

**Overview**

Andrey Verevskiy, Chairman of the Board, stated:

The 4<sup>th</sup> quarter of our financial year 2009 brings to a close an extremely eventful, and mostly positive, year for the company. To put this last quarter and also the year in perspective, let me recall some of the major events, which have affected our operations:

- The company entered financial year 2009 with a promising forecast for the harvest of grain and oil bearing crops in Ukraine. Crop 2008 turned out to be the best harvest ever in Ukraine and, I am pleased to say, our company took considerable advantage of such opportunity. We originated and exported a total of 2.2 million tons of grain over the year, a record for our company, with a 12% average yearly operating margin for the grain segment. As to oil, the record crop of sunflower seed in Ukraine enabled us to produce oil at maximum processing capacity throughout the whole year and achieve a 22% average operating margin in the bulk oil segment for the year.
- While agricultural produce in Ukraine was at an all time high, international prices for soft commodities fell substantially from their highs reached in the first half of 2008 (calendar year). In such bearish environment, the business model adopted by the company operated remarkably well: business diversification supported both top line and bottom line results for the financial year, while our balanced-book purchasing and marketing policy enabled the company not to be caught off-guard and suffer from the important price swings seen throughout the year.
- The international crisis took its toll on Ukraine: the local currency suffered a 60% devaluation versus the US dollar, and purchasing power in Ukraine was severally affected. Though our domestic bottled oil business eventually suffered from such macro-economic environment, our company took advantage of the fact that is largely export oriented and, overall, our sales did not suffer excessively from this recession. Also, looking ahead, we would expect an enduring positive effect on our overall business from the devaluation.
- The international crisis was first of all a financial crisis, and banks operating in Ukraine were especially affected. In such a heavy storm, and even though our company succeeded in keeping the trust of its bankers, we have seen our cost of financing increasing, and we felt necessary to keep significant levels of cash on our accounts in view of the unpredictable environment and also to finance potential acquisitions.
- We have now being operating the Illichevsk grain terminal, purchased in June 2008, for one full year. I am pleased to note that, not only did this acquisition blend quickly and smoothly into our existing operations, but, with 3.4 million tons of grain throughput achieved for the year, results achieved by the Illichevsk grain terminal have exceeded our expectations.

We now look forward to the financial year 2010 and beyond. We recently issued our forecast on the crop of grain and oil bearing crops for Ukraine and stated, in particular, that the gloomy scenarios concerning Ukrainian agriculture, rife only a few months ago, have not materialized. With the wheat and barley harvest now over, we can say confidently that the production levels are satisfactory and will enable us to significantly leverage our extensive grain supply chain pipeline. Harvest of sunflower seed is soon starting and, here also, we expect a respectable crop, which should allow us to fully utilize our oil production capacities and meet our targets for volumes processed. We see, however, strong possible headwinds in all our business due to the continued downward pressure on prices for agricultural commodities and the still uncertain outlook for the global economy. On balance, we see reasons to feel cautiously optimistic and to believe we will be able to repeat our performance in FY2009.

**Financial highlights for the 12-month period to 30 June 2009**

- Revenue has increased 58% year-on-year;
- Operating profit increased 48% year-on-year;
- Net profit increased 56% year-on-year;
- EBITDA increased 53% year-on-year;

**Quarterly production, sales & throughput highlights, in tonnage**

	<b>for the 3-month period to 30 June 2009</b>	<b>for the 3-month period to 30 June 2008</b>
Grain sales	455 637	99 153
Sunflower seed crush	208 846	183 258
Production of refined oil	17 804	23 199
Production of bottled oil '000 litres	16 701	22 818
Grain terminal throughput	800 588	

**Results for 4<sup>th</sup> Quarter of financial year 2009**

The last quarter of the year has brought some disappointing results when compared to the previous three quarters. Margins in both our oil and grain businesses have come under pressure, as the price for end-of-year stocks of grain and oil-bearing crops was driven up by competing crushers and traders on the domestic market. It should, however, be stressed that, while margins achieved over the third quarter were impressive, we do consider that essentially the yearly average margins are representative of sustainable levels of profitability for the company.

Revenues for the 4<sup>th</sup> quarter increased year-on-year by 6.7%, from USD 169.6 Mio to USD 181.0 Mio. The important year-on-year decrease in revenue in the bulk oil business, a direct consequence of the drop in oil prices, was compensated by the much larger grain volumes exported by the company over the fourth quarter, as compared to fourth quarter of FY2008.

Consolidated gross margin for the quarter was 27.7 %, in line with the gross profit margin achieved in the fourth quarter of the previous year, but lower than gross margin for the full year 2009 as competition and the relatively higher prices paid for end-of-season stocks put margins under pressure.

Operating profit for the quarter decreased substantially year-on-year, primarily due to significantly lower valuation of biological assets (other operating income) as a result of the fall in commodity prices.

Overall, while 4<sup>th</sup> quarter results were lower than average for the year, the strong results achieved over the previous 3 quarters largely offset the below average performance of the quarter and enable the company to show strong overall year-on-year growth.

**Segmental review***Bottled sunflower oil*

Bottled oil revenues for the quarter fell 57% year-on-year, firstly as a consequence of the dramatic fall in oil prices, but also due to lower purchasing power in Ukraine and due to the fact that the company continues to monitor closely clients in the bottled oil segment and, generally, to limit exposure to distributors, resulting in a decrease in sales volumes. Oil volumes not sold on the domestic market have been re-directed to the international market and sold mostly in bulk.

*Sunflower oil in bulk*

Bulk oil revenues for the quarter fell 40% year-on-year, primarily as a result of the fall in the price of vegetable oil. EBIT margin remained in line with margin achieved in the fourth quarter of the previous year, but lower than the average for FY2009 due to strong competition for end-of-season stocks of sunflower seed.

*Grain handling and transshipment services*

Performance of the Illichevsk grain terminal was largely in line with previous quarters of the year, enabling the company to close the year with a total grain terminal throughput of 3.4 million tons.

*Grain*

Grain revenues for the quarter increased significantly year-on-year, primarily due to the record 2008 harvest, but also due to the unusually low level of total grain export from Ukraine in season 07/08. Grain operating margin for the quarter fell from 22% to 4.5% year-on-year, first as a result of the unusual grain market circumstances in the season 07/08, and secondly as a result of increased competition for grain in the last quarter of FY2009.

*Silo services*

Revenues generated in the fourth quarter by inland silos decreased 30% year-on-year, primarily as a result of the Hrivnia devaluation. Operating margin remains year-on-year in a 35 to 40% range.

**Outlook**

In conclusion, and with the backdrop of a satisfactory 2009 harvest still unfolding, we expect a largely flat FY2010. We expect grain origination and export volumes to be in the range of 1.8 million tons, some 20% below levels achieved in FY2009. Having already achieved over one third of our grain volume target for the year at a comfortable margin, we feel confident our goal is within reach. In our oil businesses, we expect to crush 1.2 million tons of sunflower seed over the year, Kernel becoming the undisputed leader in the crushing business in Ukraine. Our businesses providing silo services and port throughput services should also perform in line with our previous year: we expect to turn our inland silos once over the year and to achieve a grain throughput at the Illichevsk grain terminal in excess of 3 million tons. Last, as we base our estimate for the year on current agricultural prices and still feel downward pressure in these markets, farming is unfortunately expected to perform rather poorly. Overall, as for our previous financial year, we feel confident the company will deliver a sustainable EBITDA margin in the range of 18%. On this basis, our guidance for the full- financial year 2010 is as follows: revenues of USD 1 050 million, EBITDA of USD 185 million and Net profit of USD 130 million.

# **Kernel Holding S.A. and Subsidiaries**

**Condensed Consolidated Financial Statements**

**For the 3 months ended 30 June 2009**

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

SELECTED FINANCIAL DATA for the 3 months ended 30 June 2009		thousand USD		thousand PLN		thousand EUR	
		2009	2008	2009	2008	2009	2008
I.	Revenue	181 188	169 562	591 600	369 946	133 077	108 518
II.	Operating profit(loss)	23 003	42 760	75 107	93 293	16 895	27 366
III.	Profit/(loss) before income tax	18 078	45 154	59 027	98 516	13 278	28 898
IV.	Net profit/(loss)	18 247	41 931	59 579	91 484	13 402	26 835
V.	Net cash flow from operating activity	3 468	90 475	11 323	197 396	2 547	57 903
VI.	Net cash flow from investment activity	(7 261)	(138 621)	(23 708)	(302 439)	(5 333)	(88 716)
VII.	Net cash flow from financial activity	11 699	76 050	38 199	165 924	8 593	48 671
VIII.	Total net cash flow	7 906	27 904	25 814	60 880	5 807	17 858
IX.	Total assets	702 547	755 608	2 229 393	1 601 436	498 790	477 442
X.	Current liabilities	235 249	185 121	746 516	392 346	167 021	116 971
XI.	Non-current liabilities	111 310	130 070	353 220	275 670	79 027	82 187
XII.	Share capital	1 815	1 815	5 760	3 847	1 289	1 147
XIII.	Total equity	355 988	440 417	1 129 657	933 420	252 742	278 284
XIV.	Number of shares	68 741 000	68 741 000	68 741 000	68 741 000	68 741 000	68 741 000
XV.	Profit/(loss) per ordinary share (in USD/PLN/EUR)	0,27	0,63	0,87	1,37	0,19	0,40
XVI.	Diluted number of shares	68 741 000	68 741 000	68 741 000	68 741 000	68 741 000	68 741 000
XVII.	Diluted profit/(loss) per ordinary share (in USD/PLN/EUR)	0,27	0,63	0,87	1,37	0,19	0,40
XVIII.	Book value per share (in USD/PLN/EUR)	5,16	5,77	16,36	12,23	3,66	3,65
XIX.	Diluted book value per share (in USD/PLN/EUR)	5,16	5,77	16,36	12,23	3,66	3,65

On behalf of the Board

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 Andrey Verevskiy  
 Chairman of the Board

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 Anastasiia Usachova  
 CFO

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

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

	Notes	30 June 2009 (unaudited)	31 March 2009 (unaudited)	31 December 2008 (reviewed)	30 June 2008 (audited)
<b>ASSETS</b>					
<i>CURRENT ASSETS:</i>					
Cash		129 263	124 019	97 398	88 530
Trade accounts receivable, net		32 419	35 679	44 149	48 720
Prepayments to suppliers and other current assets, net		39 259	35 250	34 383	29 736
Taxes recoverable and prepaid, net		72 871	49 383	55 649	23 219
Inventory		99 078	102 578	100 067	144 707
Biological assets		18 682	8 354	5 269	42 421
<b>Total current assets</b>		<b>391 572</b>	<b>355 263</b>	<b>336 915</b>	<b>377 333</b>
<i>NON-CURRENT ASSETS:</i>					
Property, plant and equipment, net	5	219 366	208 464	190 486	231 624
Intangible assets, net	6	35 740	35 936	37 083	58 081
Goodwill		45 166	28 727	28 727	45 319
Other non-current assets		10 703	11 512	7 589	43 251
<b>Total non-current assets</b>		<b>310 975</b>	<b>284 639</b>	<b>263 885</b>	<b>378 275</b>
<b>TOTAL ASSETS</b>		<b>702 547</b>	<b>639 902</b>	<b>600 800</b>	<b>755 608</b>
<b>LIABILITIES AND EQUITY</b>					
<i>CURRENT LIABILITIES:</i>					
Trade accounts payable		9 287	9 432	7 962	5 545
Advances from customers and other current liabilities		28 356	14 861	22 572	21 879
Short-term borrowings	7	148 483	154 824	160 448	120 087
Short-term corporate bonds		1 993	1 957	1 957	30 984
Current portion of long-term borrowings		47 130	8 270	7 682	6 626
<b>Total current liabilities</b>		<b>235 249</b>	<b>189 344</b>	<b>200 621</b>	<b>185 121</b>
<i>NON-CURRENT LIABILITIES:</i>					
Long-term borrowings	8	85 469	105 370	102 878	91 148
Obligations under finance lease		11 491	11 102	11 717	6 907
Deferred tax liabilities	9	14 225	18 966	19 899	31 786
Other non-current liabilities		125	126	129	229
<b>Total non-current liabilities</b>		<b>111 310</b>	<b>135 564</b>	<b>134 623</b>	<b>130 070</b>
<i>Equity attributable to Kernel Holding S.A. shareholders</i>					
Share capital		1 815	1 815	1 815	1 815
Share premium reserve		236 637	236 637	236 637	236 637
Additional paid-in capital		39 944	39 944	39 944	39 944
Translation reserve		(160 186)	(183 937)	(188 650)	14 358
Retained earnings		236 150	217 901	170 685	104 053
<b>Total equity attributable to Kernel Holding S.A. shareholders</b>		<b>354 360</b>	<b>312 360</b>	<b>260 431</b>	<b>396 807</b>
<i>Minority Interest</i>		1 628	2 634	5 125	43 610
<b>Total equity</b>		<b>355 988</b>	<b>314 994</b>	<b>265 556</b>	<b>440 417</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>702 547</b>	<b>639 902</b>	<b>600 800</b>	<b>755 608</b>
Book value		354 360	312 360	260 431	396 807
Number of shares		68 741 000	68 741 000	68 741 000	68 741 000
<b>Book value per one share (in USD)</b>		<b>5,16</b>	<b>4,54</b>	<b>3,79</b>	<b>5,77</b>
Diluted number of shares		68 741 000	68 741 000	68 741 000	68 741 000
<b>Diluted book value per share (in USD)</b>		<b>5,16</b>	<b>4,54</b>	<b>3,79</b>	<b>5,77</b>

 On behalf of the Board  
 Andrey Verevskiy  
 Chairman of the Board

 Anastasiia Usachova  
 CFO

**CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 3 MONTHS ENDED 30 JUNE 2009**
*(in US dollars and in thousands unless otherwise stated)*

	<b>3 months ended 30 June 2009</b>	<b>12 months ended 30 June 2009</b>	<b>3 months ended 30 June 2008</b>	<b>12 months ended 30 June 2008</b>
	(unaudited)	(unaudited)	(unaudited)	(audited)
REVENUE	181 188	1 047 084	169 562	663 140
COST OF SALES	(131 007)	(729 009)	(123 230)	(504 546)
<b>GROSS PROFIT</b>	<b>50 181</b>	<b>318 075</b>	<b>46 332</b>	<b>158 594</b>
OTHER OPERATIONAL INCOME	3 826	17 031	20 408	24 951
OPERATING EXPENSES:				
Distribution costs	(25 763)	(143 270)	(19 343)	(52 406)
General and administrative expenses	(5 241)	(26 552)	(4 637)	(19 562)
<b>TOTAL OPERATING EXPENSES</b>	<b>(31 004)</b>	<b>(169 822)</b>	<b>(23 980)</b>	<b>(71 968)</b>
<b>OPERATING PROFIT</b>	<b>23 003</b>	<b>165 284</b>	<b>42 760</b>	<b>111 577</b>
Finance costs, net	(5 973)	(35 170)	(7 676)	(28 115)
Foreign exchange (loss)/gain, net	3 658	(3 605)	5 075	3 128
Other (expenses)/income, net	(2 610)	(3 723)	4 995	4 631
<b>PROFIT BEFORE INCOME TAX</b>	<b>18 078</b>	<b>122 786</b>	<b>45 154</b>	<b>91 221</b>
INCOME TAX	169	5 756	(3 223)	(9 018)
<b>NET PROFIT</b>	<b>18 247</b>	<b>128 542</b>	<b>41 931</b>	<b>82 203</b>
<b>NET PROFIT attributable to:</b>				
<b>Shareholders of Kernel Holding S.A.</b>	<b>18 249</b>	<b>132 097</b>	<b>43 061</b>	<b>83 227</b>
<b>Minority interest</b>	<b>(2)</b>	<b>(3 555)</b>	<b>(1 130)</b>	<b>(1 024)</b>
Number of shares	68 741 000	68 741 000	68 741 000	68 741 000
<b>Profit per ordinary share (in USD)</b>	<b>0,27</b>	<b>1,92</b>	<b>0,63</b>	<b>1,21</b>
Diluted number of shares	68 741 000	68 741 000	68 741 000	68 741 000
<b>Diluted per ordinary share (in USD)</b>	<b>0,27</b>	<b>1,92</b>	<b>0,63</b>	<b>1,21</b>

On behalf of the Board

 Andrey Verevskiy  
 Chairman of the Board

 Anastasiia Usachova  
 CFO

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE 3 MONTHS ENDED 30 June 2009**
*(in US dollars and in thousands unless otherwise stated)*

	Share capital	Share premium reserve	Additional paid-in capital	Translation reserve	Retained earnings	Total equity attributable to Kernel Holding S.A. shareholders	Minority interest	Total equity
<b>Balance at 30 June 2008 (audited)</b>	<b>1 815</b>	<b>236 637</b>	<b>39 944</b>	<b>14 358</b>	<b>104 053</b>	<b>396 807</b>	<b>43 610</b>	<b>440 417</b>
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
<b>Balance at 30 September 2008 (unaudited)</b>	<b>1 815</b>	<b>236 637</b>	<b>39 944</b>	<b>1 768</b>	<b>126 056</b>	<b>406 220</b>	<b>41 783</b>	<b>448 003</b>
Effect of changes on minority interest	-	-	-	-	-	-	(31 926)	(31 926)
Effect of foreign exchange differences	-	-	-	(190 418)	-	(190 418)	-	(190 418)
Net profit	-	-	-	-	44 629	44 629	(4 732)	39 897
<b>Balance at 31 December 2008 (reviewed)</b>	<b>1 815</b>	<b>236 637</b>	<b>39 944</b>	<b>(188 650)</b>	<b>170 685</b>	<b>260 431</b>	<b>5 125</b>	<b>265 556</b>
Effect of changes on minority interest	-	-	-	-	-	-	(2 447)	(2 447)
Effect of foreign exchange differences	-	-	-	4 713	-	4 713	-	4 713
Net profit	-	-	-	-	47 216	47 216	(44)	47 172
<b>Balance at 31 March 2009 (unaudited)</b>	<b>1 815</b>	<b>236 637</b>	<b>39 944</b>	<b>(183 937)</b>	<b>217 901</b>	<b>312 360</b>	<b>2 634</b>	<b>314 994</b>
Effect of changes on minority interest	-	-	-	-	-	-	(1 004)	(1 004)
Effect of foreign exchange differences	-	-	-	23 751	-	23 751	-	23 751
Net profit	-	-	-	-	18 249	18 249	(2)	18 247
<b>Balance at 30 June 2009 (unaudited)</b>	<b>1 815</b>	<b>236 637</b>	<b>39 944</b>	<b>(160 186)</b>	<b>236 150</b>	<b>354 360</b>	<b>1 628</b>	<b>355 988</b>

 Andrey Verevskiy \_\_\_\_\_  
 Chairman of the Board

 Anastasiia Usachova \_\_\_\_\_  
 CFO



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE 3 MONTHS ENDED 30 JUNE 2009 (unaudited)**
*(in US dollars and in thousands unless otherwise stated)*

	<b>3 months ended 30 June 2009 (unaudited)</b>	<b>12 months ended 30 June 2009 (unaudited)</b>	<b>3 months ended 30 June 2008 (unaudited)</b>	<b>12 months ended 30 June 2008 (audited)</b>
<b>OPERATING ACTIVITIES:</b>				
Profit/(loss) before income tax	18 078	122 786	45 154	91 221
<i>Adjustments to reconcile profit before income tax to net cash used</i>				
Amortization and depreciation	4 807	22 994	3 667	11 641
Finance costs	5 973	35 170	7 676	28 115
Bad debt expenses and other accruals	427	663	129	285
Loss/(gain) on disposal of property, plant and equipment	134	(185)	(741)	(412)
Foreign exchange losses/(gain), net	(3 658)	3 605	(5 075)	(3 128)
Loss/(gain) from "DAK asset"	2	268	(65)	(33)
Gain on sales of equity investments	-	(345)	(494)	(2 528)
Gain on acquisition of equity investments	-	-	(9 014)	(9 014)
<b>Operating profit before working capital changes</b>	<b>25 763</b>	<b>184 956</b>	<b>41 237</b>	<b>116 147</b>
<i>Changes in working capital:</i>				
Decrease/(increase) in trade accounts receivable	2 940	14 963	(313)	(37 972)
Decrease/(increase) in prepayments and other current assets	(870)	(16 729)	(10 887)	(18 814)
Decrease/(increase) in restricted cash balance	2 662	(1 474)	(21 735)	(29 216)
Decrease/(increase) in taxes recoverable and prepaid	(22 799)	(49 251)	37 069	97
Decrease/(increase) in biological assets	(10 328)	23 763	(30 226)	(23 201)
Decrease/(increase) in inventories	3 500	(7 115)	69 658	(100 360)
Increase/(decrease) in trade accounts payable	(145)	3 689	705	(1 373)
Increase/(decrease) in advances from customers and other current liabilities	8 779	(3 733)	13 655	549
<b>Cash obtained from/(used in) operations</b>	<b>9 502</b>	<b>149 069</b>	<b>99 163</b>	<b>(94 143)</b>
Finance costs paid	(5 973)	(35 170)	(7 676)	(28 115)
Income tax paid	(61)	(1 670)	(1 012)	(3 361)
<b>Net cash provided by/(used in) operating activities</b>	<b>3 468</b>	<b>112 229</b>	<b>90 475</b>	<b>(125 619)</b>
<b>INVESTING ACTIVITIES:</b>				
Purchase of property, plant and equipment	(6 841)	(62 395)	(20 775)	(33 272)
Proceeds from disposal of property, plant and equipment	108	2 885	8 825	8 846
Sales/(Purchase) of intangible and other non-current assets	(528)	(1 540)	(34 539)	(48 515)
Acquisition of Subsidiaries	-	(5 825)	(93 022)	(101 633)
Disposal of Subsidiaries	-	-	890	4 460
<b>Net cash used in investing activities</b>	<b>(7 261)</b>	<b>(66 875)</b>	<b>(138 621)</b>	<b>(170 114)</b>
<b>FINANCING ACTIVITIES:</b>				
Proceeds from short-term and long-term borrowings	56 964	533 027	169 256	294 232
Repayment of short-term and long-term borrowings	(45 906)	(480 918)	(190 658)	(226 923)
Corporate bonds issued/(repaid)	36	(28 991)	1 227	21 047
Repayment of subordinated loan	-	-	-	(7 532)
Proceeds from share capital increase	-	-	142	583
Proceeds from share premium reserve increase	-	-	81 725	244 709
Issued capital and IPO expenses paid	-	-	-	(10 680)
<b>Net cash provided by financing activities</b>	<b>11 094</b>	<b>23 118</b>	<b>61 692</b>	<b>315 436</b>
TRANSLATION ADJUSTMENT	605	(29 213)	14 358	14 358
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>7 906</b>	<b>39 259</b>	<b>27 904</b>	<b>34 061</b>
CASH AND CASH EQUIVALENTS, at the beginning of the period	90 166	58 813	30 909	24 752
<b>CASH AND CASH EQUIVALENTS, at the end of the period</b>	<b>98 072</b>	<b>98 072</b>	<b>58 813</b>	<b>58 813</b>

 On behalf of the Board  
 Andrey Verevskiy  
 Chairman of the Board

 Anastasiia Usachova  
 CFO

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 JUNE 2009 (unaudited)**  
*(in US dollars and in thousands unless otherwise stated)*
**1. KEY DATA BY OPERATING SEGMENT FOR THE 3-MONTH PERIOD ENDED 30 JUNE 2009 (unaudited)**

	<b>Bottled sunflower oil</b>	<b>Sunflower oil in bulk</b>	<b>Grain handling and transshipment services</b>	<b>Farming</b>	<b>Grain</b>	<b>Silo services</b>	<b>Other</b>	<b>Reconciliation</b>	<b>Continuing Operations</b>
Revenue (external)	16 775	64 768	8 030	89	88 982	2 544	-	-	<b>181 188</b>
Intersegment sales	-	-	4 029	990	-	1 522	-	(6 541)	-
<b>Total</b>	<b>16 775</b>	<b>63 768</b>	<b>12 059</b>	<b>1 079</b>	<b>89 982</b>	<b>4 066</b>	-	<b>(6 541)</b>	<b>181 188</b>
Other operating income	-	-	1 000	(851)	3 477	200	-	-	<b>3 826</b>
Operating profit (EBIT)	3 227	15 510	5 277	(1 380)	4 017	1 593	(5 241)	-	<b>23 003</b>
Finance costs net	-	-	-	-	-	-	-	-	<b>(5 973)</b>
Foreign exchange (loss)/gain, net	-	-	-	-	-	-	-	-	<b>3 658</b>
Other (expenses)/income, net	-	-	-	-	-	-	-	-	<b>(2 610)</b>
Income tax	-	-	-	-	-	-	-	-	<b>169</b>
Net profit	-	-	-	-	-	-	-	-	<b>18 247</b>
Total assets	107 230	154 468	102 217	69 959	124 785	62 163	81 725	-	<b>702 547</b>
Capital expenditures	14 485	18 077	18	405	1 477	396	-	-	<b>34 858</b>
Amortization and depreciation	1 337	840	778	1 036	69	485	2	-	<b>4 547</b>
Liabilities	2 678	5 750	1 298	2 762	8 110	6 656	319 305	-	<b>346 559</b>

During the 3-month period ended 30 June 2009 one of the Group's customer accounted for around 13% of the total external revenue. During the 3-month period ended 30 June 2009 export sales amounted to 79 % of total external sales revenue.

**1. KEY DATA BY OPERATING SEGMENT (CONTINUED) FOR THE 3-MONTH PERIOD ENDED 30 JUNE 2008 (unaudited)**

	<b>Bottled sunflower oil</b>	<b>Sunflower oil in bulk</b>	<i><b>Grain handling and transshipment services</b></i>	<b>Farming</b>	<b>Grain</b>	<b>Silo services</b>	<b>Other</b>	<b>Reconciliation</b>	<b>Continuing Operations</b>
Revenue (external)	39 058	107 529	-	481	16 602	5 818	74	-	<b>169 562</b>
Intersegment sales	-	-	-	17 965	-	-	-	(17 965)	-
<b>Total</b>	<b>39 058</b>	<b>107 529</b>	-	<b>18 446</b>	<b>16 602</b>	<b>5 818</b>	<b>74</b>	<b>(17 965)</b>	<b>169 562</b>
Other operating income	1 270	-	-	17 670	1 567	(99)	-	-	<b>20 408</b>
Operating profit (EBIT)	6 249	21 506	-	11 069	3 652	2 037	(1 753)	-	<b>42 760</b>
Finance costs, net	-	-	-	-	-	-	-	-	<b>(7 676)</b>
Foreign exchange (loss)/gain, net	-	-	-	-	-	-	-	-	<b>5 075</b>
Other (expenses)/income, net	-	-	-	-	-	-	-	-	<b>4 995</b>
Income tax	-	-	-	-	-	-	-	-	<b>(3 223)</b>
Net profit	-	-	-	-	-	-	-	-	<b>41 931</b>
Total assets	82 876	152 313	101 319	100 032	211 311	77 925	29 832	-	<b>755 608</b>
Capital expenditures	10 276	12 303	45 109	12 771	8 763	726	-	-	<b>89 948</b>
Amortization and depreciation	1 230	878	45	935	-	576	3	-	<b>3 667</b>
Liabilities	3 517	6 532	959	4 112	7 637	5 665	286 769	-	<b>315 191</b>

During the 3-month period ended 30 June 2008 none of the Group's customers accounted for more than 10% of the total external revenue. During the 3-month period ended 30 June 2008 export sales amounted to 67% 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 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 June 2009, 31 March 2009 and 30 June 2008 the structure of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

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

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 June 2009	31 March 2009	30 June 2008
CJSC "Reshetylivka Hliboproduct"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services. Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	100%	100%	99.9%
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%	99.9%
CJSC "Globynsky elevator HP"		Ukraine	100%	100%	100%
JSC "Globinsky elevator kliboproductiv"		Ukraine	0.0%	0.0%	0.0%
JSC "Poltavske khlibopriemalne pidpriemstvo"		Ukraine	88.1%	88.2%	88.2%
CJSC "Galeschina-Agro"		Ukraine	99.8%	99.9%	99.9%
CJSC "Gogoleve-Agro"		Ukraine	99.8%	99.9%	99.9%
CJSC "Sagaydak-Agro"		Ukraine	100%	100%	100%
CJSC "Karlivka-Agro"		Ukraine	99.8%	99.9%	99.9%
CJSC "Lazorkovski Elevator"		Ukraine	99.8%	99.9%	99.9%
"Zhrebkivsky elevator LTD"		Ukraine	99.8%	99.9%	99.9%
"Kononivsky elevator LTD"		Ukraine	99.8%	99.9%	99.9%
"Bandurskiy elevator", LLC		Ukraine	100%	100%	100%
CJSC "Semenivski elevator"		Ukraine	99.8%	100%	99.9%
"Kobelyaki hleboproduct", LLC		Ukraine	100%	100%	0.1%
CJSC "Vlasivskiy KHP"		Ukraine	Control relinquished	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		
			30 June 2009	31 March 2009	30 June 2008
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%
CJSC "Poltavaavtotransservis"	Trucking company.	Ukraine	99.8%	100%	99.9%
"Ykragrobiznes", LLC	Holding company.	Ukraine	100%	100%	100%
"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%	100%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 June 2009	31 March 2009	30 June 2008
"Agrotera-Kolos", LLC	Agricultural farms. Cultivation of agricultural products: corn, wheat, sunflower seed, barley, soybean.	Ukraine	100%	100%	0%
"Chorna Kamyanka", LLC		Ukraine	100%	100%	100%
"Govtva", ALLC		Ukraine	100%	100%	0%
PRAC "Perebudova"		Ukraine	100%	100%	0%
"Manjurka", LLC		Ukraine	100%	100%	0%
"Krutenke", LLC		Ukraine	100%	100%	0%
"Promin", LLC		Ukraine	100%	100%	0%
PRAC "Brovarki"		Ukraine	100%	100%	0%
PRAC by the name of Shorsa		Ukraine	100%	100%	0%
"Troyanske", ALLC		Ukraine	100%	100%	0%
"Zorya", ALLC		Ukraine	100%	100%	0%
"Hleborob", ALLC		Ukraine	100%	100%	0%
AC by the name of T. Shevchenko		Ukraine	100%	100%	0%
PRAC "Drugba"		Ukraine	100%	100%	0%
LLC "Agrofirma "Chkalova"		Ukraine	100%	100%	N/A
LLC "Agrofirma "Vitchizna"		Ukraine	100%	100%	N/A

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			30 June 2009	31 March 2009	30 June 2008
"Transbulk Terminal", LLC	Provision of grain handling and transshipment services, including services to the Group.	Ukraine	100%	100%	100%
C.F.C Ukraine Ltd		Ukraine	100%	100%	100%
Estron Corporation Ltd		Cyprus	100%	100%	100%
Chorex Developments Limited		Cyprus	100%	100%	100%
Hamalex Developments LTD		Cyprus	100%	100%	100%

The Group consolidated the financial statements of JSC "Reshetilovski elevator", JSC "Horolskiy elevator", JSC "Globinsky elevator kliboproduktiv", LLC "Agrofirma "Krasnopavlivska, due to the fact that shareholders holding a majority share of the voting rights in these Subsidiaries are related parties of the Group. "Kernel-Capital" LLC received power of attorney from these related parties to act on their behalf in exercising ownership rights related to these shares. The Group's management believes that it has power to govern operating and financial policies of these Subsidiaries.

These consolidated financial statements were authorized for issue by the Board of Directors of Kernel Holding S.A., on 26 August 2009.



**3. CHANGE IN SHARE CAPITAL**

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

The shares were distributed as follows:

**SHAREHOLDERS**

	<b>Shares allotted and fully paid as of 30 June 2009</b>	<b>Share owned as of 30 June 2009</b>	<b>Shares allotted and fully paid as of 30 June 2008</b>	<b>Share owned as of 30 June 2008</b>
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the "Majority Shareholder")	40 574 250	59.03%	40 574 250	59.03%
Free-float	28 166 750	40.97%	28 166 750	40.97%
<b>Total</b>	<b>68 741 000</b>	<b>100.00%</b>	<b>68 741 000</b>	<b>100.00%</b>

As of 30 June 2009 and 2008 100% of the beneficial interest in the "Majority Shareholder" was held by Verevskiy Andrey Mikhaylovych (hereinafter the "Beneficial Owner").

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

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

On 23 November, 2007 the Holding was listed on the Warsaw Stock Exchange (WSE). The total size of the Offering was PLN 546 402 000 comprising 22,766,750 shares, of which 16,671,000 were newly issued shares.

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

Luxembourg companies are required to allocate to legal reserve a minimum of 5% of the annual net income until this reserve equals up to 10% of subscribed share capital. This reserve of an amount of USD 125 thousand as of 30 June 2009, unchanged from 30 June 2008, may not be distributed as dividends.

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

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

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

The present financial statements have been prepared in accordance with amendments to IFRS which became effective on 30 June 2009. The Group has adopted IFRS 8 Operating Segments in advance of its effective date, with effect from 1 July 2008.

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

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

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

*Basis of Consolidation* - The consolidated financial statements incorporate the consolidated financial statements of the Holding and companies controlled by the Group ("its Subsidiaries") made up as of 30 June 2009. Control is achieved where the parent company has the power to govern the financial and operating policies of an investee enterprise, either directly or indirectly, so as to obtain benefits from its activities.

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

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

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

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

*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 June 2009	Average rate for the 3 months ended 30 June 2009	Average rate for the 12 months ended 30 June 2009	Closing rate as of 30 June 2008	Average rate for the 3 months ended 30 June 2008	Average rate for the 12 months ended 30 June 2008
USD/UAH	7.6303	7.6562	6.5948	4.8489	4.9628	5.0283
USD/EUR	0.7100	0.7345	0.7348	0.6319	0.6400	0.6824
USD/PLN	3.1733	3.2651	2.9393	2.1194	2.1818	2.4621

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

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

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

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

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

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

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

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

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

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

Investments in Non-consolidated Subsidiaries and Associates - Investments in corporate shares where the Group owns more than 20% of share capital, but does not have ability or intent to control or exercise significant influence over operating and financial policies, or non-consolidation of such companies does not have a significant effect on the financial statements taken as a whole, or the Group intends to resell such investments in the nearest future, as well as investments in corporate shares where the Group owns less than 20% of share capital, are accounted for at fair value or at cost of acquisition, if the fair value of investments cannot be determined. Management periodically assesses the carrying values of such investments and provides allowances for impairment, if necessary. As of 30 June 2009 and 2008 there were no investments in non-consolidated subsidiaries and associates.

##### Share capital and earnings per share

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

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

Equity-settled transactions - 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 effective interest rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

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

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

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

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

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

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

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

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

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

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

Deferred income tax assets and liabilities are offset when:

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

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

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

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

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

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

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

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

The operating segments' activities are as follows:

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

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

In the financial statements as of 30 June 2009 the segment table reflects continuing operations only. The prior-year figures have been reclassified to ensure comparability.

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

The segment data is calculated as follows:

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

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

**5. PROPERTY, PLANT AND EQUIPMENT, NET**

The following table represents movements in property, plant and equipment for the 12 months ended 30 June 2009 :

	Land	Buildings and Constructions	Production machinery and equipment	Agricultural vehicles and equipment	Transport vehicles	Fixtures, fittings and other fixed assets	CIP and uninstalled equipment	Total
<b>Cost</b>								
<b>As of 30 June 2008</b>	<b>2 173</b>	<b>110 393</b>	<b>103 953</b>	<b>21 818</b>	<b>5 695</b>	<b>5 557</b>	<b>5 483</b>	<b>255 072</b>
Additions from acquisition of subsidiaries	-	2 339	11	380	30	135	-	2 895
Additions	-	-	-	-	-	-	80 494	80 494
Transfers	-	3 861	6 242	13 192	1 054	1 132	(25 481)	-
Due to disposal of Subsidiaries	(1)	(1)	-	-	-	(31)	(24)	(57)
Other disposals	-	(4 395)	(739)	(2 377)	(252)	(483)	-	(8 246)
Translation differences	(792)	(38 805)	(17 244)	(9 559)	(2 196)	(2 142)	(9 902)	(80 640)
<b>As of 30 June 2009</b>	<b>1 380</b>	<b>73 392</b>	<b>92 223</b>	<b>23 454</b>	<b>4 331</b>	<b>4 168</b>	<b>50 570</b>	<b>249 518</b>
<b>Accumulated depreciation</b>								
<b>As of 30 June 2008</b>	-	<b>(8 581)</b>	<b>(9 287)</b>	<b>(2 296)</b>	<b>(1 588)</b>	<b>(1 696)</b>	-	<b>(23 448)</b>
Depreciation	-	(4 793)	(6 524)	(4 689)	(1 022)	(875)	-	(17 903)
Due to disposal of Subsidiaries	-	-	-	-	-	19	-	19
Other disposals	-	112	254	62	124	160	-	712
Translation differences	-	3 731	3 839	1 465	701	732	-	10 468
<b>As of 30 June 2009</b>	-	<b>(9 531)</b>	<b>(11 718)</b>	<b>(5 458)</b>	<b>(1 785)</b>	<b>(1 660)</b>	-	<b>(30 152)</b>
<b>Net book value</b>								
<b>As of 30 June 2008</b>	<b>2 173</b>	<b>101 812</b>	<b>94 666</b>	<b>19 522</b>	<b>4 107</b>	<b>3 861</b>	<b>5 483</b>	<b>231 624</b>
<b>As of 30 June 2009</b>	<b>1 380</b>	<b>63 861</b>	<b>80 505</b>	<b>17 996</b>	<b>2 546</b>	<b>2 508</b>	<b>50 570</b>	<b>219 366</b>



**6. INTANGIBLE ASSETS, NET**

The following table represents movements in intangible assets for the 12 months ended 30 June 2009 and 2008:

<b>Cost as of 30 June 2008</b>	<b>59 502</b>	<b>Cost as of 30 June 2007</b>	<b>17 055</b>
Additions from acquisition of Subsidiaries	2 252	Additions from acquisition of Subsidiaries	26 825
Additions	1 042	Additions	15 625
Disposals	(2)	Disposals	(3)
Translation difference	(21 755)	Translation difference	-
<b>Cost as of 30 June 2009</b>	<b>41 039</b>	<b>Cost as of 30 June 2008</b>	<b>59 502</b>
<b>Accumulated depreciation as of 30 June 2008</b>	<b>(1 421)</b>	<b>Accumulated depreciation as of 30 June 2007</b>	<b>(234)</b>
Amortization charge	(5 091)	Amortization charge	(1 187)
Disposals	-	Disposals	-
Translation difference	1 213	Translation difference	-
<b>Accumulated depreciation as of 30 June 2009</b>	<b>(5 299)</b>	<b>Accumulated depreciation as of 30 June 2008</b>	<b>(1 421)</b>
<b>Net book value as of 30 June 2009</b>	<b>35 740</b>	<b>Net book value as of 30 June 2008</b>	<b>58 081</b>

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

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 June 2009 and 30 June 2008 were as follows:

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

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

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

**7. SHORT-TERM BORROWINGS (CONTINUED)**

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

	<b>Interest rate</b>	<b>Currency</b>	<b>Maturity</b>	<b>Amount due</b>
European bank	Libor+5; 4.5; 3%	USD	July 2008	15 213
European bank	Libor +2%	USD	June 2008	12 423
Ukrainian bank	Libor +4.5%	USD	November 2008	35 000
Ukrainian bank	7.8%	USD	June 2009	28 000
Ukrainian bank	up to 17%	UAH	June 2009	169
Ukrainian bank	15%	USD	May 2009	28 000
<b>Total bank credit lines</b>				<b>118 805</b>
Interest accrued on short-term loans				620
Interest accrued on long-term loans				662
<b>Total</b>				<b>120 087</b>

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

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

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

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

**8. LONG-TERM BORROWINGS**

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

	<b>30 June 2009</b>	<b>30 June 2008</b>
Long-term bank loans	132 599	97 774
Current portion of long-term borrowings	(47 130)	( 6 626)
<b>Total</b>	<b>85 469</b>	<b>91 148</b>

Long-term bank loans

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

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

**8. LONG-TERM BORROWINGS (CONTINUED)**

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

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

Long-term loans from Ukrainian Banks

Long-term loans from Ukrainian banks as of 30 June 2009 included credit lines from two banks with the overall maximum credit limit of USD 163,750 thousand (as of 30 June 2008 USD 163,240 thousand).

<b>Assets pledged</b>	<b>30 June 2009</b>	<b>30 June 2008</b>
Cash	-	-
Property, plant and equipment (Note 5)	119 398	152 763
Intangible assets (Note 6)	6 211	9 385
Controlling stakes in Subsidiaries	Not quantifiable	-
<b>Total</b>	<b>125 609</b>	<b>162 148</b>

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

<b>Name of Subsidiary, in which a stake was pledged</b>	
<b>30 June 2009</b>	<b>30 June 2008</b>
CJSC "Poltava oil crushing plant-Kernel Group"	CJSC "Poltava oil crushing plant-Kernel Group"
CJSC "Reshetylivka Hliboproduct"	CJSC "Reshetylivka Hliboproduct"
CJSC "Globynsky elevator HP"	CJSC "Globynsky elevator HP"
CJSC "Gutnansky elevator"	CJSC "Orilske HPP"
JSC "Poltavske khibopriemalne pidpriemstvo"	CJSC "Gutnansky elevator"
CJSC "Prykolotne OEP"	JSC "Poltavske khibopriemalne pidpriemstvo"
CJSC "Velykoburlutske HPP"	CJSC "Prykolotne OEP"
CJSC "Shevchenkisky KHP"	CJSC "Velykoburlutske HPP"
CJSC "Kovyagivske KHP"	CJSC "Lykhachivsky KHP"
CJSC "Poltavaavtotransservis"	CJSC "Shevchenkisky KHP"
LLC "Bandurskiy elevator"	CJSC "Kovyagivske KHP"
	CJSC "Poltavaavtotransservis"
	LLC "Bandurskiy elevator"

**9. INCOME TAX**

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

	<u>30 June 2009</u>	<u>30 June 2008</u>
<b>Deferred tax assets arising from:</b>		
Valuation of advances from customers	6 401	1 612
Tax losses carried forward	1 321	184
Valuation of accounts receivable	658	336
Valuation of property, plant and equipment	690	538
Valuation of intangible assets	301	-
Valuation of inventories	1	-
Valuation of accrued expenses and other temporary differences	215	211
<b>Deferred tax asset</b>	<u><b>9 587</b></u>	<u><b>2 881</b></u>
Less: valuation allowance	(828)	(294)
<b>Net deferred tax asset after valuation allowance</b>	<u><b>8 759</b></u>	<u><b>2 587</b></u>
<b>Deferred tax liability arising from:</b>		
Valuation of property, plant and equipment	(11 646)	(16 281)
Valuation of prepayments to suppliers and prepaid expenses	(8 775)	(14 441)
Valuation of intangible assets	(2 527)	(3 569)
Valuation of inventories	(27)	(82)
Valuation of financial investments	(9)	(-)
<b>Deferred tax liability</b>	<u><b>(22 984)</b></u>	<u><b>(34 373)</b></u>
<b>Net deferred tax liability</b>	<u><b>(14 225)</b></u>	<u><b>(31 786)</b></u>

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

The components of income tax expense for the 3 months ended 30 June 2009 and 30 June 2008 were as follows:

	<u>30 June 2009</u>	<u>30 June 2008</u>
Current income tax expenses	(61)	(1 012)
Deferred tax benefit/(expense)	230	(2 211)
<b>Income tax benefit/(expenses)</b>	<u><b>169</b></u>	<u><b>(3 223)</b></u>

The income tax charge for the 3 months ended 30 June 2009 and 2008 is reconciled to the profit before income tax per consolidated income statement as follows:

	<u>30 June 2009</u>	<u>30 June 2008</u>
Profit/(loss) before income tax:	18 078	45 154
Tax at the statutory income tax rate in Ukraine of 25%	(4 520)	(11 288)
Expenditures not allowable for income tax purposes and non-taxable income, net	5 200	8 111
Change in valuation allowance	(511)	(46)
<b>Income tax benefit /(expenses)</b>	<u><b>169</b></u>	<u><b>(3 223)</b></u>

**10. TRANSACTIONS WITH RELATED PARTIES**

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

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

	<b>Related party balances as of</b>	<b>Total category as per consolidated balance sheet as of</b>	<b>Related party balances as of</b>	<b>Total category as per consolidated balance sheet as of</b>
	<b>30 June 2009</b>		<b>30 June 2008</b>	
Trade accounts receivable, net	5 717	32 419	-	48 720
Prepayments to suppliers and other current assets, net	8 609	39 259	710	29 736
Other non-current assets	8 300	10 703	32 269	43 251
Trade accounts payable, net	1	9 287	-	5 545
Advances from customers and other current liabilities	-	28 356	6	21 879

Transactions with related parties for the 3-month period ended 30 June 2009 and 2008 were as follows:

	<b>Amount of operations with related parties, for the</b>	<b>Total category per consolidated income statement for the</b>	<b>Amount of operations with related parties, for the</b>	<b>Total category per consolidated income statement for the</b>
	<b>3 months ended 30 June 2009</b>		<b>3 months ended 30 June 2008</b>	
General, administrative and distribution expenses	179	31 004	-	23 980
Finance costs	970	5 973	-	7 676

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

## 11. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

As of 30 June 2009 and 2008 the Group was not liable for any significant supplementary pensions, post-retirement health care, insurance benefits or retirement indemnities to its current or former employees.

Legal Issues - The Group is involved in litigation and other claims that are in the ordinary course of its business activities. During the period ended 30 June 2009 and 2008 the Group received, in particular, notifications of claims and possible litigation in connection with cases of contaminated Ukrainian oil. Management of the Group believes that the resolution of such legal matters will not have a material impact on its financial position.

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

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

Contractual Commitments on Sales - As of 30 June 2009 the Group had entered into commercial contracts for export of 97 thousand tons of grain and 137 thousand tons of sunflower oil and meal, corresponding to an amount of USD 22,600 thousand and USD 56,002 thousand respectively in prices as of 30 June 2009.

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

## 12. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

## 12. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

## 13. DESCRIPTION OF SIGNIFICANT EVENTS FOR THE 3-MONTH PERIOD ENDED 30 June 2009

No significant event has occurred for the three-month period ending 30 June 2009.

## 14. SUBSEQUENT EVENTS

On 17 July 2008 a USD 45 million working capital facility with the Ukrainian subsidiary of an European bank was repaid from the proceeds of the new credit line for general corporate purposes. Fixed assets pledged as security for the loan repaid have been transferred to secure the new facility. The maturity of the new credit line is September 2010. The refinancing was effected in the frame of the company's loan portfolio cost optimization program.