dilutive effects of stock options. Diluted earning per share is computed similar to basic earning 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.

34. DESCRIPTION OF SUDSEQUENT EVENTS

Disposal of Yuzhtrans-terminal LLC, a subsidiary of the Company, was finalized on 17 February, 2009. Namsen LTD, the majority shareholder of Kernel Holding S.A., bought Yuzhtrans-terminal LLC from Kernel Capital LLC, a subsidiary of Kernel Holding S.A. The transaction, planned prior to IPO, was described in section "General information on the Company" of the IPO Prospectus dd 25 October 2007 and was effected for a total consideration of USD 171,428.57 (1,320,000.00 UAH), equal to the net asset value of Yuzhtrans-terminal LLC.