Chairman's opening statement

Dear Shareholders:

Our second quarter ending 31 December 2009 has brought confirmation of continued strong performance in all segments of the Group. Kernel capitalized on the good 2009 crop to achieve impressive results not only in our first two quarters, but also to secure grain and feedstock for our crushing plants and conclude sales contracts for future delivery, which will be executed in our 3rd and 4th quarters. Looking towards our future development, we also took the opportunity to enter into call option agreements to acquire a 93.4% interest in Allseeds group. The Allseeds acquisition, still subject to approval by the Antimonopoly Committee of Ukraine, will largely complete the consolidation process of the vegetable oil processing industry in Ukraine, initiated in November 2006 with our landmark acquisition of the Evrotek production assets. The final agreement reached with the majority and minority shareholders of Allseeds provides for an enterprise value in the range of USD 230 million, also subject to adjustments based on the IFRS accounts of Allseeds as of 31 March 2010. We expect substantial synergies from the integration of Allseeds in our operations and EBITDA contribution from the acquisition in excess of USD 45 million per year as of financial year 2011.

The latest reports on the 2009 crop in Ukraine confirm an overall wheat and coarse grain crop of 45 million tons and a sunflower seed crop in excess of 6 million tons. Capitalizing on this good performance of the agricultural sector in Ukraine, Kernel has to date bought grain and concluded contracts for the export of 1.85 million tons of grain, of which 1.29 million tons were delivered over the first two quarters of the financial year, and concluded export contracts for 247,500 tons of bulk oil sales, equivalent to 65% of the yearly volume planned. Our grain terminal segment has also performed strongly, with a total throughput close to 2 million tons for the first two quarters. Our bottled oil segment, dependent on a difficult economic environment in Ukraine, has nevertheless seen a 23.8% year-on-year increase in sales volumes and a 7% operating margin premium over bulk oil for the quarter under review.

On the negative side, increase of our oilseed crushing capacity has suffered a further setback due to the harsh winter conditions, which have hindered work at our new crushing plant in Bandurka. Timeline for the commissioning of our new plant is now expected to be May 2010.

The acquisition of Allseeds largely finalizes the consolidation process of the vegetable oil industry in Ukraine. The 565,000 tons/year of crushing capacity operated by Allseeds is a good match with our existing plants in the Kharkov and Poltava regions, our new crushing plant built in Bandurka and the toll-crush agreement concluded with BSI in Illichevsk, on the Black Sea. By integrating the Allseeds production assets into Kernel, we will be largely completing our plan to establish a string of efficient crushing assets located at the heart of the sunflower seed belt of Ukraine, from the Black Sea right up to the border with Russia. Together with the crushing assets, we are also acquiring grain silos providing Kernel with an additional 600,000 tons of grain storage capacity. The silos are mostly located in key agricultural regions, where Kernel has yet to build a strong presence, and will supply feedstock not only to the Allseeds plants, but also to the Kernel crushing capacities in the southern part of the country. In our grain business, the silos will of course strengthen our grain supply pipeline network in Ukraine and enhance our capacity to feed grain to our Illichevsk grain terminal on the Black Sea. Finally, following integration of Allseeds, we will be looking to export close to 800,000 tons of vegetable oil in our financial year 2011, and the Allseeds oil transshipment terminal in Nikolayev, with annual oil throughput of 500,000 tons, will undoubtedly be an important asset in consolidating our oil export pipeline.

Altogether, Kernel has performed well throughout the second quarter to 31 December and, while the repeated construction delays at the new crushing plant are a drawback for the company, we are confident we shall not only reach but improve on our financial targets for the year.

Financial highlights for the 3-month period ending 31 December 2009

Revenue decreased 6,5% year-on-year, from USD 291.2 million for the 2nd quarter of financial year 2009 to USD 272.3 million for the 2nd quarter of financial year 2010;

Operating profit increased 7% year-on-year from USD 48.2 million for the 2nd quarter 2009, to USD 51.6 million for the 2nd quarter 2010;

Net profit increased 8% year-on-year, from USD 39.9 million for the 2nd quarter of financial year 2009 to USD 43.2 million for the 2nd quarter of the current financial year;

Available bank lines and trade finance facilities stand at USD 540 million, of which USD 400 million were utilized as of 31 December 2009;

Return on shareholders' equity: 42%

Production, sales & throughput tonnage for the 3-month period ending 31 December*

	Q2 FY2009	**Q2 FY2010**
Grain sales, tons	601 553	703 787
Sales of oil in bulk, tons	42 934	64 134
Bottled oil sales, in thousand liters	29 484	36 490
Sunflower seed crush, tons	199 649	269 564
Production of refined oil, tons	37 774	38 335
Production of bottled oil, tons	29 896	31 758
Grain terminal throughput, tons	897 101	1 095 860
Grain and oilseeds stored in inland silos, tons*	1 609 000	1 204 000

* Total grain and oilseeds tonnage stored in inland silos is provided for the period from 1 July

Review of financial results for the 3-month period ending 31 December 2009

Second quarter revenue was marginally lower compared to the same period of the previous financial year, as lower commodity prices for the 2nd quarter of the current year were compensated by higher volumes traded .

Gross profit for the Group increased from USD 88.6 million for the 2nd quarter of 2009 to USD 93,9 million for the 2nd quarter 2010, a 6% year-on-year increase in absolute terms. In relative terms, gross margin increased from 30% to 34%, driven primarily by a 50% growth in bulk oil sales and a 22% growth in grain terminal throughput.

Distribution costs and G&A expenses have remained flat year-on-year at USD 40 million and USD 7 million respectively.

Operating profit margin increased year-on-year from 17% to 19%. The difference between commercial and official exchange rates, which heavily impacted our 1st quarter results , has been relatively marginal over our 2nd quarter, allowing for our operating profit margin to return to levels achieved previously.

Financial expenses relative to turnover have decreased year-on-year from 5,3% in the second quarter of the previous financial year to 2,1% in the second quarter of the current financial year, largely as a result of a less restrictive cash management policy by the Company.

Net profit increased 8% year-on-year from USD 39.9 million for the 2nd quarter of 2009 to USD 43.2 million for the 2nd quarter 2010.

Highlighting some balance sheet items, inventories have increased from USD 100 million as of 31 December 2008 to USD 265 million as of 31 December 2009, due primarily to the continuous development of our crushing capacities. Taxes prepaid have increased from USD 56 million as of 31 December 2008 to USD 138 million on 31 December 2009 as a consequence of the increase in inventory, but also due to the slower rate of VAT refund.

As to cash flow, as is customary and expected in the first half of the financial year, we have operated with a negative operating cash flow in the 2nd quarter.

Segmental review

Bottled oil

Sales in volume terms have increased by 23.8% year-on-year, notwithstanding a difficult economic environment in Ukraine: while the average price of bottled oil has decreased by 11% year-on-year, the company has managed to maintain operating margin at 22% for the quarter and a 7% margin differential over bulk oil.

Bulk oil

Turnover in bulk oil sales has increased 19.7% year-on-year from USD 55.8 million to USD 66.8 million: though bulk oil deliveries increased by close to 50% year-on-year in volume terms, the lower average bulk oil price resulted in a relatively lower increase in sales. Operating margin for the quarter stands at 15.0%, versus 21% for the 2nd quarter of financial year 2009.

Grain

Turnover generated by the grain segment decreased year-on-year from USD 173.3 million to USD 151.9 million, reflecting lower prices in grain, partially compensated by a 17% year-on-year increase in volume of grain delivered over the quarter under review. Operating margin was 9,3%, down from 15.2% in the 2nd quarter of the previous year.

Silo services

Group silos stored a total of 1.2 million tons of grain and oilseeds as of 31 December 2009. Operating profit increased from USD 4 million for the 2nd quarter of financial year 2009, to USD 5.0 million for the 2nd quarter of the current year.

Segmental review(Continued)

Grain terminal (gain handling and transshipment services in port)

Total throughput through the terminal increased year-on-year from 0.9 million tons to 1.1 million tons, a 22% increase, and turnover from USD 17 million to USD 18 million for the quarter under review. Quarterly operating margin remains strong at 50.3%.

Farming

Farming turnover for the quarter increased year-on-year from USD 12.5 million to USD 21.5 million. Operating result increased from a USD 1.6 million loss for the 2nd quarter of financial year 2009, to USD 7.8 million operating profit for the 2nd quarter of the current year.

Outlook

With Kernel having achieved a strong performance over the first 2 quarters, we feel confident the company will post better yearly results than originally planned. In consideration of this, we improve our guidance for the current year as follows: while Revenue shall remain at USD 1,050 million, EBITDA is increased from USD 185 million to USD 195 million, and Net profit is increased from USD 130 million to USD 155 million.

Kernel Holding S.A. and Subsidiaries

Condensed Consolidated Financial Statements

For the 3 months ended 31 December 2009

TABLE OF CONTENTS

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 DECEMBER 2009

SELECTED FINANCIAL DATA AS AT 31 DECEMBER 2009(unaudited)
(in thousands unless otherwise stated)

		thousand USD		thousand PLN		thousand EUR	
	SELECTED FINANCIAL DATA	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	for the 3 months ended 31 December 2009						
I.	Revenue	272 269	291 202	769 786	833 653	184 252	220 825
II.	Operating profit(loss)	51 568	48 206	145 798	138 004	34 897	36 556
III.	Profit/(loss) before income tax	42 800	36 056	121 008	103 221	28 964	27 342
IV.	Net profit/(loss)	43 169	39 897	122 052	114 217	29 214	30 255
V.	Net cash flow from operating activity	(52 819)	111 113	(149 335)	318 094	(35 744)	84 259
VI.	Net cash flow from investment activity	(5 199)	(33 558)	(14 699)	(96 070)	(3 518)	(25 447)
VII.	Net cash flow from financial activity	55 319	(168 167)	156 403	(481 428)	37 436	(127 525)
VIII.	Total net cash flow	(2 699)	(90 612)	(7 631)	(259 404)	(1 826)	(68 713)
IX.	Total assets	904 837	600 800	2 579 057	1 779 449	627 792	426 493
X.	Current liabilities	287 635	200 621	819 846	594 199	199 566	142 417
XI.	Non-current liabilities	167 150	134 623	476 428	398 726	115 972	95 565
XII.	Issued capital	1 815	1 815	5 173	5 376	1 259	1 288
XIII.	Total equity	450 052	265 556	1 282 783	786 524	312 254	188 511
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)	0.63	0.65	1.77	1.86	0.42	0.49
XVI.	Diluted number of shares	69 213 500	68 741 000	69 213 500	68 741 000	69 213 500	68 741 000
XVII.	Diluted profit/(loss) per ordinary share (in USD/PLN/EUR)	0.62	0.65	1.76	1.86	0.42	0.49
XVIII.	Book value per share (in USD/PLN/EUR)	6.53	3.79	18.63	11.23	4.53	2.69
XIX.	Diluted book value per share (in USD/PLN/EUR)	6.49	3.79	18.50	11.23	4.50	2.69

On behalf of the Board

Andrey Verevskiy	Anastasiia Usachova
Chairman of the Board	CFO

The notes on pages 9 to 33 form an integral part of these condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

(in US dollars and in thousands unless otherwise stated)	Notes	31 December 2009	30 September 2009	30 June 2009	31 December 2008
		(unaudited)	(unaudited)	(audited)	(reviewed)
ASSETS					
CURRENT ASSETS:					
Cash		50 456	53 750	129 263	97 398
Trade accounts receivable, net		58 676	41 510	32 419	44 149
Prepayments to suppliers and other current assets, net		26 128	29 251	25 810	34 383
Taxes recoverable and prepaid, net		137 951	108 724	72 871	55 649
Inventory		264 909	204 636	99 086	100 067
Biological assets		3 707	1 935	18 932	5 269
Total current assets		**541 827**	**439 806**	**378 381**	**336 915**
NON-CURRENT ASSETS:					
Property, plant and equipment, net	5	252 690	242 229	221 770	190 486
Intangible assets, net	6	32 957	33 408	35 686	37 083
Goodwill		44 772	44 746	45 166	28 727
Other non-current assets		32 591	36 398	18 703	7 589
Total non-current assets		**363 010**	**356 781**	**321 325**	**263 885**
TOTAL ASSETS		**904 837**	**796 587**	**699 706**	**600 800**
LIABILITIES AND EQUITY					
CURRENT LIABILITIES:					
Trade accounts payable		14 805	28 215	7 539	7 962
Advances from customers and other current liabilities		23 674	21 407	25 806	22 572
Short-term borrowings	7	217 162	228 787	148 483	160 448
Short-term corporate bonds		-	-	1 993	1 957
Current portion of long-term borrowings		31 994	15 491	11 230	7 682
Total current liabilities		**287 635**	**293 900**	**195 051**	**200 621**
NON-CURRENT LIABILITIES:					
Long-term borrowings	8	142 246	74 084	121 369	102 878
Obligations under finance lease		9 280	10 321	11 491	11 717
Deferred tax liabilities	9	15 624	17 230	14 207	19 899
Other non-current liabilities		-	20	125	129
Total non-current liabilities		**167 150**	**101 655**	**147 192**	**134 623**
Equity attributable to Kernel Holding S.A. equity holders					
Issued 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
Revaluation reserve		11 260	11 260	-	-
Translation reserve		(162 307)	(168 185)	(162 163)	(188 650)
Retained earnings		321 843	278 753	239 601	170 685
Total equity attributable to Kernel Holding S.A. equity holders		**449 192**	**400 224**	**355 834**	**260 431**
Minority Interest		860	808	1 629	5 125
Total equity		**450 052**	**401 032**	**357 463**	**265 556**
TOTAL LIABILITIES AND EQUITY		**904 837**	**796 587**	**699 706**	**600 800**
Book value		449 192	400 224	355 834	260 431
Number of shares		68 741 000	68 741 000	68 741 000	68 741 000
Book value per one share (in USD)		6,53	5,82	5,18	3,79
Diluted number of shares		69 213 500	68 144 393	68 741 000	68 741 000
Diluted book value per share (in USD)		6,49	5,79	5,18	3,79

On behalf of the Board

Andrey Verevskiy ________________________ Anastasiia Usachova______________________
Chairman of the Board CFO

The notes on pages 9 to 33 form an integral part of these condensed consolidated financial statements

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE 3 MONTHS ENDED 31 DECEMBER 2009
(in US dollars and in thousands unless otherwise stated)

	3 months	6 months	3 months	6 months
	ended 31 December 2009		ended 31 December 2008	
CONTINUING OPERATIONS	(unaudited)	(unaudited)	(unaudited)	(reviewed)
REVENUE	272 269	512 524	291 202	662 505
COST OF SALES	(178 381)	(357 889)	(202 621)	(480 935)
GROSS PROFIT	**93 888**	**154 635**	**88 581**	**181 570**
OTHER OPERATIONAL INCOME	3 800	6 843	7 128	10 778
OPERATING EXPENSES:				
Distribution costs	(39 075)	(66 792)	(40 093)	(84 201)
General and administrative expenses	(7 045)	(12 444)	(7 410)	(14 628)
RESULT FROM OPERATING ACTIVITIES	**51 568**	**82 242**	**48 206**	**93 519**
Finance costs, net	(5 798)	(8 879)	(15 593)	(23 335)
Foreign exchange (loss)/gain, net	(2 482)	9 034	5 349	(11 339)
Other (expenses)/income, net	(488)	(789)	(1 906)	(386)
PROFIT/(LOSS) BEFORE INCOME TAX	**42 800**	**81 608**	**36 056**	**58 459**
INCOME TAX	369	733	3 841	4 664
PROFIT FROM CONTINUING OPERATIONS	**43 169**	**82 341**	**39 897**	**63 123**
NET PROFIT/(LOSS) ATTRIBUTABLE TO:				
Equity holders of Kernel Holding S.A.	43 090	82 242	44 629	66 632
Non-controlling interest	79	99	(4 732)	(3 509)
Net profit/(loss) attributable to equity holders of Kernel Holding S.A.	**43 090**	**82 242**	**44 629**	**66 632**
Number of shares	68 741 000	68 741 000	68 741 000	68 741 000
Profit/(loss) per ordinary share (in USD)	0,63	1,20	0,65	0,97
Diluted number of shares	69 213 500	69 213 500	68 741 000	68 741 000
Diluted profit/(loss) per ordinary share (in USD)	0,62	1,19	0,65	0,97

The notes on pages 9 to 33 form an integral part of these condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 3 MONTHS ENDED 31 DECEMBER 2009

	3 months ended 31 December 2009 (unaudited)	6 months ended 31 December 2009 (unaudited)	3 months ended 31 December 2008 (unaudited)	6 months ended 31 December 2008 (reviewed)
NET PROFIT	**43 169**	**82 341**	**39 897**	**63 123**
OTHER COMPREHENSIVE INCOME				
Exchange differences on translating foreign operations	5 878	(157)	(189 356)	(201 946)
Gain on property revaluation	-	15 154	-	-
Income tax related to components of other comprehensive income	-	(3 789)	-	-
OTHER COMPREHENSIVE INCOME NET	**5 878**	**11 208**	**(189 356)**	**(201 946)**
TOTAL COMPREHENSIVE INCOME	**49 047**	**93 549**	**(149 459)**	**(138 823)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity holders of Kernel Holding S.A.	48 973	93 363	(143 678)	(134 252)
Non-controlling interest	74	186	(5 781)	(4 571)

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
CFO

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 3 MONTHS ENDED 31 DECEMBER 2009

(in US dollars and in thousands unless otherwise stated)

	Attributable to Kernel Holding S.A. shareholders								
	Issue capital	Share premium reserve	Additional paid-in capital	Retained earnings	Revaluation surplus	Translation reserve	Total	Minority interest	Total equity
Balance at 31 December 2008	**1 815**	**236 637**	**39 944**	**170 685**	**-**	**(188 650)**	**260 431**	**5 125**	**265 556**
Profit for the period	-	-	-	47 216	-	-	47 216	(44)	**47 172**
Other comprehensive income	-	-	-	-	-	4 713	4 713	27	**4 740**
Total comprehensive income for the period	**-**	**-**	**-**	**47 216**	**-**	**4 713**	**51 929**	**(17)**	**51 912**
Effect of changes on minority interest	-	-	-	-	-	-	-	(2 474)	**(2 474)**
Balance at 31 March 2009	**1 815**	**236 637**	**39 944**	**217 901**	**-**	**(183 937)**	**312 360**	**2 634**	**314 994**
Profit for the period	-	-	-	21 700	-	-	21 700	(2)	**21 698**
Other comprehensive income	-	-	-	-	-	21 774	21 774	1 0	**21 784**
Total comprehensive income for the period	**-**	**-**	**-**	**21 700**	**-**	**21 774**	**43 474**	**8**	**43 482**
Effect of changes on minority interest	-	-	-	-	-	-	-	(1 013)	**(1 013)**
Balance at 30 June 2009	**1 815**	**236 637**	**39 944**	**239 601**	**-**	**(162 163)**	**355 834**	**1 629**	**357 463**
Profit for the period	-	-	-	39 152	-	-	39 152	20	**39 172**
Other comprehensive income	-	-	-	-	11 260	(6 022)	5 238	92	**5 330**
Total comprehensive income for the period	**-**	**-**	**-**	**39 152**	**11 260**	**(6 022)**	**44 390**	**112**	**44 502**
Effect of changes on minority interest	-	-	-	-	-	-	-	(933)	**(933)**
Balance at 30 September 2009	**1 815**	**236 637**	**39 944**	**278 753**	**11 260**	**(168 185)**	**400 224**	**808**	**401 032**
Profit for the period	-	-	-	43 090	-		43 090	79	**43 169**
Other comprehensive income	-	-	-	-	-	5 878	5 878	-	**5 878**
Total comprehensive income for the period	**-**	**-**	**-**	**43 090**	**-**	**5 878**	**48 968**	**79**	**49 047**
Effect of changes on minority interest	-	-	-	-	-	-	-	(27)	**(27)**
Balance at 31 December 2009	**1 815**	**236 637**	**39 944**	**321 843**	**11 260**	**(162 307)**	**449 192**	**860**	**450 052**

On behalf of the Board

Andrey Verevskiy ____________________ Anastasiia Usachova____________________
Chairman of the Board CFO

The notes on pages 9 to 33 form an integral part of these condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE 3 MONTHS ENDED 31 DECEMBER 2009 (unaudited)

(in US dollars and in thousands unless otherwise stated)	3 months	6 months	3 months	6 months
	ended 31 December 2009		ended 31 December 2008	
	(unaudited)	(unaudited)	(unaudited)	(reviewed)
OPERATING ACTIVITIES:				
Profit/(loss) before income tax	42 800	81 608	36 056	58 459
Adjustments to reconcile profit before income tax to net cash used				
Amortization and depreciation	4 805	9 895	6 030	12 885
Finance costs	5 798	8 879	15 593	23 335
Bad debt expenses and other accruals	111	195	1 110	626
Loss/(gain) on disposal of property, plant and equipment	284	235	(11)	(288)
Non-operating foreign exchange loss/(gain), net	1 014	6 387	4 768	4 770
Income from “DAK asset”	-	-	174	174
Gain on sales of equity investments	(640)	(640)	-	-
Operating profit before working capital changes	**54 172**	**106 559**	**63 720**	**99 961**
Changes in working capital:				
Decrease/(increase) in trade accounts receivable	(15 885)	(26 368)	1 429	3 450
Decrease/(increase) in prepayments and other current assets	(4 201)	(9 298)	3 200	(14 958)
Decrease/(increase) in restricted cash balance	595	24 376	46 297	(13 986)
Decrease/(increase) in taxes recoverable and prepaid	(29 853)	(65 706)	9 399	(32 591)
Decrease/(increase) in biological assets	(1 772)	15 225	(2 473)	37 176
Decrease/(increase) in inventories	(41 964)	(161 422)	30 726	(1 526)
Increase/(decrease) in trade accounts payable	(13 287)	7 389	(2 923)	2 364
Increase/(decrease) in advances from customers and other current liabilities	5 448	1 034	(21 608)	(5 292)
Cash obtained from/(used in) operations	**(46 747)**	**(108 211)**	**127 767**	**74 598**
Finance costs paid	(5 798)	(8 879)	(15 593)	(23 335)
Income tax paid	(274)	(456)	(1 061)	(1 409)
Net cash provided by/(used in)operating activities	**(52 819)**	**(117 546)**	**111 113**	**49 854**
INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	(10 281)	(19 715)	(32 040)	(35 478)
Proceeds from disposal of property, plant and equipment	128	168	(99)	2 595
Sales/(Purchase) of intangible and other non-current assets	3 527	(14 184)	(1 419)	(1 012)
Acquisition of Subsidiaries	-	-	-	(5 825)
Disposal of Subsidiaries	586	586	-	-
Effect of changes on minority interest	841	-	-	-
Net cash used in investing activities	**(5 199)**	**(33 145)**	**(33 558)**	**(39 720)**
FINANCING ACTIVITIES:				
Proceeds from short-term and long-term borrowings	70 537	463 254	138 998	424 531
Repayment of short-term and long-term borrowings	(14 738)	(361 146)	(251 805)	(380 938)
Corporate bonds issued/(repaid)	-	(1 993)	(23 773)	(29 027)
Net cash provided by financing activities	**55 799**	**100 115**	**(136 580)**	**14 566**
TRANSLATION ADJUSTMENT	(480)	(3 855)	(31 587)	(29 818)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2 699)	(54 431)	(90 612)	(5 118)
CASH AND CASH EQUIVALENTS, at the beginning of the period	**46 340**	**98 072**	**144 307**	**58 813**
CASH AND CASH EQUIVALENTS, at the end of the period	**43 641**	**43 641**	**53 695**	**53 695**

On behalf of the Board

Andrey Verevskiy ________________________ Anastasiia Usachova______________________
Chairman of the Board CFO

The notes on pages 9 to 33 form an integral part of these condensed consolidated financial statements

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 31 DECEMBER 2009 (unaudited)
(in US dollars and in thousands unless otherwise stated)

1. KEY DATA BY OPERATING SEGMENT FOR THE 3-MONTH PERIOD ENDED 31 DECEMBER 2009 (unaudited)

	Bottled sunflower oil	Sunflower oil in bulk	*Grain handling and transshipment services*	Farming	Grain	Silo services	Other	Reconciliation	Continuing Operations
Revenue (external)	35 860	66 813	10 576	953	151 892	6 300	(125)	-	**272 269**
Intersegment sales	-	-	7 477	20 594	-	4 606	-	(32 677)	**-**
Total	**35 860**	**66 813**	**18 053**	**21 547**	**151 892**	**10 906**	**(125)**	**(32 677)**	**272 269**
Other operating income	-	284	(34)	3 258	15	41	236	-	**3 800**
Operating profit (EBIT)	**7 926**	**10 034**	**9 089**	**7 810**	**14 064**	**5 022**	**(2 377)**	**-**	**51 568**
Finance costs net									**(5 798)**
Foreign exchange (loss)/gain, net									**(2 482)**
Other (expenses)/ income, net									**(488)**
Income tax									**369**
Net profit									**43 169**
Total assets	**154 954**	**272 972**	**111 596**	**49 976**	**193 368**	**51 945**	**70 026**	**-**	**904 837**
Capital expenditures	150	39 385	227	235	219	855	585	-	**41 656**
Amortization and depreciation	630	572	794	2 229	45	341	194	-	**4 805**
Liabilities	4 799	8 494	811	1 213	10 786	4 019	424 663	-	**454 785**

During the 3-month period ended 31 December 2009 none of the Group's customers accounted for more than 10% of the total external revenue. During the 3-month period ended 31 December 2009 export sales amounted to 78 % of total external sales revenue.

1. KEY DATA BY OPERATING SEGMENT (CONTINUED) FOR THE 3-MONTH PERIOD ENDED 31 DECEMBER 2008 (unaudited)

	Bottled sunflower oil	Sunflower oil in bulk	*Grain handling and transshipment services*	Farming	Grain	Silo services	Other	Reconciliation	Continuing Operations
Revenue (external)	31 426	55 792	7 942	1 313	173 291	9 093	12 345	-	**291 202**
Intersegment sales	-	-	9 053	11 207	-	2 157	-	(22 417)	**-**
Total	**31 426**	**55 792**	**16 995**	**12 520**	**173 291**	**11 250**	**12 345**	**(22 417)**	**291 202**
Other operating income	490	1 113	896	2 541	1 275	136	677	-	**7 128**
Operating profit (EBIT)	**9 330**	**11 835**	**7 655**	**(1 565)**	**26 300**	**4 021**	**(9 370)**	**-**	**48 206**
Finance costs, net									**(15 593)**
Foreign exchange (loss)/gain, net									**5 349**
Other (expenses)/ income, net									**(1 906)**
Income tax									**3 841**
Net profit									**39 897**
Total assets	**109 939**	**103 735**	**87 005**	**60 379**	**178 510**	**43 491**	**17 741**	**-**	**600 800**
Capital expenditures	8 312	8 451	1 450	10 444	3 354	2 440	-	-	**34 451**
Amortization and depreciation	1 727	1 097	1 061	1 535	481	483	(354)	-	**6 030**
Liabilities	3 346	4 957	918	1 654	5 705	7 427	311 237	-	**335 244**

During the 3-month period ended 31 December 2008 two European customers, buyers of grains and sunflower oil in bulk accounted for 10,8% and 12,2% respectively of total external revenue.During the 3-month period ended 31 December 2008 export sales amounted to 74 % 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 31 December 2009, 30 September 2009 and 31 December 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		
			31 December 2009	30 September 2009	31 December 2008
"Kernel-Capital", LLC	Holding company for grain elevators and other Subsidiaries in Ukraine.	Ukraine	99.9%	99.9%	100%
"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	100%
Inerco Trade S.A.	Trade of sunflower oil, meal and grain.	Switzerland	100%	100%	99.0%
Inerco Commodities S.A.		Switzerland	100%	100%	N/A
Restomon LTD		British Virgin Islands	100%	100%	N/A
Lanen S.A.		Panama	100%	100%	100%
"Kernel-Trade", LLC		Ukraine	100%	100%	100%
Jerste BV	Holding company	Netherlands	100%	100%	100%
CJSC "Poltava oil crushing plant — Kernel Group"	Production plants. Production of sunflower oil and meal.	Ukraine	98.2%	98.2%	95.2%
JSC "Vovchansk OEP"		Ukraine	99.4%	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	0.0%
"Bandurskiy oil crushing plant ", LLC		Ukraine	100%	100%	100%
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	Disposed of on 30 June 2009	Disposed of on 30 June 2009	100%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			31 December 2009	30 September 2009	31 December 2008
CJSC "Reshetylivka Hliboproduct"		Ukraine	100%	100%	100%
JSC "Reshetilovski elevator"		Ukraine	Disposed of on 06 August 2009	Disposed of on 06 August 2009	0.0%
CJSC "Horol-Elevator"		Ukraine	100%	100%	100%
JSC "Horolskiy elevator"		Ukraine	Disposed of on 06 August 2009	Disposed of on 06 August 2009	0.0%
CJSC "Mirgorodsky elevator"		Ukraine	100%	100%	100%
CJSC "Globynsky elevator HP"		Ukraine	100%	100%	100%
"Globinsky elevator kliboproduktiv", LLC		Ukraine	Disposed of on 06 August 2009	Disposed of on 06 August 2009	0.0%
JSC "Poltavske khlibopriemalne pidpriemstvo"	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	88.2%	88.2%	88.2%
"Galeschina-Agro", LLC		Ukraine	Disposed of on 18 December 2009	99.9%	99.9%
"Gogoleve-Agro", LLC		Ukraine	99.9%	99.9%	99.9%
"Sagaydak-Agro", LLC		Ukraine	100%	100%	100%
"Karlivka-Agro", LLC		Ukraine	99.9%	99.9%	99.9%
CJSC "Lazorkovski Elevator"		Ukraine	99.9%	99.9%	99.9%
"Zherebkivsky elevator ", LLC		Ukraine	99.9%	99.9%	99.9%
"Kononivsky elevator ", LLC		Ukraine	99.9%	99.9%	99.9%
CJSC "Semenivski elevator"		Ukraine	99.9%	99.9%	100%
"Kobelyaki hleboproduct", LLC		Ukraine	100%	100%	100%
CJSC "Vlasivskiy KHP"		Ukraine	Control relinquished	Control relinquished	In process of liquidation
"Sahnovshina hleboproduct", LLC		Ukraine	100%	100%	100%
"Velykoburlutske HPP", LLC		Ukraine	100%	100%	100%

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			31 December 2009	30 September 2009	31 December 2008
CJSC "Gutnansky elevator"	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services.	Ukraine	100%	100%	100%
"Lykhachivsky KHP", LLC		Ukraine	100%	100%	100%
CJSC "Shevchenkisky KHP"		Ukraine	100%	100%	100%
"Orilske HPP", LLC		Ukraine	Disposed of on 28 October 2009	100%	100%
"Kovyagivske KHP", LLC		Ukraine	100%	100%	100%
"Viktorovsky elevator, LLC		Ukraine	100%	100%	N/A
CJSC "Poltavaavtotransservis"	Trucking company.	Ukraine	99.9%	99.9%	100%
"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	Disposed of on 06 August 2009	Disposed of on 06 August 2009	0.0%
"Agrofirma "Arshitsa", LLC		Ukraine	100%	100%	100%

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

Subsidiary	Principal Activity	Country of Incorporation	Group's Effective Ownership Interest as of		
			31 December 2009	30 September 2009	31 December 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%

In August 2009 "Bandurskiy elevator", LLC was renamed "Bandurskiy oil crushing plant ", LLC.

These consolidated financial statements were authorized for issue by the Board of Directors of Kernel Holding S.A. on 12 February 2010.

3. CHANGE IN ISSUED CAPITAL

Since 15 June 2005 the holding company of the Group is Kernel Holding S.A. (Luxembourg) (the "Holding"), whose issued capital as of 31 December 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 31 December 2008 – 68,741,000 shares).

The shares were distributed as follows:

EQUTY HOLDERS	Shares allotted and fully paid as of	Share owned as of	Shares allotted and fully paid as of	Share owned as of
	31 December 2009		31 December 2008	
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the "Majority Equity holder")	37 074 250	53.93%	40 574 250	59.03%
Free-float	31 666 750	46.07%	28 166 750	40.97%
Total	**68 741 000**	**100.00%**	**68 741 000**	**100.00%**

As of 31 December 2009 and 2008 100% of the beneficial interest in the “Majority Equity holder” 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 issued capital. This reserve of an amount of USD 125 thousand as of 31 December 2009, unchanged from 31 December 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 31 December 2009. The Group has adopted IFRS 8 Operating Segments in advance of its effective date, with effect from 1 July 2008. From 1 July 2009 the Group has adopted IAS 1 Presentation of Financial Statements (Revised). The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: presenting all items of income and expense recognized in the income statement, together with all other items of recognized income and expense, either in one single statement, or in two linked statements. The Group has chosen to present two statements.

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, - Starting from 01 January 2007, and in accordance with the resolution of the shareholders dated 31 July 2007, the measurement currency of Kernel Holding S.A. 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, Restomon LTD (British Virgin Islands), Inerco Commodities S.A. (Switzerland) and Etrecom(Cyprus). Management has utilized USD as the measurement currency for Inerco Trade SA, Lanen SA, Estron Corporation Ltd, Chorex Developments Limited, Hamalex Developments LTD, Restomon LTD and Inerco Commodities S.A. 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. Starting from 01 July 2009 Management adopted USD as the measurement currency of:"Kernel-Trade" LLC, , based on IAS No. 21 as the 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.

CJSC "Poltava oil crushing plant — Kernel Group", JSC "Vovchansk OEP" and CJSC "Prykolotne OEP" under IAS 21 as the activities of these subsidiaries are carried out with limited degree of autonomy.

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

Basis of Consolidation - The consolidated financial statements incorporate the consolidated financial statements of the Holding and companies controlled by the Group ("its Subsidiaries") made up as of 31 December 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.

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

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

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

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

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

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

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

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

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

Currency	Closing rate as of 31 December 2009	Average rate for the 3 months ended 31 December 2009	Average rate for the 6 months ended 31 December 2009	Closing rate as of 31 December 2008	Average rate for the 3 months ended 31 December 2008	Average rate for the 6 months ended 31 December 2008
USD/UAH	7.9850	7.9907	7.9033	7.7000	6.2117	5.5293
USD/EUR	0.6938	0.6767	0.6883	0.7099	0.7583	0.7152
USD/PLN	2.8503	2.8273	2.8832	2.9618	2.8628	2.5322

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

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

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

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

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

Loans - Loans provided by the Group are financial assets, created by means of grant of money directly to a borrower or participating in provision of credit services, not including 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 at a rate and on terms which are different from market terms and conditions, the difference between the par value of the resources provided and the fair value of the amount lent is reflected in the income statement in the period, when such amount was lent, as an adjustment to the loan amount. 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. Loans provided are reflected in the 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 issued 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 issued capital, are accounted for at fair value or at cost of acquisition, if the fair value of investments cannot be determined. Management periodically assesses the carrying values of such investments and provides allowances for impairment, if necessary. As of 31 December 2009 and 2008 there were no investments in non-consolidated subsidiaries and associates.

Issued 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 issued capital - When issued 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.

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

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

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

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

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

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

Property, Plant and Equipment - Buildings and constructions (oil) and production machinery and equipment (oil), are shown at fair value, based on periodic, valuations by external independent appraisal, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. Except for land, all other property, plant and equipment is stated at historical cost less 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.

Increases in the carrying amount arising on revaluation of buildings (oil) and production machinery and equipment (oil) are recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus.

Decreases that offset previous increases of the same asset are charged against other reserves directly in equity; all other decreases are charged to the income statement. Decreases in the carrying amount as a result of a revaluation are recognized in profit or loss. However, the decrease is recognized in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognized in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

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
Other fixed assets	4-20 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.

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

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.

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.

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

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

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

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

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

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

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 transshipment 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 in compliance with IFRS.

In the financial statements as of 31 December 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 6 months ended 31 December 2009:

	Oil	Grain terminal	Farming	Inland silos	Other	Total
Net Book Value as at 30 June 2009	**108 467**	**61 476**	**24 137**	**20 456**	**7 234**	**221 770**
Land	700	-	2	678	-	1 380
Buildings and Constructions	34 013	5 796	5 868	16 022	2 162	63 861
Production machinery and equipment	21 475	55 648	400	2 979	3	80 505
Agricultural vehicles and equipment	121	-	17 800	75	-	17 996
Other fixed assets	-	-	-	-	5 054	5 054
CIP and uninstalled equipment	52 158	32	67	702	15	52 974
Additions	**66 699**	**169**	**396**	**1 577**	**2 857**	**71 698**
Land	-	-	-	-	46	46
Buildings and Constructions	9 794	10	114	219	1 010	11 147
Production machinery and equipment	7 188	-	-	807	-	7 995
Agricultural vehicles and equipment	-	-	93	-	-	93
Other fixed assets	-	-	-	-	1 455	1 455
CIP and uninstalled equipment	49 717	159	189	551	346	50 962
Disposals (at NBV)	**(25 610)**	**(158)**	**(280)**	**(1 615)**	**(451)**	**(28 114)**
Buildings and Constructions	(943)	-	(11)	(374)	-	(1 328)
Production machinery and equipment	(445)	-	(43)	(137)	-	(625)
Agricultural vehicles and equipment	-	-	(36)	-	-	(36)
Other fixed assets	-	-	-	-	(106)	(106)
CIP and uninstalled equipment	(24 222)	(158)	(190)	(1 104)	(345)	(26 019)
Depreciation expense	**(2 778)**	**(1 537)**	**(2 612)**	**(580)**	**(593)**	**(8 100)**
Buildings and Constructions	(1 232)	(61)	(492)	(393)	(79)	(2 257)
Production machinery and equipment	(1 545)	(1 476)	(39)	(179)	-	(3 239)
Agricultural vehicles and equipment	(1)	-	(2 081)	(8)	-	(2 090)
Other fixed assets	-	-	-	-	(514)	(514)

5. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

	Oil	Grain terminal	Farming	Inland silos	Other	Total
Translation difference	**(2 343)**	**(7)**	**(415)**	**(948)**	**(851)**	**(4 564)**
Land	-	-	-	(30)	-	(30)
Buildings and Constructions	(106)	(5)	(257)	(706)	(32)	(1 106)
Production machinery and equipment	(41)	-	(17)	(137)	(3)	(198)
Agricultural vehicles and equipment	(97)	-	(125)	(3)	-	(225)
Other fixed assets	-	-	-	-	(816)	(816)
CIP and uninstalled equipment	(2 099)	(2)	(16)	(72)	-	(2 189)
Net Book Value as at 31 December 2009	**144 435**	**59 943**	**21 226**	**18 890**	**8 196**	**252 690**
Land	700	-	2	648	46	1 396
Buildings and Constructions	41 526	5 740	5 222	14 768	3 061	70 317
Production machinery and equipment	26 632	54 172	301	3 333	-	84 438
Agricultural vehicles and equipment	23	-	15 651	64	-	15 738
Other fixed assets	-	-	-	-	5 073	5 073
CIP and uninstalled equipment	75 554	31	50	77	16	75 728

6. INTANGIBLE ASSETS, NET

The following table represents movements in intangible assets for the 6 months ended 31 December 2009 and 2008:

Cost as of 30 June 2009	**41 039**	**Cost as of 30 June 2008**	**59 502**
Additions from acquisition of Subsidiaries	-	Additions from acquisition of Subsidiaries	2 252
Additions	221	Additions	1 012
Disposals	(95)	Disposals	(2)
Translation difference	(1 835)	Translation difference	(22 794)
Cost as of 31 December 2009	**39 330**	**Cost as of 31 December 2008**	**39 970**
Accumulated depreciation as of 30 June 2009	**(5 353)**	**Accumulated depreciation as of 30 June 2008**	**(1 421)**
Amortization charge	(1 795)	Amortization charge	(2 794)
Disposals	12	Disposals	-
Translation difference	763	Translation difference	1 328
Accumulated depreciation as of 31 December 2009	**(6 373)**	**Accumulated depreciation as of 31 December 2008**	**(2 887)**
Net book value as of 31 December 2009	**32 957**	**Net book value as of 31 December 2008**	**37 083**

Included in intangible assets of Subsidiaries are the "Schedry Dar", "Stozhar", "Zolota" and "Domashnya" trademarks with the value of USD 4,571 thousand, USD 5,935 thousand, USD 8,404 thousand and USD 182 thousand respectively. These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market. As of 31 December 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 31 December 2009 and 31 December 2008 were as follows:

	31 December 2009	31 December 2008
Bank credit lines	215 055	159 173
Interest accrued on short-term credits	398	907
Interest accrued on long-term credits	1 709	368
Total	**217 162**	**160 448**

The balances of short-term borrowings as of 31 December 2009 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian subsidiary of European bank	11.25%	USD	July 2010	7 890
European bank	Libor + 4.0%	USD	August 2010	15 000
European bank	Libor + 2%	USD	July 2010	87 165
European bank	Libor + 5%	USD	August 2010	105 000
Total bank credit lines				**215 055**
Interest accrued on short-term loans				398
Interest accrued on long-term loans				1 709
Total				**217 162**

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

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 2.6%	USD	July 2009	29 000
European bank	Libor + 2.2%	USD	July 2009	2 497
European bank	Libor + 2.75%	USD	July 2009	50 000
European bank	Libor + 2.75%	USD	August 2009	2 597
Ukrainian subsidiary of European bank	Libor + 2 %	USD	July 2009	12 542
Ukrainian subsidiary of European bank	Libor + 4.5 %	USD	September 2009	1 737
Ukrainian subsidiary of European bank	7.8%	USD	June 2009	30 400
Ukrainian subsidiary of European bank	15%	USD	May 2009	30 400
Total bank credit lines				**159 173**
Interest accrued on short-term loans				907
Interest accrued on long-term loans				368
Total				**160 448**

As of 31 December 2009 the overall maximum credit limit for short-term bank credit lines amounted to USD 334,600 thousand (as of 31 December 2008 USD 701,948 thousand).

As of 31 December 2009 and 2008 short-term loans from banks were secured as follows:

Assets pledged	**31 December 2009**	**31 December 2008**
Cash	-	30 400
Inventories	184 640	60 770
Property, plant and equipment (Note 5)	6 992	542
Total	**191 632**	**91 712**

7. SHORT-TERM BORROWINGS (CONTINUED)

In August 2009 Kernel Trade LLC signed a loan agreement with a syndicate of European banks for a total amount of USD 170,000 thousand. The loan to Kernel Trade LLC is secured by guarantees provided by Kernel-Capital, CJSC "Volchanskiy oil extraction plant" LLC “Prikolotnjansky oil extraction plant” LLC and CJSC “Poltava Oil Crushing Plant – Kernel Group”.

8. LONG-TERM BORROWINGS

The balances of long-term borrowings as of 31 December 2009 and 2008 were as follows:

	31 December 2009	31 December 2008
Long-term bank loans	174 240	110 560
Current portion of long-term borrowings	(31 994)	(7 682)
Total	**142 246**	**102 878**

Long-term bank loans

The balances of long-term borrowings as of 31 December 2009 were as follows:

	Interest rate	Currency	Maturity	Amount due
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	37 127
European bank	Libor + 3.75%	USD	September 2013	17 236
European bank	Libor + 3.52%	USD	2015	34 877
European bank	Libor + 6.75%	USD	September 2012	40 000
European bank	Libor + 5.75%	USD	July 2011	45 000
Total				**174 240**

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

	Interest rate	Currency	Maturity	Amount due
Ukrainian subsidiary of European bank	11.25%	USD	July 2010	51 750
Ukrainian subsidiary of European bank	Libor+5%	USD	November 2013	44 810
European bank	Libor + 3.52%	USD	2015	14 000
Total				**110 560**

Long-term loans from Ukrainian banks as of 31 December 2009 included credit lines from two banks with the overall maximum credit limit of USD 195,000 thousand (as of 31 December 2008 USD 162,750 thousand).

Assets pledged	31 December 2009	31 December 2008
Cash	1 575	-
Property, plant and equipment (Note 5)	205 136	114 402
Intangible assets (Note 6)	5 935	6 155
Controlling stakes in Subsidiaries	Not quantifiable	Not quantifiable
Total	**212 646**	**120 557**

8. LONG-TERM BORROWINGS (CONTINUED)

In addition, controlling stakes in the following Subsidiaries were pledged to secure the long-term bank loans of the Group as of 31 December 2009 and 2008:

Name of Subsidiary, in which a stake was pledged	
31 December 2009	**31 December 2008**
CJSC "Poltava oil crushing plant-Kernel Group"	CJSC "Poltava oil crushing plant-Kernel Group"
CJSC "Reshetylivka Hliboproduct"	CJSC "Reshetylivka Hliboproduct"
LLC "Globynsky elevator HP"	CJSC "Globynsky elevator HP"
CJSC "Gutnansky elevator"	CJSC "Orilske HPP"
JSC "Poltavske khlibopriemalne pidpriemstvo"	CJSC "Gutnansky elevator"
CJSC "Prykolotne OEP"	JSC "Poltavske khlibopriemalne pidpriemstvo"
LLC "Velykoburlutske HPP"	CJSC "Prykolotne OEP"
CJSC "Shevchenkisky KHP"	CJSC "Velykoburlutske HPP"
LLC "Kovyagivske KHP"	CJSC "Shevchenkisky KHP"
CJSC "Poltavaavtotransservis"	CJSC "Kovyagivske KHP"
LLC "Bandurskiy oil crushing plant "	CJSC "Poltavaavtotransservis"
	LLC "Bandurskiy elevator"

9. INCOME TAX

As of 31 December 2009 and 2008 the major components of deferred tax assets and liabilities were as follows:

	31 December 2009	31 December 2008
Deferred tax assets arising from:		
Valuation of advances from customers	6 696	5 087
Tax losses carried forward	1 058	570
Valuation of accounts receivable	434	395
Valuation of property, plant and equipment	727	161
Valuation of intangible assets	191	125
Valuation of inventories	1	9
Valuation of accrued expenses and other temporary differences	305	202
Deferred tax asset	**9 412**	**6 549**
Less: valuation allowance	-	(282)
Net deferred tax asset after valuation allowance	**9 412**	**6 267**
Deferred tax liability arising from:		
Valuation of property, plant and equipment	(14 371)	(16 539)
Valuation of prepayments to suppliers and prepaid expenses	(8 373)	(7 070)
Valuation of intangible assets	(2 277)	(2 538)
Valuation of inventories	(2)	(10)
Valuation of accounts receivable	(4)	-
Valuation of financial investments	(9)	(9)
Deferred tax liability	**(25 036)**	**(26 166)**
Net deferred tax liability	**(15 624)**	**(19 899)**

9. INCOME TAX (CONTINUED)

As of 31 December 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 31 December 2009 and 2008.

The components of income tax expense for the 3 months ended 31 December 2009 and 31 December 2008 were as follows:

	31 December 2009	31 December 2008
Current income tax expenses	(274)	(2 097)
Deferred tax benefit/(expense)	643	5 938
Income tax benefit/(expenses)	**369**	**3 841**

The income tax charge for the 3 months ended 31 December 2009 and 2008 is reconciled to the profit before income tax per consolidated income statement as follows:

	31 December 2009	31 December 2008
Profit/(loss) before income tax:	42 800	36 056
Tax at the statutory income tax rate in Ukraine of 25%	(10 700)	(9 014)
Expenditures not allowable for income tax purposes and non-taxable income, net	11 033	12 489
Change in valuation allowance	36	366
Income tax benefit /(expenses)	**369**	**3 841**

10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The following entities were disposed of during the 3 months ended 31 December 2009:

Subsidiary	Principal Activity	Country of Incorporation
"Orilske HPP", LLC	Grain elevators. Provision of cleaning, drying and grain and oilseed storage services	Ukraine
"Galeschina-Agro", LLC		Ukraine

Subsidiaries, which have been disposed of, had been previously fully consolidated.

10. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)

Fair value of assets, liabilities and contingent liabilities disposed of during the 3 months ended 31 December 2009 was as follows:

Assets disposed of, net:	
Cash	3
Trade accounts receivable	81
Prepayments to suppliers and other current assets, net	4 460
Taxes recoverable and prepaid, net	626
Trade payables	(123)
Other non-current liabilities	(1)
Advances from customers and other current liabilities	(4 497)
Deferred tax liabilities	(129)
Fair value of assets of Subsidiaries disposed of, net	**420**
Minority interest of Subsidiaries disposed of	-
Fair value of assets disposed of, net	**420**
Gain on disposal of Subsidiaries	**640**
Total cash consideration received	**1060**
Less: cash from assets disposed of, net	(3)
Less: accounts receivable for Subsidiaries disposed of	(471)
Net cash inflow from Subsidiaries disposed of	**586**

The Group consolidated the financial statements of "Orilske HPP", LLC", "Galeschina-Agro", LLC due to the fact that equity holders holding a majority share of the voting rights in these Subsidiaries are related parties of the Group.

Starting with the 3-month period ended 31 December 2009, as a result of the optimization process of its legal structure, the Group relinquished on 28 October and 18 December 2009 operational control of the companies mentioned above and does not consolidate them further.

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 31 December 2009 and 2008:

	Related party balances as of	Total category as per consolidated balance sheet as of	Related party balances as of	Total category as per consolidated balance sheet as of
	31 December 2009		31 December 2008	
Prepayments to suppliers and other current assets, net	7 189	26 128	7 472	34 383
Trade accounts receivable, net	471	58 676	1 571	44 149
Other non-current assets	26 863	32 591	-	7 589
Trade accounts payable	7	14 805	12	7 962

Transactions with related parties for the 3-month period ended 31 December 2009 and 2008 were as follows:

	Amount of operations with related parties, for the	Total category per consolidated income statement for the	Amount of operations with related parties, for the	Total category per consolidated income statement for the
	3 months ended 31 December 2009		3 months ended 31 December 2008	
Cost of sales	(51)	(178 381)	-	(202 621)
General, administrative and distribution expenses	(2)	(46 120)	(415)	(47 503)
Finance costs	-	(5 798)	(876)	(15 593)
Other income/(expenses)	25	(488)	(375)	(1 906)

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 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.

12. COMMITMENTS AND CONTINGENCIES (CONTINUED)

As of 31 December 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 31 December 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 31 December 2009 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 13,7 million for supply of equipment and services required for the new solvent extraction plant under construction and for a total amount of USD 2,6 million for supply of equipment and services required for construction of the new silo.

As of 31 December 2008 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 12 million for supply of equipment and services required for the new solvent extraction plant under construction, and for a total amount of USD 5 million for supply of equipment and services required for increase in production capacity at CJSC "Poltava oil crushing plant-Kernel Group".

Contractual Commitments on Sales - As of 31 December 2009 the Group had entered into commercial contracts for export of 645 thousand tons of grain and 288 thousand tons of sunflower oil and meal, corresponding to an amount of USD 124,630 thousand and USD 124,129 thousand respectively in prices as of 31 December 2009.

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

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

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

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

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

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

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

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

14. DESCRIPTION OF SIGNIFICANT EVENTS FOR THE 3-MONTH PERIOD ENDED 31 DECEMBER 2009

On 19 November 2009, Namsen Limited, the majority and controlling shareholder of Kernel Holding S.A. and the investment vehicle of Andrey Verevskiy, Chairman of the Board of Kernel Holding S.A., sold 3,500,000 shares in Kernel Holding S.A., each share representing one vote, , bringing the total shareholding of Namsen Limited from 40,574,250 shares prior to the sale, to 37,074,250 shares following the transaction, such shareholding, post transaction, being equivalent to 53.93% of total shares outstanding.

15. SUBSEQUENT EVENTS

On 13 of January 2010 Kernel Holding S.A. entered into a call option agreement, providing Kernel the right to acquire a controlling interest in the Allseeds group of companies (“Allseeds”). Allseeds is operating mainly in Ukraine in the production and export of vegetable oil. The production assets of Allseeds are crushing plants, grain silos and an oil transshipment and export terminal, all located in Ukraine. Kernel shall pay a cash consideration of USD 42 million for such controlling interest, subject to the Antimonopoly Committee of Ukraine’s approval of the transaction and subject to Kernel’s agreement to the result and findings of the due diligence presently in process.

Following the call option agreement signed on 13 of January 2010 to acquire a controlling interest in Allseeds, Kernel has provided minority shareholders, on 18 of January 2010, a binding offer (the “Offer”) to acquire a 37.6% minority shareholders interest in Allseeds, subject to the Antimonopoly Committee of Ukraine’s approval (“AMC approval”) of the whole transaction. The Offer is based on a USD 222 million enterprise value for Allseeds, equivalent to the valuation agreed with the majority shareholders for a controlling interest in Allseeds. Kernel will pay a basis of USD 28 million for the minority shareholders’ 37.6% interest in Allseeds, in cash installments and subject to the following adjustments: a first adjustment option offered to the minority shareholders provides for adjustments in respect of Allseeds working capital and Net debt as of 31 March 2010, while a second adjustment option offered to the minority shareholders proposes adjustments based on multiples of Allseeds average EV/EBITDA and P/E as of 31 March 2009 and 2010. The Offer is valid until 31 January 2010, with a view to entering into binding documentation by 21 February 2010 latest. Should the Offer not be accepted by the Minority shareholders by 31 January 2010, Kernel, upon exercise of the call option agreement entered into on 13 January 2010 and subject to AMC approval, will manage Allseeds as the majority shareholder.

On 12th February 2010 Kernel Holding S.A. signed a call option agreement to acquire the 37.6% minority shareholders interest in Allseeds, subject to approval of the transaction by the Antimonopoly Committee of Ukraine ("AMC approval"). The Call Option agreements value Allseeds at an Enterprise Value (i.e. market value of all its shares and of its net interest bearing debt) of approximately USD 230 million. The final cash consideration to be paid by Kernel is subject to certain adjustments based on 31 March 2010FY IFRS audited figures of Allseeds.