Overview

Andrey Verevskyy, Kernel Holding S.A. Chairman, stated:

The first quarter of our financial year 2009 was characterized by large crops in both grain and oilseeds in Ukraine within an environment of generally falling prices for commodities and a worldwide financial crisis.

The current conditions in the soft commodities markets are very different from the conditions experienced in the first quarter of the previous financial year. Whereas last financial year provided a mostly upward trend in both the vegetable oil and the grain markets, this financial year has seen mostly falling prices. The Company has nevertheless taken advantage of the large crops, strong Company positions in key regions and a diversified business portfolio to maintain healthy margins in all segments, apart from farming.

With the world deep in financial crisis, the Company has kept a strict focus on liquidity. As a direct consequence, our cash position is now significantly higher than would be usual.

Overall, and notwithstanding a challenging environment, we pursue our strategy of developing a balanced and diversified portfolio of businesses within the agribusiness and edible oil space, which, we believe, is key to sustainable growth and profitability.

Financial and Production highlights

- Revenues increased 295 % compared to first quarter of the previous financial year
- Operating profit increased 189 % compared to first quarter of the previous financial year
- Net income increased 175 % compared to first quarter of the previous financial year
- EBITDA increased 188 % compared to first quarter of the previous financial year

	3-month period ended 30 September 2008	3-month period ended 30 September 2007
Grain sales, tons	556 427	12 307
Crushing of sunflower seeds, tons	113 898	122 747
Production of refined oil, tons	32 594	25 461
Production of bottled oil, tons	25 598	16 697

Results for 1st Quarter FY2009

Our revenues for the 3-month period ended 30 September 2008 have increased year-on-year from USD 94 Mio to USD 371 Mio, a 295% increase over the first quarter of our previous financial year. Our operating profit increased year-on-year 189% from USD 15.7 Mio to 45.3 Mio and pre-tax profit increased 122% to $22,4 million ($10,1 million for the same period last year).

Gross margin for the Group remained at a level of 25%. Operating margin decreased year-on-year from 16.7% to 12.2%, due primarily to the significant contribution to revenue of the grain segment, increasing year-on-year from 24% to 54%, and the consequent impact of large grain distribution costs on the operational result of the Company.

Our Net debt position decreased from USD 238 million as of 30 September 2007 to USD 190 million as of 30 September 2008.

The appreciation of the Hrivnia, the Ukrainian currency, in July and August 2008 led to USD 16,6 million in foreign exchange losses, the Company purchasing Ukrainian currency at a rate less favorable than the official rate of the National Bank of Ukraine. With the Hrivnia now depreciating, we expect this situation to reverse and to purchase the Ukrainian currency at a rate more favorable than the rate published by the National Bank.

Our G&A expenses are steadily decreasing relative to our turnover, from 4,5% in the first quarter of the previous financial year to 1,9% for the present reporting period.

Our financial expenses relative to turnover have decreased year-on-year from 5,2% in the first quarter of the previous financial year to 2,1% in the first quarter of the current financial year, the decrease being a direct consequence of the increase in revenue and a lower debt level.

Due to the large grain harvest and overall continuous development of our Company, inventories have increased year-on-year from $123 million as of 30 September 2007 to $181 million as of 30 September 2008, and taxes prepaid have increased from $40 million to $65 million.

With the large purchases of grain and oilseed effected following harvest, cash flow from operating activity is typically negative in the first quarter of the financial year. It should however be noted that, notwithstanding the substantial increase in volumes handled by the Company, the level of cash used in operations over the 1st quarter of financial year 2009 was significantly lower than in the 1st quarter of the previous year,.

Segmental review

Sunflower oil in bulk
Over the 1st quarter, price of bulk sunflower crude oil has come off by over 40%. Price of feedstock in Ukraine, however, has fallen by 60% over the quarter, enabling the Company to almost maintain planned margins. The year-on-year decrease in bulk oil EBIT margin from 16.4% to 14.5% is the result from a high cost of feedstock carried over from the previous financial year. The year-on-year decrease in volume of feedstock crushed over the 1st quarter reflects the late sunflower seed harvest.

Bottled sunflower oil
While bulk oil prices came off by over 40%, bottled oil prices decreased by 20% over the quarter. As for bulk oil, bottled oil margins have been slightly lower due to the high raw material costs as a result of inventories carried over from the previous quarter, when prices were substantially higher.

Grain
The Company delivered and exported in excess of 550,000 tons of grain in the first quarter of the financial year, a record volume for the Company, and a substantial increase over the 1st quarter of financial year 2008, when export of grain suffered a temporary ban. As our domestic market now reflects prices on the international market, EBIT margins have reverted to a normal range between 7 and 8% .

Farming
Our farming division has by now nearly fully harvested 85,000 ha of farmland leased. The produce of the land will total 260,000 tons of grain and oil bearing crops, providing an average yield of 3 tons per hectare for the Company. Falling soft commodities have however dramatically depressed EBIT margins in this segment, which have fallen to 2%.

Grain transshipment services
A total of 787,866 tons of grain have been loaded on board ships through Transbulkterminal over the 1st quarter of financial year 2009. While the July volume was lower than planned due to the late harvest, volumes loaded in the following months should enable us to reach our target throughput volume for the year. Overall, our new business is performing according to expectations, with EBIT margin close to 46% and EBITDA over 54%.

Silo services
As expected, Company inland silos are capitalizing on the large 2008 grain and oilseed harvests. As of 30 September 2008, Company silos increased capacity utilization rate by 120%, compared to the 1st quarter of financial year 2008. 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.

Outlook

While our 2009 financial year started in an overall environment of falling prices and financial uncertainty, we are nevertheless confident we shall achieve the volumes and margins planned in our oil, grain and logistics businesses. As to farming, the impact of low margins should not be material, taken into consideration the relative size of this division in the Company. Finally, we feel our liquidity position is well under control and will enable us to finance all our operations and achieve our guidance for 2009.

In consideration of this outlook, we are maintaining our 2009 full-year guidance, with FY2009 revenue forecasted at 1,100 million USD, EBITDA at 185 million USD and Net income at 115 million USD.

Kernel Holding S.A. and Subsidiaries

Condensed Consolidated Financial Statements

For the 3 months ended 30 September 2008

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CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2008

SELECTED FINANCIAL DATA AS OF 30 SEPTEMBER 2008
(in thousands unless otherwise stated)

SELECTED FINANCIAL DATA for the 3 months ended 30 September	**thousand USD**		**thousand zloty**		**thousand EUR**	
	2 008	**2 007**	**2 008**	**2 007**	**2 008**	**2 007**
I. Revenue	371 303	94 014	817 477	259 403	247 282	68 453
II. Operating profit/(loss)	45 313	15 704	99 764	43 330	30 178	11 434
III. Profit/(loss) before income tax	22 403	10 107	49 324	27 887	14 920	7 359
IV. Net profit/(loss)	23 226	8 438	51 136	23 282	15 468	6 144
V. Net cash flow from operating activity	(61 259)	(88 926)	(134 870)	(245 365)	(40 797)	(64 749)
VI. Net cash flow from investment activity	(6 161)	(12 579)	(13 564)	(34 708)	(4 103)	(9 159)
VII. Net cash flow from financial activity	152 914	83 848	336 662	231 353	101 838	61 051
VIII. Total net cash flow	85 494	(17 657)	188 228	(48 720)	56 938	(12 857)
IX. Total assets	949 399	381 404	2 250 836	1 016 327	660 399	540 681
X. Current liabilities	371 992	119 883	881 919	319 452	258 756	169 947
XI. Non-current liabilities	129 404	169 253	306 790	451 008	90 014	239 935
XII. Subordinated loan	-	7 532	-	20 071	-	10 677
XIII. Share capital	1 815	1 232	4 303	3 283	1 263	1 746
XIV. Total equity	448 003	84 736	1 062 127	225 796	311 629	120 122
XV. Weighted average number of shares	68 741 000	9 334	68 741 000	9 334	68 741 000	9 334
XVI. Profit/(loss) per ordinary share (in USD/zloty/EUR)	0,32	902,29	0,70	2 489,61	0,21	1 239,21
XVII. Diluted number of shares	68 863 522	9 334	68 863 522	9 334	68 863 522	9 334
XVIII. Diluted profit/(loss) per ordinary share (in USD/zloty/EUR)	0,32	902,29	0,70	2 489,61	0,21	1 239,21
XIX. Book value per share (in USD/zloty/EUR)	5,91	7 824,29	14,01	20 849,41	4,11	11 091,79
XX. Diluted book value per share (in USD/zloty/EUR)	5,90	7 824,29	13,99	20 849,41	4,10	11 091,79

On behalf of the Board

Andrey Verevskiy	Anastasia Usachova
Chairman of the Board	CFO

The notes on pages 8 to 32 form an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2008

(in US dollars and in thousands unless otherwise stated)

	Notes	30 September 2008	30 June 2008	30 September 2007
ASSETS				
CURRENT ASSETS:				
Cash		234 307	88 530	14 011
Trade accounts receivable, net		50 292	48 720	16 878
Prepayments to suppliers and other current assets, net		54 791	29 736	14 593
Taxes recoverable and prepaid, net		65 130	23 219	39 819
Inventory		181 384	144 707	122 709
Biological assets		2 796	42 421	3 636
Total current assets		**588 700**	**377 333**	**211 646**
NON-CURRENT ASSETS:				
Property, plant and equipment, net	5	236 175	231 624	126 106
Intangible assets, net	6	59 284	58 081	30 296
Goodwill		47 730	45 319	10 144
Other non-current assets		17 510	43 251	3 212
Total non-current assets		**360 699**	**378 275**	**169 758**
TOTAL ASSETS		**949 399**	**755 608**	**381 404**
LIABILITIES AND EQUITY				
CURRENT LIABILITIES:				
Trade accounts payable		11 115	5 545	18 212
Advances from customers and other current liabilities		40 020	21 879	7 684
Short-term borrowings	7	288 235	120 087	82 567
Short-term corporate bonds		25 730	30 984	-
Current portion of long-term borrowings		6 892	6 626	11 420
Total current liabilities		**371 992**	**185 121**	**119 883**
NON-CURRENT LIABILITIES:				
Long-term borrowings	8	87 992	91 148	117 998
Obligations under finance lease		15 307	6 907	2 868
Long-term corporate bonds		-	-	29 776
Deferred tax liabilities	9	25 897	31 786	18 611
Other non-current liabilities		208	229	-
Total non-current liabilities		**129 404**	**130 070**	**169 253**
SUBORDINATED LOAN		-	-	**7 532**
COMMITMENTS AND CONTINGENCIES				
Equity attributable to Kernel Holding S.A. shareholders				
Share capital		1 815	1 815	1 232
Share premium reserve		236 637	236 637	2 608
Additional paid-in capital		39 944	39 944	39 944
Translation reserve		1 768	14 358	-
Retained earnings		126 056	104 053	29 248
Total equity attributable to Kernel Holding S.A. shareholders		**406 220**	**396 807**	**73 032**
Minority Interest		**41 783**	**43 610**	**11 704**
Total equity		**448 003**	**440 417**	**84 736**
TOTAL LIABILITIES AND EQUITY		**949 399**	**755 608**	**381 404**
Book value		406 220	396 807	73 032
Weighted average number of shares		68 741 000	40 074 247	9 334
Book value per one share (in USD)		5.91	9.90	7 824.29
Diluted number of shares		68 863 522	40 196 769	9 334
Diluted book value per share (in USD)		5.90	9.87	7 824.29

On behalf of the Board

Andrey Verevskiy ________________________ Anastasia Usachova______________________

Chairman of the Board CFO

The notes on pages 8 to 32 form an integral part of these consolidated fi ial statements

CONSOLIDATED INCOME STATEMENT FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2008
(in US dollars and in thousands unless otherwise stated)

	3 months ended 30 September 2008	3 months ended 30 September 2007
REVENUE	371 303	94 014
COST OF SALES	(278 314)	(69 656)
GROSS PROFIT	**92 989**	**24 358**
OTHER OPERATIONAL INCOME	3 650	1 592
OPERATING EXPENSES:		
Distribution costs	(44 108)	(6 045)
General and administrative expenses	(7 218)	(4 201)
TOTAL OPERATING EXPENSES	**(51 326)**	**(10 246)**
OPERATING PROFIT	**45 313**	**15 704**
Finance costs, net	(7 742)	(4 880)
Foreign exchange (loss)/gain, net	(16 688)	(768)
Other (expenses)/income, net	1 520	51
PROFIT/ (LOSS) BEFORE INCOME TAX	**22 403**	**10 107**
INCOME TAX	823	(1 669)
NET PROFIT	**23 226**	**8 438**
NET PROFIT/(LOSS) attributable to:		
Shareholders of Kernel Holding S.A.	**22 003**	**8 422**
Minority interest	**1 223**	**16**
Weighted average number of shares	68 741 000	9 334
Profit/(loss) per ordinary share (in USD)	0.32	902.29
Diluted number of shares	68 863 522	9 334
Diluted profit/(loss) per ordinary share (in USD)	0.32	902.29

On behalf of the Board

Andrey Verevskiy ________________________
Chairman of the Board

Anastasia Usachova________________________
CFO

The notes on pages 8 to 32 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE 3 MONTHS ENDED 30 SEPTEMBER 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 September 2007	**1 232**	**2 608**	**39 944**	**-**	**29 248**	**73 032**	**11 704**	**84 736**
Effect of changes on minority interest	-	-	-	-	-	-	(6 814)	**(6 814)**
Increase of share capital	441	160 997	-	-	-	161 438	-	**161 438**
Issued capital and IPO expenses	-	(8 630)	-	-	-	(8 630)	-	**(8 630)**
Net profit	-	-	-	-	12 215	12 215	14	**12 229**
Balance at 31 December 2007	**1 673**	**154 975**	**39 944**	**-**	**41 463**	**238 055**	**4 904**	**242 959**
Effect of changes on minority interest	-	-	-	-	-	-	5 027	**5 027**
Acquisition of Subsidiaries	-	-	-	-	-	-	6 563	**6 563**
Repurchase of minority share	-	-	-	-	-	-	(7 600)	**(7 600)**
Issued capital and IPO expenses	-	(63)	-	-	-	(63)	-	**(63)**
Net profit	-	-	-	-	19 529	19 529	76	**19 605**
Balance at 31 March 2008	**1 673**	**154 912**	**39 944**	**-**	**60 992**	**257 521**	**8 970**	**266 491**
Effect of changes on minority interest	-	-	-	-	-	-	(3 070)	**(3 070)**
Disposal of Subsidiaries	-	-	-	-	-	-	(32)	**(32)**
Acquisition of Subsidiaries	-	-	-	-	-	-	38 872	**38 872**
Increase of share capital	142	83 712	-	-	-	83 854	-	**83 854**
Issued capital and IPO expenses	-	(1 987)	-	-	-	(1 987)	-	**(1 987)**
Effect of foreign exchange differences	-	-	-	14 358	-	14 358	-	**14 358**
Net profit	-	-	-	-	43 061	43 061	(1 130)	**41 931**
Balance at 30 June 2008	**1 815**	**236 637**	**39 944**	**14 358**	**104 053**	**396 807**	**43 610**	**440 417**

The notes on pages 8 to 32 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2008 (CONTINUED)
(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 2008	**1 815**	**236 637**	**39 944**	**14 358**	**104 053**	**396 807**	**43 610**	**440 417**
Effect of changes on minority interest	**-**	**-**	**-**	**-**	**-**	**-**	(3 050)	**(3 050)**
Effect of foreign exchange differences	-	-	-	(12 590)	-	(12 590)	-	**(12 590)**
Net profit	-	-	-	-	22 003	22 003	1 223	**23 226**
Balance at 30 September 2008	**1 815**	**236 637**	**39 944**	**1 768**	**126 056**	**406 220**	**41 783**	**448 003**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2008
(in US dollars and in thousands unless otherwise stated)

	3 months ended 30 September 2008	3 months ended 30 September 2007
OPERATING ACTIVITIES:		
Profit/(loss) before income tax	22 403	10 107
Adjustments to reconcile profit before income tax to net cash used in operating activities:		
Amortization and depreciation	6 855	2 424
Finance costs	7 742	4 880
Bad debt expenses and other accruals	(484)	298
Loss/(gain) on disposal of property, plant and equipment	(277)	(21)
Foreign exchange losses/(gain), net	16 688	768
Gain on sales of equity investments	-	(2 034)
Operating profit before working capital changes	**52 927**	**16 422**
Changes in working capital:		
Decrease/(increase) in trade accounts receivable	(1 461)	(7 247)
Decrease/(increase) in prepayments and other current assets	(28 969)	(6 203)
Decrease/(increase) in restricted cash balance	(60 283)	(6 416)
Decrease/(increase) in taxes recoverable and prepaid	(41 990)	(17 444)
Decrease/(increase) in biological assets	39 649	6 036
Decrease/(increase) in inventories	(35 783)	(82 810)
Increase/(decrease) in trade accounts payable	5 517	12 780
Increase/(decrease) in advances from customers and other current liabilities	17 223	935
Cash obtained from/(used in) operations	**(53 169)**	**(83 947)**
Finance costs paid	(7 742)	(4 880)
Income tax paid	(348)	(99)
Net cash provided by/(used in)operating activities	**(61 259)**	**(88 926)**
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(3 438)	(3 053)
Proceeds from disposal of property, plant and equipment	2 694	508
Sales/(Purchase) of intangible and other non-current assets	407	(13 583)
Acquisition of Subsidiaries	(5 824)	-
Disposal of Subsidiaries	-	3 549
Net cash used in investing activities	**(6 161)**	**(12 579)**
FINANCING ACTIVITIES:		
Proceeds from short-term and long-term borrowings	285 533	89 031
Repayment of short-term and long-term borrowings	(129 133)	(25 014)
Corporate bonds issued/repaid	(5 254)	19 831
Net cash provided by financing activities	**151 146**	**83 848**
TRANSLATION ADJUSTMENT	1 768	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**85 494**	**(17 657)**
CASH AND CASH EQUIVALENTS, at the beginning of the period	58 813	24 752
CASH AND CASH EQUIVALENTS, at the end of the period	**144 307**	**7 095**

On behalf of the Board
Andrey Verevskiy ________________________ Anastasia Usachova______________________
Chairman of the Board CFO

The notes on pages 8 to 32 form an integral part of these consolidated financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2008
(in US dollars and in thousands unless otherwise stated)

1. KEY DATA BY OPERATING SEGMENT FOR THE 3-MONTH PERIOD ENDED 30 SEPTEMBER 2008

	Bottled sunflower oil	Sunflower oil in bulk	*Grain handling and transshipment services*	Farming	Grain	Silo services	Other	Reconciliation	Continuing Operations
Revenue (external)	52 071	95 092	5 214	3 527	200 587	14 812	-	-	**371 303**
Intersegment sales	-	-	5 010	26 550	-	3 355	-	(34 915)	**-**
Total	**52 071**	**95 092**	**10 224**	**30 077**	**200 587**	**18 167**	**-**	**(34 915)**	371 303
Other operating income	1 169	117	511	180	1 746	604	(677)	-	**3 650**
Operating profit (EBIT)	8 722	13 815	4 710	590	15 227	7 507	(5 258)	-	**45 313**
Finance costs net									**(7 742)**
Foreign exchange (loss)/gain, net									**(16 688)**
Other (expenses)/income, net									**(1 520)**
Income tax									**823**
Net profit									**23 226**
Total assets	155 846	201 598	91 298	90 233	314 325	93 107	2 992	-	**949 399**
Capital expenditures	2 323	3 842	30	5 117	-	1 767	63	-	**13 142**
Amortization and depreciation	949	1 175	817	2 831	-	610	473	-	**6 855**
Liabilities	6 206	7 155	1 735	2 519	25 726	8 002	450 053	-	**501 396**

During the 3-month period ended 30 September 2008 none of the Group's external customers accounts for more than 10% of the total external revenue.

1. KEY DATA BY OPERATING SEGMENT (CONTINUED) FOR THE 3-MONTH PERIOD ENDED 30 SEPTEMBER 2007

	Bottled sunflower oil	Sunflower oil in bulk	*Grain handling and transshipment services*	Farming	Grain	Silo services	Other	Reconciliation	Continuing Operations
Revenue (external)	19 275	41 176	-	893	22 600	8 750	1 320		**94 014**
Intersegment sales				8 160		1 339		(9 499)	
Total	**19 275**	**41 176**	**-**	**9 053**	**22 600**	**10 089**	**1 320**	**(9 499)**	**94 014**
Other operating income	210	51	-	679	84	640	(72)		**1 592**
Operating profit (EBIT)	4 303	6 764	-	484	2 237	3 878	(1 962)		**15 704**
Finance costs, net									**(4 880)**
Foreign exchange (loss)/gain, net									**(768)**
Other (expenses)/income, net									**51**
Income tax									**(1 669)**
Net profit									**8 438**
Total assets	82 608	118 074	-	17 854	106 274	52 285	4 309		**381 404**
Capital expenditures	1 113	1 840	-	2 451	847	45			**6 296**
Amortization and depreciation	329	508	-	980	-	321	286		**2 424**
Liabilities	5 086	9 194	-	1 125	7 607	4 412	269 244		**296 668**

During the 3-month period ended 30 September 2007 none of the Group's external customers accounts for more than 10% of the total external 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 trans-shipment services.

The majority of the Group operations are located in Ukraine. Financial year of the Group runs from 1st of July to 30th of June.

The principal operating office of the Group is located at the following address: 35 Olesya Gonchara str., 01034 Kyiv, Ukraine.

As of 30 September 2007, 30 June 2008 and 30 September 2008 the structure of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 September 2008	30 June 2008	30 September 2007
"Kernel-Capital", LLC	Holding company for grain elevators and other Subsidiaries in Ukraine. Performs transactions with financial instruments.	Ukraine	99.9%	99.9%	99.9%
"Etrecom Investments", LLC	Holding company.	Cyprus	100%	100%	N/A
"Yuzhtrans-Terminal", LLC	Dormant company.	Ukraine	99.9%	99.9%	99.9%
Inerco Trade S.A.	Trade of sunflower oil, meal and grain.	Switzerland	99.0%	99.0%	99.9%
Lanen S.A.		Panama	100%	100%	100%
"Kernel-Trade", LLC		Ukraine	100%	100%	99.8%
Jerste BV	Dormant company	Netherlands	100%	100%	N/A
CJSC "Poltava oil crushing plant — Kernel Group"	Production plants. Production of sunflower oil and meal.	Ukraine	95.2%	95.2%	94.9%
JSC "Vovchansk OEP"		Ukraine	99.3%	99.3%	99.9%
CJSC "Prykolotne OEP"		Ukraine	100%	100%	69.9%
CJSC "Prykolotnyanska oliya"		Ukraine	46.4%	46.4%	0.0%
LLC JE "Inerco-Ukraine"	Holding company. No significant activity since the date of foundation.	Ukraine	100%	100%	99.9%
"Transagroinvest" LLC	No significant activity since the date of	Ukraine	100%	100%	N/A
CJSC "Poltavaavtotransservis"	Trucking company.	Ukraine	99.9%	99.9%	98.5%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 September 2008	30 June 2008	30 September 2007
CJSC "Reshetylivka Hliboproduct"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	99.9%	99.9%	79.9%
JSC "Reshetilovski elevator"		Ukraine	0.0%	0.0%	0.0%
CJSC "Horol-Elevator"		Ukraine	100%	100%	99.9%
JSC "Khorolskiy elevator"		Ukraine	0.0%	0.0%	0.0%
CJSC "Mirgorodsky elevator"		Ukraine	99.9%	99.9%	99.9%
CJSC "Globynsky elevator HP"		Ukraine	100%	100%	86.2%
JSC "Globinsky elevator kliboproduktiv"		Ukraine	0.0%	0.0%	0.0%
JSC "Poltavske khlibopriemalne pidpriemstvo"		Ukraine	88.2%	88.2%	86.2%
JSC "Golovanivske khlibopriemalne pidpriemstvo"		Ukraine	N/A	N/A	99.2%
CJSC "Galeschina-Agro"		Ukraine	99.9%	99.9%	99.9%
CJSC "Gogoleve-Agro"		Ukraine	99.9%	99.9%	99.8%
CJSC "Sagaydak-Agro"		Ukraine	100%	100%	99.9%
CJSC "Karlivka-Agro"		Ukraine	99.9%	99.9%	99.9%
CJSC "Novo-Sanzharski elevator"		Ukraine	N/A	N/A	Disposed of on 31 August 2007
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%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 September 2008	30 June 2008	30 September 2007
JSC "Pidgorodnanski elevator"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	N/A	N/A	Disposed of on 30 July 2007
"Bandurskiy elevator", LLC		Ukraine	100%	100%	99.9%
CJSC "Semenivski elevator"		Ukraine	99.9%	99.9%	99.9%
"Kobelyaki hleboproduct", LLC		Ukraine	0.1%	0.1%	0.1%
CJSC "Vlasivskiy KHP"		Ukraine	In process of liquidation	In process of liquidation	100%
"Sahnovshina hleboproduct", LLC		Ukraine	100%	100%	0.1%
CJSC "Velykoburlutske HPP"		Ukraine	100%	100%	99.8%
CJSC "Vovchansky KHP"		Ukraine	N/A	N/A	Disposed of on 23 July 2007
CJSC "Gutnansky elevator"		Ukraine	100%	100%	99.8%
CJSC "Lykhachivsky KHP"		Ukraine	100%	100%	99.8%
CJSC "Shevchenkisky KHP"		Ukraine	100%	100%	99.8%
CJSC "Orilske HPP"		Ukraine	100%	100%	99.8%
CJSC "Kovyagivske KHP"		Ukraine	100%	100%	99.8%
"Ykragrobiznes", LLC	Holding company.	Ukraine	100%	100%	N/A
"Ukrainian Agricultural Company", LLC	Holding company for agricultural farms.	Ukraine	Control relinquished	Control relinquished	0.3%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 September 2008	30 June 2008	30 September 2007
"Agroservise", LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	100%	99.9%
"Zernoservise", LLC		Ukraine	100%	100%	99.9%
"Unigrain-Agro" (Globino), LLC		Ukraine	100%	100%	99.9%
"Unigrain-Agro" (Semenovka), LLC		Ukraine	100%	100%	99.9%
"Mrija-Agro", LLC		Ukraine	100%	100%	99.9%
CJSC "Lozivske HPP"		Ukraine	100%	100%	99.9%
CJSC "Krasnopavlivsky KHP"		Ukraine	100%	100%	99.9%
CJSC "Agrofirma "Krasnopavlivska",		Ukraine	0.0%	0.0%	0.0%
"Agrofirma "Arshitsa", LLC		Ukraine	100%	100%	N/A
"Agrotera-Kolos", LLC		Ukraine	0.0%	0.0%	N/A
"Chorna Kamyanka", LLC		Ukraine	100%	100%	N/A
"Govtva", ALLC		Ukraine	0.0%	0.0%	N/A
PRAC "Perebudova"		Ukraine	0.0%	0.0%	N/A
"Manjurka", LLC		Ukraine	0.0%	0.0%	N/A
"Krutenke", LLC		Ukraine	0.0%	0.0%	N/A
"Promin", LLC		Ukraine	0.0%	0.0%	N/A
PRAC "Brovarki"		Ukraine	0.0%	0.0%	N/A

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 September 2008	30 June 2008	30 September 2007
PRAC by the name of Shorsa	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	0.0%	0.0%	N/A
"Troyanske", ALLC		Ukraine	0.0%	0.0%	N/A
"Zorya", ALLC		Ukraine	0.0%	0.0%	N/A
"Hleborob", ALLC		Ukraine	0.0%	0.0%	N/A
AC by the name of T. Shevchenko		Ukraine	0.0%	0.0%	N/A
PRAC "Drugba"		Ukraine	0.0%	0.0%	N/A
LLC "Agrofirma “Chkalova"		Ukraine	100%	N/A	N/A
LLC "Agrofirma “Vitchizna"		Ukraine	100%	N/A	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
Chorex Developments Limited		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 "Khorolskiy elevator", JSC "Globinsky elevator kliboproduktiv", LLC "Kobelyaki hleboproduct", LLC "Agrofirma "Krasnopavlivska, LLC "Agrotera-Kolos", ALLC "Govtva", PRAC "Drugba", PRAC "Perebudova", "Manjurka", LLC, "Krutenke", LLC, "Promin", LLC , PRAC "Brovarki", "Troyanske", ALLC , "Zorya", ALLC , "Hleborob", ALLC, PRAC by the name of Shorsa, AC by the name of T. Shevchenko due to the fact that shareholders holding a majority share of the voting rights in these Subsidiaries are related parties of the Group. "Kernel-Capital" LLC received power of attorney from these related parties to act on their behalf in exercising ownership rights related to these shares. The Group's management believes that it has power to govern operating and financial policies of these Subsidiaries.

These consolidated financial statements were authorized for issue by the Board of Directors of Kernel Holding S.A., on 12 November 2008.

3. CHANGE IN SHARE CAPITAL

Since 15 June 2005 the holding company of the Group is Kernel Holding S.A. (Luxembourg) (the "Holding"), whose share capital as of 30 September 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 30 September 2007 - 9,334 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
	30 September 2008		30 September 2007	
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the "Majority Shareholder")	40 574 250	59.03%	7 999	85.70%
Evergreen Financial Limited (a company incorporated and registered in the Territory of the British Virgin Islands) (hereinafter Evergreen Financial Limited)	-	-	1 334	14.29%
Free-float	28 166 750	40.97%	-	-
Individual	-	-	1	0.01%
Total	**68 741 000**	**100.00%**	**9 334**	**100.00%**

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

On 19 November, 2007 Namsen LTD executed a call-option for 1,334 shares (14.29%), held by Evergreen Financial Limited.

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.

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 30 September 2008, unchanged from 30 September 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 30 September 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) and Lanen S.A. (Panama). Management has utilized USD as the measurement currency for Inerco Trade SA and Lanen SA under IAS No. 21 as their major sources of finance, prices of sales contracts with customers and also prices of significant contracts for purchases of goods and services from suppliers were denominated in USD.

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

Basis of Consolidation - The consolidated financial statements incorporate the consolidated financial statements of the Holding and companies controlled by the Group ("its Subsidiaries") made up as of 30 September 2008. Control is achieved where the parent company has the power to govern the financial and operating policies of an investee enterprise, either directly or indirectly, so as to obtain benefits from its activities.

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

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

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

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

Goodwill - Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the adjusted net fair value of identifiable assets, liabilities and contingent liabilities of the Subsidiary on the date of acquisition. Goodwill arising from business combinations for which the agreement date is on or after 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.

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

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

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

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

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

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

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

Currency	Closing rate as of 30 September 2008	Average rate for the 3 months ended 30 September 2008	Closing rate as of 30 September 2007	Average rate for the 3 months ended 30 September 2007
UAH/USD	4.8610	4.8468	5.0500	5.0500
EUR/USD	0.6956	0.6660	0.7054	0.7281
PLZ/USD	2.3708	2.2016	2.6647	2.7592

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

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

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

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

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

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

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

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

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

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

Investments in Non-consolidated Subsidiaries and Associates - Investments in corporate shares where the Group owns more than 20% of share capital, but does not have ability or intent to control or exercise significant influence over operating and financial policies, or non-consolidation of such companies does not have a significant effect on the financial statements taken as a whole, or the Group intends to resell such investments in the nearest future, as well as investments in corporate shares where the Group owns less than 20% of share capital, are accounted for at fair value or at cost of acquisition, if the fair value of investments cannot be determined. Management periodically assesses the carrying values of such investments and provides allowances for impairment, if necessary. As of 30 September 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred income tax assets and liabilities are offset when:

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

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

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

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

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

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

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

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

The operating segments' activities are as follows:

Operating Segments	Activities
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 transhipment 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 30 September 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. PROPERTY, PLANT AND EQUIPMENT, NET

The following table represents movements in property, plant and equipment for the 3 months ended 30 September 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	-	-	-	439	-	-	-	439
Additions	-	-	-	-	-	-	13 142	13 142
Transfers	-	8 800	(7 161)	7 773	746	348	(10 506)	-
Due to disposal of Subsidiaries	-	-	-	-	-	-	-	-
Other disposals	-	(133)	(337)	(2 509)	(2)	(61)	-	(3 042)
Translation differences	(5)	(274)	(259)	(68)	(16)	1	(14)	(635)
As of 30 September 2008	**2 168**	**118 786**	**96 196**	**27 453**	**6 423**	**5 845**	**8 105**	**264 976**
Accumulated depreciation								
As of 30 June 2008	**-**	**(8 581)**	**(9 287)**	**(2 296)**	**(1 588)**	**(1 696)**	**-**	**(23 448)**
Depreciation	-	(1 633)	(2 250)	(1 390)	(271)	(264)	-	(5 808)
Due to disposal of Subsidiaries	-	-	-	-	-	-	-	-
Other disposals	-	6	231	94	1	15	-	347
Translation differences	-	26	30	8	4	40	-	108
As of 30 September 2008		**(10 182)**	**(11 276)**	**(3 584)**	**(1 854)**	**(1 905)**	**-**	**(28 801)**
Net Book Value								
As of 30 June 2008	**2 173**	**101 812**	**94 666**	**19 522**	**4 107**	**3 861**	**5 483**	**231 624**
As of 30 September 2008	**2 168**	**108 604**	**84 920**	**23 869**	**4 569**	**3 940**	**8 105**	**236 175**

6. INTANGIBLE ASSETS, NET

The following table represents movements in intangible assets for the 3 months ended 30 September 2008 and 2007:

Cost as of 30 June 2008	**59 502**	**Cost as of 30 June 2007**	**17 055**
Additions from acquisition of Subsidiaries	2 250	Additions from acquisition of Subsidiaries	13 500
Additions	-	Additions	-
Disposals	-	Disposals	-
Cost as of 30 September 2008	**61 752**	**Cost as of 30 September 2007**	**30 555**
Accumulated depreciation as of 30 June 2008	**(1 421)**	**Accumulated depreciation as of 30 June 2007**	**(234)**
Amortization charge	(1 047)	Amortization charge	(37)
Disposals	-	Disposals	12
Accumulated depreciation as of 30 September 2008	**(2 468)**	**Accumulated depreciation as of 30 September 2007**	**(259)**
Net book value as of 30 September 2008	**59 284**	**Net book value as of 30 September 2007**	**30 296**

Included in intangible assets of Subsidiaries are the "Schedry Dar", "Stozhar”, "Zolota" and “Domashnya” trademarks with the value of USD 7,229 thousand, USD 9,385 thousand, USD 13,289 thousand and USD 287 thousand respectively. These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market. Trade mark "Stozhar" was pledged as security for long-term loans as of 30 September 2008 (as of 30 September 2007 trade marks "Stozhar" and "Schedry Dar" were pledged) (Note 8).

As a result of new Subsidiaries acquisition (Note 10) for the 3 months ended 30 September 2008, the Group increased quantity of agricultural land leased by 4,072 hectares and lease rights of agricultural land were recognized in amount of USD 2,250 thousand as intangible assets. This intangible asset will be amortized over the average rental term.

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

7. SHORT-TERM BORROWINGS

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

	30 September 2008	30 September 2007
Bank credit lines	285 969	81 750
Interest accrued on short-term credits	1 904	250
Interest accrued on long-term credits	362	567
Total	**288 235**	**82 567**

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 5; 4.5; 3%	USD	July 2009	33 932
European bank	Libor + 2%	USD	June 2009	4 008
European bank	Libor + 2.2%	USD	July 2009	5 210
European bank	Libor + 2.75%	USD	July 2009	40 000
Ukrainian bank	Libor + 4.5 %	USD	September 2009	6 700
Ukrainian bank	7.8%	USD	June 2009	90 000
Ukrainian bank	14.5%	USD	January 2009	16 119
Ukrainian bank	15%	USD	May 2009	90 000
Total bank credit lines				**285 969**
Interest accrued on short-term loans				1 904
Interest accrued on long-term loans				362
Total				**288 235**

7. SHORT-TERM BORROWINGS (CONTINUED)

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

	Interest rate	Currency	Maturity	Amount due
Ukrainian bank	13%	UAH	June 2008	747
Ukrainian bank	10%	USD	March 2008	2 142
Ukrainian bank	Libor + 4.5%	USD	November 2007	45 000
European Bank	Libor + 4.5%	USD	July 2008	11 407
European Bank	Libor + 2%	USD	July 2008	14 514
European Bank	Libor + 2.15%	USD	June 2008	7 940
Total bank credit lines				**81 750**
Interest accrued on short-term loans				250
Interest accrued on long-term loans				567
Total				**82 567**

As of 30 September 2008 the overall maximum credit limit for short-term bank credit lines amounted to USD 680,185 thousand (as of 30 September 2007 USD 99,800 thousand).

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

Assets pledged	**30 September 2008**	**30 September 2007**
Cash	90 000	2 747
Inventories	49 854	79 003
Total	**139 854**	**81 750**

In June 2008 Kernel Trade LLC and Kernel Holding S.A. signed loan agreements with the Ukrainian subsidiary of a European bank, each loan totaling 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 30 September 2008 under both loan agreements was USD 180,000 thousand.

8. LONG-TERM BORROWINGS

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

	30 September 2008	**30 September 2007**
Long-term bank loans	94 884	129 418
Current portion of long-term borrowings	(6 892)	(11 420)
Total	**87 992**	**117 998**

Long-term bank loans

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

	Interest rate	Currency	Maturity	Amount due
Ukrainian bank	11.25%	USD	July 2010	48 367
Ukrainian bank	Libor + 5 %	USD	November 2013	46 517
Total bank credit lines				**94 884**

8. LONG-TERM BORROWINGS (CONTINUED)

The balances of long-term borrowings as of 30 September 2007 were as follows:

	Interest rate	Loan currency	Maturity	Amount due
Ukrainian bank	Libor + 6.75%	USD	November 2013	51 211
Ukrainian bank	12%	USD	July 2010	53 207
Ukrainian bank	12.5%	USD	July 2010	5 550
Ukrainian bank	12.5%	USD	September 2010	2 800
Ukrainian bank	12.5%	USD	November 2010	3 150
Ukrainian bank	Libor + 5%	USD	August 2012	13 500
Total				**129 418**

Long-term loans from Ukrainian Banks

Long-term loans from Ukrainian banks as of 30 September 2008 included revolving and non-revolving credit lines from two banks with the overall maximum credit limit of USD 162,750 thousand (as of 30 September 2007 USD 142,550 thousand).

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

Assets pledged	30 September 2008	30 September 2007
Property, plant and equipment (Note 5)	134 959	97 301
Intangible assets (Note 6)	9 385	16 614
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	**144 344**	**113 915**

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

Name of Subsidiary, in which a stake was pledged	
30 September 2008	**30 September 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 "Karlivka-Agro"
JSC "Poltavske khlibopriemalne pidpriemstvo"	CJSC "Sagaydak-Agro"
CJSC "Prykolotne OEP"	CJSC "Galeschina-Agro"
CJSC "Velykoburlutske HPP"	CJSC "Lazorkovski Elevator"
CJSC "Shevchenkisky KHP"	CJSC "Mirgorodskiy elevator"
CJSC "Orilske HPP"	JSC "Golovanivske hlibopriemalne pidpriemstvo"
CJSC "Kovyagivske KHP"	JSC "Poltavske khlibopriemalne pidpriemstvo"
CJSC "Poltavaavtotransservis"	CJSC "Poltavaavtotransservis"
LLC "Bandurskiy elevator"	CJSC "Gogoleve-Agro"
	CJSC "Semenivski elevator"
	CJSC "Prykolotne OEP"
	CJSC "Velykoburlutske HPP"
	CJSC "Lykhachivsky KHP"
	CJSC "Shevchenkisky KHP"

8. LONG-TERM BORROWINGS (CONTINUED)

Name of Subsidiary, in which a stake was pledged	
30 September 2008	**30 September 2007**
	CJSC "Orilske HPP"
	CJSC "Kovyagivske KHP"
	CJSC "Gutnansky elevator"
	CJSC "Krasnopavlivsky KHP"
	CJSC "Lozivske HPP"
	CJSC "Globynsky elevator HP"
	JSC "Vovchansk OEP"

9. INCOME TAX

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

	30 September 2008	30 September 2007
Deferred tax assets arising from:		
Valuation of advances from customers	4 206	1 335
Valuation of property, plant and equipment	371	580
Tax losses carried forward	20	1 058
Valuation of accounts receivable	276	57
Valuation of inventories	189	-
Valuation of accrued expenses and other temporary differences	2 382	614
Deferred tax asset	**7 444**	**3 644**
Less: valuation allowance	(648)	(197)
Net deferred tax asset after valuation allowance	**6 796**	**3 447**
Deferred tax liability arising from:		
Valuation of property, plant and equipment	(16 596)	(15 874)
Valuation of intangible assets	(3 390)	(3 120)
Valuation of prepayments to suppliers and prepaid expenses	(12 638)	(2 762)
Valuation of financial investments	-	(270)
Valuation of inventories	(69)	(32)
Deferred tax liability	**(32 693)**	**(22 058)**
Net deferred tax liability	**(25 897)**	**(18 611)**

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

The components of income tax expense for the 3 months ended 30 September 2008 and 30 September 2007 were as follows:

	30 September 2008	30 September 2007
Current income tax benefit/(expenses)	1 171	(1 570)
Deferred tax benefit/(expenses)	(348)	(99)
Income tax benefit/(expenses)	**823**	**(1 669)**

9. INCOME TAX (CONTINUED)

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

	30 September 2008	30 September 2007
Profit/(loss) before income tax:	22 403	10 107
Tax at the statutory income tax rate in Ukraine of 25%	(5 601)	(2 527)
Expenditures not allowable for income tax purposes and non-taxable income, net	7 072	1055
Change in valuation allowance	(648)	(197)
Income tax benefit (expenses)	**823**	**(1 669)**

10. ACQUISITION OF SUBSIDIARIES

The following entities were acquired during the 3 months ended 30 September 2008:

Subsidiary	Principal Activity	Country of Incorporation	Acquisition date	Group's Effective Ownership share as of 30 September 2008
LLC "Agofirma “Chkalova"	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	25 July 2008	100.0%
LLC "Agrofirma “Vitchizna"		Ukraine	21 July 2008	100.0%

10. ACQUISITION OF SUBSIDIARIES (CONTINUED)

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

Acquired net assets:	
Cash	24
Intangible assets	2 250
Trade accounts receivable, net	41
Prepayments to suppliers and other current assets, net	3
Taxes recoverable and prepaid, net	70
Inventory	895
Biological assets, current	24
Property, plant and equipment, net	468
Trade accounts payable	(53)
Advances from customers and other current liabilities	(240)
Long-term borrowings	(45)
Fair value of net assets of acquired Subsidiaries	**3 437**
Minority interest of acquired Subsidiaries	-
Fair value of acquired net assets	**3 437**
Goodwill	2 411
Total cash considerations paid	**5 848**
Less: acquired cash	(24)
Net cash outflow from acquisition of Subsidiaries	**5 824**
Goodwill attributable to minority shareholders	-
Net cash outflow from acquisition of Subsidiaries attributable to Kernel Holding S.A. shareholders	**5 824**

11. TRANSACTIONS WITH RELATED PARTIES

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

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

	Related party balances as of 30 September 2008	Total category as per consolidated balance sheet as of 30 September 2008	Related party balances as of 30 September 2007	Total category as per consolidated balance sheet as of 30 September 2007
Trade accounts receivable, net	-	50 292	24	16 878
Prepayments to suppliers and other current assets, net	3 005	54 791	160	14 593
Other non-current assets	13 500	17 510	-	3 212
Trade accounts payable, net	-	11 115	17	18 212
Advances from customers and other current liabilities	-	40 020	13	7 684
Subordinated loan	-	-	7 532	7 532

Transactions with related parties for the 3-month period ended 30 September 2008 and 2007 were as follows:

	Amount of operations with related parties, for the 3 months ended 30 September 2008	Total category per consolidated income statement for the 3 months ended 30 September 2008	Amount of operations with related parties, for the 3 months ended 30 September 2007	Total category per consolidated income statement for the 3 months ended 30 September 2007
Revenue	-	371 303	6	94 014
General, administrative and distribution expenses	644	51 326	211	10 246
Finance costs	1 674	7 742	-	4 880
Other (expenses) /income, net	-	1 520	14	51

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

12. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

As of 30 September 2008 and 30 September 2007 the Group was not liable for any significant supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

Legal Issues - The Group is involved in litigation and other claims that are in the ordinary course of its business activities. Management of the Group believes that the resolution of such legal matters will not have a material impact on its financial position.

Capital commitments – As of 30 September 2008 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 22 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". As of 30 September 2007 the Group had a commitment to purchase a 30% shareholding in CJSC “Prikolotne OEP” for an amount of EURO 2 054 thousand.

Contractual Commitments on Sales - As of 30 September 2008 the Group had entered into commercial contracts for export of 287 thousand tons of grain and 83 thousand tons of sunflower oil and meal, corresponding to an amount of USD 74,000 thousand and USD 54,000 thousand thousand respectively in prices as of 30 September 2008.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

As of 30 September 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.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

14. DESCRIPTION OF SIGNIFICANT EVENTS FOR THE 3-MONTH PERIOD ENDED 30 SEPTEMBER 2008

During the reporting period Kernel Holding S.A. issued corporate guarantees for the total amount of USD 105 million to guarantee short-term trade finance facilities of the Group with two European banks.

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

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

On 3 September 2008 the Group signed with a syndicate of European banks a USD 225 million syndicated credit agreement for the financing of sunflower seed procurement, as well as crushing and related transportation costs. The facility is a 1 year credit with the possibility for both parties to renew the credit for the following 2 years upon mutual consent. Kernel Holding S.A. issued a corporate guarantee as part of the facility security package.

On 16 September 2008 the Group signed a USD 50 million bridge term loan facility with a European bank. The main purpose of the short-term facility is the re-financing of the pre-payment effected by the Company to Namsen Limited in view of the acquisition of the grain terminal in Illichevsk Commercial Sea Port. Kernel Holding S.A. issued a corporate guarantee as part of the facility security package.

On 18 September 2008 the bondholders of C series executed their put option for the total amount of USD 15,467 thousand. The bonds were subsequently sold back to the market in September 2008 and carried a coupon interest of 17%.

On 26 September 2008 the Group signed two facility agreements for a total amount of USD 63 million with a Ukrainian subsidiary of a European bank. A two-year working capital facility of USD 45 million will be used for general company purposes and partly to refinance more expensive working capital lines. A long-term 5 years facility for an amount of USD 18 million was signed to finance the expansion of processing capacity at the Poltava crushing plant.

15. SUBSEQUENT EVENTS

On 15 October 2008 Kernel Holding S.A. announced the completion and finalization of the acquisition of the grain handling and transshipment terminal in the Commercial Sea Port of Ilyichevsk, Ukraine. As a result of this transaction, Kernel Holding SA received legal title to the companies Estron, Chorex and Hamalex, together holding all the assets of the port terminal. Total value of the transaction is approximately USD 95 million. Together with the completion of the transaction, Kernel Holding SA signed an agreement with a large international grain trader for the provision of throughput services until 30 June 2027 at market prices. The parties to the agreement have agreed a throughput of 500,000 tons of grain in the first year following signing, followed by 1 million tons per year in the following years.