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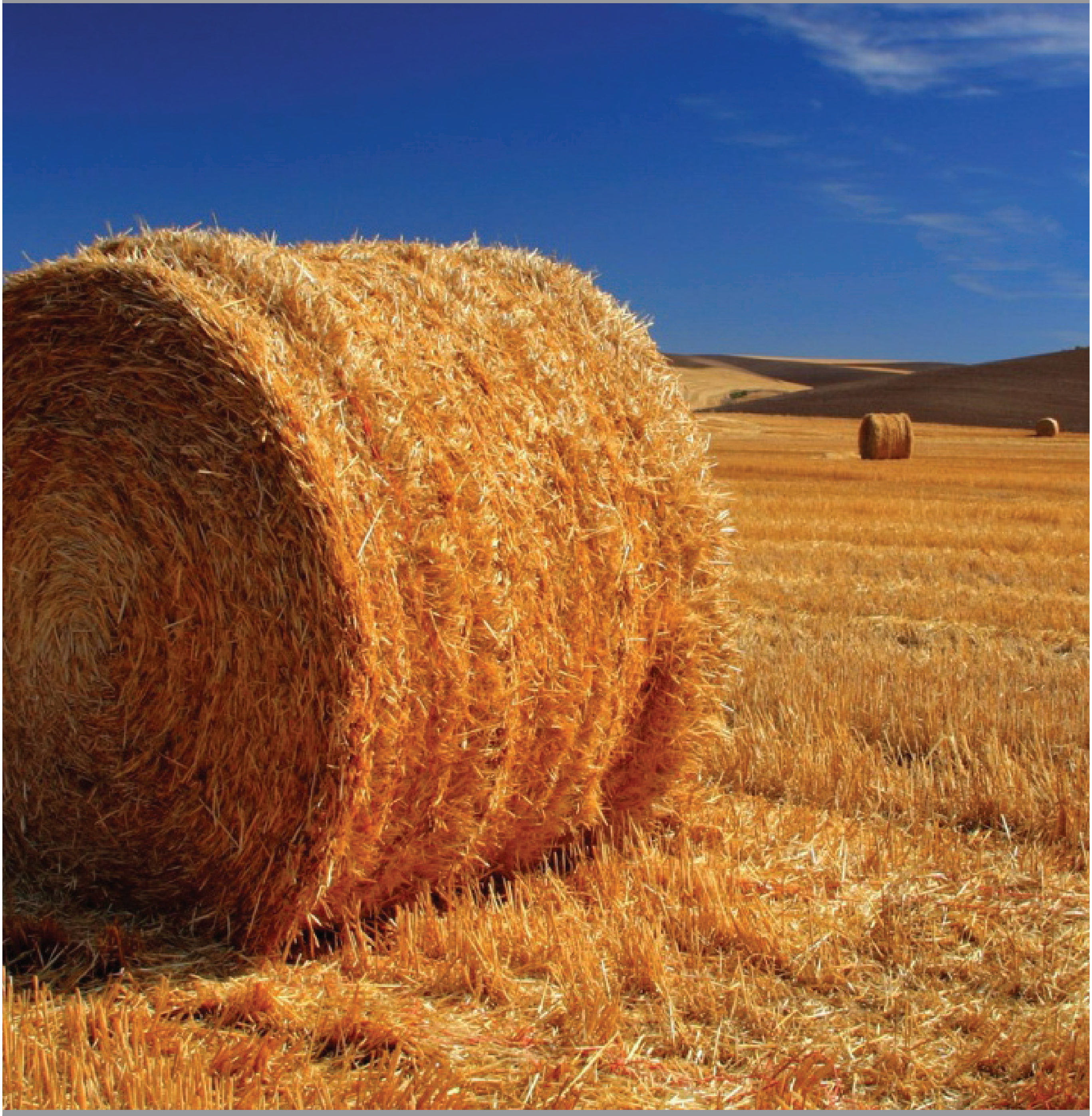
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE 3 MONTHS ENDED 30 SEPTEMBER 2011

KERNEL HOLDING S.A.



KERNEL

Foreword by Andrey Verevskiy, Chairman of the Board

Dear Shareholders,

The 2011/2012 season, with a projected record high harvest and solid fundamentals, had a very promising start. However, due to several extraordinary circumstances combined with the fact that the first quarter is traditionally the weakest of the fiscal year, we delivered results below our expectations in 1Q FY2012, with a highly disappointing 33% decline in EBITDA to US$45 million versus 1Q FY2011. The revenues are US$392 million and net profit is US$32 million in 1Q FY2012.

I would like to take this opportunity to comment on the relevant aspects behind the 1Q 2012 results, which were caused by several unusual and unique circumstances, and discuss the grounds for our optimism for the rest of the year.

With the harvest nearly complete, we can state with confidence that Ukraine produced a record harvest of grain and oilseeds in the 2011/2012 season, with approximately 25 million tons of grain exports and 2.9 million tons of sunflower oil exports expected. The total production of grain should exceed 52 million tons. Sunflower seed production totaled 8.5 million tons, which exceeds Ukraine's installed efficient crushing capacities. Also worth mentioning, Ukraine has experienced a corn boom, with a record 3.6 million hectares under cultivation and historical high production of 21 million tons, which translates into 12 million tons for export.

Russia recovered from the severe draught of 2010/2011 and lifted its export ban, with strong production expectations of nearly 79 million tons of grain amounting to over 21 million tons of export potential, making it the second largest grain exporter in the Black Sea region behind Ukraine in the current season. Sunflower seed production in Russia exceeded 9 million tons to match its total installed efficient crushing capacities. Russian bulk oil exports are anticipated to reach approximately 1.5 million tons in 2011/2012.

Ukraine and Russia will account for approximately 20% of the total international grain market in 2011/2012, yet again proving the growing prominence of both the Black Sea region in global food production and the company's emerging position as one of the major players in the region.

That being said, despite strong supply and demand fundamentals, in the first quarter we observed a sharp decline of approximately 20-25% in soft commodities prices driven more by the deteriorating global macro outlook and EU credit crisis. In such a volatile environment, farmers took a cautious wait-and-see position, thus limiting supply.

Now I want to discuss our operating performance in 1Q FY2012.

I will start with the worst performing segment, our major disappointment this quarter – the grain business division. Traditionally, the grain division is one of the major contributors to first quarter operating profit, and we normally initiate purchases from farmers as early as the end of June, as July-September is the most active period in the grain market. This year, unfortunately, was abnormal, and the grain operation did not perform as forecast in 1Q FY2012 for the following reason:

As you all know, in April the Government of Ukraine imposed grain export duties of EUR20 per ton (on average). As July approached, however, commodity prices had softened and expectations of a good harvest were coming in quite high. Because of this, the Ministry of Agriculture initiated changes to the law to lift the export taxes. It was absolutely clear that duties would be lifted, and it was only a matter of when it would occur. Obviously, under such circumstances, farmers were reluctant to sell until the government terminated the export tax, thus forcing the marketers to increase the bidding prices to account for the export tax abolishment. As a result, total grain export volumes in Ukraine declined by over 40% in the first quarter compared to normal volumes for the same period.

Management decided to follow market consensus, betting on an earlier removal of the export tax in August-September. If the bet worked out, the company could have profited EUR20 per ton, with no risk of downside. Unfortunately, the government dragged its feet and did not abolish the export tax until October 2011, and this "lost bet" effectively kept our grain exports at a zero margin.

The rest of the divisions performed more or less in line with our expectations. In September, we wrote a new page in the history of the company when we entered the Russian market by acquiring Russian Oils. We are strongly committed to the long term strategy in the region and expect to drive the consolidation of the Russian crushing sector while enhancing the logistics capabilities, fully leveraging our outstanding in-house expertise earned in Ukraine. Given today's operations, the crushing margin is looking quite attractive, and with the boon of the record high sunflower seed harvest in Russia, we believe our timing was absolutely right for our geographic expansion.

Outlook

Despite the very disappointing quarterly results, management is confident about its full-year FY2012 outlook. The grain export taxes have been lifted, grain operations have returned to their normal course of business, and the company plans to export approximately 3.0 million tons in FY2012 with an average margin of 7-8%. Moreover, the current crushing margins are healthy, and, considering the record high sunflower seed harvest in Ukraine and Russia, we expect our crushing plants to be operating at near full capacity utilization in FY 2012. Our solid asset base, combined with the record high harvest of this season, make us a clear winner in regard to big crop production, giving us a wide range of tools to fix the consequences of the first quarter results and achieve our full-year budget projection in the upcoming quarters.

Because of this, we maintain our guidance for full FY2012, with our forecast for revenue of US$2,300 million, EBITDA of US$370 million, and net profit of US$255 million.

Financial highlights for the 3-month period ended 30 September 2011 (1Q FY2012)

Total revenue was US$391.5 million versus US$345.4 million in 1Q FY2011, a 13.4% year-on-year increase;

The result from operating activities was US$31.0 million versus US$59.7 million in 1Q FY2011, a 48.2% year-on-year decrease;
Net profit attributable to equity holders of Kernel Holding S.A. decreased to US$32.9 million from US$34.2 million in 1Q FY2011, a 3.9 % decrease.

Production, sales and throughput for the 3-month period ended 30 September

Volume and tonnage	2011	2010
Grain sales, tons	**416,935**	391,319
Bulk oil sales, tons	**105,145**	184,441
Bottled oil sales, '000 liters	**31,175**	33,245
Sunflower seed crush, tons	**285,936**	292,470
Refined oil production, tons	**33,123**	25,168
Bottled oil production, tons	**28,284**	22,788
Export terminals throughput, tons	**391,231**	462,901
Grain and oilseeds store in inland silos, tons	**856,739**	721,357

Review of financial results for the 3-month period ended 30 September 2011 (1Q FY2012)

Gross Profit

Gross profit was US$77.3 million in 1Q FY2012 versus US$93.3 million in 1Q FY2011. The 17.1% year-on-year decrease was mostly attributable to the grain segment, where the cost of sales increased as a percentage of revenues, translating into a decrease in gross margin from 27.0% in 1Q FY2011 to 19.7% for this quarter.

Other Operating Income

Other operating income was US$0.7 million in 1Q FY 2012 versus US$6.6 million in 1Q FY2011, and the US$5.9 million decrease primarily reflects a one-time loss of US$5 million incurred on a forward contract with one of the customers.

Distribution Costs

Distribution costs were US$35.1 million in 1Q FY2012 versus US$32.6 million in 1Q FY2011, a 7.6% year-on-year increase. Relative to revenue, distribution costs have decreased from 9.4% in 1Q FY2011 to 9.0% this quarter, reflecting the effect of higher prices for bulk oil and lower sales volume.

General and Administrative Expenses

General and administrative expenses were US$11.9 million versus US$7.5 million in 1Q FY2011, representing a 58.5% year-on-year increase, primarily as the result of acquisitions and the company's larger size. Relative to total company revenue, general and administrative expenses have increased from 2.2% in 1Q FY2011 to 3.0% for 1Q FY2012. However, general and administrative expenses relative to total company revenue versus 4Q FY2011 have remained stable.

Result from Operating Activities

The result from operating activities was US$31.0 million for 1Q FY2012 versus US$59.7 million in 1Q FY2011, representing a 48.2% year-on-year decrease in operating profit, and primarily reflecting the negative impact of the grain segment, translating into a decrease in operating margin from 17.3% for 1Q FY2011 to 7.9% for the 1Q FY2012.

Finance costs, net

Finance costs were US$12.3 million in 1Q FY2012 versus US$8.2 million in 1Q FY2011. The US$4.1 million increase in finance costs reflects the impact of expensive UAH denominated debt portfolio of UkrRos, which was successfully refinanced in October 2011.

Net profit

Net profit attributable to the shareholders of Kernel Holding S.A. was US$32.9 million for 1Q FY2012 versus US$34.2 million for 1Q FY2011, translating into a decrease in net profit margin from 9.9% for the 1Q FY2011 to 8.4% for 1Q FY2012.

Cash Flow

Cash used in operations in 1Q FY2012 was US$68.6 million versus US$172.7 million in 1Q FY2011. As can be expected in our first financial quarter, the negative cash flow from operations was primarily due to increased working capital, when harvest pressure enables the company to purchase large quantities of agricultural commodities, particularly feedstock for its expanded crushing capacity.

Review of segmental results for the 3-month period ended 30 September 2011

Bottled Oil

Revenue from bottled oil sales was US$52.5 million in 1Q FY2012 versus US$35.2 million in 1Q FY2011. The 49.4% year-on-year increase in revenue primarily reflects a 35.3% increase in bottled oil prices despite a 6.2% sales decline during 1Q FY2012. Operating profit increased year-on-year from US$6.7 million to US$8.0 million, with operating margin at 15.2%.

Bulk Oil

Revenue from sales of bulk oil was US$191.6 million in 1Q FY2012 versus US$182.1 million in 1Q FY2011. The 5.2% year-on-year increase in revenue is primarily the result of the 54.7% increase in bulk oil prices, despite the 43% decrease in sales volumes during 1Q FY2012; this reflects the abnormally high level of bulk oil inventories as of June 2010, following the Allseeds acquisition, which was sold in 1Q FY2011. The operating margin remained flat of 13% for 1Q FY2012. In general, the bulk oil segment performed according to our forecast. **Please bear in mind that the bottled and bulk oil which was sold in 1Q FY2012 is stored inventory from the previous marketing year; thus, the margins and price reflected are in line with last fiscal year's levels.**

Grain

Revenue from grain sales was US$123.3 million in 1Q FY2012 versus US$120.7 million in 1Q FY2011. The 2.1% year-on-year increase in revenue primarily reflects a 6.5% increase in sales volumes during 1Q FY2012 and a 4.1% decline in grain prices. Operating profit decreased year-on-year from US$20.3 million in 1Q FY2011 to a net operating loss of US$5.4 million. Most of the loss is attributable to a single forward contract into which the company entered to hedge the price of our rapeseed production. Unfortunately, the quality of the produced rapeseeds did not meet the contractual terms and forced us to cancel delivery, incurring a US$5 million loss on the contract. This is a non-recurring loss.

Silo Services

Revenue from silo services was US$7.7 million in 1Q FY2012, including US$3.3 million of intersegment sales, versus US$6.3 million in 1Q FY2011, of which US$3.2 million accounted for intersegment sales. While revenue remained flat year-on-year, the operating result for the quarter was a US$1.8 million gain versus a US$1.1 million loss last year.

Export Terminals

Revenue from services provided by the export terminals segment, including services provided by the grain terminal in Illichevsk and services provided by the oil and meal export terminals in Nikolayev, was US$6.1 million for 1Q FY2012, of which US$3.9 million was intersegment sales, versus US$8.3 million in 1Q FY2011, of which US$6.3 million was intersegment sales, the revenue decline primarily reflecting the year-on-year decrease in overall grain exports from Ukraine. Likewise, export terminals' operating profit decreased year-on-year from US$3.9 million in 1Q FY2011 to US$1.6 million 1Q FY2012. The 15.5% decrease in throughput volumes had a negative impact on the operating profit margin, which fell to 26.1% in 1Q FY2012 from 46.7% in 1Q FY2011.

Farming

Revenue from farming was US$54.5 million in 1Q FY2012, of which US$47.6 million were intersegment sales, versus US$36.3 million in 1Q FY2011, of which US$34.0 million were intersegment sales. While acreage under production significantly increased from last year, the underlying operating profit decreased from US$8.1 million in 1Q FY2011 to US$7.4 million in 1Q FY2012, reflecting the difference in operational efficiency between newly acquired farms and those operated by the company.

Sugar

Revenue from the sugar segment was US$10.8 million in 1Q FY2012, reflecting the fees charged on tolling for third parties. Although revenues fully covered operating expenses in 1Q FY2012, a non-cash depreciation charge for the period incurred an operating loss of US$0.7 million. Considering the seasonality of the sugar business, the results of the next two quarters of the current financial year should be more representative. In June 2011, as the company successfully signed an agreement to sell its entire sugar production to the State at an average of 25% above current (as of today) market prices, we forecast solid financial results in this division.

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Selected Financial Data
for the 3-months period ended 30 September

(in thousands unless otherwise stated)		Thousand USD 2011	Thousand USD 2010	Thousand PLN 2011	Thousand PLN 2010	Thousand EUR 2011	Thousand EUR 2010
I.	Revenue	**391,506**	345,357	**1,148,992**	1,072,748	**277,063**	267,583
II.	Profit from operating activities	**30,961**	59,731	**90,865**	185,536	**21,911**	46,280
III.	Profit before income tax	**26,729**	32,638	**78,446**	101,380	**18,916**	25,288
iV.	Net profit	**31,980**	33,925	**93,855**	105,378	**22,632**	26,285
V.	Net cash used in operating activities	**(68,575)**	(172,680)	**(201,254)**	(536,379)	**(48,530)**	(133,792)
Vi.	Net cash used in investing activity	**(42,713)**	(12,376)	**(125,354)**	(38,442)	**(30,228)**	(9,589)
Vii.	Net cash provided by financing activity	**173,512**	163,468	**509,223**	507,764	**122,792**	126,655
Viii.	Total net cash flow	**62,224**	(21,588)	**182,615**	(67,057)	**44,034**	(16,726)
iX.	Total assets	**2,053,212**	1,310,525	**6,688,133**	3,833,286	**1,516,171**	961,401
X.	Current liabilities	**658,877**	511,564	**2,146,226**	1,496,325	**486,540**	375,283
Xi.	Non-current liabilities	**351,506**	160,322	**1,144,996**	468,942	**259,566**	117,612
Xii.	Issued capital	**2,104**	1,933	**6,854**	5,654	**1,554**	1,418
Xiii.	Total equity	**1,042,829**	638,639	**3,396,911**	1,868,019	**770,065**	468,506
XiV.	Weighted average number of shares	**79,462,564**	73,191,000	**79,462,564**	73,191,000	**79,462,564**	73,191,000
XV.	Profit per ordinary share (in USD/PLN/EUR)	**0,41**	0,47	**1,21**	1,45	**0,29**	0,36
XVi.	Diluted number of shares	**79,955,661**	74,125,085	**79,955,661**	74,125,085	**79,955,661**	74,125,085
XVii.	Diluted profit per ordinary share (in USD/PLN/EUR)	**0,41**	0,46	**1,21**	1,43	**0,29**	0,36
XViii.	Book value per share (in USD/PLN/EUR)	**12,71**	8,70	**41,42**	25,44	**9,39**	6,38
XiX.	Diluted book value per share (in USD/PLN/EUR)	**12,64**	8,59	**41,16**	25,12	**9,33**	6,30

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Financial Position

as at 30 September 2011

(in US dollars and in thousands unless otherwise stated)	Notes	30 September 2011 unaudited	30 June 2011 audited	30 September 2010 unaudited
ASSETS				
Current assets				
Cash		**173,156**	115,897	44,534
Trade accounts receivable, net		**122,698**	111,586	53,825
Prepayments to suppliers and other current assets, net		**173,832**	81,334	46,099
Trading securities		**-**	-	119,598
Taxes recoverable and prepaid, net		**216,074**	221,274	159,064
Inventory		**385,422**	183,668	372,982
Biological assets		**53,144**	95,961	1,954
Total current assets		**1,124,326**	**809,720**	**798,056**
Non-current assets				
Property, plant and equipment, net	5	**665,364**	502,752	383,191
Intangible assets, net	6	**66,778**	65,563	30,990
Goodwill		**145,790**	85,989	86,111
Other non-current assets		**50,954**	97,862	12,177
Total non-current assets		**928,886**	**752,166**	**512,469**
Total assets		**2,053,212**	**1,561,886**	**1,310,525**
LIABILITIES AND EQUITY				
Current liabilities				
Trade accounts payable		**53,799**	27,055	43,628
Advances from customers and other current liabilities		**241,229**	102,029	89,632
Short-term borrowings	7	**315,544**	234,514	347,662
Current portion of long-term borrowings		**48,305**	31,392	30,642
Total current liabilities		**658,877**	**394,990**	**511,564**
Non-current liabilities				
Long-term borrowings	8	**321,294**	152,684	122,956
Obligations under finance lease		**9,160**	3,373	6,660
Deferred tax liabilities		**19,278**	13,396	30,642
Other non-current liabilities		**1,774**	153	64
Total non-current liabilities		**351,506**	**169,606**	**160,322**
Equity attributable to Kernel Holding S.A. equity holders				
Issued capital		**2,104**	1,945	1,933
Share premium reserve		**463,879**	321,556	317,741
Subscribed capital		**-**	137,354	-
Additional paid-in capital		**39,944**	39,944	39,944
Revaluation reserve		**15,049**	15,049	11,260
Translation reserve		**(161,389)**	(162,152)	(160,001)
Retained earnings		**650,769**	617,878	425,817
Total equity attributable to Kernel Holding S.A. equity holders		**1,010,356**	**971,574**	**636,694**
Non-controlling interest		**32,473**	25,716	1,945
Total equity		**1,042,829**	**997,290**	**638,639**
Total liabilities and equity		**2,053,212**	**1,561,886**	**1 310,525**
Book value		**1,010,356**	971,574	636,694
Weighted average number of shares		**79,462,564**	74,684,398	73,191,000
Book value per share (in USD)		**12,71**	13,01	**8,70**
Diluted number of shares		**79,955,661**	75,572,177	74,125,085
Diluted book value per share (in USD)		**12,64**	12,86	**8,59**

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Income Statement

for the 3 months ended 30 September 2011

(in US dollars and in thousands unless otherwise stated)	Notes	3 months ended 30 September 2011 unaudited	3 months ended 30 September 2010 unaudited
Revenue		**391,506**	345,357
Cost of sales		**(314,210)**	(252,079)
Gross profit		**77,296**	**93,278**
Other operating income		**676**	6,601
OPERATING EXPENSES			
Distribution costs		**(35,094)**	(32,627)
General and administrative expenses		**(11,917)**	(7,521)
Profit from operating activities		**30,961**	**59,731**
Finance costs, net		**(12,342)**	(8,241)
Foreign exchange gain, net		**1,531**	847
Other income/(expenses), net		**6,579**	(19,699)
Profit before income tax		**26,729**	**32,638**
Income tax benefit	9	**5,251**	1,287
Net profit		**31,980**	**33,925**
NET PROFIT/(LOSS) ATTRIBUTABLE TO:			
Equity holders of Kernel Holding S.A.		**32,891**	34,211
Non-controlling interest		**(911)**	(286)
Weighted average number of shares		**79,462,564**	73,191,000
Profit per ordinary share (in USD)		**0,41**	0,47
Diluted number of shares		**79,955,661**	74,125,085
Diluted profit per ordinary share (in USD)		**0,41**	0,46

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Comprehensive Income
for the 3 months ended 30 September 2011

(in US dollars and in thousands unless otherwise stated)	3 months ended 30 September 2011 unaudited	3 months ended 30 September 2010 unaudited
Net profit	**31,980**	**33,925**
OTHER COMPREHENSIVE INCOME		
Exchange differences on translating foreign operations	826	621
Total comprehensive income	**32,806**	**34,546**
TOTAL COMPREHENSIVE INCOME /(LOSS) ATTRIBUTABLE TO:		
Equity holders of Kernel Holding S.A.	33,654	34,832
Non-controlling interest	(848)	(286)

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Changes in Equity

for the 3 months ended 30 September 2011

	Attributable to Kernel Holding S.A. shareholders									
(in US dollars and in thousands unless otherwise stated)	Issued capital	Share premium reserve	Subscribed capital	Additional paid in capital	Re-valuation surplus	Translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 30 September 2010 (unaudited)	**1,933**	**317,741**	**-**	**39,944**	**11,260**	**(160,001)**	**425,817**	**636,694**	**1,945**	**638,639**
Profit for the period							52,028	**52,028**	(36)	**51,992**
Other comprehensive income						(1,599)		**(1,599)**	(12)	**(1,611)**
Total comprehensive income for the period	-	-	-	-		(1,599)	52,028	**50,429**	(48)	**50,381**
Effect of changes of non-controlling interest								**-**	1,894	**1,894**
Balance as at 31 December 2010 (reviewed)	**1,933**	**317,741**	**-**	**39,944**	**11,260**	**(161,600)**	**477,845**	**687,123**	**3,791**	**690,914**
Profit for the period							77,862	**77,862**	108	**77,970**
Other comprehensive income					3,789	166		**3,955**	2	**3,957**
Total comprehensive income for the period					3,789	166	77,862	**81,817**	110	**81,927**
Effect of changes of non-controlling interest								**-**	(4)	**(4)**
Increase of share capital	12	3,815						**3,827**		**3,827**
Balance as at 31 March 2011 (unaudited)	**1,945**	**321,556**	**-**	**39,944**	**15,049**	**(161,434)**	**555,707**	**772,767**	**3,897**	**776,664**
Profit for the period							62,171	**62,171**	(11)	**62,160**
Other comprehensive income						(718)		**(718)**	267	**(451)**
Total comprehensive income for the period						(718)	62,171	**61,453**	256	**61,709**
Effect of changes of non-controlling interest								**-**	21,563	**21,563**
Subscribed capital			137,354					**137,354**		**137,354**
Increase of share capital								**-**		**-**
Balance as at 30 June 2011 (audited)	**1,945**	**321,556**	**137,354**	**39,944**	**15,049**	**(162,152)**	**617,878**	**971,574**	**25,716**	**997,290**
Profit for the period							32,891	31,669	(911)	**31,980**
Other comprehensive income						763		**763**	63	**826**
Total comprehensive income for the period						763	32,891	33,654	(848)	**32,806**
Effect of changes of non-controlling interest								**-**	7,605	7,605
Subscribed capital			(137,354)					**(137,354)**		**(137,354)**
Increase of share capital	159	145,126						**145,285**		**145,285**
Issued capital expenses		(2 803)						**(2 803)**		**(2 803)**
Balance as at 30 September 2011 (unaudited)	**2,104**	**463,879**	**-**	**39,944**	**15,049**	**(161,389)**	**650,769**	**1,010,356**	**32,473**	**1,042,829**

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

Consolidated Statement of Cash Flows

for the 3 months ended 30 September 2011

(in US dollars and in thousands unless otherwise stated)	3 months ended 30 September 2011 unaudited	3 months ended 30 September 2010 unaudited
OPERATING ACTIVITIES:		
Profit before income tax	**26,729**	**32,638**
Adjustments to reconcile profit before income tax to net cash used in operating activities:		
Amortisation and depreciation	**14,170**	7,745
Finance costs, net	**12,342**	8,241
Bad debt expenses and other accruals	**1,812**	1,042
(Gain)/loss on disposal of property, plant and equipment	**(622)**	265
Non-operating foreign exchange (gain)/loss	**(217)**	141
Loss on sales of equity investments	**261**	-
Operating profit before working capital changes	**54,475**	**50,072**
Changes in working capital:		
(Increase)/decrease in trade accounts receivable	**(14,237)**	11,272
(Increase)/decrease in prepayments and other current assets	**(87,664)**	48,387
Decrease/(increase) in restricted cash balance	**4,965**	(6,640)
Decrease/(increase) in taxes recoverable and prepaid	**8,597**	(73,078)
Decrease in biological assets	**42,817**	24,177
Increase in inventories	**(189,895)**	(225,195)
Increase in trade accounts payable	**17,995**	30,230
Increase/(decrease) in advances from customers and other current liabilities	**106,942**	(23,331)
Cash used in operations	**(56,005)**	**(164,106)**
Finance costs paid	**(12,121)**	(8,241)
Income tax paid	**(449)**	(333)
Net cash used in operating activities	**(68,575)**	**(172,680)**
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	**(21,543)**	(12,452)
Proceeds from disposal of property, plant and equipment	**161**	97
Purchase of intangible and other non-current assets	**(7,255)**	(21)
Acquisition of Subsidiaries	**(14,080)**	-
Disposal of Subsidiaries	**4**	-
Net cash used in investing activities	**(42,713)**	**(12,376)**
FINANCING ACTIVITIES:		
Proceeds from short-term and long-term borrowings	**564,169**	451,695
Repayment of short-term and long-term borrowings	**(396,009)**	(288,721)
Proceeds from share premium reserve increase	**4,969**	-
Issued capital	**159**	-
Net cash provided by financing activities	**173,288**	**162,974**
Translation adjustment	**224**	494
Net increase/(decrease) in cash and cash equivalents	**62,224**	**(21,588)**
Cash at the beginning of the period	**110,181**	57,762
Cash at the end of the period	**172,405**	36,174

On behalf of the Board

Andrey Verevskiy
Chairman of the Board

Anastasiia Usachova
Chief Financial Officer

1. Key Data by Operating Segment

Key Data by Operating Segment for the 3 months ended 30 September 2011:

(in US dollars and in thousands unless otherwise stated)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Sugar	Other	Re-conciliation	Continuing operations
Revenue (external)	52,521	191,558	2,161	6,820	123,275	4,364	10,807	-	-	**391,506**
Intersegment sales	-	-	3,912	47,630	-	3,286	-	-	(54,828)	**-**
Total revenue	**52,521**	**191,558**	**6,073**	**54,450**	**123,275**	**7,650**	**10,807**	**-**	**(54,828)**	**391,506**
Other operating income	-	135	-	3,903	(3,800)	83	346	9	-	**676**
Operating profit (EBIT)	**7,985**	**25,369**	**1,587**	**7,372**	**(5,422)**	**1,849**	**(711)**	**(7,068)**	**-**	**30,961**
Finance costs, net										**(12,342)**
Foreign exchange gain, net										**1,531**
Other income, net										**6,579**
Income tax benefit										**5,251**
Net profit										**31,980**
Total assets	**163,836**	**846,146**	**116,648**	**311,879**	**397,098**	**55,667**	**61,628**	**100,310**	**-**	**2,053,213**
Capital expenditures	297	1,913	604	10,915	-	5,554	771	2,545	-	**22,599**
Amortisation and depreciation	485	2,605	896	5,819	42	1,289	1,942	1,092	-	**14,170**
Liabilities	9,640	95,605	8,840	70,807	33,824	15,672	100,347	675,648	-	**1,010,383**

During the 3 months ended 30 September 2011 two of the Group's external customers accounted for more than 10% of total external revenue. During the 3 months ended 30 September 2011 export sales c. 80% of total external sales revenue.

Key Data by Operating Segment for the 3 months ended 30 September 2010:

(in US dollars and in thousands unless otherwise stated)	Bottled sunflower oil	Sunflower oil in bulk	Export terminals	Farming	Grain	Silo services	Other	Re-conciliation	Continuing operations
Revenue (external)	35,155	182,134	1,920	2,301	120,696	3,151	-	-	**345,357**
Intersegment sales	-	-	6,344	34,027	-	3,169	-	(43,540)	**-**
Total revenue	**35,155**	**182,134**	**8,264**	**36,328**	**120,696**	**6,320**	**-**	**(43,540)**	**345,357**
Other operating income	-	76	-	5,947	373	205	-	-	**6,601**
Operating profit (EBIT)	**6,715**	**25,197**	**3,863**	**8,061**	**20,261**	**(1,066)**	**(3,300)**	**-**	**59,731**
Write down of VAT receivable									**(16,309)**
Finance costs, net									**(8,241)**
Foreign exchange gain, net									**847**
Other expenses, net									**(3,390)**
Income tax benefit									**1,287**
Net profit									**33,925**
Total assets	**131,766**	**614,473**	**117,565**	**51,473**	**298,228**	**72,923**	**24,097**	**-**	**1,310,525**
Capital expenditures	277	8,323	313	149	-	395	2 073	-	**11,530**
Amortisation and depreciation	478	2,099	879	2,097	12	1,402	778	-	**7,745**
Liabilities	10,504	59,927	4,249	2,645	29,431	21,425	543,705	-	**671,886**

During the 3months ended 30 September 2010 three of the Group's external customers accounted for more than 10 % of total external revenue. During the 3 months ended 30 September 2010 export sales amounted to 89% 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 and sale of bottled sunflower oil, production and subsequent export of bulk sunflower oil and meal, production and sale of sugar, wholesale trade of grain (mainly wheat, barley and corn), farming and provision of logistics and transhipment services.

The majority of the Group's operations are located in Ukraine. The Group's financial year runs from 1 July to 30 June.

The principal operating office of the Group is located at: 92-94 Dmitrievskaya str., 01135 Kyiv, Ukraine.

As of 30 September 2011 and 30 September 2010, the structure of the Group and principal activities of the Subsidiaries consolidated by the Holding were as follows:

			Group's effective ownership interest as of		
Subsidiary	Principal activity	Country of incorporation	30 September 2011	30 June 2011	30 September 2010
Kernel-Capital LLC	Holding companies.	Ukraine	100%	100%	100%
Group Management LLC		Ukraine	100%	100%	100%
Etrecom Investments LLC		Cyprus	100%	100%	100%
Corolex Public Co. Limited		Cyprus	100%	100%	94%
Grain Trading Company 'Allseeds-Ukraine' CJSC		Ukraine	100%	100%	94%
Ukragrobiznes LLC		Ukraine	100%	100%	100%
Jerste BV		Netherlands	100%	100%	100%
Hamalex Developments Ltd.		Cyprus	100%	100%	N/A
Chorex Developments Limited		Cyprus	100%	100%	N/A
Tsukrovy Soyuz Ukrros OJSC		Ukraine	71.3%	71.3%	N/A
Sugar Holding Limited		Cyprus	100%	100%	N/A
JE Inerco-Ukraine LLC		Ukraine	0%(1)	0%(1)	100%
Inerco Trade S.A.	Trading in sunflower oil, meal and grain.	Switzerland	100%	100%	100%
Inerco Commodities S.A.		Switzerland	100%	100%	100%
Restomon S.A.		British Virgin Islands	100%	100%	100%
Lanen S.A.		Panama	100%	100%	100%
Grain Trading Company LLC		Ukraine	100%	100%	94%
Kernel-Trade LLC		Ukraine	100%	100%	100%
Trade Company Russian oil LLC		Russia	100%	N/A	N/A
Poltava oil-crushing plant Kernel Group PJS	Production plants. Production of sunflower oil and meal.	Ukraine	99.7%	99.7%	98.3%
Vovchansky OEP PJSC		Ukraine	99.4%	99.4%	99.4%
Prykolotnjansky OEP LLC		Ukraine	100%	100%	100%
Kirovogradoliya JSC		Ukraine	99.2%	99.2%	99.2%
Ekotrans LLC		Ukraine	100%	100%	100%
Bandurskiy oil-crushing plant LLC		Ukraine	100%	100%	100%
Ukrainian Black Sea Industry LLC		Ukraine	0%(6)	N/A	N/A
Stavropol oil OJSC		Russia	100%	N/A	N/A
Nevinnomissky oil-crushing plant CJSC		Russia	100%	N/A	N/A
Production Management LLC		Russia	100%	N/A	N/A
Ust-Labinsky EMEK Florentina CJSC		Russia	100%	N/A	N/A
Transbulkterminal LLC	Provision of grain, oil and meal handling and transhipment services, including services to the Group.	Ukraine	100%	100%	100%
Estron Corporation Ltd.		Cyprus	100%	100%	100%
Oiltransterminal LLC		Ukraine	100%	100%	100%
Veselynivske ZPP LLC	Grain elevators. Provision of grain and oilseed cleaning, drying and storage services.	Ukraine	71.3%	71.3%	N/A
Reshetylivka Hliboproduct LLC		Ukraine	100%	100%	100%
Gulyaypolsky Elevator LLC		Ukraine	71.3%	71.3%	N/A
Horol-Elevator LLC		Ukraine	0%(2)	0%(2)	100%
Mirgorodsky Elevator LLC		Ukraine	100%	100%	100%
Globynsky Elevator HP LLC		Ukraine	100%	100%	100%
Skifiya-Zernotrade LLC		Ukraine	0%(4)	100%	94%
Poltavske Khlibopriemalne Pidpriemstvo PJSC		Ukraine	88.2%	88.2%	88.2%
Elevator – 'Grain Trading Company', LLC		Ukraine	100%	100%	94%
Gogoleve-Agro LLC		Ukraine	0%(5)	100%	100%
Sagaydak-Agro LLC		Ukraine	0%(3)	0%(3)	100%
Karlivka-Agro LLC		Ukraine	100%	100%	100%
Trykratskiy GPC JSC		Ukraine	97.7%	97.7%	86.5%

(1) Disposed of on 10 May 2011.
(2) Merged with Semenivski elevator LLC on 15 December 2010.
(3) Merged with Myrgporodsky elevator LLC on 27 June 2011.
(4) Disposed of on 03 August 2011.
(5) Merged with Myrgporodsky elevator LLC on 06 September 2011.
(6) Entity controlled by Kernel Holding.

2. Nature of the Business (continued)

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest as of 30 September 2011	30 June 2011	30 September 2010
Lazorkovsky Elevator LLC		Ukraine	0%[7]	0%[7]	100%
Zherebkivsky Elevator LLC		Ukraine	0%[8]	0%[8]	100%
Kononivsky Elevator LLC		Ukraine	100%	100%	100%
Semenivski Elevator LLC		Ukraine	100%	100%	100%
Kobelyaky Hliboproduct LLC		Ukraine	100%	100%	100%
Sahnovshyna Hliboproduct LLC		Ukraine	0%[9]	0%[9]	100%
Velykoburlutske HPP LLC		Ukraine	100%	100%	100%
Gutnansky Elevator LLC		Ukraine	100%	100%	100%
Lykhachivsky KHP LLC		Ukraine	100%	100%	100%
Shevchenkisky KHP LLC		Ukraine	100%	100%	100%
Kovyagivske KHP LLC		Ukraine	100%	100%	100%
Viktorovsky Elevator LLC		Ukraine	100%	100%	100%
Poltavaavtotransservis LLC	Trucking company.	Ukraine	100%	100%	100%
MTE-2004 LLC		Ukraine	100%	100%	100%
Chortkivsky tsukrovy zavod LLC	Production plants.	Ukraine	73.8%	73.8%	N/A
Tsukrove LLC	Production of sugar.	Ukraine	71.3%	71.3%	N/A
Palmirsky Tsukrovy Zavod LLC		Ukraine	72.7%	72.7%	N/A
Orzhytsky Tsukrovy Zavod LLC		Ukraine	76.2%	76.2%	N/A
Agroservis LLC	Agricultural farms.	Ukraine	100%	100%	100%
Zernoservis LLC	Cultivation of agricultural	Ukraine	100%	100%	100%
Unigrain-Agro (Globyno) LLC	products: corn, wheat,	Ukraine	100%	100%	100%
Unigrain-Agro (Semenivka) LLC	sunflower seeds, barley,	Ukraine	100%	100%	100%
Mrija-Agro LLC	soya beans and sugar beet.	Ukraine	100%	100%	100%
Lozivske HPP PJSC		Ukraine	100%	100%	100%
Krasnopavlivsky KHP PJSC		Ukraine	100%	100%	100%
Agrofirma Arshytsya LLC		Ukraine	100%	100%	100%
Agrotera-Kolos LLC		Ukraine	100%	100%	100%
Chorna Kamyanka LLC		Ukraine	100%	100%	100%
Govtva LLC		Ukraine	100%	100%	100%
Perebudova PRAC		Ukraine	100%	100%	100%
Manzhurka LLC		Ukraine	100%	100%	100%
Krutenke LLC		Ukraine	100%	100%	100%
Promin LLC		Ukraine	100%	100%	100%
Brovarky PRAC		Ukraine	100%	100%	100%
PRAC by the name of Shorsa		Ukraine	100%	100%	100%
Troyanske LLC		Ukraine	100%	100%	100%
Zorya LLC		Ukraine	100%	100%	100%
Hliborob LLC		Ukraine	100%	100%	100%
AC by the name of T. Shevchenko		Ukraine	100%	100%	100%
Druzhba PRAC		Ukraine	100%	100%	100%
Agrofirma Chkalova LLC		Ukraine	100%	100%	100%
Agrofirma Vitchyzna LLC		Ukraine	100%	100%	100%
Agrofirma Vesna LLC		Ukraine	1%	1%	N/A
Osiyivske LLC		Ukraine	100%	100%	N/A
Agrofirma Kuybyshevo LLC		Ukraine	52.6%	76.2%	N/A
Povstynagroalyans LLC		Ukraine	71.3%	71.1%	N/A
Ulyanivske LLC		Ukraine	76.2%	76.2%	N/A
Palmira LLC		Ukraine	81.5%	81.5%	N/A
Cherkasky OJSC		Ukraine	53.0%	53.0%	N/A
Agrofirma Zorya LLC		Ukraine	64.1%	64.1%	N/A
Agrarny dim im. Gorkogo LLC		Ukraine	71.5%	71.5%	N/A
Agrarny dim CJSC		Ukraine	35.8%	35.8%	N/A
Druzhba LLC		Ukraine	71.3%	71.3%	N/A
Agropolis LLC		Ukraine	71.6%	71.6%	N/A

These consolidated financial statements were authorised for issue by the Board of Directors of Kernel Holding S.A. on 11 November 2011.

(7) Disposed of on 10 December 2010.
(8) Merged with Kononivsky elevator LLC on 8 April 2011.
(9) Merged with Kobelyaky Hliboproduct LLC on 11 May 2011.

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 30 September 2011 consisted of 79,683,410 ordinary bearer shares without indication of a nominal value, providing 79,683,410 voting rights (as of 30 September 2010 – 73,191,000 shares).

The shares were distributed as follows:

	As of 30 September 2011		As of 30 September 2010	
Equity holders	Shares allotted and fully paid	Share owned	Shares allotted and fully paid	Share owned
Namsen LTD (limited company registered under the legislation of Cyprus) (hereinafter the 'Major Equity holder')	**30,460,657**	**38.23%**	30,174,250	41.23%
Free-float	**49,222,753**	**61.77%**	43,016,750	58.77%
Total	**79,683,410**	**100.00%**	**73,191,000**	**100.00%**

As of 30 September 2011 and 2010, 100% of the beneficial interest in the 'Major Equity holder' was held by Verevskiy Andrey Mikhaylovich (hereinafter the 'Beneficial Owner').

In order to perform an initial public offering of the shares of the Company on the Warsaw Stock Exchange ('WSE'), the general meeting of shareholders 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 and thirty-four (9,334) shares of the Company without indication of a nominal value into 46,670,000 (forty-six million six hundred and 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. 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 WSE.

On 3 June 2010, Kernel issued 4,450,000 new shares, thereby increasing the Company's share capital by USD 117,506.70, to a total amount of USD 1,932,681.54. Following the issuance of new shares, Kernel's share capital was divided into 73,191,000 shares without indication of a nominal value, giving right to 73,191,000 voting rights at the General Meeting of the Company.

On 5 January 2011, Kernel issued 483,410 new shares without indication of a nominal value. All the newly issued shares were subscribed by a stock option beneficiary under the Management Incentive plan. Issue price of 1 share was PLN 24. As a result of the increase, the Company's share capital was increased by an amount of USD 12,764 and set at USD 1,945,446.46 divided into 73,674,410 shares without indication of a nominal value.
Luxembourg companies are required to allocate to the legal reserve a minimum of 5% of the annual net income until this reserve equals 10% of the subscribed issued capital. This reserve of an amount of USD 125,000 as of 30 September 2011, unchanged from 30 September 2010, may not be distributed as dividends.

On 30 March 2011, Kernel Holding S.A. announced its intention to issue approximately five million new ordinary shares of the Company through an offering to institutional investors ('the Offering'). The Offering was conducted through an accelerated book build, closed on 31 March 2011. The allocations to institutional investors were announced on 1 April 2011, whereby 5,400,000 ordinary shares were placed at a price of PLN 74 per share. The Offering raised gross proceeds of PLN 399.4 million for the Company. In order to ensure that allottees in the Offering could receive and trade their allocations immediately, Namsen Limited, a company controlled by Andrey Verevskiy, lent shares in Kernel for the purpose of the settlement of shares.
The respective capital increase was adopted on 21 July 2011 at the Extraordinary General Meeting of Kernel Holding S.A. Shareholders.

4. Basis of Presentation of Financial Statements and Summary of Significant Accounting Policies

Basis of Presentation and Accounting

The consolidated financial statements of the Group have been prepared 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 consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land lease rights, property, plant and equipment for oil, available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss.

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's Subsidiaries' accounts prepared under local accounting regulations, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS.

Adoption of New and Revised Standards

The Group has Adopted the following new and amended standards:

IFRS 2 Share-based Payment

The standard was amended in 2009 by 'Amendments to IFRS 2 Group cash-settled share-based payment transactions' applicable to annual reporting periods beginning on or after 1 January 2010. The amendments expand IFRS 2 to bring group cash-settled share-based payment transactions into the scope of the standard. The adoption of this amendment did not have any impact on the reported results.

4. Basis of Presentation of Financial Statements and Summary of Significant Accounting Policies (continued)

Adoption of New and Revised Standards (continued)

IAS 32 Financial Instruments: Classification and Measurement

The amendment to IAS 32 is effective for financial years beginning on or after 1 February 2010 and addresses accounting for rights issues (rights, options and warrants) that are denominated in a currency other than the functional currency of the issuer. The adoption of this interpretation did not have any impact on the reported results.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for financial years beginning on or after 1 July 2010. The interpretation addresses the issue of accounting by the debtor in a debt-for-equity swap transaction. The adoption of this interpretation did not have any impact on the reported results.

Standards and Interpretations Not Yet Adopted

The Group has not yet applied the following revised and amended standards, which are issued, but not yet effective:

Standard	Effective for annual accounting period beginning on or after
IFRS 9 Financial instruments: classification and measurement	1 January 2013
IFRS 7 Financial statements: disclosures transfers of financial assets	1 July 2011
IFRS 10 Consolidated financial statements	1 January 2013
IFRS 11 Joint arrangements	1 January 2013
IFRS 12 Disclosure of interest in other entities	1 January 2013
IFRS 13 Fair value measurement	1 January 2013
Amendments to IAS 12 Recovery of underlying assets	1 January 2012
IFRIC 14 Prepayment of a minimum funding requirement	1 January 2011
IAS 24 Related party disclosures	1 January 2011
IAS 27 Consolidated and separate financial statements	1 January 2013
IAS 28 Investments in associates	1 January 2013
IAS 1 Presentation of financial statements	1 July 2012

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 1 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 utilises the USD as the measurement and reporting currency of the accompanying consolidated financial statements of the Holding under International Accounting Standard ('IAS') 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 (Cyprus), Chorex Developments Limited (Cyprus), Hamalex Developments Ltd. (Cyprus), Restomon S.A. (British Virgin Islands), Inerco Commodities S.A. (Switzerland), Jerste BV (Netherlands), Corolex Public Co. Limited (Cyprus), Sugar Holding Limited (Cyprus) and Etrecom Investments LLC (Cyprus). Management has utilised the USD as the measurement currency for Inerco Trade S.A., Lanen S.A., Estron Corporation Ltd, Chorex Developments Limited, Hamalex Developments Ltd., Restomon S.A., Inerco Commodities S.A., Jerste BV, Corolex Public Co. Limited and Etrecom Investments LLC under IAS 21 as their major sources of finance, prices of sales contracts with customers and prices of significant contracts for purchases of goods and services from suppliers are denominated in USD. From 1 July 2009 and on the basis of IAS 21, management adopted the USD as the measurement currency of 'Kernel Trade' LLC, as the major sources of finance, prices of sales contracts with customers and prices of significant contracts for purchases of goods and services from suppliers are denominated in, or pegged to, the USD. On the basis of IAS 21, the USD was also adopted as the measurement currency for CJSC 'Poltava oil crushing plant — Kernel Group', JSC 'Vovchansky OEP', CJSC 'Prykolotnjansky OEP', and from 1 April 2010 JSC 'Kirovogradoliya' and 'Ekotrans' LLC, and from 1 July 2010 'Bandurskiy oil crushing plant ' LLC, as the activities of these Subsidiaries are carried out with a limited degree of autonomy. Following the changes in measurement and presentation currency, reclassification in the Statement of Cash Flows was effected to provide users of the financial statements with clearer and more detailed information. 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 (the 'Subsidiaries') as of 30 September 2011. 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.

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 Group enterprises are eliminated on consolidation. Unrealised gains and losses resulting from intercompany transactions are also eliminated, except for unrealised losses which cannot be recovered.

Non-controlling interest at the date of the statement of financial position represents the non-controlling equity holders' portion of the pre-acquisition fair values of the identifiable assets and liabilities of the subsidiary at the acquisition date, and the non-controlling equity holders' portion of movements in equity since the date of the acquisition.

Business Combination and Goodwill

On the acquisition of a Subsidiary, the business combination is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregated amount of the consideration transferred, measured at the date of acquisition. The consideration paid is allocated to the assets acquired and liabilities assumed on the basis of fair values at the date of acquisition. Acquisition costs are expensed when incurred and included in general and administrative expenses.

If the cost of acquisition exceeds the identifiable net assets attributable to the Group, the difference is considered as purchased goodwill. Goodwill arising from business combinations for which the agreement date is on or after 31 March 2004 is recognised as an asset and carried at cost less any accumulated impairment losses. Goodwill is not amortised but reviewed 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. They are therefore expressed in the measurement currency of the foreign operation and are translated at the closing rate.

In the case that identifiable net assets attributable to the Group exceed the cost of acquisition, the difference is recognised in profit and loss as a gain on bargain purchase.

For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. If the initial accounting for a business combination cannot be completed by the end of the reporting period in which the combination occurs, only provisional amounts are reported, which can be adjusted during the measurement period of 12 months after acquisition date.

Changes in the Group's ownership interests in Subsidiaries that do not result in the Group losing control over the Subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in Subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

Discontinued Operations

In compliance with IFRS 5 (Non-current Assets held for sale and discontinued operations) non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use.

This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The result from discontinued operations is presented in the income statement as a separate item after the profit from continuing operations.

If the criteria of classification of the disposal group held for sale are met after the statement of financial position date, the disposal group is not presented as held for sale in those financial statements when issued. However, when those criteria are met after the statement of financial position date but before the authorisation of the financial statements for issue, the Group discloses the relevant information in notes to the financial statements.

Foreign Currency 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 statement of financial position date.

On consolidation, the assets and liabilities of the Subsidiaries are translated at exchange rates prevailing on the statement of financial position date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised 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 30 September 2011**	**Average rate for the 3 months ended 30 September 2011**	Closing rate as of 30 September 2010	Average rate for the 3 months ended 30 September 2010
USD/UAH	**7.9727**	**7.9717**	7.9135	7.9006
USD/EUR	**0.7384**	**0.6943**	0.7336	0.7748
USD/PLN	**3.2574**	**2.7490**	2.9250	3.1062

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, cash with banks, and deposits with a maturity date of three months or less from the date of acquisition.

Financial Instruments

Financial instruments are classified according to the following categories: financial assets or financial liabilities recognised at fair value through profit or loss; held-to-maturity investments; available-for-sale financial assets; trade receivables; loans receivable.

Financial Assets or Financial Liabilities at Fair Value Through Profit or Loss

These are financial instruments acquired mainly with the purpose of gaining from short-term price fluctuations or designated as such upon initial recognition. Financial assets or liabilities are recognised 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 recognised 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 amortised cost using the effective interest method.

4. Basis of Presentation of Financial Statements and Summary of Significant Accounting Policiess (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 recognised directly in equity. When such assets are disposed of, cumulative gain from asset revaluation is included in a calculation of the financial result on the disposal which is included in the income statement. The cumulative loss in equity is transferred to the income statement immediately.

Investments in Non-consolidated Subsidiaries and Associate

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 very near 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 30 September 2011 and 2010, there were no investments in non-consolidated subsidiaries or associates.

Taxes Recoverable and Prepaid

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

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises purchase cost and, where applicable, those expenses that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using FIFO method. Net realisable 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, soya bean, sunflower seed, sugar beet and other crops produced, and cattle as biological assets. In accordance with IAS 41 (Agriculture), biological assets are measured on initial recognition and at each reporting date at their fair value less estimated point-of-sale costs, except where the fair value cannot be measured reliably (at the early stage of an asset life and when market-determined prices or values are not available).

Biological assets for which market-determined prices or values are not available and for which alternative estimates of fair value are considered 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.

Cost of agricultural preparation of fields before seeding is recorded as work-in-progress in inventories. After seeding the cost of field preparation is reclassified as biological assets held at fair value.

The Group classifies biological assets as current or noncurrent 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.

Property, Plant and Equipment

Buildings and constructions (oil) and production machinery and equipment (oil), accounted for at fair value, which is determined using external professional expert evaluation. 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.

If there is no data about the market value of property, plant and equipment due to the highly specialised nature of machinery and equipment, such objects are evaluated according to acquisition expenses under present-day conditions, adjusted by an ageing percentage.

Valuations are performed frequently enough to ensure that the fair value of a re-measured asset does not differ materially from its carrying amount.

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

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

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

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 recognised in profit or loss. However, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation reserve.

Depreciation on revalued assets is charged to the profit or loss. On the subsequent sale or retirement of revalued assets, the revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

Property, plant and equipment are depreciated over the estimated remaining useful economic lives of assets mostly determined by independent appraisers 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 the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads incurred during the construction. Depreciation of these assets commences when the assets are put into operation.

Intangible Assets
Intangible assets acquired separately from a business are capitalised at initial cost. Amortisation 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 amortised but are tested for impairment by comparing their recoverable amount with their carrying amount annually on the 30th of June and whenever there is an indication that the trademarks may be impaired.

Impairment of Non-current Assets
At each statement of financial position 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 fair value less costs to sell 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 (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as 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 (or cash-generating unit) is increased to the revised estimate of its recoverable amount, subject to the proviso that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Trade and Other Accounts Payable
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer).
If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Contingencies
Contingent liabilities are not recognised 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 recognised in the financial statements but is disclosed when an inflow of economic benefits is probable.

Provisions
A provision is recognised in the statement of financial position 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.

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 recognised in the period in which the loan is obtained as initial recognition, with adjustment discounting the loan based on market rates at inception.

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 for the period when the amount was lent, as an adjustment to the loan amount. Loans with fixed maturity terms are measured at amortised cost using the effective interest method. Loans without fixed maturity terms are carried at initial cost. Loans provided are reflected in the statement of financial position, less allowance for estimated non-recoverable amounts.

4. Basis of Presentation of Financial Statements and Summary of Significant Accounting Policies (continued)

Loans (continued)

Held-to-maturity investments and the Group's trade receivables and loans receivable are included in the complement in non-current assets, except for those cases when the term of redemption expires within 12 months from the reporting date. Financial assets, which are recognised at fair value through profit or loss are a part of current assets as well as available-for-sale investments if the Group's management has intent to realise them during 12 months from the reporting date. All acquisitions and sales of investments are registered at the settlement date. Investments in equity securities where fair value cannot be estimated on a reasonable basis are at cost 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 capitalisation.

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

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 recognised as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position 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.

Issued Capital and Earnings Per Share

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

Repurchase of Issued Capital

When issued capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised 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 International Financial Reporting Standard (IFRS) 2 (Share-based Payment) during the 2008 financial year.

The costs of equity-settled transactions with employees are measured by reference to the fair value at the grant date and are recognised 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 recognised for awards that do not ultimately vest.

At each statement of financial position 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 statement of financial position date is recognised in the income statement, with a corresponding entry in equity.

Earnings Per Share

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.

Revenue Recognition

Revenue is recognised 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 recognised:

Sale of Goods and Finished Products

Revenue is recognised 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 recognised 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 grain elevators. Such expenses are included in cost of sales.

Taxation
The tax payable is based on the current taxable profit for the period. The tax rates and tax laws applied when computing this amount are those that have been enacted by the end of the reporting period in countries where the Group operates.

Deferred tax is recognised in the consolidated financial statements 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 recognised for all taxable temporary differences and deferred tax assets are recognised 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 realised 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 recognised amounts of current tax assets and current tax liabilities;
- the Group has an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously; and
- 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.

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 merchandising of wholesale grain.
Export terminals	Grain handling and transhipment services in the ports of Ilyichevsk and Nikolayev.
Silo services	Provision of grain cleaning, drying and storage services.
Sugar	Production, marketing and distribution of sugar.
Farming	Agricultural farming. Production of wheat, barley, corn, soya bean, sunflower seed and sugar beet.

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 September 2011 the segment table reflects continuing operations only.

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, amortisation 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

As of 30 September 2011, property, plant and equipment with the carrying amount of USD 523,398,000 (as of 30 September 2010: USD 383,191,000) was pledged by the Group as collateral against short-term and long-term bank loans (see Notes 7, 8).

The following table represents movements in property, plant and equipment for the 3-month period ended 30 September 2011:

	Oil	Export terminals	Farming	Inland silos	Sugar	Other	Total
Net book value as at 1 July 2011	**216,664**	**70,378**	**75,958**	**61,133**	**58,500**	**20,119**	**502,752**
Land	2,280	3,353	2	1,129	-	46	**6,810**
Buildings and constructions	118,403	15,046	30,816	41,537	24,892	2,945	**233,639**
Production machinery and equipment	85,198	51,923	15,288	8,851	33,102	110	**194,472**
Agricultural vehicles and equipment	18	-	27,058	35	-	4	**27,115**
Other fixed assets	433	-	2,196	5	-	16,840	**19,474**
CIP and uninstalled equipment	10,332	56	598	9,576	506	174	**21,242**
Additions	**154,710**	**604**	**10,757**	**5,550**	**770**	**2,473**	**174,864**
CIP and uninstalled equipment	2,160	604	10,757	5,550	770	2,473	**22,314**
Total additions from acquisition of subsidiaries:	**152,550**	-	-	-	-	-	**152,550**
Buildings and constructions	85,873	-	-	-	-	-	**85,873**
Production machinery and equipment	52,479	-	-	-	-	-	**52,479**
Agricultural vehicles and equipment	-	-	-	-	-	-	**-**
Other fixed assets	3,600	-	-	-	-	-	**3,600**
CIP and uninstalled equipment	10,598	-	-	-	-	-	**10,598**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Land	-	569	-	-	-	-	**569**
Buildings and constructions	309	-	80	6,364	-	163	**6,916**
Production machinery and equipment	1,096	-	56	2,417	360	21	**3,950**
Agricultural vehicles and equipment	-	-	10,852	-	-	8	**10,860**
Other fixed assets	37	14	26	143	424	1,733	**2,377**
CIP and uninstalled equipment	(1,442)	(583)	(11,014)	(8,924)	(784)	(1,925)	**(24,672)**
Disposal (at net book value)	**(52)**	**(4)**	**(115)**	**(6)**	**-**	**(187)**	**(364)**
Buildings and constructions	-	-	(50)	-	-	-	**(50)**
Production machinery and equipment	(52)	(4)	(57)	(1)	-	358	**244**
Agricultural vehicles and equipment	-	-	(4)	(5)	-	-	**(9)**
Other fixed assets	-	-	(4)	-	-	(545)	**(549)**
Depreciation expense	**(2,984)**	**(895)**	**(3,648)**	**(1,285)**	**(1,942)**	**(1,195)**	**(11,949)**
Buildings and constructions	(1,196)	(118)	(717)	(1,011)	(459)	(23)	**(3,524)**
Production machinery and equipment	(1,771)	(777)	(1,037)	(267)	(1,476)	(6)	**(5,334)**
Agricultural vehicles and equipment	(1)	-	(1,755)	(3)	-	-	**(1,759)**
Other fixed assets	(16)	-	(139)	(4)	(7)	(1,166)	**(1,332)**
Translation difference	**(146)**	**155**	**(10)**	**14**	**5**	**43**	**61**
Buildings and constructions	(1)	1	2	4	2	-	**8**
Production machinery and equipment	(145)	(1)	(5)	5	3	(370)	**(513)**
Agricultural vehicles and equipment	-	-	18	5	-	-	**23**
Other fixed assets	-	-	7	2	-	395	**404**
CIP and uninstalled equipment	-	155	(32)	(2)	-	18	**139**
Net book value as at 30 September 2011	**368,192**	**70,238**	**82,942**	**65,406**	**57,333**	**21,253**	**665,364**
Land	2,280	3,922	2	1,129	-	46	**7,379**
Buildings and Constructions	203,388	14,929	30,131	46,894	24,435	3,085	**322,862**
Production machinery and equipment	136,805	51,141	14,245	11,005	31,989	113	**245,298**
Agricultural vehicles and equipment	17	-	36,169	32	-	12	**36,230**
Other fixed assets	4,054	14	2,086	146	417	17,257	**23,974**
CIP and uninstalled equipment	21,648	232	309	6,200	492	740	**29,621**

5. Property, Plant and Equipment (continued)

The following table represents movements in property, plant and equipment for the 3-month period ended 30 September 2010:

	Oil	Export terminals	Farming	Inland silos	Other	Total
Net book value as at 1 July 2010	**212,695**	**73,577**	**20,529**	**58,618**	**13,616**	**379,035**
Land	2,289	3,380	2	1,138	46	**6,855**
Buildings and constructions	84,347	15,648	5263	47,002	3,362	**155,622**
Production machinery and equipment	59,821	54,454	275	9,772	66	**124,388**
Agricultural vehicles and equipment	22	-	14,908	55	-	**14,985**
Other fixed assets	-	-	-	-	9,838	**9,838**
CIP and uninstalled equipment	66,216	95	81	651	304	**67,347**
Additions	**8,585**	**295**	**134**	**336**	**2,064**	**11,414**
CIP and uninstalled equipment	**8,585**	**295**	**134**	**336**	**2,064**	**11,414**
Transfers	**-**	**-**	**-**	**-**	**-**	**-**
Buildings and constructions	41	8	30	83	-	**162**
Production machinery and equipment	236	-	5	82	2	**325**
Other fixed assets	-	-	-	-	904	**904**
CIP and uninstalled equipment	(277)	(8)	(35)	(165)	(906)	**(1,391)**
Disposal (at net book value)	**(56)**	**(39)**	**(61)**	**(155)**	**(43)**	**(354)**
Buildings and constructions	(24)	-	(17)	(20)	(3)	**(64)**
Production machinery and equipment	(10)	-	-	(37)	-	**(47)**
Agricultural vehicles and equipment	-	-	(11)	(11)	-	**(22)**
Other fixed assets	-	-	-	-	(40)	**(40)**
CIP and uninstalled equipment	(22)	(39)	(33)	(87)	-	**(181)**
Depreciation expense	**(2,566)**	**(879)**	**(1,269)**	**(1,397)**	**(740)**	**(6,851)**
Buildings and constructions	(1,030)	(118)	(183)	(993)	(46)	**(2,370)**
Production machinery and equipment	(1,535)	(761)	(17)	(400)	(41)	**(2,754)**
Agricultural vehicles and equipment	(1)	-	(1069)	(4)	-	**(1,074)**
Other fixed assets	-	-	-	-	(653)	**(653)**
Translation difference	**(2,135)**	**(33)**	**24**	**142**	**1,949**	**(53)**
Land	(1)	(2)	-	(1)	-	**(4)**
Buildings and constructions	(5)	(8)	(4)	(1,493)	2,000	**490**
Production machinery and equipment	(3)	(2)	-	289	1,479	**1,763**
Agricultural vehicles and equipment	-	-	94	1	-	**95**
Other fixed assets	-	-	-	-	(1,529)	**(1,529)**
CIP and uninstalled equipment	(2,126)	(21)	(66)	1,346	(1)	**(868)**
Net book value as at 30 September 2010	**216,523**	**72,921**	**19,357**	**57,544**	**16,846**	**383,191**
Land	2,288	3,378	2	1,137	46	**6,851**
Buildings and Constructions	83,329	15,530	5,089	44,579	5,313	**153,840**
Production machinery and equipment	58,509	53,691	263	9,706	1,506	**123,675**
Agricultural vehicles and equipment	21	-	13,922	41	-	**13,984**
Other fixed assets	-	-	-	-	8,520	**8,520**
CIP and uninstalled equipment	72,376	322	81	2,081	1,461	**76,321**

As of 30 September 2011, the amount of property plant and equipment includes USD 3,405,000 and the amount of CIP and uninstalled equipment includes USD 191,000 of capitalised interest on borrowing costs (as of 30 September 2010: USD 2,224,000 calculated at a capitalisation rate of 5.27% per annum). Capitalisation rate used to calculate the amount of capitalised interests as at 30 September 2011 is 9.98% per annum.

As of 30 September 2011, CIP and uninstalled equipment contains construction in progress amounting to USD 16,830,000.

The fair value of buildings and constructions (oil) and production machinery and equipment (oil) was revalued on 1 July 2009 by an external independent appraiser.

In order to determine the fair value of buildings and constructions (oil) and production machinery and equipment (oil), the Group retained the services of an independent appraiser FDI 'Bureau Veritas Ukraine' (Ods Certificate no.7100/08 dated 26.05.2008 State Property Fund of Ukraine), which holds a recognised and relevant professional qualification and has recent experience in valuation of assets of similar location and category.

The assessment was conducted in accordance with International Valuation Standards for property. The assessment procedure was carried out for all buildings and constructions and production machinery and equipment used in oil production. Due to the nature of highly specialised buildings and constructions (oil), such objects were evaluated using the replacement cost basis under present-day conditions, adjusted for depreciation. Several items of highly specialised production machinery and equipment (oil) were appraised using the replacement cost basis; fair values of other items of production machinery and equipment (oil) were estimated using the market value comparative approach.

The replacement cost approach involves the estimation of the present value of costs of construction or replacement of the item being assessed and their further adjustment by an ageing percentage.

The market value comparative approach is based on an analysis of market prices for similar objects of property, plant and equipment, taking into account the appropriate adjustments for differences between the object of comparison and the item being assessed.

6. Intangible Assets

The following table represents movements in intangible assets for the year ended 30 September 2011:

	Trade marks	Land lease rights	Other Intangible assets	Total
Cost as of 30 June 2011	**19,363**	**55,144**	**2,878**	**77,385**
Additions from acquisition of Subsidiaries (land lease rights)	-	2,534	696	**3,230**
Additions	-	-	285	**285**
Disposals	-	-	(115)	**(115)**
Translation difference	-	(3)	(113)	**(116)**
Cost as of 30 September 2011	**19,363**	**57,675**	**3,631**	**80,669**
Accumulated depreciation as of 30 June 2011	-	**(10,453)**	**(1,369)**	**(11,822)**
Amortisation charge	-	(2,131)	(90)	**(2,221)**
Disposals	-	-	33	**33**
Translation difference	-	1	118	**119**
Accumulated depreciation as of 30 September 2011	**-**	**(12,583)**	**(1,308)**	**(13,891)**
Net book value as of 30 September 2011	**19,363**	**45,092**	**2,323**	**66,778**

The following table represents movements in intangible assets for the year ended 30 September 2010:

	Trade marks	Land lease rights	Other Intangible assets	Total
Cost as of 30 June 2010	**19,450**	**18,280**	**2,275**	**40,005**
Additions	-	-	116	**116**
Disposals	-	-	(55)	**(55)**
Translation difference	(9)	(15)	68	**44**
Cost as of 30 September 2010	**19,441**	**18,265**	**2,404**	**40,110**
Accumulated depreciation as of 30 June 2010	**-**	**(7,275)**	**(888)**	**(8,163)**
Amortisation charge	-	(796)	(98)	**(894)**
Disposals	-	-	2	**2**
Translation difference	-	6	(71)	**(65)**
Accumulated depreciation as of 30 September 2010	**-**	**(8,065)**	**(1,055)**	**(9,120)**
Net book value as of 30 September 2010	**19,441**	**10,200**	**1,349**	**30,990**

Included in intangible assets of subsidiaries are the 'Schedry Dar', 'Stozhar', 'Zolota' and 'Domashnya' trademarks with the value of USD 4,578,544, USD 5,944,259, USD 8,661,027 and USD 178,695 in 2011 (USD 4,612,795, USD 5,988,727, USD 8,661,027 and USD 178,695 respectively in 2010). These trademarks are used by the Group for sale of bottled sunflower oil mostly in the Ukrainian market. As of 30 September 2011 and 2010, the trade mark 'Stozhar' was pledged as security for long-term loans (Note 8).

6. Intangible Assets (continued)

Management 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 amortised but tested for impairment by comparing their recoverable amount with their carrying amount annually on the 30th of June and whenever there is an indication that the trademarks may be impaired. The impairment testing of the trademarks was performed on 30 June 2011 by the independent appraiser FDI 'Bureau Veritas Ukraine'. No impairment was recognised.

7. Short-term Borrowings

The balances of short-term borrowings were as follows:

	As of 30 September 2011	As of 30 September 2010
Bank credit lines	308,226	346,151
Interest accrued on short-term loans	619	540
Interest accrued on long-term loans	6,699	971
Total	315,544	347,662

The balances of short-term borrowings as of 30 September 2011 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 2.12%	USD	June 2012	20,903
European bank	SG rate +3%	USD	July 2012	12,582
European bank	Libor + 4.75%	USD	August 2012	110,000
European bank	Libor + 6.75%	USD	September 2012	15,995
European bank	11.15%	USD	December 2011	6,022
European bank	12.45%	USD	October 2011	1,880
European bank	Libor + 9.00%	USD	August 2012	492
European bank	9.50%	USD	March 2012	9,411
Ukrainian subsidiary of European bank	Libor + 4.8%	USD	August 2012	55,000
Ukrainian subsidiary of European bank	Libor + 7%	USD	October 2011	20,000
Ukrainian subsidiary of European bank	Libor + 4%	USD	July 2012	35,000
Ukrainian subsidiary of European bank	Libor + 6.5%	USD	March 2012	20,941
Total bank credit lines				308,226
Interest accrued on short-term loans				619
Interest accrued on long-term loans				6,699
Total				315,544

The balances of short-term borrowings as of 30 September 2010 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 2.12%	USD	July 2011	70,787
European bank	Libor + 2%	USD	July 2011	45,024
European bank	Libor + 5%	USD	August 2011	112,000
European bank	Libor w+ 1%	USD	July 2011	2,543
European bank	2.5%	USD	July 2011	3,984
Ukrainian subsidiary of European bank	25%	UAH	December 2010	10,620
Ukrainian subsidiary of European bank	Libor + 10.4%	USD	October 2010	30,701
Ukrainian subsidiary of European bank	Libor + 4%	USD	June 2011	25,000
Ukrainian subsidiary of European bank	9.75%	UAH	October 2010	45,492
Total bank credit lines				346,151
Interest accrued on short-term loans				540
Interest accrued on long-term loans				971
Total				347,662

As of 30 June 2011 the overall maximum credit limit for short-term bank credit lines amounted to USD 828,801,000 (as of 30 June 2010 USD 582,269,000).

7. Short-term Borrowings (continued)

Short-term loans from banks were secured as follows:

Assets pledged	As of 30 September 2011	As of 30 September 2010
Inventory	151,163	268,936
Property, plant and equipment (see Note 5)	55,860	11,980
Trading securities	-	54,780
Total	207,023	335,696

In addition, controlling stakes in the following Subsidiaries were pledged to secure the short-term bank loans of the Group

	As of 30 September 2011		As of 30 September 2010		
	Maturity	Share in the mortgage		Maturity	Share in the mortgage
Agroservis LLC	October 2011	100%	-	-	-
Zernoservis LLC	October 2011	100%	-	-	-
Unigrain-Agro LLC	October 2011	100%	-	-	-
Lozivske HPP PJSC	October 2011	100%	-	-	-
Krasnopavlivsky KHP PJSC	October 2011	100%	-	-	-
Agrofirma Arshytsya LLC	October 2011	100%	-	-	-
Chorna Kamyanka LLC	October 2011	100%	-	-	-
Govtva LLC	October 2011	100%	-	-	-
Manzhurka LLC	October 2011	100%	-	-	-
Promin LLC	October 2011	100%	-	-	-
Brovarky PRAC	October 2011	100%	-	-	-
Troyanske LLC	October 2011	100%	-	-	-
Zorya LLC	October 2011	100%	-	-	-
Druzhba PRAC	October 2011	100%	-	-	-
Agrofirma Vesna LLC	October 2011	100%	-	-	-

8. Long-term Borrowings

The balances of long-term borrowings were as follows:

	As of 30 September 2011	As of 30 September 2010
Long-term bank loans	369,599	153,598
Current portion of long-term borrowings	(48,305)	(30,642)
Total	321,294	122,956

The balances of long-term borrowings as of 30 September 2011 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 3.52%	USD	April 2015	25,706
European bank	Libor + 8.95%	USD	September 2013	100,000
Ukrainian subsidiary of European bank	Libor + 5.7%	USD	September 2013	9,695
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	23,685
Ukrainian subsidiary of European bank	Libor + 8.41%	USD	August 2013	30,682
Ukrainian subsidiary of European bank	Libor + 11.2%	USD	August 2013	7,000
Ukrainian subsidiary of European bank	Libor + 7%	USD	September 2016	10,000
Ukrainian subsidiary of European bank	Libor + 7%	USD	September 2013	80,000
Ukrainian bank	15%	UAH	June 2016	63,611
Ukrainian bank	9%	USD	June 2016	10,078
Ukrainian bank	6.15%	EUR	June 2016	362
Ukrainian bank	20%	UAH	June 2016	8,780
Total				369,599

The balances of long-term borrowings as of 30 September 2010 were as follows:

	Interest rate	Currency	Maturity	Amount due
European bank	Libor + 3.52%	USD	April 2015	31,020
European bank	Libor 3m + 6.76%	USD	September 2012	29,332
Ukrainian subsidiary of European bank	Libor + 5.7%	USD	September 2013	59,004
Ukrainian subsidiary of European bank	Libor + 5%	USD	November 2013	31,369
Ukrainian subsidiary of European bank	Libor 3m + 11.2%	USD	August 2015	2,873
Total				153,598

Long-term loans as of 30 September 2011 include credit line from banks with the overall maximum credit limit of USD 369,599,000 (as of 30 September 2010: USD 157,723,000).

Long-term loans from banks were secured as follows:

Assets pledged	As of 30 September 2011	As of 30 September 2010
Property, plant and equipment (see Note 5)	285,195	215,958
Intangible assets (see Note 6)	5,944	5,989
Controlling stakes in Subsidiaries	not quantifiable	not quantifiable
Total	291,139	221,947

In addition, controlling stakes in the following Subsidiaries were pledged to secure the long-term bank loans of the Group

As of 30 September 2011			As of 30 September 2010		
	Maturity	Share in the mortgage		Maturity	Share in the mortgage
Vovchansky OEP VJSC	November 2013	100%	Vovchansky OEP PJSC	November 2013	100%
Kirovogradoliya JSC	September 2013	100%	Gutyansky Elevator LLC	November 2013	100%
Gutyansky Elevator LLC	November 2013	100%	Prykolotnjansky OEP LLC	November 2013	100%
Prykolotnjansky OEP LLC	November 2013	100%	Velykoburlutske HPP LLC	November 2013	100%
Velykoburlutske HPP LLC	November 2013	100%	Shevchenkisky KHP LLC	November 2013	100%
Shevchenkisky KHP LLC	November 2013	100%	Kovyagivske KHP LLC	November 2013	100%
Kovyagivske KHP LLC	November 2013	100%	Bandursky oil crushing plant LLC	April 2015	100%
Bandursky oil crushing plant LLC	April 2015	100%	Transbulkterminal LLC	September 2012	100%
Transbulkterminal LLC	September 2012	100%			

9. Income Tax

The corporate income tax rate in Ukraine was 23% as of 30 September 2011 and 25% as of 30 September 2010.
The new Tax Code of Ukraine, which was enacted on 2 December 2010, introduced a gradual decrease in income tax rates, from 23% effective 1 April 2011 to 16% effective 1 January 2014, as well as certain changes to the rules of income tax assessment effective from 1 April 2011. Consequently, the deferred income tax assets and liabilities as of 30 September 2011 were measured based on the revised income tax rates of the new Tax Code.

The components of income tax benefit for the year ended 30 September 2011 and 2010 were as follows:

Income tax recognised in profit or loss:

	3 months ended 30 September 2011	3 months ended 30 September 2010
Current income tax charge	(519)	(333)
Deferred tax benefit	5,770	1,620
Income tax benefit	5,251	1,287

9. Income Tax (continued)

The income tax benefit is reconciled to the profit before income tax per consolidated income statement as follows:

	3 months ended 30 September 2011	3 months ended 30 September 2010
Profit before income tax from continuing operations	**26,729**	32,638
Tax at statutory tax rate of 25% (July 2010 till 31 March 2011) and 23% since 1 April 2011 (2010: 25%)	**(6,148)**	(8,160)
Expenditures not allowable for income tax purposes and non-taxable income, net	**11,399**	9,411
Change in valuation allowance	-	36
Income tax benefit	5,251	**1,287**

Deferred tax arising on income and expenses recognised in other comprehensive income:

	3 months ended 30 September 2011	3 months ended 30 September 2010
Income tax related components of other comprehensive income	-	(3,789)
Total income tax recognised in other comprehensive income	-	**(3,789)**

As at 30 September 2011, based upon projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, management believes it is probable that the Group will realise the benefits of the deferred tax assets of USD 3,349,000 recognised in respect of tax losses carried forward by Group Subsidiaries. The amount of future taxable income required to be generated by Group subsidiaries to utilise the tax benefits associated with net operating loss carry forwards is approximately USD 14,559,000. However, the amount of the deferred tax asset considered realisable could be adjusted in the future if estimates of taxable income are revised.

The major components of deferred tax assets and liabilities were as follows:

	As of 30 September 2011	As of 30 September 2010
DEFERRED TAX ASSE TS AR ISING FROM :		
Tax losses carried forward	**3,348**	1,077
Valuation of advances from customers	-	9,846
Valuation of property, plant and equipment	**4,348**	880
Valuation of accounts receivable	**1,366**	1,154
Valuation of inventories	-	12
Valuation of intangible assets	**20**	291
Valuation of accrued expenses and other temporary differences	**340**	255
Net deferred tax assets	**9,422**	**13,515**
DEFERRED TAX LIABILITY ARISING FROM :		
Valuation of property, plant and equipment	**(28,469)**	(30,924)
Valuation of intangible assets	**(2,064)**	(2,283)
Valuation of prepayments to suppliers and prepaid expenses	**1,848**	(10,917)
Valuation of financial investments	**(15)**	(33)
Deferred tax liability	**(28,700)**	(44,157)
Net deferred tax liability	**(19,278)**	**(30,642)**

Movements in temporary differences were as follows:

	30 September 2010	Tax income/(expense) during the period recognised in profit or loss	Deferred taxes acquired in business combination	Currency translation difference	30 September 2011
Valuation of accounts receivable	1,154	103	99	10	**1,366**
Valuation of accrued expenses and other temporary differences	255	15	15	55	**340**
Valuation of advances from customers	9,846	(9,846)	-	-	**-**
Valuation of financial investments	(33)	18	-	-	**(15)**
Valuation of intangible assets	(1,992)	352	(406)	2	**(2,044)**
Valuation of inventories	(12)	(12)	-	-	**-**
Valuation of prepayments to suppliers and prepaid expenses	(10,917)	12,818	-	(53)	**1,848**
Valuation of property, plant and equipment	(30,044)	18,773	(12,759)	(91)	**(24,121)**
Tax losses carried forward	1,077	2,190	68	13	**3,348**
Net deferred tax liability	**(30,642)**	**24,411**	**(12,983)**	**(64)**	**(19,278)**

10. Acquisition and Disposal of Subsidiaries

The following entities were acquired during 3-months period ended 30 September 2011:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of acquisition	Date of acquisition
Trade Company Russian oil LLC	Trading in sunflower oil, meal and grain	Russia	100%	30 September 2011
Stavropol oil OJSC	Production plants.	Russia	100%	30 September 2011
Nevinnomissky oil-crushing plant CJSC	Production of sunflower	Russia	100%	30 September 2011
Production Management LLC	oil and meal.	Russia	100%	30 September 2011
Ust-Labinsky EMEK Florentina CJSC		Russia	100%	30 September 2011

Assets acquired include:
400,000 tons of crushing capacity per year in three production plants, one plant located in the Krasnodar region and two plants located in the Stavropol region;
100,000 tons per year of sunflower oil refining and bottling capacity;
Access to the world's second largest sunflower seed feedstock base and an opportunity to develop the Group's business model in a new geography with strong language, cultural and business environmental affinities with Ukraine.

10. Acquisition and Disposal of Subsidiaries (continued)

Fair value of assets, liabilities and contingent liabilities acquired during the ended 30 September 2011 was as follows:

	Value prior to acquisition	Fair value
ACQUIRED NE T ASSETS:		
Cash	4,685	4,685
Trade accounts receivable, net	3,700	3,700
Prepayments to suppliers and other current assets, net	5,450	5,450
Taxes recoverable and prepaid, net	35	35
Inventory	9,769	9,769
Property, plant and equipment, net	37,836	50,787
Intangible assets, net	52	52
Deferred tax assets	5,024	-
Deferred tax liabilities	(2,780)	(347)
Trade accounts payable	(1,747)	(1,747)
Advances from customers and other current liabilities	(5,556)	(5,556)
Short-term borrowings	(17,823)	(17,823)
Long-term borrowings	(26,161)	(26,161)
Fair value of net assets of acquired Subsidiaries		**22,844**
Non-controlling interest		-
Fair value of acquired net assets		**22,844**
Excess of fair value of net assets acquired over the acquisition costs		(6,844)
Total cash considerations due and payable		**16,000**
Less: acquired cash		(4,685)
Less: cash paid		(9,333)
Net cash due and payable		**1,982**

The Group assigned provisional values of the assets and liabilites acquired based on estimates of the independent appraisal. The Group will finalise the purchase price allocation within 12 month from the acquisition date.

The following entity was acquired during the 3-month period ended 30 September 2011:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of acquisition	Date of acquisition
Ukrainian Black Sea Industry LLC	Production plants. Production of sunflower oil and meal.	Ukraine	0%[1]	30 September 2011

Fair value of assets, liabilities and contingent liabilities acquired during the year ended 30 September 2011 was as follows:

	Value prior to acquisition	Fair value
ACQUIRED NET ASSETS:		
Cash	62	62
Trade accounts receivable, net	15,391	15,391
Prepayments to suppliers and other current assets, net	547	547
Taxes recoverable and prepaid, net	3,371	3,371
Inventory	2,090	2,090
Property, plant and equipment, net	24,252	101,763
Intangible assets, net	643	3,178
Deferred tax assets	172	-
Deferred tax liabilities	-	(12,636)
Trade accounts payable	(19,428)	(19,428)
Advances from customers and other current liabilities	(30,644)	(30,644)
Fair value of net assets		**63,694**
Non-controlling interest		63,694
Goodwill		59,801
Total cash considerations due and payable		**123,495**
Less: acquired cash		(62)
Less: cash paid		(54,076)
Net cash outflow due to the acquisition of Subsidiary by non-controlling shareholders		**69,357**

Through its purchase of a 100% interest in the BSI crushing plant, Kernel increased the crushing capacity of the Group for 460,000 tons/year, and became undisputed sector leader. Because of the location of this new crushing facility next to the Transbulk terminal, the Management expects to receive additional logistical benefits in terms of cost savings as well as more flexibility in oil and meal loading.

Non-controlling interest on acquired subsidiaries was calculated at the proportionate share of the acquiree's identifiable net assets. The non-controlling interest recognised at the acquisition date amounted to USD 63,694,000.

(1) Entity controlled by Kernel Holding

10. Acquisition and Disposal of Subsidiaries (continued)

The following entity was disposed of during the year ended 30 September 2011:

Subsidiary	Principal activity	Country of incorporation	Group's effective ownership interest on the date of disposal	Date of disposal
Skifiya-Zernotrade LLC	Grain elevator. Provision of grain and oilseed cleaning, drying and storage services. and sugar beet.	Ukraine	100%	03 August 2011

Fair value of assets, liabilities and contingent liabilities disposed of during the year ended 30 September 2011 was as follows:

ASSE TS DISPOSED OF, NET:	
Cash	2
Prepayments to suppliers and other current assets, net	1,387
Taxes recoverable and prepaid, net	9
Property, plant and equipment, net	54
Deferred tax assets	(342)
Trade accounts payable	(844)
Advances from customers and other current liabilities	1
Fair value of net assets of Subsidiaries disposed of	**267**
Non-controlling interest	–
Loss on disposal	**(261)**
Total cash consideration receivable	**6**
Less: cash from assets disposed of, net	(2)
Less: accounts receivable from Subsidiaries of	–
Net cash inflow from Subsidiary disposed of	**4**

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:

	Related party balances (as of 30 September 2011)	Total category as per consolidated statement of financial position (as of 30 September 2011)	Related party balances (as of 30 September 2010)	Total category as per consolidated statement of financial position (as of 30 September 2010)
Trade accounts receivable, net	-	122,698	475	53,825
Inventory	-	385,422	15	372,982
Prepayments to suppliers and other current assets, net	53,072	173,832	17,222	46,099
Other non-current assets	47,063	50,954	8,863	12,177
Trade accounts payable	265	53,799	-	-
Advances from customers and other current liabilities	100,417	241,229	26,487	89,632

Prepayments to suppliers and other current assets include a USD 50.5 million loan provided by Kernel to a group of investors for the purchase of Enselco. Advances from customers and other current liabilities include outstanding payments owed to a group of investors in two acquisitions: USD 31 million for UkrRos and USD 69 million for BSI.

Transactions with related parties were as follows:

	Amount of operations with related parties (for the 3 months ended 30 September 2011)	Total category per consolidated income statement (for the 3 months ended 30 September 2011)	Amount of operations with related parties (for the 3 months ended 30 September 2010)	Total category per consolidated income statement (for the 3 months ended 30 September 2010)
Cost of sales	-	(314,210)	(110)	(252,079)
General, administrative and distribution expenses	-	(47,011)	(418)	(40,148)
Finance costs	878	(12,342)	-	-

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

As of 30 September 2011 the Board consists of the following six directors: the Chairman of the Board, two independent directors, three directors employed by Subsidiaries.

Remuneration of the Board (6 Directors) for the 3-month period ended 30 September 2011 amounted to USD 172,250 (for the 3-month period ended 30 September 2010: USD 151,354).

The Chairman of the Board and three directors employed by Subsidiaries are not entitled to remuneration for their services as Board members but are refunded, to a reasonable extent, for any expenses incurred by them in performing their duties, including reasonable travelling expenses.

Three directors employed by Subsidiaries are entitled to remuneration for their services as members of the Management Team of the Group. Remuneration of the Management Team of the Group, totalling 14 people, amounting to USD 478,000 for the 3-month period ended 30 September 2011 (3-month period ended 30 September 2010: 14 people, amounted to USD 400,954).

The Members of the Board of Directors and the Management Team members are not granted any pensions or retirement or similar benefits by the Group.

12. Commitments and Contingencies

Operating Environment

The principal business activities of the Group are in Ukraine. Laws and regulations affecting businesses operating in Ukraine are subject to rapid changes. As a result, the Group's assets and operations could be at risk if there were any adverse changes in the political and business environments. Taxation Ukrainian tax authorities are increasingly directing their attention to the business community. As a result, the Ukrainian tax environment is subject to frequent change and 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 in which the Group interprets them 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 moreover, 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.

The new Tax Code of Ukraine was published in December 2010 and became effective on 1 January 2011, with some of its provisions taking effect later (such as section III, dealing with corporate income tax, which came into force on 1 April 2011).

Retirement and Other Benefit Obligations

Most employees of the Group receive pension benefits from the pension Fund, and Ukrainian Government organisation in accordance with the applicable laws and regulations. The Group is required to contribute a specified percentage of the payroll to the pension Fund to finance the benefits.

The only obligation of the Group with respect to this pension plan is to make the specified contributions.

As of 30 September 2011 and 30 September 2010 the Group was not liable for any significant supplementary pensions, post-retirement health care, nsurance benefits or retirement indemnities to its current or former employees.

Capital Commitments

As of 30 September 2011, the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 7,000,000 for supply of equipment and services required for construction of a new silo.

As of 30 September 2010 the Group had commitments under contracts with European and Ukrainian suppliers for a total amount of USD 10,551,000 for supply of equipment and services required for the new solvent extraction plant under construction and for a total amount of USD 1,056,000 for supply of equipment and services equired for construction of a new silo.

Contractual Commitments on Sales

As of 30 September 2011, the Group had entered into commercial contracts for export of 713,500 tons of grain and 688,785 tons of sunflower oil and meal, corresponding to an amount of USD 209,219,500 and USD 258,391,949 respectively in prices as of 30 September 2011.

As of 30 September 2010 the Group had entered into commercial contracts for export of 453,000 tons of grain and 318,000 tons of sunflower oil and meal, corresponding to an amount of USD 143,805,000 and USD 192,452,000 respectively in prices as of 30 September 2010.

13. Fair Value of Financial Instruments

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 'Financial Instruments: Disclosure and Presentation' and IAS 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, judgement 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 realise in a market exchange from the sale of its full holdings of a particular instrument.

As of 30 September 2011 and 2010 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 30 September 2011

On 3 August 2011, Kernel Holding S.A. increased share capital by an amount of USD 158,673.65 by the issue of 6,009,000 new shares without indication of a nominal value, of which 5,400,000 newly issued shares have been subscribed by the Company's principal shareholder, namsen limited. The remaining newly issued shares have been subscribed by holders of stock options issued in connection with the Company's management incentive plan. As a result of the capital increase, the Company's share capital is set at USD 2,104,120.11 divided into 79,683,410 shares without indication of a nominal value, giving right to 79,683,410 votes at the General Meeting of the Company.

In August 2011, Kernel Holding S.A. executed a share purchase agreement to acquire a 100% interest in Russian Oils, a company with oilseed crushing assets in the Krasnodar and Stavropol regions of Russia. On 19 September 2011, conditions precedent to the purchase of Russian Oils were fulfilled, and the acquisition was finalised.

On 17 August 2011, Kernel Trade LLC, a subsidiary of Kernel Holding S.A., entered into a USD 500 million credit agreement with a syndicate of banks led by ING Bank N.V, UniCredit Bank AG and Deutsche Bank AG. The working capital facility will be drawn to finance Kernel Trade LLC's sunflower seed purchases, storage and processing into sunflower oil and meal to be sold on the domestic market or exported.

On 26 August 2011, the Antimonopoly Committee of Ukraine approved the acquisition by Kernel of a controlling stake in Ukrros. On 26 August 2011, following the approval, Kernel Holding S.A. executed a call option agreement to acquire such controlling interest.

On 8 September 2011, Kernel Holding S.A. entered into a call option agreement for the purchase of a 100% interest in Enselco, a Ukrainian farming company managing 29,300 ha of leasehold farmland. Subject to approval of the transaction by the Antimonopoly Committee of Ukraine, Kernel will pay a total cash consideration of USD 52.3 million for such acquisition.

On 22 September 2011, Inerco Trade SA, a Subsidiary of Kernel Holding S.A., entered into a USD 150 million secured revolving facility agreement with Natixis, UBs AG and Raiffeisen Bank International AG as arrangers and lenders. The Facility is extended until 30 June 2012 and will be drawn to finance, the purpose of financing the purchase, storage, transportation and transhipment of agricultural commodities such as corn, barley, rapeseed and soya bean.

On 23 September 2011, Kernel received approval from the Antimonopoly Committee of Ukraine for the acquisition of BSI crushing plant. The value of the transaction is USD 140 million on a debt-free and cash-free basis.

On 28 September 2011, Inerco Trade SA entered into a USD 100 million two-year loan extended by European banks for general corporate purposes and secured against corporate guarantees of Kernel Holding S.A. and operational Subsidiaries of the Group.

On 30 September 2011, Kernel Trade, a subsidiary of Kernel Holding S.A., entered into a USD 100 million five-year loan extended by an Ukrainian bank. The loan is a multicurrency UAH/USD facility, and will be drawn to refinance existing Ukrros debt and finance sugar production. The facility will be secured by pledge of sugar plants and corporate guarantee of Kernel Holding S.A.

15. Subsequnet events

On 10 October 2011 the Board of Directors of Kernel Holding S.A. informed that 6,009,000 new ordinary bearer shares of the Company without indication of a nominal value bearing code LU0327357389 ("Shares"), issued pursuant to the share capital increase on 4 August 2011, were registered in the National Depository for Securities (Krajowy Depozyt Papierow Wartosciowych, "NDS") and admitted to trading on the main market of the Warsaw Stock Exchange ("WSE") on 10 October 2011. The Shares were registered in the NDS pursuant to resolution no. 893 of the Management Board of the NDS dated 29 September 2011 and admitted to trading on the WSE pursuant to resolution no. 1266 of the Management Board of the WSE dated 6 October 2011.

On 4 November the Board of Directors of Kernel Holding S.A. approved the terms and conditions of a new management incentive plan (the "Management Incentive Plan") providing to Eligible Employees (as defined in the Management Incentive Plan) an option to purchase in aggregate up to 2,550,000 new shares of Kernel Holding S.A., such number being equal to 3.2% of the issued and outstanding stock of Kernel Holding S.A. as at the adoption date of such plan, at the exercise price of 75 PLN per share.

1,550,000 options shall be vested and will become exercisable in the following proportion:
- one third under option will become exercisable on 4 November 2012;
- one third under option will become exercisable on 4 November 2013;
- the remaining shares under option will become exercisable on 4 November 2014.

1,000,000 options shall be vested and will become exercisable in the following proportion:
- one fourth under option will become exercisable on 4 November 2012;
- one fourth under option will become exercisable on 4 November 2013;
- one fourth under option will become exercisable on 4 November 2014;
- the remaining shares under option will become exercisable on 4 November 2015.